

## Appendix 1 – draft policies on Offices

### Context

The City is London's historic business core and today represents the largest concentration of office-based employment in the capital. It forms a world leading international financial and professional services centre, renowned for its financial, insurance and legal sectors which are the main office occupiers. However, the City is evolving, with a rapid increase in serviced offices and co-working providers, which offer more flexible workspace options and attract a more diverse range of occupiers including technology and media companies.

The whole of the City forms the business cluster and is suitable for further commercial development. There are, however, residential clusters within the City where a mixture of residential and commercial uses will be permitted (see Policy XX).

The City was home to 17,980 businesses<sup>1</sup> and 483,000 workers<sup>2</sup> in 2016 and employment is projected to continue to grow over the long term. Over 98% of all the City businesses are Small and Medium Enterprises (SMEs) with fewer than 250 employees; 80% have fewer than 10 employees<sup>3</sup>.

The intense concentration of business occupiers in a small physical area is a key part of the attraction for companies looking to move into the City as it offers them economies of scale and scope. The agglomeration, or clustering, effect is a vital part of the City's operation and contributes to its reputation as a dynamic place to do business.

The City lies wholly within London's Central Activity Zone (CAZ) where the London Plan promotes further economic and employment growth. The GLA projects that office employment in the City of London will grow by over 60,000 from 2016 to 2036<sup>4</sup>. London's rapidly growing population will also create the demand for more employment and for the space required to accommodate it.

The United Kingdom's exit from the European Union will have short and long-term effects on economic and employment growth depending on the detailed arrangements to be agreed. Whatever those arrangements London's strong underlying strengths mean that it is necessary to plan for London's continued growth as a global financial and business centre.

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<sup>1</sup> ONS Business Activity 2016

<sup>2</sup> Business Register and Employment Survey, 2017

<sup>4</sup> London Office Policy Review 2017

## **Core Strategic Policy CS XX: Offices**

To ensure the City of London provides additional office development of the highest quality to meet projected economic and employment growth by:

1. Increasing the City's office floorspace stock by a minimum of 2,000,000m<sup>2</sup> gross during the period 2016 to 2036, to meet the long term economic needs of the City and accommodate projected employment growth.
2. Ensuring that new floorspace is designed to be flexible to allow adaptation of space for different types and sizes of occupiers and to meet the need for a variety of workspace types suitable for SMEs, start-up companies and those requiring move-on accommodation.
3. Encouraging the provision of affordable office workspace that allows small and growing businesses the opportunity to take up space within the City.
4. Protecting existing office stock from being lost to other uses where there is an identified need or where the loss would cause harm to the primary business function of the City.

### Reason for the policy

The City of London is a world leading international financial and professional services centre and has a nationally important role in the economy. To maintain this position, it is vital to ensure that sufficient office floorspace is available to meet demand and that additional office development is of high quality and suitable for a variety of occupiers.

Policy CS1 indicates the amount of floorspace required to meet the forecast employment growth and will encourage the flexible floorspace needed to attract and retain a range of occupiers.

In 2016, 25% of take-up of office floorspace in the City of London was from "Media and Tech" firms, compared to 28% from "Financial" companies<sup>5</sup>, indicating an increasing shift away from the dominance of financial services, and an increasing demand from new types of occupiers. This broader range of occupiers is creating requirements for a broader range of office types as a response to changes in the market.

Demand for Incubator, Accelerator and Co-Working (IAC) floorspace is predicted to continue to grow across London and this type of accommodation is seen as important to the growth of SMEs<sup>6</sup>. Delivering these types of workspace within the City will meet the needs of smaller businesses and help to grow both the City and the wider London economy.

As well as providing flexible space, it is important to ensure that there is floorspace that is affordable to start-up and growing businesses. Accommodation costs are a

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<sup>5</sup> London Office Snapshot, Colliers Jan 2017

<sup>6</sup> Supporting Places of Work: Incubators, Accelerators and Co-working Spaces.

major overhead for new businesses and rents in the City can be prohibitive to new occupiers<sup>7</sup>.

The City Corporation has made an Article 4 Direction which will come into force on 31 May 2019. This Direction removes permitted development rights for the change of use of offices (B1a) to dwellinghouses (C3) across the whole of the City. The Direction is consistent with the approach to office development and protection of offices set out in this Plan and with the national exemption from permitted development rights, which has operated in the City of London since May 2013 and been extended to 30 May 2019.

### **Policy DM XX: Office Development**

1. Office development should:
  - Be of a high quality of design and an exemplar of sustainability; and
  - Be designed for future flexibility to allow for sub-division and amalgamation of floorplates to future proof the City's office stock; and
  - provide office floorspace suitable for a range of occupiers; and
  - provide a proportion of flexible workspace suitable for micro, small and medium sized enterprises.
2. Other commercial uses will be encouraged as part of office-led development, particularly at ground and basement levels, where such uses would not compromise the operation of office premises, would activate streets and provide supporting services for its businesses, workers and residents which contribute to the City's economy.

#### Reason for the policy

A range of office floorspace is required to accommodate the future needs of the City's office occupiers and this should include provision for incubator, co-working and accelerator space, as well as provision for larger firms where required. In order for the City to remain resilient to change, flexible office floorspace is required that can be easily adapted to meet changing workplace and technology requirements and the needs of a variety of office occupiers.

Offices are the predominant land use in the City, but complementary uses are required to provide supporting activities and services for businesses, workers and residents in appropriate locations within the City. Complementary uses which contribute to the City's economy include retail, leisure, education and health facilities. A mix of commercial land uses, in particular at ground floor and basement levels, creates active frontages enhancing an area's vitality and providing important complementary services particularly to the City's working community.

Proposals for new office development should demonstrate design quality and flexibility and include a suitable mix of complementary commercial or other uses

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<sup>7</sup> Clusters and Connectivity: The City as a Place for SMEs, City of London, March 2016

appropriate to the site and location. This will improve the attractiveness, adaptability and resilience of City office stock.

### **Policy DM XX: Protection of Existing Office Floorspace**

The loss of existing office floorspace will be resisted unless it can be demonstrated that:

- there is no demand in the office market, supported by marketing evidence covering a period of no less than 18 months;
- refurbishment or re-provision of office floorspace on the site would be unviable in the longer term, demonstrated by a viability assessment; and
- a mixed-use commercial redevelopment providing a reduced amount of better quality office space has been considered and its viability evaluated.

Where the above criteria have been met, the loss of office floorspace may be permitted provided that the proposed development would not compromise the potential for office development on sites within the vicinity and would have demonstrable wider benefits for the business City.

#### Reason for the policy

The City is the world's leading international financial and professional services centre and is recognised as having a key role in the UK economy. To maintain this position and accommodate the increase in demand for office floorspace, it is important to maintain existing office stock whilst accommodating future demand through the provision of flexible floorspace which is suitable for a range of occupiers.

The protection of existing offices is important to ensure that there is a range of office stock to provide choice in terms of location and cost to potential occupiers. Proposals involving the loss of office accommodation will need to be supported by robust evidence of need and viability to ensure that viable offices can be retained to meet future office need.

Refurbishment of office floorspace will be encouraged to accommodate future needs, whilst aligning with the sustainability principles set out in Policy XX and the need to find suitable and sustainable uses for historic buildings. Historic buildings can provide affordable office stock though they have specific constraints and opportunities which may affect refurbishment scheme viability.

#### How the policy works

To support proposals for the loss of existing office floorspace, applications must demonstrate that there is no demand for refurbished or new offices, or an office-led mixed-use development. Where a proposal results in a reduced amount of office floorspace, account will be taken of the type and size of office floorspace provided and if there is a specific need for office floorspace of that size and type in the City.

The loss of office floorspace at ground and lower ground levels may improve the vibrancy of an area by introducing more active frontages and so will not normally be

resisted. The loss of office floorspace on the upper levels of buildings is of particular concern and robust evidence will be required to demonstrate why such spaces cannot be used for office use.

Where the loss of office floorspace is proposed, this should be accompanied by robust evidence of marketing of the building or site for continued office use over a period of at least 18 months. Proposals must also be supported by evidence that the continued office use of the site would be unviable in the longer term. The loss of office floorspace at ground and lower ground levels to provide small-scale complementary commercial or supporting uses will not need to be supported by this additional information.

Marketing of the building should be undertaken for a minimum period of 18 months. The City Corporation needs to be satisfied that the site/building has been offered at a price commensurate with the value of the site/building for office use and that active promotion has been undertaken by the agents marketing the site. Information should be provided which details the number of viewings/interested parties, and comments regarding the suitability of the site/building.

As part of a viability assessment, the following information should be included:

- Site description;
- A valuation of the building in its existing use unfettered by any hope value;
- Total costs of maintaining the building as existing and in the future;
- Costs of refurbishing or redeveloping the building for office use;
- Information on rents and capital values;
- Information on current and recent occupation;
- Target rates of return (internal rate of return or other appropriate measure); and
- Sensitivity testing to support the robustness of the report conclusions.

Where evidence demonstrates that continued office use is unviable, alternative uses will be considered in line with the policies in the Local Plan. Demonstration that office use is not viable will not, on its own, provide the necessary justification for the proposed alternative use.

### **Policy DM XX: Temporary Alternative 'Meanwhile' Use of Offices**

1. Temporary use from vacant office buildings and sites ('meanwhile' uses) will be permitted where the proposed use would not result in adverse impacts on the amenity of the surrounding uses or the primary business role of the City. Permission will be granted for a period not exceeding 36 months and the site will revert to office use thereafter.
2. Residential development is not considered an appropriate meanwhile use and will not be permitted.

Reason for the policy

Where office buildings or sites are vacant, and development is not expected in the short term, 'meanwhile' uses will be supported to ensure the vitality and vibrancy of the City is maintained subject to their impact on surrounding uses.

#### How the policy works

'Meanwhile' uses will be granted for a maximum of 36 months, after which the use will revert to office use. Applications to extend the period of the 'meanwhile' use or make it permanent will be considered at the time in the policy context of the Local Plan objective to protect existing office use.