

London Borough of Bromley – Exemption from Permitted Development Rights for change of use from commercial to residential - Executive Summary

Exemption

The London Borough of Bromley seeks an exemption to the Government's proposals new rules to allow offices to convert to homes without the need for planning permission for specific parts of the Borough under category B substantial adverse economic consequences at the local authority level which are not offset by the positive benefits the new rights would bring.

The following areas, also shown on maps with the designated are shown in red and the borough boundary in blue are sought for exemption.

1. Bromley Town Centre

Bromley Town Centre, is a Metropolitan Town Centre, classified A/B in Annex 2 of the Local Plan indicating that speculative office building could be promoted on some sites. The ambitious Adopted Area Action Plan for Bromley Town Centre together with the emerging Local Plan seek to manage, allocate and promote office sites. The permitted development rights would seriously undermine these objectives. The significant difference in values for office and residential use means that owners and developers are already seeking changes of use. Currently the planning process enables any change to be managed in the context of the local plan. Evidence shows an increasing demand for offices, and a role for the town centre as designated in the London Plan with substantial office activities. Alongside this there will be residential development but in a planned manner providing confidence and certainty to the market and the community.

2 Biggin Hill Strategic Outer London Development Centre (SOLDC)

Biggin Hill SOLDC. The area is recognised as of wider than local economic importance with its London Plan Strategic Outer London Development Centre status and the emerging Local Plan includes options for further intensification of economic activity to support the sub-regional economy. There is a private sector led initiative LOCATE which is driving forward investment and this together with a locally prepared plan with local and adjoining authority support the economic vision and role. The potential of permitted development rights to change from office to residential creates uncertainty and will have an adverse economic impact at, and beyond the individual local authority level. The area is an established business area operating at more than a borough level.

3, Cray Business Corridor

The Cray Business Corridor, which contains over 50% of the borough's designated business land, and is identified as a Strategic Industrial Location (SIL) within the London Plan. This recognises the area's economically strategic importance, especially within a Borough also Identified as a Restricted Borough within the London Plan, where the loss of industrial land is seen to have an adverse impact at

a level of importance to the City as a whole. The emerging Local Plan identifies the Cray Business Area as an area for investment to ensure it meets the demands of future business and the Infrastructure Delivery Plan will identify the scope of improvements required. The area comprises three main designated business areas

- Sevenoaks Way/Cray Avenue
- Crayfields Business Park
- Klingers Business Area

4. Other Designated Business Areas

- Oakfield Rd (Penge),
- Lower Sydenham,
- Croydon Rd (Elmers End),
- Farwig Lane (Bromley North),
- Holmesdale Road

These are long established business areas within the Development Plan and make an important contribution to the borough's economy, providing valuable employment and a diverse and strong business base.

Surveys of businesses show satisfaction with the business areas, and a desire to stay there, and expand where possible, and if they need to relocate a wish to do so within the borough.

Current Position

The London Borough of Bromley considers that the designations currently in place for Business Areas will be undermined if the permitted changes to allow the changes of use from B1 (a) to C3 residential go ahead. Currently applications and appeals are refused/dismissed where such development is proposed because it is contrary to policies contained within the Bromley UDP. The new PD rights would severely limit the Council's ability to influence development and significantly damage its ability to control non-business development in designated Business Areas within the Borough all to the detriment of the wider economy.

London Borough of Bromley Request for Exemption Report

1. Introduction

- 1.1 The purpose of this report is to seek exemption for the areas set out in Appendix 1 under the forthcoming Permitted Development (PD) rights that will allow the change of use from B1(a) offices to C3 residential.
- 1.2 A sound argument supported by detailed evidence is set out in the report, providing a strong case for exemption through 'exceptional circumstances' that are 'justified on economic grounds' for criteria (b).
- 1.3 Section 2 forms the main part of this report, providing background context on the significance of the Bromley economy and commentary on the rationale for the proposed exempt areas.
- 1.4 The wider impacts of the proposed PD rights are briefly considered, with specific reference to the latent indirect economic impacts that could adversely affect the borough.
- 1.5 The report concludes with a summary of the key evidence and recommends that the areas discussed are carefully considered for exemption.

2. The Case for Exemption: Exceptional Circumstances, Evidence and Justification on Economic Grounds

- 2.1 The Government highlights that this PD measure is seen as an important contribution to assisting the economic well-being of the country; recognising that any loss of commercial premises will be accompanied by benefits in terms of new housing units, additional construction output and jobs.
- 2.2 It is therefore important to note that due regard has been given to the above benefits and it is acknowledged that these advantages have been factored into the decision making process in the request for exemptions.
- 2.3 It is made clear in the guidance that local exemptions for specific parts of a locality will only be granted in exceptional circumstances (where this can be justified on economic grounds) and where the assessment criteria as set out in Annex B of the Letter to Chief Planners has been addressed adequately. This report explicitly refers to the guidance and criteria in stating the case for exemption.
- 2.4 The London Borough of Bromley seeks exemption for parts of the borough (as set out on the attached maps) under the grounds of exceptional circumstances criteria (b):

"Substantial adverse economic consequences at the local authority level which are not offset by the positive benefits the new rights would bring".

- 2.5 This section specifically addresses the anticipated adverse impacts and the assessment criteria with reference to supporting evidence.

Policy Context

- 2.6 The National Planning Policy Framework (NPPF) emphasises planning's role in contributing to building a strong, responsive and competitive economy, by ensuring that sufficient land of the right type is available in the right places and at the right time to support growth and innovation; and by identifying and coordinating development requirements, including the provision of infrastructure.
- 2.7 Significant weight is placed on the need to support economic growth through the planning system and the onus is on local planning authorities to plan proactively to meet the development needs of business. The new PD rights will significantly undermine the role and ability of the Council to plan effectively for economic growth because the changes will take the control out of the hands of the Council, therefore adversely impacting on the capacity to ensure sufficient office floorspace is available in the right places at the right time to support growth.
- 2.8 The London Plan sets out the Mayoral vision and strategic policy regarding the economy and business growth which the borough's Local Plan has to conform to. A key driver of the London Plan (Policy 2.6 Outer London: Vision and strategy and Policy 2.7 Outer London: Economy) is to realise the potential of outer London, with specific reference to addressing the constraints and opportunities in economic growth so that outer London can rise above its long term economic trends.
- 2.9 It is clear from the national and regional policy framework that Bromley has a duty to plan proactively for economic growth and manage the stock of employment land to fulfil the identified needs of business. The new PD rights undermine the existing policy framework and will have an adverse impact on the Council's ability to influence development in its area and therefore ultimately plan strategically to meet future employment space and employment needs.

Employment Land Review Evidence

- 2.10 Bromley's economy is one of the largest in outer London, with just over 13,000 businesses and an estimated 129,000 jobs - an economic scale similar to cities such as Reading and Stoke-on-Trent. The borough has consistently had high levels of employment and a highly skilled workforce. Approximately two thirds of the jobs in the borough are taken by local residents of Bromley. A strong local economy is key to continuing prosperity in Bromley, underpinning the high quality of life which characterises the borough.
- 2.11 A recent study undertaken by DTZ (employment land review 2012) on behalf of the Council provides an evidence base for planning the borough's long-term future employment land requirements. Employment in the borough is forecast to increase by 6% to 137,000 by 2031, from 129,000 in 2011; this increase is similar to the percentage change in many other outer London boroughs.
- 2.12 These forecasted trends are likely to lead to the following net additional figures for space required to accommodate changes in employment:

- A significant requirement for office space (121,000 sq m) driven by business services and financial services
- Falling requirements (-9,200 sq m) for industrial /other business space driven by a decline in the manufacturing sector, and a decline for warehousing (-7,700 sq m)
- A small increase in non-B uses requiring traditional employment (i.e. B use) sites of 2,300 sq m, driven by declines in wholesale and increases in health and education.
- Also, a brief examination of non-B uses requiring non-traditional (i.e. non-B) sites highlights a total requirement of 249,000 sq m of floorspace. This will be driven primarily by construction, retail, hotels and restaurants. This requirement is likely to need a variety of types and locations of sites across the borough that fall under a number of non-B use classes.

2.13 The sectors that are set to grow the most in Bromley between 2006 and 2031 are Business Services, Financial Services, Construction, Health and Education and Hotels and Restaurants. Meanwhile, sectors forecast to lose employment include Manufacturing, Transport and Communications and Wholesale.

2.14 The DTZ study argues that the key to planning employment land provision to 2031 is restricting the release of existing office sites and non-office sites that have the potential to be converted to office uses. The study recommends protecting against loss to other uses existing employment land and premises in Bromley that meet the following criteria:

- Existing employment sites or premises that are within town centres. Bromley South represents the greatest opportunity to accommodate additional future development.
- Existing employment sites or premises that are suitable existing office locations outside town centres to provide both capacity for growth and choice for the market.

2.15 It is clear from the Council's evidence that the key to economic growth and prosperity in Bromley is to protect the loss of office floorspace because of the forecasted demand to accommodate the rise in businesses that require such space.

Emerging Local Plan

2.16 The Bromley Unitary Development Plan (UDP) sets out policies to protect Business Areas and prevent the loss of commercial land, including offices. These are established policies that are essential to allowing controlled growth in established commercial areas. Maintaining a diversity of accommodation for all business types is important, as is promoting the clustering of similar business types, in appropriate locations. For example, the financial, banking and Insurance cluster in Bromley town centre. This cluster employs a significant number of people, many of which are local residents. The new PD rights will limit the Councils ability to influence

development and significantly damage the established critical mass of such industries.

- 2.17 The Council is in the process of preparing its Local Plan and is at the 'Options and Preferred Strategy' stage. This document sets out the long-term planning framework for the Borough and is supported by research that provides an evidence base for planning the borough's long-term future business/employment requirements. Employment in the borough is forecast by the GLA to increase by 6% by 2031. These trends are forecast to require additional floorspace to accommodate changes in employment, with particular reference to a significant requirement for office space (121,000 sq m) driven by business services and financial services. Any changes to PD rights will impact on the Council's ability to influence and manage commercial development, hindering the objectives set out in the emerging Local Plan.
- 2.18 The continued challenging economic climate presents real challenges, highlighting the need to continue to ensure Bromley achieves its vision through clear designations, identifying where growth and investment will be encouraged. Economic growth is important to achieving the long term overall vision of 'Building a Better Bromley' and the emerging Local Plan.

Designated Local Business Areas, Strategic Industrial Locations and 'Restricted' Borough Designation

- 2.19 It is important to consider how best to protect the locally designated Business Areas which make-up the majority of employment land in the borough. Commercial land will be worth considerably more for residential use so the Business Areas will come under threat from residential development. It is therefore essential that the locally designated Business Areas (as shown on attached maps) are exempt from the new PD rights.
- 2.20 Any challenges to the status of the locally designated Business Areas will also put pressure on the Council's resources through the loss of business rates, the increased cost of infrastructure provision associated with new housing and the increased costs of investigating "bad neighbour" complaints caused by the unintentional friction between business and residential neighbours.
- 2.21 London Plan Policy 2.17 designates the Cray Valley Industrial area as a Strategic Industrial Location (SIL) and ranks the Borough as 'restricted' for the transfer of industrial land to other uses. Boroughs in the 'restricted' category typically have low levels of industrial land relative to demand and/or low proportions of industrial land within the SIL framework and so boroughs in this category are encouraged to adopt a more restrictive approach to the transfer of industrial land to other uses.
- 2.22 The Cray Valley commercial corridor represents just over 50% of all designated Business Area floorspace in the borough. Such a critical mass requires protection and a particular focus to be directed towards the progressive upgrading of employment land in line with the SIL status, principally to provide modern industrial premises. This involves support of the intensification and upgrading of the area to meet expected future business needs, particularly the forecasted growth in office based employment. Any PD right changes will conflict with these designations and constrain the Council's capacity to plan effectively.

- 2.23 The new PD changes will greatly confine the Council's ability to ensure a sufficient stock of land and premises to meet the future needs of different types of business uses, including for good quality and affordable space.

Bromley Town Centre

- 2.24 Bromley town centre is the main location for the borough's office-based businesses, with, over one third of the total office floorspace in the borough. The DTZ Retail and Office Study (2012) anticipates a net increase in local employment growth of 12,330 jobs to 2026. This is split between 8,480 local jobs resulting from growth in office floorspace, 3,500 from growth in comparison retail, and 350 from convenience retail. Bromley Town Centre is the only established sub-regional office location in the borough capable of accommodating the forecasted growth in office floorspace. Although it is recognised that the strength of the office market and the ability for speculative office redevelopment is tied to wider macro economic factors. However, this needs to be balanced against strength in the market such as Direct Line Group recent decision to establish a Centre of Insurance Excellence in Bromley and consolidate their whole insurance business onto the Bromley campus
- 2.25 The DTZ report confirmed in terms of accessibility, the train service is Bromley's Town Centre primary strength in terms of promoting an office market. The report confirmed that in terms of supply, there is a marked deficit in quality Grade-A space. In recent years, landlords have made efforts to undertake office refurbishments in order to prevent reputable tenants from relocating to better quality units elsewhere in alternative outer London regions. Current B1 Office employment stock needs to adapt to the modern needs of business occupiers. The current lack of Grade A stock is a disincentive to investment and employment growth in Bromley since, for example, it will affect the area's ability to benefit from overall economic recovery in the UK as occupiers grow their requirements and seek Grade A space.
- 2.26 Bromley town centre is classified as 'A/B' in Annex 2 of the London Plan, indicating that speculative office development could be promoted on the most efficient and accessible sites; or some office provision could be promoted within mixed-use schemes, but recognises that some long-term net loss of overall office stock through change of provision on less attractive sites might occur. Policies 4.2 and 4.3 provides the basis for this. It is through the emerging Local Plan that the management and promotion of office sites for development will be allocated.
- 2.27 One of the key recommendations of the report was that the Council should promote renewal and improvement of office premises within the town centre and retain existing office uses wherever possible. The report recommends future additional office provision should be focussed around the core cluster on Elmfield Road and on sites close to Bromley South station where market demand is likely to be strongest – in order to enhance Bromley's critical mass as an office destination.
- 2.28 Consideration needs to be given to the potential impacts such PD changes could have on Bromley town centre given its importance both locally and regionally as a 'Metropolitan' centre. The new PD changes could transform the nature of Bromley town centre due to the scale of the office market at risk from residential development. Given that residential land values are substantially higher than

business, the PD changes risk substantial adverse economic impacts on both a local and wider regional level due to the scale of the Bromley economy.

- 2.29 The emerging Local Plan seeks the expansion and intensification of office use within Bromley town centre, particularly around Bromley South and Bromley North stations, supported by improved transport connections and recognition within the London Plan as an Opportunity Area.

Current Availability

- 2.30 Over the past five years, the amount of available office accommodation in Bromley town centre has averaged 160,000 sq. ft. Current availability is approximately 180,000 sq. ft. Bromley town centre is generally viewed as a sub-regional office location supporting the business and financial service industries, with most of the office space occupied by a number of small to medium sized business service firms. Leasing activity at present is limited to smaller office suites.
- 2.31 The current office stock in Bromley is 1.125m sq.ft, current availability stands at approximately 16% of existing stock (defined as conventional built space, excluding suites of less than 1,000 sq. ft., accommodation above retail; converted residential etc), which is slightly above the average norm of 15% for the Bromley office market. This is hardly surprising given the past few years recession and local agents expect the availability rate to drop within the next 12/18 month period given recent activity levels.
- 2.32 By way of a comparison, recent data from Jones Lang LaSalle advises that office vacancy rates in Manchester, Leeds and Bristol are all at about 10% of total stock whilst in Birmingham the figure is 17%, and in the Thames Valley it has risen to 21.2%. So at 16%, Bromley is typical of any suburban location at the present time.

Historic Take up/Activity

- 2.33 The evidence shows that take up in the town averages around 56,000 sq. ft. per annum. However, this does not take account of variations between some of the years, caused as a result of economic conditions at the time. Not surprisingly the best years were from 2005 through to 2009 where the average take up was nearer 75,000 sq. ft. and whilst some 63,000 sq. ft. of space was let/sold in 2011, take up in 2010 (30,000 sq. ft.) and 2012 (28,500 sq. ft.) were disappointingly low but hardly an indication that the market is in any way failing.
- 2.34 The specification for “Grade A” accommodation includes air conditioning; full access raised floors; double glazed window installations; top quality fitted WC’s / kitchens; passenger lifts etc. The number of buildings in Bromley today that can be truly classified as grade A number is probably less than half a dozen or so. There is a clear shortage of office accommodation, particularly Grade A accommodation. Using the average historic take up figure the currently available stock represents a three year supply.

Current Demand / Requirements

- 2.35 According to a local agent the enquiries for offices in the town at the time of preparing this response number 12 and comprise the following:

Up to 5,000 sq. ft. = 8
5,001 sq. ft. to 10,000 sq. ft. = 2
10,001 sq. ft. to 20,000 sq. ft. = 2

Economic Impacts

- 2.36 Bromley Town Centre is the major employment location within the Borough, which is a reflection of its role as one of London's leading Outer London Metropolitan centres. The Council in 2010 adopted an ambitious Area Action Plan for the town, which provides the planning framework to guide employment growth over the next 15 years. The Plan recognised the central role office employment plays in underpinning the economic viability and vitality of the town. Office based employment currently stands at approximately 16,600 or 66% of all employment in the town centre. Any unregulated reduction in the ability to retain and grow the office based employment in the town centre will significantly undermine the objective of the Area Action plan for a balanced growth. This in turn would jeopardise the currently investment programme for the town and undermine the office market in Bromley and the valuable employment this generates.
- 2.37 PD changes will negatively impact on employment levels and the established business offer of Bromley town centre. There is a critical mass of office based employment in the banking, financial and insurance sectors in Bromley town centre which could be jeopardised through the incremental loss of office floorspace to residential use. The impact of the changes will also cause adverse sustainability and vitality issues as local jobs will be eroded, subsequently increasing the need to travel for work, whilst also affecting the vibrancy of the town centre
- 2.38 The Bromley Town Centre office market contributes significantly to the Borough's current business rate base of £80m. According to the Centre for Cities 'Capital Gain' report (Oct 2011) in the 10 year period (99/10) Bromley was one of only five London local authorities which saw real declines in their LCBR over the period. Bromley experienced a 3% fall which equated to £2.2m. Any further sustained fall in the Borough's business rate base in Bromley Town Centre, which would occur if this permitted development change were to be implemented, would severely impact on the Borough's ability to provide support for employment initiatives in the town.

Biggin Hill Strategic Outer London Development Centre

- 2.39 Biggin Hill is identified in London Plan policy 2.16 as a Strategic Outer London Development Centres (SOLDC); a strategic development centre with one or more strategic economic functions of greater than sub-regional importance.
- 2.40 Stakeholders are encouraged to bring forward adequate development capacity, placing a strong emphasis on creating a distinct and attractive business offer. This status offers the potential for increased support of economic growth activities at Biggin Hill Airport and the adjoining industrial area, focusing on aviation-related activities, with the provision of associated business infrastructure and amenities. The new PD rights will invariably undermine this policy designation and constrain the economic potential that could be realised.

Business Rates Retention

- 2.41 The Government is introducing reforms to the collection and spending of business rates to enhance business rate retention by local authorities in line with its economic growth and localism agendas. These are due to be implemented from April 2013.
- 2.42 These changes to the retention of business rates will significantly impact on the Council's ability to secure future financial income because of the inherent differential between business and residential land values. The emerging Local Plan places an emphasis on economic growth with a view to enhance the Council's income from business rates at a time of considerable financial pressure.
- 2.43 A recent study on stimulating the local economy commissioned by the Council and undertaken by GL Hearn focuses on considering opportunities for physical investment and development to enhance economic performance and the business rates yield. It focuses on 'B' use class employment uses (rather than retail or leisure development) and sets out a clear financial incentive for the Council to support these initiatives to act proactively to guard against any reduction in business rates yield.

Wider Social, Environmental and Economic Impacts

- 2.44 There potentially adverse impacts relating to the conversion of office buildings to residential use. These include the loss of control over the design and standards of housing, compliance with safety requirements, lifetime homes requirements, and the loss of contributions to supporting infrastructure. It is anticipated there will be unintended consequences brought about by the PD changes that will cause costs to the Council that will significantly outweigh the benefits of the new changes.
- 2.45 Under the proposed PD changes it is unclear how the provision of affordable housing (or payment in lieu) will be dealt with. The same also applies to other planning requirements such as planning obligations, parking standards and amenity space. It is anticipated there will be a significant loss of Section 106 income to the Council which is a valuable resource used to provide homes and infrastructure.
- 2.46 If the conversion of office to residential buildings circumvents the planning obligations process it will in turn threaten the viability of both schemes in the pipeline and future developments because they will be burdened with higher costs to fill the void. The proposal therefore undermines the borough's ability to effectively plan for longer term infrastructure requirements.

3. Conclusions

- 3.1 The London Borough of Bromley seeks exemption for parts of the borough (as set out in Appendix 1) under the grounds of exceptional circumstances criteria (b).
- 3.2 As discussed in section 2, there is strong sound evidence to request exemption for the following areas:

- Local Business Areas
- Cray Valley SIL
- Bromley Town Centre
- Biggin Hill SOLDC

- 3.3 The new PD rights will have significant implications for the borough, impacting on its ability to strategically plan and manage the supply of employment space that is essential to the local economy and the objectives of sustainable development.
- 3.4 Local evidence shows a requirement for an additional 121,000 sqm of office floorspace for the period to 2031. The sectors that are forecast to grow in Bromley between 2006 and 2031 require a significant demand for office floorspace. The emerging Local Plan seeks the expansion and intensification of office use within Bromley town centre, the intensification of the Cray Valley SIL and the realisation of the Biggin Hill SOLDC.
- 3.5 The evidence demonstrates that the key to planning employment land provision to 2031 is restricting the release of existing office sites and non-office sites that have the potential to be converted to office uses.
- 3.6 The existing policy framework and emerging Local Plan support the economic growth of the borough through a plan-led approach. Progress in realising these policies will be adversely impacted by the new PD changes.
- 3.7 The changes to the retention of business rates creates a financial incentive for the Council to plan for economic growth; this will be adversely affected by the new PD rights and will impact on the Council's ability to secure future financial income from business rate growth.
- 3.8 The proposals will also have the effect of circumventing normal housing policy requirements such as the provision of affordable housing, secured by design, lifetime homes and renewable energy. There will be no opportunity to seek the usual Section 106 obligations to secure infrastructure, schools, health and other community services.
- 3.9 The continued challenging economic climate presents real challenges, highlighting the need to continue to ensure Bromley achieves its vision through clear designations, identifying where growth and investment will be encouraged. Economic growth is important to achieving the long term overall vision of Building a Better Bromley and the emerging Local Plan.

4. **Appendices**

Appendix 1 - Maps

Business Areas;
 Oakfield Rd (Penge),
 Lower Sydenham,
 Croydon Rd (Elmers End),
 Farwig Lane (Bromley North),

Holmesdale Road

Strategic Industrial Location;
Klingers Foots Cray Business Park;
Crayfield Business Pak,
Sevenoaks Way/Cray Ave

SOLDC;
Biggin Hill

Bromley Town Centre;
AAP boundary

Appendix 2 - List of Local Evidence/Studies (available on request):

Economic Development and Employment Land Study, 2010, GVA Grimley

Market Demand and Feasibility Report, 2009, GVA Grimley

Retail, Office, Industry and Leisure Study, 2012, DTZ

Bromley Town Centre AAP, 2010

Stimulating the Economy Study (GL Hearn Study) 2013