

INSIGHT
JAN 2018

The draft London Plan

New policy directions for delivering growth



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Executive summary

This London Plan Insight focuses on the potential impact of some of the most ambitious policies included in the Mayor's consultation draft. The draft Plan's themes of 'Good Growth' and the optimisation of land use, alongside an enhanced commitment to Green Belt protection, translate into policies for Outer London boroughs to accommodate much of the projected growth to 2041.

There are several bold policies worthy of mention:

1. The threshold approach to affordable housing in the 2017 Affordable Housing and Viability Supplementary Planning Guidance (SPG) is confirmed and expanded to apply to more forms of development, including Build to Rent and student accommodation; the 35% threshold and different tenure requirements should reflect scheme viability.
2. The new design-led approach to determining site capacity moves away from the current Plan's density matrix, although it reaffirms the link between densities and public transport accessibility levels. Within this framework, town centres play a key role in the intensification process of Outer London boroughs, with specific focus on diversification.
3. The confirmation and possible strengthening of Green Belt protection, and the decision to accommodate all of London's housing growth requirement within its boundaries, has led to the identification of new ways of increasing supply; most notable is a presumption in favour of small site developments for new homes. But in light of the Mayor's support in parallel for boroughs' affordable housing requirements being met for sites of ten units or less, this 'presumption' might not be enough to achieve the 24,500 new homes on small sites that there is said to be capacity for each year.
4. Acknowledging that transport infrastructure is a crucial issue for London, the draft Plan's spatial strategy proposes growth corridors and 'Strategic Infrastructure Priorities'. The improvement of transport connections between the wider South East and London, and better access within the capital, are seen as critical to meeting employment and housing growth needs.
5. The draft Plan protects strategic industrial land, while also promoting consolidation, intensification and co-location in order to increase overall floorspace and free-up land for other uses. 'Substitution' of industrial capacity outside London also features, in collaboration with local authority partners. The need to protect and expand London's office floorspace is also recognised; accordingly, the Mayor's support for Article 4 Directions and affordable workspaces comes as no surprise.
6. Integrating London's heritage with regeneration is promoted through conservation-led and 'heritage at risk' policies, while Creative Enterprise Zones and formalising the 'Agent of Change' principle support the capital's cultural facilities.
7. Two possible alternatives are identified for funding the draft Plan's housing and transport infrastructure-led objectives – fiscal devolution and sharing land value uplift. Both require significant central government backing. Funding is a clear issue, particularly given how little of the tax revenue raised in London is retained.

Key figures

35%

affordable housing threshold for 'Fast Track Route' (for-sale developments, Build to Rent and others)

65,000

annual housing target

10.8m

projected population in London by 2041

6.9m

projected jobs in London by 2041

200,000

new homes to be 'unlocked' by Crossrail 2

470,600

new homes supported by growth corridors

15

identified future potential town centres

01 Introduction

The long-awaited draft London Plan was launched for consultation on 1 December and comments can be submitted up to 2 March. Setting the Mayor's new strategic directions for planning in London until 2041, the draft Plan carries limited weight in planning decisions until at least next year's examination in public. Final publication is envisaged for autumn 2019.

The overarching principle that informs all of the draft Plan's policies is the concept of 'Good Growth', which broadly translates as 'sustainable growth that works for everyone'. Good Growth is further detailed in six policy objectives, comprising: inclusive communities; making the best use of land; delivering housing; efficiency and resilience; economic growth; and reducing health inequalities. These objectives underpin all of the draft Plan's policies.

London's housing target is increased significantly to 65,000 homes per annum (the identified need is 66,000), with the expectation that 55% of all homes will be delivered in Outer London boroughs¹. The Mayor also aims to reach his zero-carbon target by 2050, while achieving the target of 80% of all trips in London being made by foot, cycle or public transport by 2041. Improving access into and within the capital will be critical in this regard.

Importantly the very detailed nature of many of the draft Plan's policies is intended to support boroughs in their immediate use, without having to update their own development plans first.



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Contents

01	Introduction	1
02	Expanded affordable housing threshold	2
03	Design-led densification	3
04	What future for town centres?	4
05	Small sites, big contribution	6
06	Green Belt and Metropolitan Open Land constrain growth	7
07	Growth corridors and the Wider South East	8
08	'Healthy Streets' mean car-free developments	9
09	Strategic Industrial Land: all is not lost	10
10	Article 4 Directions and affordable workspaces	11
11	Heritage and culture contribute to regeneration	12
12	How do you solve a problem like the money?	13
13	Conclusions and implications	14

¹ Outer London boroughs (for the purposes of the Plan) exclude both Newham and Greenwich, as detailed at Figure A2.1 and Table A2.2 of the draft Plan. Accordingly, the list of Inner London boroughs is as follows: City of London, Camden, Greenwich, Hackney, Hammersmith and Fulham, Islington, Kensington and Chelsea, Lambeth, Lewisham, Newham, Southwark, Tower Hamlets, Wandsworth, and Westminster

O2

Expanded affordable housing threshold

35%

affordable housing threshold for 'Fast Track Route' (for-sale developments, Build to Rent and others)

50%

Mayor's strategic target for affordable new homes

The draft London Plan confirms a general 35% affordable housing threshold, effectively translating the 2017 Affordable Housing and Viability SPG approach into policy and expanding it beyond for-sale schemes only.

The 35% affordable housing threshold (i.e. the 'Fast Track Route') exempts developers from submitting viability assessments at application stage, if they meet or exceed the relevant level of affordable housing and other requirements. This threshold had been the focus of many rumours before the draft Plan launch, with some expecting it to be raised to 50% – as for the affordable housing strategic target – or even 65% – the annualised affordable housing need identified by the 2017 Strategic Housing Market Assessment. The 35% threshold has been expanded, instead, to apply to other types of development (see Figure 1), with viability being reflected by the type of affordable housing provision. Interestingly, the draft Plan confirms that the bar remains set at 35% until at least 2021, when the threshold will be reviewed via the SPG.

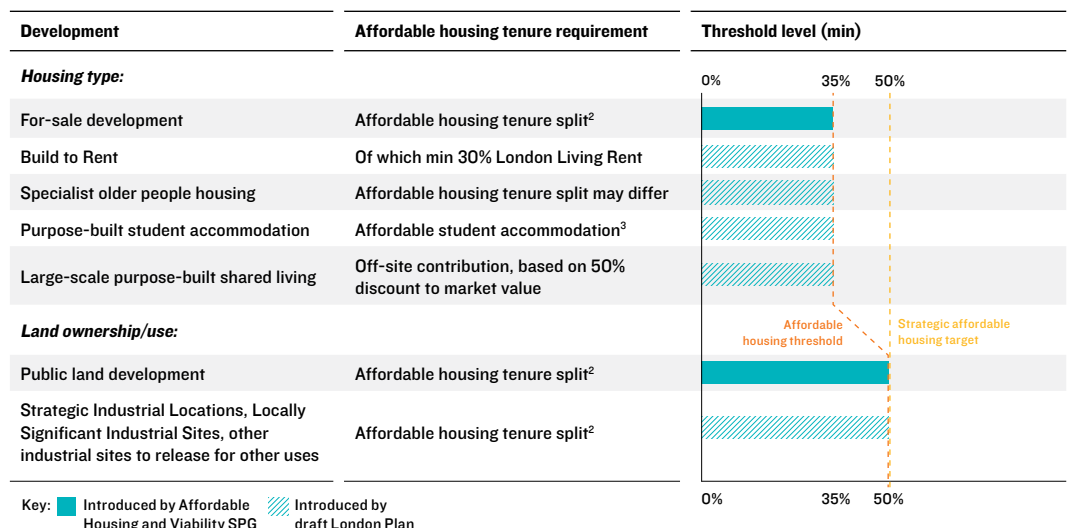
In Opportunity Areas, boroughs may consider applying localised affordable housing thresholds or 'fixed affordable housing requirements'; in such cases, the resultant affordable housing provision should be

increased beyond 35% 'where possible'. The intention here is to provide greater certainty for developers and landowners, and prevent land prices rising on the basis of hope value.

The draft Plan also clarifies that applicants wishing to vary permissions (via s73 applications and s106 deeds of variation) will not be requested to submit viability information if the development still meets the relevant affordable housing threshold level and other requirements.

The overall impression is that 12 months on from its first introduction via the draft Affordable Housing and Viability SPG, the threshold approach is here to stay. Most for-sale developers understand its rationale, although it is yet to be seen if it has caused a lull in housing delivery. However, the consistent expansion of the policy, as proposed by the draft Plan, might not achieve acceptance, as different development types emerge and their business models might not viably achieve the proposed threshold in all parts of London (as acknowledged by the draft Plan's Viability Study). In such cases, not-for-sale developers in particular might still prefer the viability assessment route, to support a case for bespoke affordable housing contributions.

Figure 1: Affordable housing threshold ('Fast Track Route') by housing type and land ownership/use



Source: Lichfields analysis of draft London Plan

² Min 30% low cost rented homes; min 30% intermediate products; 40% to be determined by the relevant borough (HS7: Affordable Housing Tenure)

³ Bedroom provided at a rent level (for the academic year) equal to or below 55% of the max income that a new full-time student (studying in London and living away) could receive from the Government's maintenance loan for living costs for that academic year

03 Design-led densification

The draft Plan aims to give design quality centre stage in promoting optimal densification. However, it does not quite abandon the current London Plan's very prescriptive 'sustainable residential quality density matrix', based on habitable rooms and dwellings per hectare, Public Transport Accessibility Level (PTAL) and whether a site is suburban, urban, or central.

The new design-led approach to determining the appropriate site capacity means that developers can make the planning case for their chosen densities on the combined basis of good design quality reflecting site characteristics and context, and proximity to transport links. The ratio to remember is the higher the density in relation to PTAL, the greater the likely level of scrutiny.

A new 'Urban Greening Factor' now has to be incorporated into major application scheme design; a simple calculation will be used to identify the appropriate amount of 'urban greening' required in new developments. The recommended target scores of 0.4 for residential-led developments and 0.3 for predominately commercial schemes are based

on factors for 'different surface cover types' that are derived from a review of experiences of cities worldwide that have operated a 'Green Space Factor'.

The three indicative examples in Figure 2 all pass the target score. However, it is worth noting that if any of the 'highly green' factors (such as green roofs and flower-rich perennial planting) were to be reduced, the residential schemes would not reach the minimum target score.

Draft design policies also take on a new edge post-Grenfell, the intention being to make sure that new buildings meet the highest fire safety standards; an independently-prepared Fire Statement is required with all major planning applications.

Otherwise on design, the draft Plan closely defines in policy all of the possible considerations for tall buildings (which are endorsed in principle, if in an accessible location). In comparison, basements receive only the sketchiest of mentions; their negative impacts should simply be tackled in local plan policies.

65,000

annual housing target

0.4

Urban Greening Factor minimum target score for residential-led schemes

0.3

Urban Greening Factor minimum target score for predominantly-commercial developments

Figure 2: Examples of 'Urban Greening Factor' calculation

Factor	Example 1 Detached dwellings	Example 2 Apartment block	Example 3 Office building				
Context							
Units/floorspace	10	40	15,000 sqm				
Floors	2	10	20				
Building footprint	400 sqm	400 sqm	750 sqm				
Site size	1,000 sqm	1,000 sqm	1,000 sqm				
Density	100 dwellings per hectare	400 dwellings per hectare	Plot ratio: 150,000 (sqm/ha)				
Location	Outer London (PTAL 0-1)	Outer London Opportunity Area	Central Activities Zone				
Parking Standard (per unit) ⁴	1.5	0.5	0				
Urban Greening Factor calculations							
Extensive green roof ⁵	0.7	200 sqm	140	300 sqm	210	563 sqm	394
Flower-rich perennial planting	0.7	412 sqm	288	200 sqm	140	-	-
Amenity grassland	0.4	-	-	100 sqm	40	100 sqm	40
Permeable paving	0.1	-	-	50 sqm	5	150 sqm	15
Car Parking	0	188 sqm	-	250 sqm	-	-	-
Urban Greening Factor score (total/site size)		0.43		0.40		0.45	

Source: Lichfields analysis of draft London Plan

⁴ Standard parking space dimensions: 5.0m x 2.5m (12.5 sqm)

⁵ Conservative estimate, assuming 75% roof coverage (50% for detached dwellings)

04 What future for town centres?

222

existing town centres

5

new town centres

The draft Plan's promotion of design-led higher densities, improved infrastructure, and the intensification of use of well-connected land all point towards a prominent role for town centres, which are frequently described as 'crucial'. As one might expect, land within and on the edge of town centres is where development is to be prioritised; out-of-centre development continues to be 'firmly resisted'.

Opportunities to intensify the use of land in and on the edges of town centres include low density supermarket and retail and leisure parks.

The draft Plan's emphasis on adapting the role of the town centre goes further than in the current London Plan, whereby the commercial and residential growth potential of each of the identified centres is ranked separately. The ranking suggests high commercial growth potential in centres in central and West London, and high residential development growth potential in centres on the north side of the Thames.

The draft Plan introduces several classification changes compared to the current London Plan: it identifies five 'new' town centres (Hackney Central, Brompton Cross, Southfields, Shoreditch and Farringdon), 'upgrades' Canary Wharf and Elephant and Castle to 'Metropolitan' and 'Major' town centres respectively, and it expands and merges a number of others (Figure 3). Interestingly, all revisions fall within Inner London. Fifteen 'future potential' town centres are also identified in areas where growth in housing and their retail offer is planned (e.g. on the Isle of Dogs, in the Thames Estuary and at Old Oak Common).

The change in political winds since the publication of the current Plan means that instead of a cautionary word regarding the interpretation of the permitted development right (PDR) relating to retail to residential change of use prior approval applications, there is a draft policy encouraging targeted Article 4 Directions for removing retail, office, or light industrial PDRs where appropriate. The clear message is that diversification should happen in a planned way.

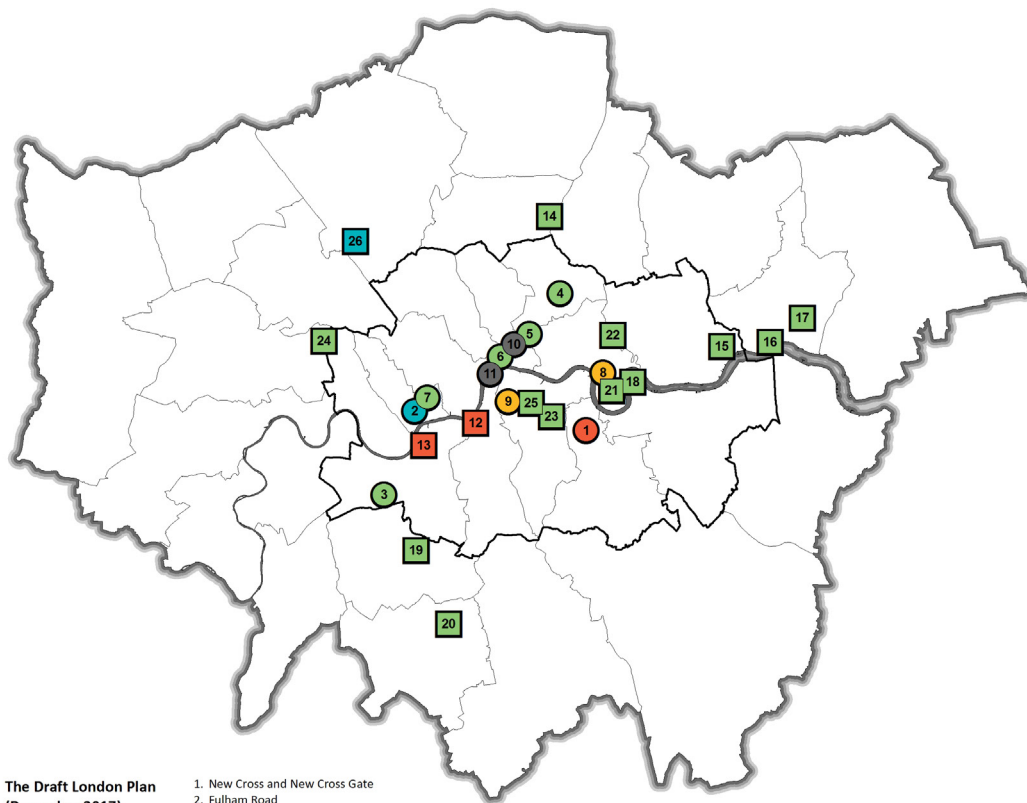
Social infrastructure facilities 'should be located in places that maximise footfall to surrounding town centre uses', giving them a strong supporting role; they are currently to be borne in mind in new developments, and potentially seen as a suitable use for surplus industrial land. The non-exhaustive definition of social infrastructure broadly includes uses that fall within Use Classes D1 and D2, but it also includes play areas and informal recreation.

Although the locational requirements of the policy are not precisely defined, its strict application would go beyond current London Plan and national requirements, where social infrastructure is not a town centre use specified in the National Planning Policy Framework (NPPF). This would effectively create a 'social infrastructure zone' within and around town centres, which might prove a challenge for some social infrastructure providers seeking viable sites. For this reason, it is most likely to become an aspirational policy, rather than a frequently cited requirement.

Figure 3: Draft London Plan changes to town centres network

15

identified future potential town centres

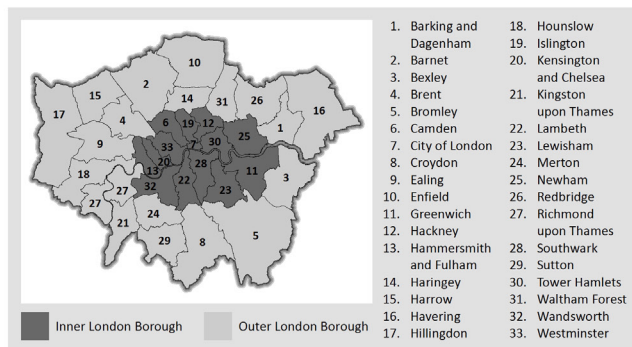


The Draft London Plan (December 2017)

Town Centre Network: Change

- Expanded
- Merged
- New
- Upgraded
- Night-time Economy classification only
- Future Potential CAZ Retail Cluster
- Future Potential District Town Centre
- Future Potential Major Town Centre

1. New Cross and New Cross Gate
2. Fulham Road
3. Southfields
4. Hackney Central
5. Shoreditch
6. Farringdon
7. Brompton Cross
8. Canary Wharf
9. Elephant & Castle/Walworth Road
10. Barbican
11. Southbank
12. Vauxhall
13. Battersea
14. Tottenham Hale
15. Gallions Reach
16. Barking Riverside
17. Merrielands Crescent
18. North Greenwich
19. Colliers Wood
20. Hackbridge
21. Crossharbour
22. Bromley-by-Bow
23. Old Kent Road/Peckham Park Road
24. Old Oak High Street
25. Old Kent Road/East Street
26. Brent Cross



1. Barking and Dagenham
2. Barnet
3. Bexley
4. Brent
5. Bromley
6. Camden
7. City of London
8. Croydon
9. Ealing
10. Enfield
11. Greenwich
12. Hackney
13. Hammersmith and Fulham
14. Haringey
15. Harrow
16. Havering
17. Hillingdon
18. Hounslow
19. Islington
20. Kensington and Chelsea
21. Kingston upon Thames
22. Lambeth
23. Lewisham
24. Merton
25. Newham
26. Redbridge
27. Richmond upon Thames
28. Southwark
29. Sutton
30. Tower Hamlets
31. Waltham Forest
32. Wandsworth
33. Westminster

Source: Lichfields analysis of draft London Plan

05 Small sites, big contribution

38%

of the overall annual housing target to come from small housing developments

68%

of the small sites target to be delivered in Outer London

24,573

annual target for homes on small sites

Small sites capable of delivering up to 25 homes (on sites equal to/smaller than 0.25ha) are identified as part of the solution for increasing housing supply and accommodating all of London's need for new homes within the capital's boundaries (on non-Green Belt sites and not via Metropolitan Open Land (MOL) release).

The draft London Plan's expectation is that 38% of the overall annual housing target (of 65,000 homes) will be delivered on small sites in the next decade. However, the 24,600 homes per annum of the small sites' target shows consistent territorial discrepancies – Outer London boroughs are expected to deliver 68% of the total units on small sites. As a proportion of local targets, small sites are expected to account for 79% of new homes in Sutton, 78% in Richmond upon Thames and 72% in Bromley (Figure 4). Excluding the areas under the jurisdiction of development corporations, Tower Hamlets and Hammersmith and Fulham are the boroughs with the lowest number of small sites as a proportion of overall housing target (16% and 18% respectively). In absolute terms, the highest number of units on small sites will be in Croydon, Barnet and Ealing (1,511; 1,204; and 1,074 homes per annum, respectively).

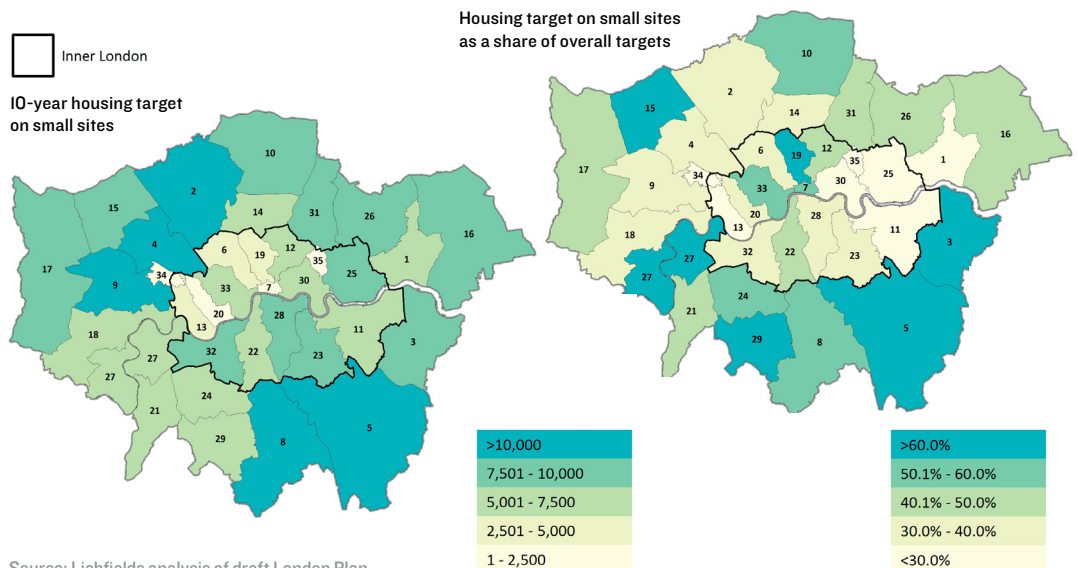
To achieve this target, boroughs should allocate small sites for residential development, list these sites on their brownfield registers and grant permission in principle to some (via Part 2 of their registers), or prepare local development orders. A presumption in favour of small housing development will also apply when requirements (e.g. for design codes and on the level of harm) are met. This presumption will apply to: infill schemes on vacant/underused sites; incremental intensification of existing residential areas (within PTAL 3-6, or 800m from a tube/rail station or town centre); and redeveloping/extending buildings upwards to provide additional homes.

Interestingly, while on the one hand the Mayor aims to provide increased planning certainty to small site developers, on the other, he supports boroughs intending to request in-lieu payment contributions for affordable housing on sites of ten or fewer homes. This approach is in line with his aim of increasing affordable housing supply. However, his approach could negatively affect scheme viability and, accordingly, the overall delivery of small housing developments in London.

Boroughs of London:

1. Barking and Dagenham
2. Barnet
3. Bexley
4. Brent
5. Bromley
6. Camden
7. City of London
8. Croydon
9. Ealing
10. Enfield
11. Greenwich
12. Hackney
13. Hammersmith and Fulham
14. Haringey
15. Harrow
16. Havering
17. Hillingdon
18. Hounslow
19. Islington
20. Kensington and Chelsea
21. Kingston upon Thames
22. Lambeth
23. Lewisham
24. Merton
25. Newham
26. Redbridge
27. Richmond upon Thames
28. Southwark
29. Sutton
30. Tower Hamlets
31. Waltham Forest
32. Wandsworth
33. Westminster
34. Old Oak Park Royal Development Corporation
35. London Legacy Development Corporation

Figure 4: 10-year housing targets on small sites, absolute and as a proportion of overall targets



06

Green Belt and Metropolitan Open Land constrain growth

The draft Plan aims to accommodate all of London's growth within the capital's boundaries and without 'intruding on its Green Belt'. On this basis, Outer London could either maintain current densities in future developments or retain the Green Belt, but not both; the Mayor's preference for the latter is unlikely to change, as it fits with his 'National Park City' agenda. The implications of the Green Belt on London are far-reaching, as visible in Figure 5.

The Mayor has elected not to replicate or refer to NPPF policy regarding development in the Green Belt in his own draft policy, opting instead for simplified wording that seems to offer less scope than at present to consider individual proposals, or 'very special circumstances'. However, the reasoned justification for this draft policy does refer to the NPPF in the context of defining Green Belt boundaries and development management.

The draft Green Belt policy itself accepts that evidence may indicate that it should be extended but (in an apparent last minute amendment) de-designation of the Green Belt

will not be supported in any circumstance. This approach to Green Belt is, in effect, accepted as being at odds with national policy.

The draft Plan notes that harm to the Green Belt is to be 'prevented through the referred application process', indicating that the Mayor will continue to use his development management powers accordingly.

The key difference between the draft Plan's MOL and Green Belt policies is that for MOL some scope for boundary changes is contemplated, subject to evidence of appropriateness, but not for Green Belt. Indeed, land swaps could also be acceptable for MOL. While the draft London Plan does not state within policy that MOL is to be afforded the same protection as Green Belt, the reasoned justification (counter-intuitively) indicates that the 'principles of Green Belt policy' also apply to MOL.

The draft Green Belt policy has already elicited strong reactions and it is likely that it will be amended prior to Plan publication, particularly with regard to its 'absolutely no de-designation' stance.

22%

London's land designated as Green Belt

50%

green cover delivery across London by 2050

Figure 5: (Clockwise, from top left) Land classification around London; local plan progress outside London; commuting to London; and housing completions as a proportion of housing need (according to new Objectively Assessed Need methodology).



Source: Lichfields analysis of draft London Plan, Planning Inspectorate, 2011 Census and ONS data

07 Growth corridors and the Wider South East

694,500

new jobs supported by
growth corridors

470,600

new homes supported
by growth corridors

200,000

new homes to
be 'unlocked' by
Crossrail 2

The draft London Plan proposes an innovative approach to spatial planning through the introduction of growth corridors, the revision of Opportunity Areas, and the identification of 'Strategic Infrastructure Priorities' that will better link London into the Wider South East.

Seven growth corridors link strategic transport improvements within London (including Crossrail 2, the Bakerloo Line extension, and the Elizabeth Line) with a series of Opportunity Areas that are affected most by each infrastructure improvement; the growth corridors are aimed at showing the interdependency of these Areas and not planning them in isolation.

The draft Plan identifies 48 Opportunity Areas in London, each capable of delivering over 5,000 net additional jobs, or over 2,500 net additional homes (or a combination of the two). Those not included in the current London Plan are mostly concentrated along the Crossrail 2 corridor (in the south west and north quadrants) (Figure 6).

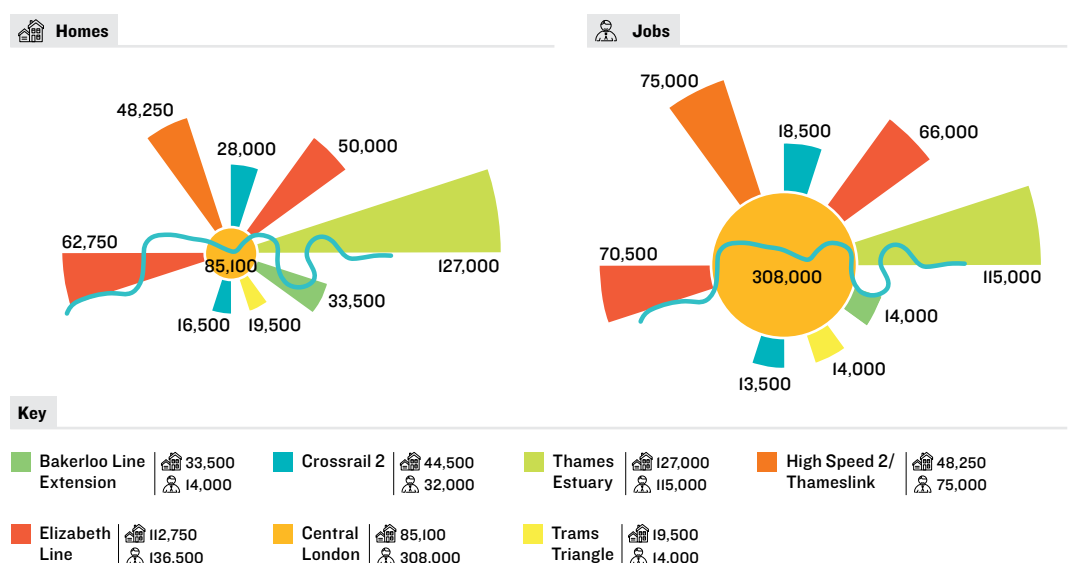
Thirteen 'Strategic Infrastructure Priorities', agreed with and endorsed by Wider South East partners, will provide the linkages between the growth corridors and the wider city region

beyond London's boundaries. Eight of them provide radial connections from growth corridors towards the Wider South East (the Thames Estuary Corridor is based on two Strategic Infrastructure Priorities), while the remaining five are orbital priorities to ensure a reduction in transit through London. Included as orbital priorities, the East West Rail and the new Expressway road link (Oxford – Cambridge) were endorsed by the Government in the 2017 Autumn Budget.

In terms of collaboration between London and Wider South East partners, the Mayor aims to work together to find solutions to 'shared strategic concerns', including barriers to housing and infrastructure delivery, and exploring the scope for 'the substitution of business and industrial capacity where mutual benefits can be achieved'.

The extent and success of this wider region collaboration will mostly rely on the UK Government's commitment to further devolve powers and fund infrastructure investment in London and the Wider South East, something that is not a given, particularly in light of recent tensions pre and post-Autumn Budget 2017.

Figure 6: Number of homes and jobs in growth corridors



Source: Lichfields analysis of draft London Plan

08 'Healthy Streets' mean car-free developments

While growth corridors and Strategic Infrastructure Priorities clearly take centre-stage in the draft London Plan's spatial strategy, other transport policies propose more subtle changes which will have a considerable impact on the development sector.

First introduced by the draft Transport Strategy, the 'Healthy Streets Approach' ('based on evidence of what is needed to create a healthy, inclusive environment in which people choose to walk, cycle and use public transport') is the cornerstone of the Mayor's transport policies for development plans and proposals; the intention is to improve health and reduce health inequalities, while also increasing levels of walking, cycling and public transport use towards the 80% target of all trips by 2041.

The Healthy Streets Approach will also be instrumental in improving environmental quality and reaching the 2050 zero carbon target that the Mayor has set. Linked to this is also the intention to promote car-free development in areas with high public transport accessibility.

As such, the draft Plan introduces maximum parking standards for different types of development; for residential schemes, the expectation is that new developments will not provide any parking spaces in the CAZ, Inner London Opportunity Areas, Metropolitan and Major Town Centres, and all areas of PTAL 5-6 (plus PTAL 4 in Inner London). The potential impact will be greater for Outer London boroughs, where public transport accessibility is generally lower; accordingly, the draft Plan allows outer boroughs to set minimum residential parking standards of up to 1.5 spaces per unit but only for areas with PTAL 0-1 (Figure 7).

Environmental harm is also the reason for the Mayor's reiterated opposition to any expansion of Heathrow Airport, 'unless it can be shown that no additional noise or air quality harm would result'. This comes as no surprise, given the Mayor's track record on the issue. However, it remains to be seen how effective his opposition could be, given the UK Government's supportive stance.

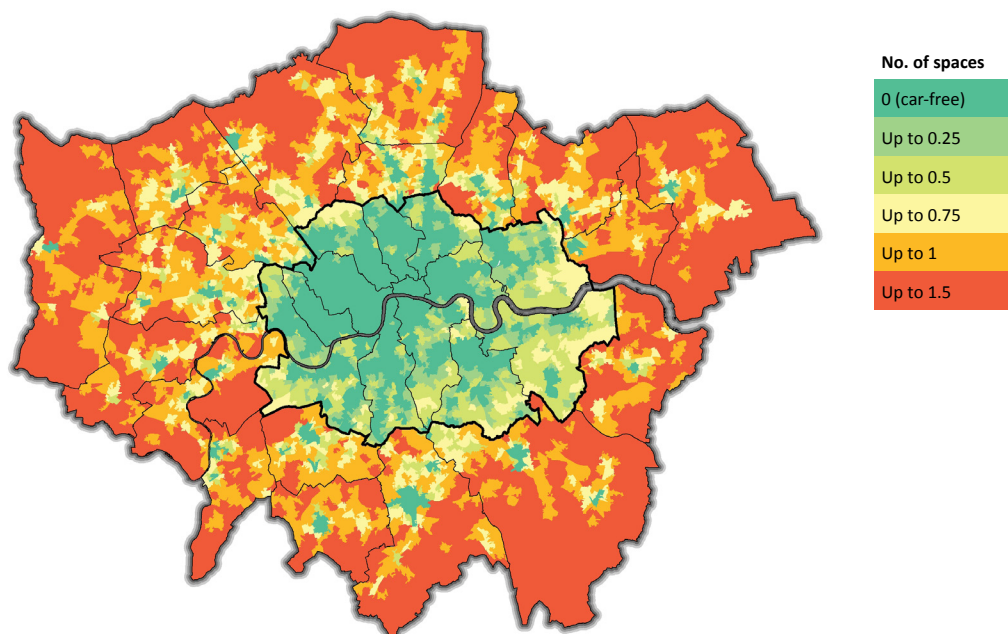
80%

of all trips to be made on foot, cycling, and by public transport by 2041

Up to 1.5 spaces/unit

new minimum residential parking standard (Outer London, PTAL 0-1 only)

Figure 7: Maximum residential parking standards per dwelling by Lower Layer Super Output Areas



Source: Lichfields analysis of draft London Plan

09 Strategic Industrial Land: all is not lost

15%

industrial land
lost to other uses
(2001-2015)

7,000ha

remaining
industrial land

It is widely known that industry is an endangered land use in London as competition for different uses becomes increasingly intense. Between 2001 and 2015, more than 15% of all of London's industrial land (including 'Strategic Industrial Locations' (SIL), 'Locally Significant Industrial Sites' (LSIS) and 'Non-Designated Industrial Sites') has been lost to other uses, resulting in approximately 7,000 hectares of industrial land remaining.

As a consequence, the draft London Plan reiterates the intention to ensure that across London, 'as a general principle', there is no overall net loss of industrial floorspace capacity in designated locations (i.e. SIL and LSIS). As shown in Figure 8, the draft Plan recognises local differences between boroughs, with most expected to retain industrial capacity, while some (such as Brent, Ealing, Enfield, Sutton, and Wandsworth) should find innovative ways to provide additional capacity. Furthermore, the extent of vacant industrial land in the Thames Gateway means that a few boroughs (Barking & Dagenham, Havering, and Newham) have scope for the limited release of industrial land 'through a plan-led approach'.

To respond to industrial capacity issues, the draft Plan goes further than just promoting protectionist policies, focusing in particular on consolidation, intensification, and co-location of uses where possible. Proposals for residential or mixed-use schemes should generally be refused in SIL, although draft policy sets out a 'plan-led process' of industrial activities' intensification (i.e. multi-storey development) and consolidation (i.e. the concentration of uses in part of a site) that might free-up land for the co-location of industrial with residential and other uses. A similar approach is proposed for LSIS, while for 'Non-Designated Industrial Sites', mixed-use or residential schemes will be generally supported, subject to certain criteria being met.

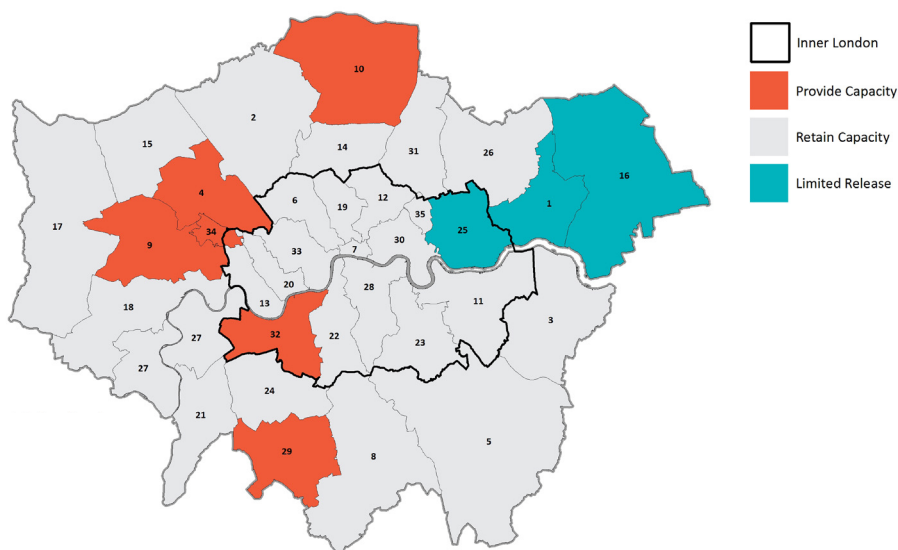
Finally, and as part of a plan-led approach, there may be scope to accommodate ('substitute') some of London's industrial capacity in other parts of the Wider South East; this should result in a positive-sum outcome for the collaborating authorities.

Substitution seems a reasonable and feasible solution to achieving additional industrial capacity, although this might not represent the most optimal outcome, particularly in terms of freight movements and the mix of uses within London itself.

Boroughs of London:

1. Barking and Dagenham
2. Barnet
3. Bexley
4. Brent
5. Bromley
6. Camden
7. City of London
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11. Greenwich
12. Hackney
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Figure 8: Industrial floorspace capacity, draft London Plan management guidance



Source: Lichfields analysis of draft London Plan

10

Article 4 Directions and affordable workspaces

While housing is clearly the number one priority in London at present, given the consistent unmet need, the draft London Plan recognises that other land uses need to expand to keep pace with demand with office space being just one.

Notwithstanding the yet-unknown impact that Brexit will have on London's employment market, the draft Plan expects an overall increase of almost 620,000 jobs up to 2041. This will directly translate into additional demand for office space, which has been estimated to be anywhere between 4.7-6.1 million square metres, mostly depending on demand scenarios in Outer London. The draft Plan expects demand to be 'broadly' accommodated within existing prime office locations, such as the Central Activities Zone (CAZ) and Northern Isle of Dogs (NIOD), complemented by Tech City and Kensington & Chelsea; Stratford and Old Oak Common have been identified as potential future reserves.

As set out in the draft Plan, London can expect to see a significant increase in office-based employment growth, compared to current London Plan levels (Figure 9). Overall, employment growth is expected to be just short of 25,000 each year to 2041, compared with an annual figure of 15,150 in the current Plan.

This is mostly driven by a 66% increase forecast in CAZ and NIOD (from +8,850 per year to +14,708). However, the area forecast subject to the largest relative revision is Outer London, where office-based employment is expected to grow by around 5,700 each year until 2041, a 93% increase on previous estimates.

As more than 1.6 million square metres of office floorspace has received prior approval to change to residential, it is no surprise that the draft Plan urges boroughs to put in place Article 4 Directions to remove the office to residential permitted development right (PDR) and avoid the further loss of valuable office space, particularly in and around CAZ. A similar approach is also actively supported for light industrial and retail to residential PDRs.

It is worth noting that in a draft Plan with so many highly detailed policies, the new policy for affordable workspace is in stark contrast, only providing a vague strategic framework leaving it to boroughs to consider 'more detailed affordable workspace policies in light of local evidence of need and viability'. If the Mayor wants this policy to be effective, an SPG will have to provide further details to avoid unintended consequences, as facilitating capacity to accommodate all business needs is of central importance to London's economic success.

6.9m

projected jobs in London by 2041

1.6m sqm

office floorspace which received prior approval to change to residential by March 2016

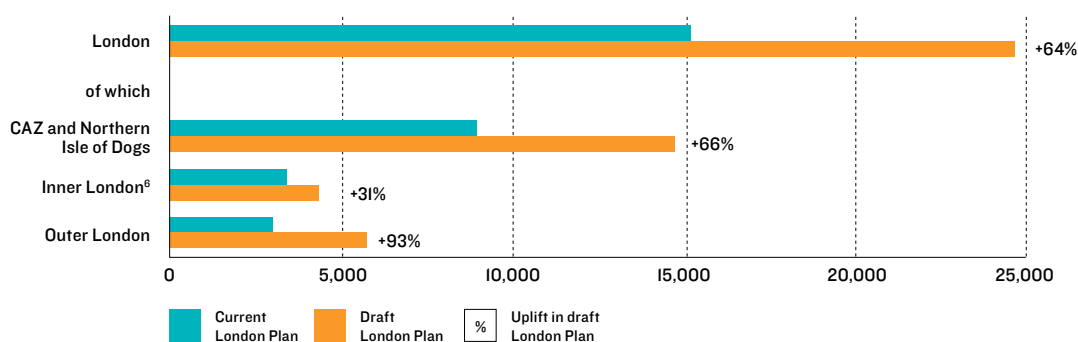
25,000

office jobs growth per annum (draft Plan)

15,150

office jobs growth per annum (current Plan)

Figure 9: Annual office-based employment growth, comparison between current London Plan and draft London plan



Source: Lichfields analysis of current London Plan and draft London Plan

⁶ Inner London excluding CAZ and Northern Isle of Dogs

11 Heritage and culture contribute to regeneration

19,000

listed entries for
historic buildings

1000+

Conservation Areas

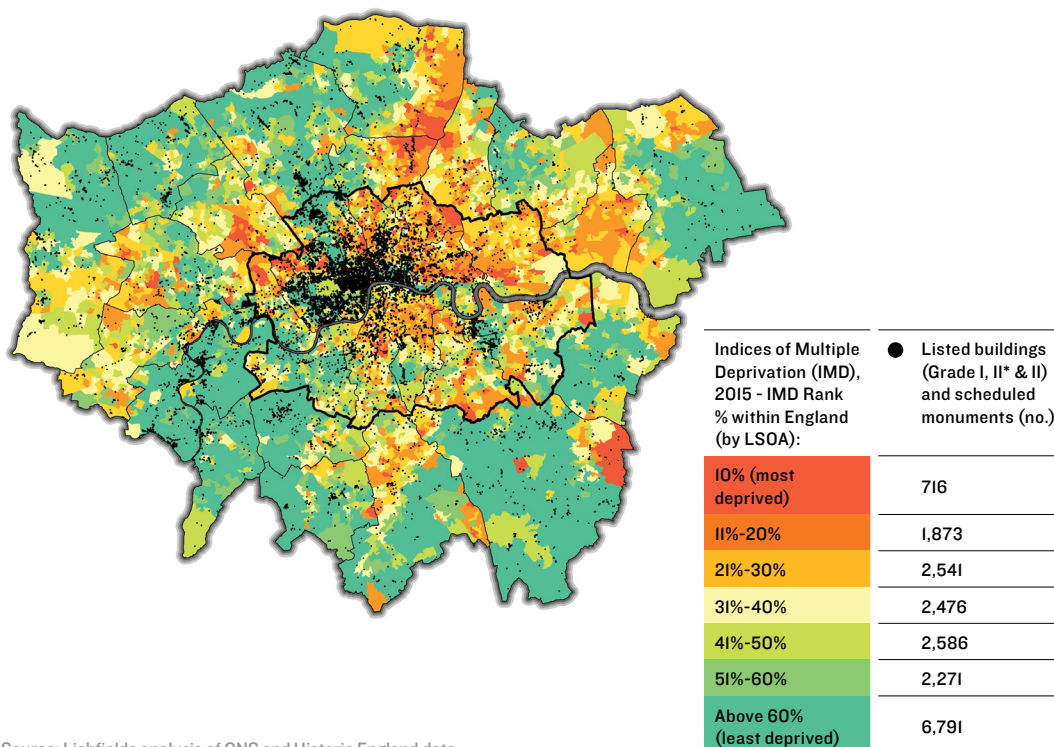
With heritage and culture considered together in a single chapter of the draft Plan, the Mayor seeks to emphasise their common themes, their inter-relationships, and the scope to increase their very considerable (separate and combined) economic, environmental and social value. The intention is that conservation-led and ‘heritage at risk’ policies do not run counter to the objectives of supporting creative industries (for example in yet-to-be defined Creative Enterprise Zones and Cultural Quarters) and facilitating London’s night-time economy. Heritage assets and cultural uses are also likely to benefit from proposed policies for managing strategic and important local views – policies which may restrict the locations of taller buildings coming forward via densification policies elsewhere in the draft Plan.

Demonstrating its wealth and breadth of heritage assets, nationally significant listed buildings and scheduled monuments are found across the capital. As Figure 10 shows the location of statutory heritage assets is not

correlated with the level of deprivation. As a result, heritage assets in deprived areas could become important new focal points for regeneration efforts.

Formalising the ‘Agent of Change’ principle should help boost the night-time economy still more, protecting noise-generating cultural venues by placing the responsibility for mitigating impacts from existing noise-generating activities on the proposed new noise-sensitive development. While the Mayor wants planning and licensing to be better coordinated, such that London’s night-time economy can be holistically managed, central government does not intend to take up a recent House of Lords recommendation that council planning committees should take over responsibility for licensing. With greater joined-up thinking, the Mayor’s promotion of day and night-time cultural activities could complement and help achieve heritage objectives in their widest sense.

Figure 10: Listed buildings and scheduled monuments by Indices of Multiple Deprivation



Source: Lichfields analysis of ONS and Historic England data

12

How do you solve a problem like the money?

A bold and ambitious plan requires significant investment. However, the structure of funding and finance for public projects is both complicated and centralised meaning that the Mayor is, perhaps, in less financial control than he would like to be. Two sectors exemplify the conundrum the Mayor has in obtaining the necessary investment and overcoming any financial shortfall – transport and housing.

Transport infrastructure requires a significant financial commitment. In order to deliver the Plan's priorities, capital investment of £3.3 billion each year would be required – around 0.9% of London's Gross Value Added. This level of investment requires a variety of funding sources – some will come through central government, some will be raised and retained within London. Mechanisms include: business rate retention (which is under Mayoral control in 2017/18); revenue from fares (including congestion charging); non-fare sources (such as advertising and property); contributions from London boroughs and private developers (via associated investment); capital grants; and Transport for London (TfL) prudential borrowing. Moreover, there are specific associated funds or levies such as the mayoral community infrastructure levy ('MCIL', and soon-to-be 'MCIL2'⁷) and business rate supplement.

Housing is another prominent sector which requires significant public investment. The Greater London Authority (GLA) has estimated that at least £2.7 billion in public capital funding is required each year in order to meet the affordable housing need in the capital. Part of this will be funded through the grant secured from central government – £3.15 billion to support 90,000 homes by 2021 – but beyond this, the Mayor will have to use other means, be it by: attempting to capture a proportion of land value uplift through new viability rules bringing forward existing public land assets to unlock sites and deliver homes; or, as a last resort, using statutory powers for land assembly through the mayoral development corporations and compulsory purchase.

It is, therefore, clear that the GLA has a variety of funding sources, to ensure these projects are completed. But the majority of the funding, as the draft Plan highlights, is not yet raised within the capital's boundary. As a result, the draft Plan highlights two key options for making up the funding shortfall: fiscal devolution and sharing land value uplift.

First, taxes that are currently raised and retained at a local level – council tax and 50% of business rates – account for only 5% of the total raised within the London boundary. The draft Plan makes a specific point about the degree of financial power the Mayor has available to overcome the challenges facing the city and highlights how comparatively centralised fiscal powers are. The pitch – backed by the London Finance Commission – is to continue to lobby for greater devolution of property taxes – council tax, business rates and stamp duty, as well as permissive powers to develop new mechanisms.

Second, the draft Plan highlights the potential to share the land value uplift that planning for and investment in public assets would bring. The plan is quite brief on this topic – despite much debate – but it goes on to highlight two mechanisms: 1. the joint central government-GLA-TfL taskforce exploring a pilot for a 'Development Rights Auction' model for major infrastructure projects; and 2. general 'options for capturing land value uplift'. Clearly, both of these mechanisms are in their infancy but are sufficiently developed to warrant a watching brief.

It is clear that the draft Plan is ambitious and requires a significant level of funding and investment, setting out that there is potential for a large funding shortfall the Mayor will use this to continue to make the case for greater autonomy. Furthermore, given current political uncertainties – namely, Brexit and the Government's focus on expanding devolution offers to more city regions – the Mayor may look to strike more deals with central government to develop bespoke revenue-raising (and retaining) mechanisms.

£3.3bn

annual capital investment required to deliver the schemes identified in the Mayor's Transport Strategy

5.1%

taxes raised and retained in London

⁷ On 18 December 2017, the MCIL2 Draft Charging Schedule (together with supporting information and Viability Evidence Base) was published for consultation; the deadline for submitting comments is 2 February 2018

13 Conclusions and implications

The draft London Plan is an ambitious document, which aims to provide a comprehensive strategy for the development of London until 2041. In many instances, the draft Plan's polices go further than the current London Plan, both in endorsing new planning measures such as brownfield registers and permission in principle, and introducing innovative policies such as those supporting the creative industries.

The draft Plan asks that developers meet significant policy requirements but the delivery of all of the Plan's objectives will not be an easy task. The draft Plan's Viability Study concludes from a series of assumptions and deliverability testing that 'most development types can meet the policy requirements', although 'the viability of individual schemes which face viability challenges [...] may need to be considered'. It continues 'the standards and policies of the Plan should not put its implementation at serious risk'. If the Study were to prove to be well-founded, some of the draft Plan's new policy approaches could define best practice and be introduced by other combined, mayoral or local authorities elsewhere.

Moreover, the intended level of cooperation with Wider South East authorities is appropriate, particularly in light of how opportunities to fulfil all of London's growth within its boundaries will be ever-reducing. The focus on Strategic Infrastructure Priorities could influence out-of-London authorities to collaborate and plan more closely with the capital.

Conversely, the draft Plan has an interventionist and 'top-down' approach, particularly for Outer London boroughs; this stance may have to be reconsidered post-consultation, if there is resistance from authorities that consider they have been unjustly targeted by overly-ambitious policies.

The purported strategic nature of the draft Plan can also be called into question; the prescriptive and detailed nature of many of the Plan's policies make it more akin to a local plan or SPG; identifying the overarching strategic framework that will drive London's growth is

not always easy. The final version must resolve inconsistencies and ensure all polices and supporting text are evidence-based, and not akin to political statements.

The following potential implications of the draft Plan should be monitored in the months preceding examination:

The political dimension. The draft Plan aims high and the Mayor risks some proposed policies (particularly for the affordable housing threshold, new homes on small sites, densification and car-free developments) taking centre-stage in political debates over the next three years; both borough (May 2018) and mayoral elections (May 2020) are taking place during London Plan preparation or just after publication.

Outer London Plan. It is no surprise that the draft Plan proposes a greater role for Outer London boroughs in providing for London's growth. The risk is that these authorities react against the draft Plan's approach, if there is a view of it having been imposed on them, rather than jointly evolved. The Mayor will have to actively take into consideration their concerns (in particular in relation to housing targets) and be prompt in providing necessary support locally.

Three-tier cooperation. The Mayor needs to actively consider ways in which the three tiers of Government (national, sub-regional and local) operate and co-operate in London and the Wider South East. Effective mayoral cooperation with central government on funding and investment in housing and transport, and on further devolution of powers is needed; the £3.15bn affordable housing deal has shown what effective negotiations can achieve.

Zonal planning. Increased densities around transport hubs, the threshold approach to affordable housing, and policies for brownfield registers and permission in principle all indicate an increased role for zonal planning in London. These initial, albeit timid steps show a new direction for planning policy in London, founded on increased certainty and development incentives within the development plan itself.

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