

## **Appendix 3**

### **London Borough of Hackney**

**Evidence to support the Council proposed Article 4 Direction regarding Permitted Development Rights for Change of Use from Commercial, Business and Services to Residential in Hackney's Designated Industrial Areas.**

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## Summary

This Report sets out the implications of the new permitted development right (PDR) from Class E (commercial, business and services) to Class C3 (residential) that came into effect on 1 August 2021. It also sets out reasoning for continuing and extending the arrangements for the existing Article 4 Direction that currently removes the PDR under class O (i.e. between Class B1(a) Offices and Class C3 residential), to include other locally significant employment areas within Hackney Borough - Priority Industrial Areas (PIAs)- into a new Direction, covering Class MA.

The Government made a statement on 1 July 2021 clarifying its position in respect of Article 4 Directions and amending the National Planning Policy Framework (NPPF) accordingly. Paragraph 53 now states that,

*“The use of Article 4 directions to remove national permitted development rights should: where they relate to change from non-residential use to residential use, be limited to situations where an Article 4 direction is necessary to avoid wholly unacceptable adverse impacts (this could include the loss of the essential core of a primary shopping area which would seriously undermine its vitality and viability, but would be very unlikely to extend to the whole of a town centre) in other cases, be limited to situations where an Article 4 direction is necessary to protect local amenity or the well-being of the area (this could include the use of Article 4 directions to require planning permission for the demolition of local facilities) in all cases, be based on robust evidence, and apply to the smallest geographical area possible.”*

Strategic evidence and justification for making an Article 4 Direction for these areas has been set out by the Mayor of London in his statement, ‘Strategic evidence to support London borough Article 4 Directions (commercial to residential)’, which was issued on 7 July 2021. It provides strategic support to local authorities for targeted Article 4 Directions to remove Class E to residential PDR from strategically significant office locations within the Central Activities Zone (CAZ), town centres, high street and locally significant industrial areas.

The purpose of this report is to provide strategic context and local evidence to support the Article 4 Direction made by Hackney Council and draws on the Mayor of London’s 2021 Strategic evidence to support London Boroughs in making Article 4 Directions (commercial to residential), supplemented by substantial and robust local evidence and data. This report has full regard to both statements, aiming to apply the Article 4 Direction to areas where wholly unacceptable adverse impacts are likely to occur without such measures, and in doing so, limiting this to the smallest geographic areas possible. The discreet boundaries of the areas in question have been drawn up from a robust borough-wide assessment<sup>1</sup> of the quality and location of industrial land in the borough.

A full list of the areas to which the Article 4 Direction applies, including a map of the areas to which the Direction applies, is set out as part of the Direction made by the Council - see Appendix 2

On 18 July 2022, Hackney Council made a non-immediate Direction under Article 4(1) of the GDPO 2015 for a number of areas, and in accordance with Article 5, the Direction shall come into force on 18 July 2023. The Direction applies to 13 locations across the borough, published on the Council’s website (link to be inserted). The map relates to the areas set out below:

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<sup>1</sup> Hackney Employment Land Review, Boyer Consultants 2017.

#### Priority Industrial Areas

1. Anton Street
2. Belfast Road
3. De Beauvoir
4. Hackney Downs
5. Homerton
6. Red Square
7. Shacklewell
8. Theydon Road
9. Prout Road
10. Tilia Road

#### Locally Significant Industrial Sites

11. Millfields
12. Helmsley Place
13. Frederick Terrace

The Council considers that the Article 4 Direction fulfils national policy set out in Paragraph 53 (as revised on 1 July 2021) of the National Planning Policy Framework (NPPF) on the use of Article 4 Directions, and it is in accordance with the guidance set out in the National Planning Practice Guidance.

The key reasons why it is necessary to make the Article 4 Direction are as follows:

- The NPPF 2021, paragraph 8 continues to emphasise the need to support economic growth and productivity.
- The presumption in favour of sustainable development is carried forward from the original NPPF with local plans expected to apply a presumption in favour of sustainable development (paragraph 11). In respect of economic development, the guiding principle is that local plans and decisions should apply significant weight on the need to support economic growth and productivity. This should take account of local business needs and wider opportunities for development (paragraph 81) and planning policies are expected to recognise and address the specific locational requirements of the different sectors (paragraph 82).
- Planning for sustainable economic growth cannot be properly achieved without the Article 4 Direction, bearing in mind the impact of the potential loss of commercial, business and service floorspace through permitted development at this point, and taking into account the forecast growth in these sectors over the plan period.
- The Council has an up to date adopted Local Plan (2020) in place, which sets out the spatial strategy for development up to 2033, and the related policies that aim to make the town and district centres the focus of retail, commercial, leisure and cultural development and to provide and retain offices.
- The Council's five year housing land supply is set out in the Authority Monitoring Report<sup>2</sup> Housing Delivery in Hackney and demonstrates the Council's housing completions over the period (2015/16 - 2019/20), the Borough's London Plan target was 1,599 dwellings per annum over the 5 years (2015/16 - 2019/20), the housing completions over the same 5 year period totalled 7,843, which on average equates to 1,568 new homes per annum, meeting 98% of the required target of 7,995 new

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<sup>2</sup> Housing Delivery in Hackney FY2015-FY2019

homes. It should also be noted that the Housing Delivery Test applied the draft London Plan target of 1,330 per annum to Hackney's returns from the year 2018/2019. Going forward, the new London Plan target, adopted in March 2021, for Hackney borough is 1,328 per annum, although Hackney's Local Plan has set a target to deliver 26,250 additional homes, which is 1750 per annum over the lifetime of the plan.

- Finally, the pandemic has altered the ways in which people interact, influenced the way we have reconnected with local places and neighbourhoods and redefined how we work and our workplaces, by placing a greater reliance on technology. However, post economic recovery does not show us any clear trends that can predict the impact of the pandemic over the course of the Local Plan. The Article 4 Direction is therefore required to ensure that we can continue to protect land and buildings in industrial employment uses to support cultural and creative needs of the local community.

## Introduction

In March 2021 Government published legislation that introduced a new Permitted Development Right (PDR), Class MA which came into effect on 1 August 2021 for the change of use of properties in the Commercial, Business and Service use class (Class E) to residential, subject to a range of conditions and limitations. Under the transitional arrangements, where there are existing A4Ds relating to *office to residential* PDR, will remain effective until 31 July 2022.

The new class MA PDR will essentially reduce the scope of office to residential PDR (due to there being more prior approval criteria to address) while significantly increasing the scope for change of use from retail to residential as well as introducing new PDRs for various other town centre uses, to change to residential.

Whilst the new PDR includes prior approval matters relating to the impact of the loss of employment, it does not give consideration to the economic recovery resulting from the recent pandemic. Even with the restructuring of the high street economy, employment generating uses still rely on clustering/agglomeration and benefit from a compact core. The introduction of this PDR risks undermining Hackney's creative hub which has seen rapid employment growth specifically in the small business workspaces. Notwithstanding the prior approval matters, Hackney is concerned that these changes could impact detrimentally on its local economy

The Council is also concerned about the impact that the PDR may have on local industrial and commercial land and premises within the borough, which is already in very short supply. Together, these impacts have the capacity to undermine the proper planning of the borough and local business development. This Reports seek to justify the Council's proposal for an Article 4 Direction (A4D) for the new permitted development (PD) right which will allow uses within Class E (commercial, business and service) to change to use Class C3 (residential) under a new class MA in the General Permitted Development Order (GPDO).

The Local Plan carries forward the findings of from the Hackney Employment Land Study, 2017 in order to help retain vital industrial land and floorspace within Hackney and ensure that sufficient office floorspace is delivered to meet Hackney's economic needs, the Plan differentiates between Priority Office Areas (POAs) and Priority Industrial Areas (PIAs).

In February 2022, the Council proposed two new Article 4 Directions to cover the following geographical locations:

- Hackney CAZ, City Fringe / Tech City, Dalston and Hackney Central Major Centres; and
- District Centres and Local Shopping Centres.

These A4Ds replace the arrangements for two existing A4Ds in Hackney in 2013 and 2015 that currently removes the PD rights under class O (Class B1(a) (Offices) to Class C3 (residential) ) and class M (Class A1 (shop) and A2 (financial and professional services) and C3 (residential).

This further Article 4 Direction expands on the above A4Ds to bring forward the protection of Hackney's Priority Industrial Areas (PIAs). Whereas Councils could previously remove office to residential permitted development rights through the use of Article 4 directions, this route is no longer possible in relation to changes within Class E; as uses within the same use class do not constitute development. Class E (g) uses include employment B1(a) Offices B1(b) Research and development of products or processes and B1(c) any industrial process, (which can be carried out in any residential area without causing detriment to the amenity of the area). Therefore, we can no longer protect Industrial land and floorspace (Use class B1) within a PIA (Local Plan Policy 26).

With the Covid-19 pandemic and economic recovery, it can be expected that there will be a continued need for local offices/workspace.

### **Extent of the Class E to C3 Article 4 Direction**

The boundaries of the areas to which the Article 4 Direction applies have been tightly drawn to protect specific designations, areas or clusters of industrial floorspace, outside of designated employment and office locations, to ensure that the Article 4 Direction is limited to those areas that make the most valuable contribution to the creative and cultural floorspace needs of the borough.

## **Policy Context**

### **National Planning Policy Framework (NPPF), 2021**

The NPPF makes clear that the purpose of the planning system is to contribute to the achievement of sustainable development. In achieving sustainable development, the government sets out three objectives including an economic objective – to help build a strong, responsive and competitive economy, by ensuring that sufficient land of the right types is available in the right places and at the right time to support growth, innovation and improved productivity. It looks to ensure that local authorities plan to create the conditions in which business can invest, expand and adapt, and ensure that planning policies support the role that town centres play at the heart of communities. In doing this, planning policies should both set criteria and identify sites to support economic development and investment.

### **The London Plan, March 2021**

The London Plan also contains policy to ensure that a sufficient supply of commercial land and premises is provided and maintained in different parts of London to meet current and future demands for industrial and related functions. Policy E1 (Offices) supports increases in the current stock of offices in locations such as town centre office locations, existing urban business parks, and town centre office provision to meet local needs and goes on to state that existing viable office floorspace capacity in locations outside the areas above should be retained.

Policy E4 aims to provide and maintain a sufficient supply of land and premises to meet current and future demands for industrial and related functions; taking account of strategic and local employment land reviews and the potential for intensification, co-location and substitution; it also supports the use of Article 4 Directions to ensure that industrial and logistics capacity is not undermined by PDR. The policy also encourages boroughs to deliver intensified industrial floorspace as supported by appropriate evidence.

### **Mayor of London Strategic Evidence to support Class E Article 4 Directions, July 2021**

The Mayor of London has produced strategic evidence to support Class E commercial to residential Article 4 Directions by local planning authorities in London<sup>3</sup>. Industrial land in London provides vital capacity for industrial, logistics and related uses that are essential to the functioning of its economy and for servicing the needs of its growing population. Against a backdrop of significant loss of industrial land to other uses over the period 2001-15<sup>4</sup>. The strategic evidence sets out the importance of maintaining a sufficient supply of industrial land in different locations across London to meet the diverse needs of London's industrial and commercial activities (both regionally and locally) and raises concern about the impact that PDR may have on this reservoir of industrial and employment land.

Hackney Borough has no strategic Industrial locations but does have locally significant industrial sites and priority industrial areas; which are made up of industrial and warehouse uses (Class E, B2 and B8). This includes evidence supporting the need to protect designated areas – such as town centres and locally significant employment areas – from unplanned changes from Class E as well as data concerning matters such as footfall, consumer spending and land values that all point to the need to have a cautious approach to matters concerning key employment areas, particularly whilst the economy is still recovering from the pandemic and whilst patterns and trends settle.

The strategic evidence raises two primary concerns owing to the introduction of the PDR; first, a direct impact through the loss of light industrial and creative production uses that now fall within Class E as many of which are located in the PIA's and occupied by smaller, younger enterprises who value the affordability and flexibility of such spaces. The loss of these spaces to PDR threatens such companies and future entrepreneurs and, secondly, through the introduction of residential uses in areas that contain a range of industrial uses (both within and outside of Class E), which can compromise and / or undermine the integrity of the wider industrial use.

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<sup>3</sup>[https://www.london.gov.uk/sites/default/files/strategic\\_evidence\\_to\\_support\\_commercial\\_to\\_residential\\_article\\_4s\\_in\\_london\\_july\\_2021\\_final\\_report.pdf](https://www.london.gov.uk/sites/default/files/strategic_evidence_to_support_commercial_to_residential_article_4s_in_london_july_2021_final_report.pdf)

<sup>4</sup> Hackney Economy, Workspace and Social Value Study, 2019

This is in contrast to the objectives of protecting and creating jobs shared by the Government, the Mayor and the London Recovery Board, to build a strong and competitive economy and drive the recovery from the economic impacts of the COVID19 pandemic. From a spatial planning perspective, the protection of jobs and the realisation of future jobs growth is contingent on the careful management of development capacity and the balance of commercial uses with alternative land uses including housing. Targeted commercial to residential Article 4 Directions will be an important component in achieving this objective, protecting existing jobs and realising future jobs growth potential.

### **Hackney Local Plan (LP33), 2020**

The Hackney Local Plan identified need for an additional 117,797 sqm of office floorspace over the plan period and the Plan's objective to provide at least 23,000 new jobs by 2033 (of which employment B use class related jobs will contribute up 13,000 jobs, based on a job density of 1 job per 10.8sqm), to be distributed across the designated Priority Office Areas (POAs), Priority Industrial Areas (PIAs), 21 designated retail centres and site allocations for commercial floorspace.

The Local Plan designates ten Priority Industrial Areas - De Beauvoir, Anton Street, Homerton, Tilia Road, Shacklewell, Hackney Downs, Red Square, Belfast Road, Prout Road & Theydon Road. The Local Plan also designates three Locally Significant Industrial Sites - Millfields, Helmsley Place and Frederick Terrace. These are set out in Policy LP26 Employment Land and Floorspace. These equate to 1.15% of the borough's land area. These are key smaller clusters of industrial land which typically feature similar characteristics. The predominant PIA workspace typologies are warehouses and railway arches, in the form of workshops/studios or storage spaces. In all of the PIAs, industrial activities co-exist with studio/ smaller-scale production spaces or low specification office spaces, targeted to SMEs and the creative industry.

### **Hackney Evidence**

The Council has up to date evidence to justify the Class E to C3 Article 4 Direction as follows, including but not limited to:

- Hackney Employment Land Study 2017, which demonstrates that there is positive job growth for B1 (offices) and an increasing demand for employment floorspace within the Borough;
- Hackney Economy, Workspace and Social Value Study, 2019 provides a comprehensive evidence base for Hackney's economy and establishes a detailed understanding of the rapid economic change which has been experienced in Hackney over the past decade;
- Future economic analysis to support the continued growth in the creative industry and cultural industries(to be undertaken);
- Hackney Local Plan (LP33) sets out the growth strategy for Hackney borough; and
- GLA Strategic Evidence in support of A4Ds (July 2021) supports the use of Article 4 Directions to ensure a sufficient supply of land and premises to meet current and future demands for industrial and related functions is not undermined by PDR.

The impact of the new PDR is uncertain, but this report will consider the likely implications of

the PDR for Hackney's PIA's in terms of :

- Hackney's rapid economic change and evolution, which has been experienced in Hackney over the past decade, and the implications of this for the Borough's places and communities;
- Hackney's recognised hub for creative and cultural activity and the significant challenges for the Borough's workspace market, with existing supply and new provision under continual pressure from increasing values and competing uses; and
- The local, regional and national economy, in relation to Hackney's Hackney's planned growth over the plan period to 2033.

The A4D does not mean that there will be no residential in the affected area, rather it will allow the Council to consider and determine planning applications in line with its existing and emerging policies, and manage some of the adverse impacts of the PDR.

### **Economic change in Hackney**

Hackney has experienced rapid economic growth over the past decade. It has been the fastest growing London Borough for employment over the last five years and the third fastest growing for businesses (behind only Newham and Barking & Dagenham). Almost all of Hackney's sectors have grown in terms of employment and businesses in recent years, with particularly strong growth experienced in the creative and professional service sectors.

The Borough now has the second highest concentration of creative activity of any London Borough. Growth can partly be attributed to very high enterprise levels in the Borough, a significantly higher enterprise birth rate and lower death rate than the London average. Reflecting the breadth of its economy, there is a diverse range of workspaces across Hackney. VOA data identifies 1,644,100 m<sup>2</sup> of commercial space across 10,500 units across the borough.

Office space accounts for around 44% of floorspace, while retail and amenity space (A uses) and industrial space (B1c, B2, B8) both account for around 25% of Space. The workspace market has experienced rapid growth in values in recent years: both office and industrial values are now close to par with the London average (at £47 and £12 per sq ft respectively). Growth in office values has been particularly strong in Shoreditch which has outperformed the majority of inner London Opportunity Areas since the 2004 London Plan.

Strong competing demand for space in the Borough has led to a marked shift in the local workspace market over the past 15 years. Between 2001-15, around 45 hectares of industrial land was released in the Borough. This represents 44% of the stock and the third highest rate of release across London. Demand for remaining industrial space is strong (less than 1% vacancy rate registered in 2018). At the same time, there has been growth in the size of the Borough's office stock, with a net gain of 182,000 m<sup>2</sup> since 2002.

The aim of Local Plan policy LP26 is to ensure that new proposals in PIAs seek to retain the existing industrial floorspace through repovision or intensification, whilst promoting the delivery of additional employment space where viable, along with other uses. This will help

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<sup>5</sup> Hackney Economy, Workspace and Social Value Study, 2019.

meet the borough's overall employment needs by protecting vital industrial land and delivering new employment floorspace whilst allowing mixed-use development (including residential uses) where appropriate through a flexible approach.

### **Hackney Employment Land Study (ELS), 2017**

The Hackney Employment Land Study (ELS)<sup>6</sup> identifies a strong need for B1a offices (a minimum of 117,000sqm) over the plan period, upto 2033. For industrial use, there is a need for between -17,500 sqm and +35,800 sqm of light industrial B1c floorspace. The ELS evidences the significant loss of industrial floorspace in the Borough over the past 15 years and has summarised Hackney as having a limited reservoir of designated employment land, which is unlikely to meet employment needs over the plan period upto 2033.

Hackney's designated Industrial land is currently made up of ten designated Priority Industrial Areas (PIAs) and three Locally Significant Industrial Sites (LSIS). Together, the existing designated PIAs (including the Central Activities Zone) and LSIS account for 6.4% of the borough's total land area. Notwithstanding this modest land area, they resemble the core portfolio of existing employment land assets, comprising 933,696sqm, this comprises 573,705sqm of office space, 134,563sqm light industrial and 225,428sqm of industrial floorspace.

The findings of the study highlight the need to ensure the retention of an adequate stock of industrial capacity to support a diverse, adaptable and more sustainable economy. This is particularly important for B1c floorspace in the Borough, where the ELS suggest that only a loss of 574sqm would be acceptable over the plan period. Table 33 of the Employment Land Study identifies the breakdown of use class B employment within the PIAs below.

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<sup>6</sup> Hackney [Employment Land Review 2017](#)

Table 33 – B class floorspace in the PEAs

	B1*	B1a	B1b**	B1c	B2	B8	Total B class
Anton Street	150	750	0	1,308	1,122	296	3,626
Belfast Road	0	0	0	3,820	420	1,465	5,705
Dalston	0	6,341	0	2,495	0	1,411	10,247
De Beauvoir	0	409	0	1,690	482	183	2,764
Hackney Downs	3,141	1,206	0	2,432	320	0	7,099
Homerton	0	2,243	0	9,155	1,328	9,452	22,178
Kingsland	3,212	16,883	0	11,764	2,200	15,322	49,381
Mare Street	7,675	17,602	0	22,941	7,215	24,311	79,744
Prout Street	0	0	0	2,118	385	2,338	4,841
Red Square	1,402	1,145	0	1,205	23	188	3,963
Shacklewell	0	430	0	3,812	505	2,772	7,519
Shoreditch	21,905	314,695	0	20,073	6,223	25,687	388,583
Theydon Road	2,801	1,206	0	693	1,453	21,450	27,603
Tilia Street	0	0	0	718	152	0	870
Wenlock	6,506	70,016	0	5,880	0	18,493	100,895
<b>Total</b>	<b>46,792</b>	<b>432,926</b>	<b>0</b>	<b>90,104</b>	<b>21,828</b>	<b>123,368</b>	<b>715,018</b>

\*B1 is used where it is not possible to determine the type of B1 floorspace using VOA definitions

\*\*It is difficult to determine B1b floorspace using the categories given by the VOA. It is likely that there is a very small amount of B1b floorspace in Hackney but given the difficulties in its identification it has been included within the B1 or B1a categories for the purposes of this ELS

Appendix 1<sup>7</sup> of the Employment land study includes a profile of each area, floorspace breakdown, by use class and some planning activities.

### Commercial land values

There are distinct differences between the office and industrial property market as evidenced in Table 3 of the Hackney Employment Land Study. Office floorspace in Hackney can command rents from £350 per square metre in the lower value areas of Hackney (north) up to £600 per square metre in the higher value area of the City Fringe. This is comparatively much higher than industrial rents of £160 per square metre and £170 respectively. These strong market fundamentals in favour of office floorspace has meant that over time there has been a significant decline in industrial land/floorspace within the borough and particularly within the southern POAs, and the replacement of this floorspace with higher value office floorspace within new development. This is evidenced by Table 18 in the Employment Study which shows a loss of 162,166sqm industrial floorspace over a 15 year period (2002-2016).

### Range and size of business units

Hackney's employment stock contains a range of different floorspace sizes suitable for different sized businesses. The largest proportion of employment stock by size is units between 2,000 sqm and 10,000 sqm, making up 36% of the overall supply. 4% of units are less than 250 sqm, reducing to 0.45% of units being less than 90 sqm<sup>8</sup>.

<sup>7</sup> Appendix 1 of Hackney Employment Land Study, 2017

<sup>8</sup> Hackney Employment Land Study, 2017

Hackney's average rental value achieved for offices between 2014 and 2016 was £40.65 per sqft. This represents an 89% increase on the average rental values achieved between 2009 and 2011.

### **Small and medium Enterprises (SME's)**

The Council's Employment Land Study (2017) and the Hackney Economy and the Hackney Economy, Workspace and Social Value Report (2019) found that Hackney's local economy is built around SMEs - Of the approximate 18,995 enterprises in Hackney, 91.3% of the local economy are micro-sized enterprises (0-9 employees) and 7.4% are small (10-49 employees).

Latest Nomis data In 2021, identifies 23,275 businesses; with small businesses between 0-9 people accounted for 21,320 employed<sup>9</sup> This demonstrates that 91.6% of all businesses in Hackney are small, which is a higher percentage than the average for London at 90.9%. Such businesses have relied historically on the availability of affordable workspaces however there is evidence of rapidly rising rents for office space, low vacancy rates and a shortage of supply.

Sector projections as set out in the Employment Land Study, suggest that professional services, real estate, ICT and arts entertainment and recreation are those sectors expected to grow fastest over the plan period. The study shows that the highest demand for B class floorspace in Hackney, both in terms of the number of deals and total floorspace leased, has been for business units requiring up to 250 sqm. The provision of this smaller-affordable type of unit is important for retaining businesses in an area, otherwise SMEs risk moving away once they get beyond a certain size. This mismatch can be partly explained by the prevalence of workspace providers in Hackney. In reality the majority of this floorspace will be populated by SMEs (via sublease) even though the headline commercial lease deal itself will show up in a higher size band.

### **Affordable Workspace**

The need for affordable workspace in London is increasingly of concern to the Mayor of London and this is reflected in London Plan Policy E3. The provision of a sufficient supply of business space of different types, uses and sizes will ensure that workspace is available for occupation by SMEs and businesses wishing to start-up or expand. It will also help to ensure that workspace is available at an appropriate range of rents. This is particularly relevant to Hackney, as the Borough has one of the largest and most diverse ranges of managed workspace across London. VOA data identifies 1,644,100 m2 of commercial space across 10,500 units across the borough. Office space accounts for around 44% of floorspace, while retail and amenity space (A uses) and industrial space (B1c, B2, B8) both account for around 25% of space. The majority are located in or close to the Borough's town centres, office areas and industrial areas. Many co-working spaces are clustered towards the south of the borough in Shoreditch and Wenlock responding to demand from the central London office market.

It can be also be demonstrated that the workspace market has experienced rapid growth in values in recent years, with both office and industrial values now close to par with the London average (at £47 and £12 per sq ft respectively). Growth in office values has been

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<sup>9</sup> Nomis' official labour market statistics 2021

particularly strong in Shoreditch which has outperformed the majority of inner London Opportunity Areas since the 2004 London Plan.

Local Plan Policy 29 sets out the Council's intention to seek the inclusion of a proportion of affordable workspace, or the re-provision of low cost floorspace, within major commercial development schemes, and within major mixed-use schemes in the Borough's designated employment areas, the CAZ and town centres, in schemes that provide over 1000sqm of gross employment floorspace and in mixed-use schemes, affordable or low cost workspace would only be required if the scheme incorporates over 1000sqm of gross employment floorspace.

Therefore, local evidence confirms that the Council will need to continue and strengthen its approach to protecting employment floorspace. Safeguarding employment floorspace and sites for business and jobs, including for shared workspace, will be necessary to support the economic recovery, business investment and jobs growth. The borough has a highly constrained land supply, therefore, the main approach to addressing economic needs is to manage the existing stock and maximise any redevelopment potential for economic / employment purposes to meet employment needs.

### **Post pandemic economic recovery**

The GLA commissioned research into the pandemic and impact on office use trends, the CAZ ecosystem, scenario development and policy recommendations. This resulted in [the economic future of the CAZ](#) (2021) report. It found that the impact of the pandemic has been profound, with many businesses and jobs facing enormous challenges due to the growth in home working, the need to distance socially, unprecedented restrictions on hospitality and cultural venues and events, and the collapse in tourism. London's arts and cultural sectors, including the Night Time Economy, are particularly at risk.

In the long term, the report concludes that, if the right action is taken, central London will be well placed to recover strongly. The report concludes that the diverse ecosystem with an unique combination of business, retail, culture, government, education and other anchor institutions will continue to be the beating heart of London's and the UK economy.

It emphasised that growth of homeworking will continue, especially by those employed in the sectors dominant in the Shoreditch economy (information and communication) and professional, scientific and tech. However, it does not mean the end of the office. Offices will have to adapt to collaborative co-working spaces with flexible leases and spaces to be attractive in the longer term, and the bigger community belt provide those potentially larger pools of labour.

At a more local level, the Council undertook a survey of businesses in mid-2020 and found that:

- 77% had been closed
- 95% had lost income
- 25% had staff who were self-isolating and unable to work
- 24% had made staff redundant
- 7.5% had staff who were scared to work because of infection risk

- 79% had furloughed staff
- 3 in 4 faced a loss of more than three-quarters of their income; more than half cannot sustain further losses in income.

These small businesses and social enterprises are at the heart of the local economy as they face a challenging and uncertain future as the economy rebuilds.

In conclusion, the above research has concluded that there is demand for commercial activities and employment in London and the areas are in a position to recover from the pandemic economically because of their location and accessibility. This A4D is therefore required to ensure that we can continue to protect employment land and buildings where necessary in support of local business needs, whilst the situation is monitored, and appropriate strategies can be prepared.

### Housing delivery

The Council has, in recent years, delivered about 98% of its housing targets, and has sufficient allocated sites to meet future targets. This planned housing growth will be accompanied by planned investment in infrastructure to meet the need created by the growth. The Council's Local Plan has adopted a policy that seeks affordable housing contributions either on site or payment in lieu. This applies to both large sites and small developments. This policy is no longer enforceable under the new PDR, and this will negatively affect the Council's ability to provide affordable housing within the borough. There will also be a loss of CiL contributions. Using the last complete available data, Hackney reached 98% of its housing target over 5 years from FY 2015-2019.

### Housing delivery 2015-2019

Tenure	FY2015	FY2016	FY2017	FY2018	FY2019	Total
Affordable Rent	45	63	36	10	31	185
Social Rented	94	20	97	15	1	227
Intermediate	107	147	128	119	107	608
Market	1223	944	890	1377	830	5264
<i>Non-conventional supply</i>	1029	-6	72	334	130	1559
<b>Total</b>	<b>2498</b>	<b>1168</b>	<b>1223</b>	<b>1855</b>	<b>1099</b>	<b>7843</b>
London Plan Target	1599	1599	1599	1599	1599	7995

AMR: Housing Delivery in Hackney FY2015-FY2019

Going forward for the period 2019 -2023 Hackney is projected to deliver approximately 7,159. This excludes the allocation for windfall sites which in Hackney is based upon the trend GLA housing completion returns for between 5-10 years. Table 3 shows that the Council is proactively designating land for housing through the site allocation section of the Local Plan, and the Council's estate regeneration programme. The identified sites would account for around 4000 dwellings, and around 2,800 from granted permission,

thus only around 1,000 over 5 years from non conventional housing and windfall sites. Delivery of 7915 is well above the 7188<sup>10</sup> dwellings required based on the London Plan housing target for Hackney.

**Table 3: Projected housing delivery (2019 – 2023)**

Source	2019/20	2020/21	2021/22	2022/23	2023/24	Total of these years
GLA / LDD pipeline totals	397	377	667	664	660	2765
Housing regeneration	323	456	631	515	326	2251
Site allocations	122	120	510	515	515	1782
Pre-apps						50
Non-conventional	69	76	76	45	45	311
<b>Interim Housing</b>	<b>911</b>	<b>1029</b>	<b>1884</b>	<b>1739</b>	<b>1546</b>	<b>7159</b>
Windfall included in years 3,4,5 only			252	252	252	756
<b>Total</b>						<b>7915</b>

Source LBH Authority Monitoring Report 2018

The Housing trajectory, utilising data available at that same point, showed that Hackney would exceed its target over the next 5 years.

### **Impact of the PDR on Hackney's adopted Local Plan Spatial Strategy**

The PD rights could have a significant impact on the Council's spatial strategy, contained within its adopted Local Plan 2033 (adopted 2020).

The sustainable spatial strategy focuses on higher density, commercial and mixed-use growth in key areas such as the Borough's town centres (Dalston and Hackney Central), Shoreditch and the CAZ, and along railway corridors which contain the majority of the Borough's designated employment land. The spatial strategy focuses on economic and employment growth within these areas which are a relatively small proportion of the land area of the Borough. The conversion of commercial, business and services in these areas would significantly undermine the ability of these areas to fulfil this economic and employment role, with no other areas to rely on to adequately perform this role. The strategy supports high density growth in these areas, facilitating large uplifts in both commercial and residential floorspace.

Implementation of the proposed change for commercial, business and services to residential could have a detrimental effect on the character of areas which are designated on the basis of having a core cluster of commercial, business and businesses uses and buildings. Even one or two completely residential schemes would undermine the character of an area which will establish a precedent for a continuation of primarily residential schemes. These impacts could be long-lasting - once employment and commercial land is redeveloped for residential use, it is unlikely to ever revert back to an employment or commercial generating use. The Council considers its current policy approach as being effective in achieving a balance in terms of promoting the employment generation of sites alongside achieving other uses such as residential. Despite the current situation, planning policy needs to be considered in the longer term (typically 15-20 years) to ensure we strike the right balance between the

<sup>10</sup> London Plan Target 1599 for years 2019 and 2020 and 1330 for years 2021, 2022 and 2023

provision of housing and future employment land which equates to local jobs. Any deviation from this strategy, even for a short period, will have significant detrimental impacts.

### **Planning contributions to fund infrastructure**

A change of use from commercial, business and services to residential use puts pressure on the infrastructure needed to support such residential growth; for example school places, transport infrastructure, open space, and health facilities. However, as a permitted development, contributions normally secured through Section 106 to fund such strategic infrastructure and site specific impacts, will not be negotiated as no planning permission will be required.

The potential loss of S106 or CIL revenue will not only limit the ability to provide supporting infrastructure but could undermine the entire commercial market in Hackney as businesses will have no certainty as to whether or not their leases are likely to be extended. It also puts at risk Hackney's pipeline of non residential floorspace.

### **Conclusions**

The PDR poses a risk to many commercial properties in the Borough that could be converted to residential accommodation and undermines local economic recovery following the pandemic. This risk is particularly high for SMEs in high-value areas which could displace creative and cultural hubs. Should this happen then the anticipated adverse impacts would be as follows:

- The loss of a supply of premises and land that meet the diverse needs of Hackney's communities for affordable creative and cultural floorspace, with benefits of clustering with similar and dependent sectors; and
- The viability and vitality of Hackney's local economy could be undermined in the post pandemic economic recovery.