

# Consultation Response: Supporting housing delivery and public service infrastructure

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## Introduction

1. London First is a business campaigning group with a mission to make London the best city in the world to do business, for the benefit of the whole UK. We convene and mobilise business leaders to tackle the key challenges facing our capital. We are made up of almost 200 leading employers across a wide range of sectors including strong representation from the development industry.
2. We welcome the opportunity to comment on this consultation document, *Supporting housing delivery and public service infrastructure*. Please note we have only responded to the questions that are relevant to the interests of our organisation, namely in relation to Part 1.

## General position and summary

3. We support the Government's efforts to increase housing delivery and find new sources of housing land supply. Furthermore, we supported the introduction of new Class E in 2020 to provide our commercial centres with enhanced flexibility to change between different Commercial, Business and Service uses without the need for planning permission. Indeed, we called for this change to the Use



Classes Order in our Planning Manifesto for High Streets and Town Centres<sup>1</sup> (written shortly before the COVID-19 pandemic).

4. However, we believe that the proposed Permitted Development Right (PDR) for blanket change of use from Class E Commercial, Business and Service uses to Class C3 residential risks significantly harming the sustainable futures of our high streets and town centres.
5. The consultation document (paragraph 27) predicts take-up of the PDR to be high. Indeed, in most areas, housing will have a much higher land value than most (if not all) of the Class E uses. Therefore, whilst the PDR is intended to address surplus vacant commercial properties, a potential unintended consequence is that viable businesses are ousted in favour of a residential conversion. Research commissioned in 2017 by the Greater London Authority<sup>2</sup> in respect of offices in London showed that 55 per cent of permitted development applications granted prior approval affected offices that were occupied. Therefore, the impact of Class E PDR on viable businesses in our high streets and town centres could be far reaching.
6. Vacancy rates in centres have risen as a result of the pandemic and there will be genuinely surplus commercial space, especially retail and potentially office, that should be re-purposed. We fully support the re-purposing of brownfield land and the prioritisation for housing delivery on any surplus land. However, this needs to be planned for through the local plan process.
7. Paragraph 5 of the consultation states that, *“Where there is a surplus of retail floorspace, quality residential development will help diversify and support the high street.”* We agree with this objective which should be met through the planning application process: allowing the market to pepper-pot housing on an ad hoc basis in high streets and town centres that are already struggling will break up active frontages and further dilute their vibrancy and commercial success. Commercial centres of all sizes, from London’s Central Activities Zone to a local neighbourhood parade, thrive due to an agglomeration of commercial activities that encourage footfall and thrive off each other. Ad hoc conversion of commercial to residential will detract from the advantages of agglomeration because the benefits of browsing and comparing goods in one location will gradually be lost, thus reducing footfall and impacting upon place-shaping objectives. This, in turn, will further accelerate the loss of physical retail floorspace and further fuel the demand for online retail. This blanket PDR proposal could therefore have serious consequences for the commercial real estate market and travel patterns. It will also make it challenging for local planning authorities to meet their NPPF responsibilities and strategically plan for employment and retail uses.
8. Landlords and managers of Class E assets are concerned about the implications of the PDR proposal on their portfolios. For example, the attractiveness of an office is intrinsically linked to the other Class E uses in the immediate vicinity of

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<sup>1</sup> [Planning Manifesto for High Streets and Town Centres](#) (London First, January 2020)

<sup>2</sup> [London Office Policy Review](#) (Ramidus Consulting, 2017)

that office that employees can use in their lunch breaks and after work. Landlords also benefit from continuous retail frontage.

9. We are particularly concerned about the impact of PDR on London's Central Activities Zone (CAZ) given the sharp, dramatic decline in footfall it has seen because of the pandemic. There is a great deal of uncertainty about the future of the office and retail markets and a radical new policy of residential conversion should not be considered until more evidence is available about medium term trends.
10. The CAZ is a nationally and internationally important office location and it is extremely important for the UK economy. The report *Good Growth for Central London*<sup>3</sup>, written by Arup and commissioned by the London Property Alliance, shows that prior to the pandemic the CAZ and Northern Isle of Dogs supported 1.9 million jobs and generated 10% of the UK's economic output. In addition to the office sector, it is important that we do not undermine the attractiveness of Central London to domestic and international visitors. The PDR proposal also risks harming the shopping and leisure sectors, which will undermine their contribution to the economic recovery of London and the UK. In 2019, 55 per cent of all inbound visitor spend in the UK occurred in London<sup>4</sup>.
11. Given that residential values in Central London are extremely high, there is a strong case that the PDR proposal will lead to viable business premises being converted to residential to the detriment of remaining businesses and employment levels. This risks the unique role the CAZ plays in the UK economy, to the detriment of the whole country. Future development in the CAZ needs to be appropriately planned and managed to enable it to retain its world class economic, tourism and cultural offer.
12. As an alternative to the PDR proposal, proactive planning, encouraged by the NPPF, should seek to curtail long straggly high streets and shrink struggling town centres. This need not require a lengthy masterplan process and arguing over a fixed boundary line for the commercial core. What is needed is a positive policy climate in local plans and planning decisions that seek to shrink the commercial core of centres, to consolidate and intensify activity, and prioritise the residual ends of high streets and edges of town centres for housing delivery. Therefore, swift updates are needed to the NPPF and NPPG to this effect to give authorities a clear mandate to proactively plan for surplus commercial space and ensure residential is the priority alternative use. This approach will achieve the Government's objectives of increasing housing land supply and increasing footfall to support commercial activities, whilst ensuring our centres have a more sustainable long-term future.
13. Planning for change of use in this way, by accepting that the high streets and town centres that succeed will likely be more compact, and curating them accordingly, will result in more sustainable placemaking and ensure that communities are still served locally by the shops and local services they need.

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<sup>3</sup> [Good Growth for Central London](#) (Arup, 2020)

<sup>4</sup> <https://www.visitbritain.org/visitor-economy-facts>

14. Our position that the Class E PDR proposal should not be introduced raises the question of the future of the current PDR regime, which is due to expire on 31 July 2021. Given the economic situation with the pandemic, we suggest that the current PDR regime could be extended for a further temporary period whilst retaining the existing parameters in respect of floorspace thresholds and so on as well as the respective Article 4 Directions. Given the sub-categories within Class E these could readily applied to Class E (a) retail, Class E (g) (i) office and Class E (g) (iii) light industrial. This scenario would be preferable to expanding the rights to all uses within Class E with the risk of potential unintended consequences.
15. Notwithstanding our position, if Government does proceed with the change to PDR as proposed, the following restrictions should be applied:
  - a) a maximum size limit of nine dwellings so that affordable housing can be captured on all major schemes of ten dwellings or more;
  - b) conservation areas should be excluded so that planning applications for change of use can have proper regard for their character and heritage interests;
  - c) Class E (e) uses for medical or health services and Class E (f) uses including creches, day nurseries and day centres are important community assets and should be excluded from the PDR. It was not our intention to include these community uses within Class E and the merits of their loss for housing should be properly assessed through the planning application process;
  - d) prior approval of the impact of the loss of ground floor use to residential should apply to all locations; and
  - e) Article 4 Directions should be supported for those areas where this PDR would have a significant impact. In areas where there are existing Article 4 Directions to prevent existing office/retail/light industrial PDR conversions, local authorities should have the right to extend these in respect of Class E PDR. This will prevent a twelve-month hiatus while new Directions are sought.

## **Part 1: Supporting housing delivery through a new national permitted development right for the change of use from the Commercial, Business and Service use class to residential**

Notwithstanding our comments above, we respond to the relevant consultation questions in turn.

### ***Question 1: Do you agree that there should be no size limit on the buildings that could benefit from the new permitted development right to change use from Commercial, Business and Service (Class E) to residential (C3)?***

16. No. We believe that a size limit should be applied so that affordable housing and other planning gain obligations can be captured on major schemes. By way of example, in just the first two years that office to residential PDR was operational, London Councils<sup>5</sup> estimated that 1,000 new affordable homes could have been delivered in London from PDR conversions comprising 10 units or more. More recently, in early 2020, the Local Government Association<sup>6</sup> estimated that since 2015 office to residential conversions had potentially led to the loss of 13,540 affordable homes that would otherwise have been delivered through the planning system in England (assuming an average of 25 per cent on major new housing developments).
17. The Government has previously argued that this is a significant over-estimation on the basis that the majority of the PDR units would not have been delivered if they had needed planning permission. However, permissions were granted for commercial to residential conversions before any PDR was introduced and there is widespread disagreement with this argument in the planning and development sectors. Furthermore, the missed opportunity for planning obligations has been acknowledge by Government in its 2020 *Planning for the Future* white paper that includes a proposal for PDR schemes to be charged the Infrastructure Levy and for this to also include delivery of affordable housing.
18. It should also be noted that developers' planning obligations and infrastructure provision more widely (including affordable housing) are fundamental to generating community support for development and, without them, this can have a negative impact on public trust.
19. Therefore, we submit that the PDR should only apply to conversions that generate nine dwellings or less. Through the NPPF, it could be made clear that there should be positive policy support for full applications for change of use from Class E to C3 subject to the appropriate delivery of affordable housing and planning obligations to mitigate of any impacts in respect of environmental and socio-economic issues.

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<sup>5</sup> [\*The Impact of Permitted Development Rights for Office to Residential Conversions\*](#) (London Councils, 2015)

<sup>6</sup> <https://www.local.gov.uk/lga-over-13500-affordable-homes-lost-through-office-conversions> (Local Government Association, 2020)

**Question 2.2: Do you agree that the right should apply in conservation areas?**

20. No. There needs to be adequate planning control in conservation areas because its mix of land uses will be a key contributor to its character and heritage significance. The presence of a traditional shopfront may also make a significant contribution to its character. Instead of applying the PDR, Conservation Area Appraisals should be used to inform planning decisions on change of use on an area-wide basis, with a clear direction from the NPPF that housing should be prioritised where there is no demonstrable harm to heritage interests.
21. If the PDR is introduced in conservation areas, where local planning authorities consider that there is a risk of harm to the character of that conservation area, and seek to introduce an Article 4 Direction, approval from the Secretary of State should be forthcoming.

**Question 2.3: Do you agree that, in conservation areas only, the right should allow for prior approval of the impact of the loss of ground floor use to residential?**

22. Yes. If the PDR is introduced in conservation areas, the prior approval process should consider the impact of the loss of ground floor use to residential. As stated above in paragraph 20, the reasons for this are twofold: both the ground floor activity and the physical presence of a traditional shopfront can make significant contributions to the character of a conservation area and its heritage significance. If it is deemed necessary to retain a traditional shopfront with extensive glazing, clearly privacy conditions for future occupants will need careful consideration.
23. However, notwithstanding the above, our view remains that prior approval of the impact of the loss of ground floor use to residential should apply to all locations and conservation areas should be excluded from the PDR.

**Question 3.1: Do you agree that in managing the impact of the proposal, the matters set out in paragraph 21 of the consultation document should be considered in a prior approval?**

24. Yes, where a prior approval is sought, we agree that these issues should be considered to ensure there are no adverse environmental or amenity impacts on the future occupiers of the proposed dwellings.
25. We welcome the fact that PDR conversions are now required to meet national space standards and provide adequate natural light. The quality of accommodation must be high if PDR is to be an effective long-term solution.

**Question 3.2: Are there any other planning matters that should be considered?**

26. The agent of change principle should apply to ensure that any neighbouring commercial uses (particularly businesses in the night-time economy) are not compromised by a residential conversion.
27. The local planning authority should also be able to consider the impact of the conversion on the vitality of designated commercial centres.

**Question 4.1: Do you agree that the proposed new permitted development right to change use from Commercial, Business and Service (Class E) to residential should attract a fee per dwelling house?**

28. Yes. If this PDR is introduced, the fee should directly relate to the scale of the scheme and the work required by the local planning authority to consider the application.

**Question 4.2: If you agree there should be a fee per dwelling house, should this be set at £96 per dwelling house?**

29. We believe the fee should be £206 per dwelling created, i.e. the fee currently payable for alterations/extensions to an existing dwelling house. It is appropriate that the fee is lower than the £462 fee payable for creating a new dwelling through the full application process. However, whilst the prior approval process is streamlined to a certain extent, it is still labour intensive for local planning authorities in terms of administration, consultation, reviewing the relevant floor plans and assessing the various environmental effects. Local planning authorities need to be adequately resourced to deal with these applications, especially as take up is expected to be high, otherwise it will detract from an authority's overall planning performance.

**Question 5: Do you have any other comments on the proposed right for the change of use from Commercial, Business and Service use class to residential?**

30. We are concerned that introducing a blanket PDR as proposed will undermine the sustainable long-term future of our high streets and town centres. Flexibility will be important to adapt to quickly changing market conditions, but Class E already provides significant flexibility.
31. As an alternative to the PDR, we believe proactive planning, encouraged by the NPPF, should seek to curtail long straggly high streets and shrink struggling town centres. This need not require a lengthy masterplan process and arguing over a fixed boundary line for the commercial core. What is needed is a positive policy climate in local plans and planning decisions that seek to shrink the commercial core of centres, to consolidate and intensify activity, and prioritise the residual ends of high streets and edges of town centres for housing delivery. Therefore,

swift updates are needed to the NPPF and NPPG to this effect to give authorities a clear mandate to proactively plan for surplus commercial space and ensure residential is the priority alternative use. This approach will achieve the Government's objectives of increasing housing land supply and increasing footfall to support commercial activities, whilst ensuring our centres have a more sustainable long-term future. Ilford, in the London Borough of Redbridge, is a good example of a town centre where this approach has been successfully followed for some time.

32. Notwithstanding the above, if the Government introduces the new PDR as proposed, we believe Class E (e) uses for medical or health services and Class E (f) uses including creches, day nurseries and day centres are important community assets that provide essential local services and should be excluded. When we called for the creation of a 'catch all' town centre use class in our Planning Manifesto for High Streets and Town Centres, it was not our intention to include these community uses within Class E and we believe the merits of their loss for housing should be properly assessed on a case by case basis through the planning application process.
33. Also, if the PDR is introduced, prior approval of the impact of the loss of ground floor use to residential should apply to all locations.
34. Finally, Article 4 Directions should be supported for those areas where this PDR would have a significant impact. The Secretary of State has the powers to amend existing Article 4 Directions. Where these are already in place to prevent existing office/retail/light industrial PDR conversions, local authorities should have the right to extend them in respect of Class E PDR. This will prevent a twelve-month hiatus while new Directions are sought.