

For General Release

REPORT TO:	CABINET 20 OCTOBER 2014
AGENDA ITEM:	7
SUBJECT:	Office to Residential conversions in the Croydon Opportunity Area (COA)
LEAD OFFICER:	Jo Negrini - Executive Director for Development and Environment Mike Kiely – Director of Planning
CABINET MEMBER:	Councillor Alison Butler – Deputy Leader (Statutory) & Cabinet Member for Homes and Regeneration
WARDS:	All
<p>CORPORATE PRIORITY/POLICY CONTEXT/OUTCOMES FOR RESIDENTS OF THE BOROUGH:</p> <p>The adopted Croydon Local Plan: Strategic Policies (2013), London Plan (2011) and Croydon Opportunity Area Planning Framework (OAPF (2013)) are the key planning policy documents for the Croydon Opportunity Area (COA) in the context of office to residential conversion in the COA. These documents recognise and support the COA as a strategically important outer London office / commercial location. This report reaffirms this supportive planning policy context.</p> <p>Furthermore, the Council has now adopted The Croydon Promise: Growth for All (2014) and this report supports the following objectives:</p> <ul style="list-style-type: none"> • Enable the creation of 16,000 jobs • Increased employment and reduction in poverty across all communities • Improved development opportunities and investment • Make Croydon the best place in London to start a new business • Reinstate Croydon’s position as a premier office location 	

FINANCIAL IMPACT:

There are no direct financial consequences arising from this report.

However, the indirect financial benefits of office development include increased Business Rates, Community Infrastructure Levy and Section 106 receipts, increased daytime footfall and spend in the COA, increased business retention and attraction, and increased employment opportunities in the COA for local residents.

KEY DECISION REFERENCE NO.: This is not a key decision.

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below

1. RECOMMENDATIONS

The Cabinet is recommended to:

- 1.1 Agree the clarification of the application of the Council's current planning policy regarding office to residential conversion and / or redevelopment within the Croydon Opportunity Area (set out in paras 3.1 – 3.7) to support the Croydon Opportunity Area as a strategically important outer London office / commercial location, particularly around East Croydon Station.
- 1.2 Support the continued work on the emerging Croydon Local Plan: Detailed Policies and Proposals in terms of establishing the need for a development plan office retention policy.

2. EXECUTIVE SUMMARY

- 2.1 Since the introduction of the Government's permitted development right for change of use from office to residential in May 2013 and the adoption of the Croydon Local plan: Strategic Policies (2013) there has been considerable change to the context of office to residential development.
- 2.2 This report highlights the strong economic case for the protection of office accommodation to retain employment opportunities and realise the aspirations of growth as set out in the Growth Plan. This report also sets out the current planning policy context regarding consideration of proposals for office to residential conversion and / or redevelopment in light of these new pressures. This report recommends the clarification of the current planning policy regarding office conversion and / or redevelopment within the Croydon Opportunity Area to support the Croydon Opportunity Area as a strategically important outer London office / commercial location, particularly around East Croydon Station and continued work on the emerging Croydon Local Plan: Detailed Policies and Proposals, in this respect.

- 2.3 This will provide clarity for communities, businesses, investors and developers regarding the Council's position on proposals for office to residential.

3. DETAIL

Croydon Opportunity Area - Current Planning Policy Context

- 3.1 The London Plan identifies central Croydon as an Opportunity Area, Metropolitan Centre, Strategic Outer London Development Centre and one of the capital's two outer London Strategic Office locations. The latter clearly demonstrates that the London Plan and The Mayor continues to see Croydon having a strong role to play in London's office supply and office development being concentrated in strategic locations for growth.
- 3.2 The Croydon Local Plan: Strategic Policies (2013) state a presumption in favour of employment related development, highlighting that office development in Croydon Metropolitan Centre will be promoted and supported, and that the Croydon Metropolitan Centre will remain the principal location for office development in the borough and South London.
- 3.3 The Croydon Opportunity Area Planning Framework (OAPF) defines a number of character areas across the Opportunity Area to guide the delivery of land uses. The East Croydon character area is identified as the location for the Croydon Opportunity Area's (COA) commercial development (office and hotel) along with a mix of new residential development. This provides the basis for consolidation of office accommodation elsewhere in the COA to meet the demands of other land uses, especially residential and this managed consolidation of office space it is hoped will increase values and increase the scope and demand for Grade A accommodation.
- 3.4 The East Croydon masterplan is flexible in terms of land uses within the area covered by the masterplan. The masterplan component that is the exception in terms of office development is Ruskin Square Commercial, which is clear that this is the location for high quality office. The Ruskin Square planning permission includes office space (approx 100K sq m) in this location in accordance with the masterplan.
- 3.5 What the above outlines is the strong planning policy support for office development in the COA and very clear direction that the East Croydon character area should be the focus for office development over the next 20 years. This provides certainty to inward investors and developers about the very supportive planning policy context towards office development.
- 3.6 However, the above does not represent an office retention / protection policy for the COA or the East Croydon character area. As a consequence of the planning policy context set out in paragraphs 3.1 to 3.5 the Council will take a robust approach and require a detailed assessment of proposals for the loss of office accommodation in the COA, particularly around East Croydon. Any loss of office floorspace will need to be justified fully against the whole planning policy landscape and demonstrate there is no reasonable prospect of office retention, upgrade or office led redevelopment.

- 3.7 Looking forward, the emerging Croydon Local Plan: Detailed Policies and Proposals provide the planning policy opportunity to introduce an office retention policy. Such an approach could form part of the Croydon Local Plan: Detailed Policies and Proposals proposed submission publication in late 2015.

Implications of the Government's permitted development right for change of use from office to residential since May 2013

- 3.8 Prior to the introduction of the permitted development right the Council applied to the Secretary of State for the COA to be exempt from the permitted development right. Unfortunately the Council's application was unsuccessful (as were most council's) and many of the concerns raised in the application for exemption are being now realised. These are summarised below:
- Strategically important office floorspace (on occasions occupied) is being lost to residential, which is undermining overall office floorspace availability and market activity.
 - The quality of the majority of residential accommodation is sub-standard and doesn't meet planning requirements, such as minimum floorspace standards.
 - The Council are unable to secure planning obligations for infrastructure to mitigate the impact of development, for example contributions towards sustainable transport and public realm. This is compounded by the pressure on the COA's existing infrastructure.
 - The Council are unable to secure affordable housing from schemes and this is undermining the Council's ability to address the needs of those in greatest housing need.
 - Although the OAPF and the various COA masterplans support the consolidation of office floorspace, this is not occurring in the form and locations as envisaged by the OAPF and masterplans. This is directly undermining the planned vision and growth of the COA, which can dent developer's confidence as there is no longer the certainty desired in terms of what is planned around strategic sites.
 - Current jobs are under threat or have already been lost due to landowners wishing to convert occupied offices.
 - The unplanned loss of office floorspace results in the loss of employment opportunities.
 - Finally, the permitted development right is distorting the market in terms of existing use value of office buildings due to the now inherent up lift in value due to the permitted right to residential
- 3.9 Further to the Council's application for exemption being unsuccessful, the Leader of the Council in July 2014 wrote to the Secretary of State for Communities and Local Government (Appendix A) asking for the refusal to exempt Croydon Opportunity Area to be reconsidered in light of the concerns listed above being realised. The Secretary of State for Communities and Local Government's response (Appendix B) was clear that there will not be a review of exemptions, but the Government is reviewing the impact of the permitted development right. The Leader of the Council also supplemented his July letter

with a further letter to the Secretary of State for Communities and Local Government in September 2014 (appendix C), which highlighted wider challenges facing Croydon.

3.10 Since May 2013 up to September 2014, within the COA the following has occurred (these figures are set out as individual schemes and in more detail in Appendix D):

- 1,236 units have been approved under the permitted development right
- 1,168 of these units are studios, 1 and 2 bed accommodation
- 1,074 of these units do not meet the London Plan space standards
- 75,856sq m floorspace could be lost if the schemes are implemented
- A minimum of 185 affordable homes have not been provided.
- Currently, 17 prior approvals remain to be determined.

3.11 As a consequence of the Council being unable to secure planning obligations for infrastructure from General Permitted Development Order (GPDO) office to residential conversions the impact of development is not being mitigated. The tables below set out the social infrastructure need created by schemes to date, as calculated against the Council’s Development Infrastructure Funding Study. It should also be noted the Council is unable to secure Training and Employment planning obligations to provide opportunities for Croydon residents from the schemes.

1,236 (no. of units granted through prior approval) x 2.3 (people per unit) = 2,843 (GPDO population)

People per unit	Children per dwelling by key age group			
2.3 ¹ (people per unit)	0-3	4-10	11-15	0-17
	87	99	62	284
No. of school classes required ²	2.9	3.3	2.1	9.5

		Requirement (sqm)
Health provision		203 sqm
Play Space	LEAP ³	2,348 sqm
	NEAP ⁴	4,225 sqm
Open Space		4.307 ha
Community Space		174 sqm

¹To estimate the new residential population, average household sizes or ‘occupancy rates’ were applied to the new dwellings coming forward, drawn from the 2011 Census. The average occupancy rate for the COA is 2.3 people per household.

²Number of classes based on 30 children per class.

³LEAP – Locally equipped, or local landscaped, areas for play – for play and informal recreation

⁴NEAP – Neighbourhood equipped areas for play – for play and informal

recreation, and provision for young people.

- 3.12 It remains to be seen how many of the schemes outlined above will be implemented. Should implementation be limited this will represent the frustration of growth, for both the schemes and surrounding schemes.
- 3.13 Furthermore, concern exists that families with no alternative to such accommodation will find themselves in this accommodation that is clearly not fit for purpose for family life.
- 3.14 In response to these concerns on the 10 September 2014 the Council made a non-immediate Article 4 Direction proposing the removal of the office to residential permitted development right within the COA. Subject to confirmation by the Council and no intervention by the Secretary of State the Article 4 will come into force on the 10 September 2015.

Permitted schemes around East Croydon Station

- 3.15 Since 2011 seven strategically important schemes (Ruskin Square, Menta Sites, Royal Mail Site, Galaxy House, Renaissance, Essex House and College Tower) have been permitted around East Croydon Station. A summary of the schemes is set out below:
- 2018 residential units have been permitted
 - 88,855 sq m of new office floorspace has been permitted
 - 9,851 sq m of new office floorspace constructed
 - 33,775 sq m of office floorspace has been lost
 - 15,582 sq m of other commercial floorspace has been lost
- 3.16 To date, it is considered a reasonable balance has been achieved between meeting the borough's housing need and supporting the COA's economic function. However, the wider implications of the office to residential permitted development right have disturbed this balance; and therefore, justifies the requirement for a robust assessment of any further loss of office accommodation across the COA and particularly around East Croydon Station and in New Town.

Economic Development Perspective and Implications

- 3.17 Clearly the COA remaining an outer London Strategic Office location is essential to the borough's and COA's economic growth and vitality. The Economic Development Service considers the following matters support the approach outlined in this report:
- The recently adopted Growth Plan establishes the need to accelerate the delivery of new commercial stock to satisfy demand.
 - Requests for support to find Grade A premises remain strong, but the current availability of Grade A accommodation around East Croydon Station is a barrier to retaining existing businesses, risking employment loss as well as securing new businesses, creating increased job opportunities.

- Supply of Grade A office floorspace supports the ability of existing and perspective businesses to find suitable accommodation.
- Supply of Grade A office floorspace is essential to accommodate growing sectors, such as Tech Industries as well as the strong SME base.
- Supply of Grade A office floorspace is essential to provide quality employment opportunities.
- From market intelligence and research the area surrounding East Croydon is the most attractive to existing and perspective businesses due to the transport links offered by East Croydon Station.
- A visible presence of office accommodation around East Croydon Station is important to Croydon being considered as a commercial centre and economically active location, rather than being perceived as a residential and shopping centre.
- With the possible expansion of Gatwick being more likely in light of the Davies Commission it is considered Grade A office accommodation pressure is likely to increase due to Croydon's excellent links to Gatwick and central London.

4. CONSULTATION

- 4.1 The Croydon Local Plan: Strategic Policies (2013) and Croydon Opportunity Area Planning Framework were both subject to consultation in accordance with The Town and Country Planning (Local Planning) (England) Regulations 2012 and the Council's Statement of Community Involvement (2012). As this report seeks reaffirmation of these documents no additional consultation is necessary. It should be noted that where planning applications are submitted, these are publicised and comments can be made as part of the planning application determination process.
- 4.2 Discussions and debates have been held with both the corporate and SME base in Croydon. All sized companies have reported that this is a major barrier to retention and growth in the borough.

5 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 5.1 There are no direct financial consequences arising from this report.
- 5.2 However, the indirect financial benefits of office development include increased Business Rates, Community Infrastructure Levy and Section 106 receipts, increased daytime footfall and spend in the COA, increased business retention and attraction, and increased employment opportunities in the COA for local residents.

Approved by: Graham Oliver, Business Partner, on behalf of the Director of Finance and Assets & S151 Officer

6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

- 6.1 The Council Solicitor comments that Section 38(6) of the Planning and Compulsory Act 2004 requires planning applications to be determined in

accordance with the development plan unless material considerations indicate otherwise. .

Approved by: Gabriel MacGregor, Head of Corporate Law on behalf of the Council Solicitor and Monitoring Officer

7. HUMAN RESOURCES IMPACT

7.1 There are no direct human resource implications arising from this report.

Approved by Adrian Prescod, HR Business Partner, for and on behalf of Director of Human Resources, Chief Executive Department.

8. EQUALITIES IMPACT

8.1 The Croydon Local Plan: Strategic Policies (2013) and Croydon Opportunity Area Planning Framework were both subject to an Equality Analysis

8.2 Furthermore, the Equalities Analysis (EA) screening which has been carried out for the Croydon Opportunity Area Office to Residential Article 4 Direction states that the proposed changes would not impact on any one particular group or individual. Some protected groups may be positively affected more than non-protected groups insofar as the changes would potentially give rise to economic development and job growth. However, this would also open up job opportunities for non-protected groups as well as protected groups. Also, the introduction of the Article 4 Direction should prevent families on the very lowest incomes being housed in overcrowded and sub-standard accommodation.

8.3 The Equalities Impact Assessment (EqIA) undertaken on the Croydon Local Plan: Strategic Policies found that the Plan is overall very supportive of equality groups, addressing spatial inequality in the borough, and considering the needs and priorities of all sections of the community by, inter alia, seeking to provide a choice of housing, such as providing more job opportunities either by safeguarding industrial and warehousing premises or by fostering an environment where creative industries can prosper.

8.4 Within the Plan EqIA, the Jobs Strategy encompasses development of B1(a)/hotels in the Croydon Metropolitan Centre and would positive impacts. Positive impacts include the potential benefit for all communities, especially those who depend on public transport for access to jobs and services; provision of job opportunities that will help address worklessness, which is a major cause of child poverty; promotion of start-up units would potentially be a source of flexible/part-time job opportunities for women and an opportunity for BME small businesses; use of vacant premises by creative industries and cultural activity can be a source of jobs/self-employment for artists, musicians, craftsmen of different age and cultural background.

8.5 The Integrated Impact Assessment (IIA) carried out on the OAPF states that the aim of the OAPF is to provide more opportunities for employment and new

housing of different size and affordability to suit the needs of the residents.

9. ENVIRONMENTAL IMPACT

9.1 The Croydon Local Plan: Strategic Policies (2013) and Croydon Opportunity Area Planning Framework were both subject to a Sustainability Appraisal and Strategic Environmental Assessment that assessed the environment impact of these documents. As this report reaffirms these documents the environmental impact has been assessed.

10. CRIME AND DISORDER REDUCTION IMPACT

10.1 There are no direct crime and disorder reduction implications arising from this report.

11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

11.1 Since the introduction of the Government's permitted development right for change of use from office to residential in May 2013 and the adoption of the Croydon Local plan: Strategic Policies (2013) there has been considerable change to the context of office to residential development.

11.2 This report sets out the current planning policy context regarding consideration of proposals for office to residential conversion and / or redevelopment in light of these new pressures. This report recommends the clarification of the current planning policy regarding office conversion and / or redevelopment within the Croydon Opportunity Area to support the Croydon Opportunity Area as a strategically important outer London office / commercial location, particularly around East Croydon Station and continued work on the emerging Croydon Local Plan: Detailed Policies and Proposals, in this respect.

12. OPTIONS CONSIDERED AND REJECTED

12.1 The option of not clarifying the Council's planning policy position regarding office conversion and / or redevelopment within the Croydon Opportunity Area was considered, but rejected on the basis the Council wants to provide clarity to communities, businesses, investors and developers regarding the Council's position on proposals for office to residential and highlight some of the current issues.

CONTACT OFFICER: Tim Naylor, Head of Spatial Planning Ext 62615

Appendix A – The Leader of the Council's letter to the Secretary of State for Communities and Local Government – July 2014.

Appendix B – Secretary of State for Communities and Local Government's letter to the Leader of the Council – September 2014.

Appendix C – The Leader of the Council’s letter to the Secretary of State for Communities and Local Government – September 2014.

Appendix D – Office to Residential permitted development schemes within Croydon Opportunity Area data.

BACKGROUND PAPERS - LOCAL GOVERNMENT ACT 1972 - none