

**POSITION STATEMENT OF
JEREMY GARDNER MA MRICS ON
BEHALF OF COMMERCIAL
ESTATES GROUP**

Representor Number: 635838

In respect of Policy DM 15 (1)

**London Borough of Tower Hamlets
Managing Development DPD
Local Development Framework**

1.0 INTRODUCTION

- 1.1 My name is Jeremy Gardner. I am a director at Jones Lang LaSalle (JLL) within the Development and Investment Team based in JLL's City of London Office which has responsibility for development consultancy on Canary Wharf and the Isle of Dogs as well as the City Fringe and City of London. I have 23 years post qualification experience of which 17 years have been based in this geography.
- 1.2 This position statement is submitted on behalf of CEG as representative of the freehold owner of Hertsmere House E14.
- 1.3 The MD DPD proposes in Policy DM 15 (1) that outside spatial policy areas development should not result in the loss of active and viable employment uses unless the site has been actively marketed for approximately 12 months to demonstrate that the site is unsuitable for continued employment use.
- 1.4 My statement sets out that there needs to be
- Closer consideration of the type of employment space and the locations to which this policy should be applied.
 - A distinction as to the size and nature of premises to which it is applied given the key objective of the policy is to protect land use in particular for local SME businesses.
 - A consideration of the desirability of the policy where existing premises represent a clear underutilization of land use and development potential.
- 1.5 The statement concludes the policy as proposed is unsound and that a more targeted wording will better achieve the Council's policy objectives.

2.0 THE SITE

- 2.1 Hertsmere House is an office building constructed in 1987 over 5 storeys totalling 4,935 sq m with average floor-plates around 1,300 sq m. It is representative of the first phase low density development on the Isle Of Dogs before construction of the main Canary Wharf Estate. It is located immediately to the north of the main Canary Wharf Estate at the Western end of the West India and Millwall Dock. This is a mixed use environment including the adjacent retail, leisure and cinema at West India Quay, the Docklands Museum, Marriott Hotel, and Canary Wharf offices. Hertsmere House does not provide the type of floor-space required by office occupiers in this location, either by floor-plate or overall building size. The principle of higher density development including a mix of uses has already been established by the Columbus Tower consent comprising offices, hotel, serviced apartments and retail accommodation totalling 55,073 sq m in a 63 storey tower. Hertsmere House is close to the new Canary Wharf Crossrail station which will improve accessibility and activity to the north of the existing Canary Wharf Estate. As it is not currently in a spatial policy area, the site would in the future be subject to the provisions of the proposed DM15 (1). This would serve

to ignore the existing planning permission and unnecessarily delay/frustrate any further redevelopment proposals.

3.0 POSITION STATEMENT : TOPIC DM15 (1)

3.1 What Particular Part Of The Document Is Unsound

3.1.1 The proposed policy needs to be considered in its constituent parts. It is clearly right that the upgrading and redevelopment of employment sites outside the spatial policy area designations should be supported. In those spatial policy areas there is protection of existing employment uses as justified by the Council's evidence base. As drafted the policy will not best achieve its objectives outside the spatial policy areas.

3.1.2 The policy is unsound for three reasons.

3.1.3 Firstly there is no justification for the protection of employment uses upon such redevelopment as currently proposed outside the designated spatial policy areas.

3.1.4 Other uses may be more appropriate than B Use Class employment for the regeneration of specific localities. The policy does not have regard to the specifics of employment in the borough. In the vicinity of the main Canary Wharf Estate the future provision of B1 office accommodation is not of concern as the pipeline is more than sufficient to meet current and future anticipated demand and the product is targeted at national and international occupiers who demand other facilities, not local employers. This market is very different from the rest of the borough. There are other policy designations, such as Major Centres, where we consider the policy inappropriate, and in our view the Council's own evidence base supports that conclusion. The only Major Centre in the borough is Canary Wharf.

3.1.5 Secondly the proposal for an approximate 12 month marketing period to demonstrate the property does not result in the loss of active and viable employment uses is unsound in terms of the evidence base and where either there is a clear case for higher density development which will better further economic growth objectives, or where the lack of viability of the existing use means it is demonstrably not the best way forward.

3.1.6 Thirdly the policy should acknowledge the existence of any extant planning permission and exclude such sites from the requirement to undertake the proposed marketing exercise.

3.2 What Soundness Tests Does It Fail

3.2.1 Section 20 of part 2 of the Planning and Compulsory Act 2004 requires DPDs to go to independent examination, and Section 20 (5) (b) for examination as to whether the DPD is sound.

3.2.2 Proposed policy DM15 (1) is unsound as it does not satisfy the "Justified" criteria, that the plan is the most appropriate strategy when considered against reasonable alternatives based on proportionate evidence.

3.3 **Why Does It fail**

- 3.3.1 The justification for DM15 (1) is based on the evidence contained in the London Borough of Tower Hamlets' Tower Hamlets Spatial Economy Study' (June 2011) ('THSES') produced by Roger Tym and Partners (Document EB63) which in turn relies in its employment designations on the Employment Land Study(August 2009) prepared by URS ('ELS').
- 3.3.2 THSES is concerned with definition of Spatial Policy Areas, a specific policy approach for Fish Island (which is irrelevant here), and planning for SME's. Various definitions of SME's are considered. I prefer the EU definition which is a firm employing up to 250 people (THSES Appendix 2,paras 4.85, 4.91) as this drives a maximum floorspace requirement, of approximately 2,500 sq m, which can be reflected in policy.
- 3.3.3 The evidence for the protection of employment space in LOLs, SILs and LILs is not disputed here. The focus of my evidence is the application of the policy to areas outside designated spatial policy areas, with particular reference to Canary Wharf and its environs and sphere of influence.
- 3.3.4 Not all of that sphere of influence falls within the POL definition but the nature of the employment market is similar and in the nature of a Major Centre within and without the POL. This is clear in the Employment Clusters defined in the ELS, and in particular cluster C5 Canary Wharf North (ELS Table 1 Page viii and Figure 1 Page vi). This cluster includes the main Canary Wharf Estate, and surrounding property including Hertsmere House, West India Quay and Billingsgate Market. Not all is in the POL, nor the Major Centre or Activities Area definition, but the ELS recognises this as a single market cluster for employment purposes. It is our contention elsewhere that the Major Centre designation should be extended to mirror the boundary of Cluster C5 in this location, excepting Billingsgate Market.
- 3.3.5 The evidence base makes a very clear distinction between the employment clusters within Tower Hamlets of Canary Wharf North, Canary Wharf South and the City Fringe, and the rest of the borough (ELS Executive Summary pages x-xi and Chapter 6 pages 51-98). The former are acknowledged to be dominated by national and international firms employing over 200 staff, whilst the remainder is dominated by small businesses employing 10 or less staff. The distinction between the financial and business services and professional services cluster in Canary Wharf and City Fringe, and local business clusters elsewhere, is not reflected in the proposed policy response.
- 3.3.6 The growth projections encapsulated in the study in terms of B1 floor space requirements set out in the THSES (Page 8 Para 2.25) and are derived from the ELS. They show potential net demand for B1 employment space by 2026. The total requirement for the borough is between 685,00 sq m and 904,900 sq m. For Canary Wharf North and South the projections are between 505,151 and 651,730 sq m, so the majority of predicted demand.
- 3.3.7 The evidence base makes a further qualitative distinction between the Canary Wharf Estate, which provides the quality of accommodation demanded by international businesses, and

the remainder of the Isle of Dogs office market, which is acknowledged to be “maturing” and “obsolescent”. Again no policy distinction is drawn. The Canary Wharf Estate broadly matches Employment Cluster 5, whereas Employment Cluster 6 is in the main the more mature 1980s and 1990s buildings. Where the latter exist in Cluster 5 they usually have the benefit of existing planning consents for higher density development. This is true for instance of Hertsmere House and Heron Quays. These planning permissions de facto show that retention of the existing employment space is not the best approach to planning on the sites.

- 3.3.8 THSES is very clear there is no policy need to protect B1 office employment space in the Canary Wharf clusters (sections 2.24-2.28 page 8). It confirms that 70% of the target set out at 3.3.6 above will be met in Canary Wharf, and this is unlikely to be challenging as the pipeline already exceeds the targets. The report confirms that the challenge for delivering new office space is likely to be in the local office locations where the market is much weaker.
- 3.3.9 For this reason the policy needs to protect B1 employment space for small businesses outside the Canary Wharf and City Fringe clusters is justified. However, within the sphere of influence of Canary Wharf the evidence base clearly shows that there is sufficient pipeline in terms of consented B1 office schemes to match predicted demand. The Canary Wharf employment clusters, particularly C5, are very different from the other employment locations in the borough, as they equate to a town centre location where protection of a single land use is neither desirable nor necessary and policy should recognise this.
- 3.3.10 JLL market research essentially supports the Council’s evidence base and shows there is an oversupply of employment space in the Canary Wharf vicinity and wider Docklands market. The research is attached as Appendix One.
- 3.3.11 The Docklands office market totals approximately 1.75 million sq m. The Canary Wharf Estate comprises approximately 1.55 million sq m of that total. Other centres include Stratford, the Royal Docks, and Greenwich Peninsula (all of which are outside the Borough of Tower Hamlets)
- 3.3.12 JLLs research further shows:-
- a) The current availability of office accommodation in the Docklands area (for units in excess of 465 sq m which is the minimum level at which JLL measure) is approximately 116,000 sq m. The vast majority of this is in Canary Wharf.
 - b) There is 241,550 sq m of office accommodation subject to lease expiries or tenant break options between 2012 and 2018 in the overall docklands area. A significant proportion of this will be vacated and therefore available to let at lease expiry. The majority represents parts of buildings only and so will not trigger redevelopment opportunities per se.
 - c) The office development pipeline in Docklands, already consented or subject to existing applications, is over 1.95 million sq m. This pipeline therefore exceeds the entire existing stock.

d) Conversely, current active demand requirements for Docklands total only approximately 200,000 sq m. Demand is weighted towards large requirements, which have been the driver of take-up in the Docklands office market, dominated by Canary Wharf, since the mid 1990s. 87% of current active demand in Docklands is for units of 9,300 sq m or larger.

3.3.13 On this basis the supply of office space is not a constraint on employment in the Canary Wharf clusters, and will not be in the future.

3.3.14 I consider the evidence base presented by LBTH is broadly accurate but the conclusion drawn, as encapsulated in the policy proposal DM15 (1) , is too generalised and fails to differentiate between the major internationally focussed office cluster of Canary Wharf where there is a proven long term pipeline, and more local markets for local small businesses. The proposed policy is unsound for this reason that it does not follow to a logical conclusion its own evidence base.

3.4 How Could It Be Made Sound?

3.4.1 The policy needs to recognise that Canary Wharf, particularly Employment Cluster C5, is unique within the borough, and differentiate it accordingly. This is best achieved by the extended Major Centre designation proposed at 3.3.4 above.

3.4.2 A requirement to market employment premises for twelve months to demonstrate them as unsuitable for continued employment use will be inappropriate and counterproductive in the defined Canary Wharf clusters for the following reasons.

3.4.3 Optimum Site Use – In locations where high density development has been consistently shown to be appropriate and viable, such as the Canary Wharf North, better long term prospects consistent with a growth agenda will be achieved through higher density development. Often this has already been shown to be appropriate. There are a number of existing consents, including for Columbus Tower on Hertsmere House, and for One Bank Street on Heron Quays, which illustrate this. Where such consents exist a requirement to market the premises for 12 months for an alternate consent of similar density is unnecessary. Such development could be employment related or otherwise. Whilst the employment use could be re-provided in any redevelopment, that may restrict design and limit flexibility to provide more appropriate uses for the site and location given its accessibility and surrounding uses where these are complementary to the town centre function. The key point is that if there is an existing planning consent for a higher density development than existing, any 12 month marketing requirement is counterproductive to policy objectives including for a different development proposal.

3.4.4 Letting Policy and Expenditure Considerations – The proposed policy approach would need to be clear whether an owner would only be required to let vacant premises as a whole, or could be required to undertake lettings of part. The latter could freeze a site for future redevelopment without achieving the intended employment outcome, if part only could be

let and the majority then remained vacant indefinitely. There would also need to be clarity as to the rents at which developers would be required to re-let premises, and what expenditure would be required to make them lettable. Many properties suitable for redevelopment comprise low density development which are at the end of their economic life. This is explicitly recognised in the LBTH Employment Land Study in relation to non-Canary Wharf Isle of Dogs locations. In order to re-let them, these would need to be refurbished at considerable cost, otherwise the premises could not be occupied for any period of time. There should be an opportunity to demonstrate that the cost of refurbishing such a building is unviable at the rents achievable without the need for the proposed marketing period. There will be cases where it is immediately apparent that the redevelopment of a building will produce better policy outcomes than refurbishment.

3.4.5 Protection of SME's. The policy approach will not achieve its objective of protecting SME's since the office accommodation being provided for national and international businesses around the Canary Wharf Estate, as defined by Employment Cluster 5, are not suitable for such local businesses either in configuration or price. The Council's own evidence base recognises SME's benefit from being close to but not within the Canary Wharf cluster. In addition there is a distinction between Canary Wharf North, which is dominated by large office floorspace for front office functions for multinational occupiers and Canary Wharf South, which does not include the main Canary Wharf Estate. SME occupational requirements are for premises of 2,500 sq m or less.

3.4.6 The application of the policy outside Spatial Policy Areas does not recognise there are areas around the Canary Wharf Estate where alternate policy designations could justify similar exemptions from the marketing period. There is a mismatch between the POL, Major Centre and Employment Clusters boundaries, which fails to recognise all are within the sphere of influence and market functionality of the Canary Wharf Estate. Elsewhere in these representations it is contended the Major Centre boundary should be extended; regardless DM15(1) needs to acknowledge this.

3.5 What Specific Wording Would Make The Document Sound

3.5.1 An amended policy is suggested as follows: DM15(1) " The upgrading and redevelopment of employment sites outside of spatial policy areas will be supported. Outside of the Canary Wharf Major Centre, development should not result in the loss of active and viable employment uses in B2 or B8 use or B1 use where the unit is less than 2,500 sq m GEA, unless either it can be shown, through a marketing exercise, that the site has been actively marketed (for approximately 12 months) and that the site is unsuitable for continued employment use due to its location, accessibility, size and condition; or where evidence is produced that demonstrates that a building is incapable of viable refurbishment or redevelopment for continued employment use; or where there is an extant planning permission for redevelopment".

3.5.2 Reason: To avoid the unnecessary safeguarding of office accommodation in Canary Wharf Major Centre where more than sufficient supply and pipeline already exists and this might

frustrate the delivery of other priority land uses and lead to underutilisation of sites and in this specific market cluster, which has unique characteristics within Tower Hamlets, to avoid the unnecessary delay associated with a marketing campaign where either viability evidence can demonstrate that a building is incapable of economic re-use, or existing consents show the desirability of higher density redevelopment, but to protect employment space for SME's in local markets outside the main established office cluster of Canary Wharf.