

Office to Housing conversion: Where are we now? Where do we want to go?

Comment by London Forum of Amenity and Civic Societies July 2015

Where are we now?

The Government has deferred the laying of the Statutory Instrument for extending permitted development of offices to amend its text to make provision for additional time for local authorities to prepare their Article 4 Directions which, if approved by the Secretary of State, would enable local authorities to remove/avoid the Government imposed freedoms to change the use of a building from offices to housing without requiring planning consent.

Clearly, the Government has missed the point. The nationally-imposed change is bad news. When originally introduced by the Coalition Government with the possibility of seeking an exemption, half the local authorities in the country applied. In the final event only 5% of authorities received any kind of exemption. If 50% wanted an opt-out, somebody should have got a message. Of those that were successful, most were in London where the lobbying against the proposals were strongest – by the Mayor of London, the Cities of London and Westminster, Isle of Dogs, Kensington and Chelsea and other City-fringe boroughs.

In the last two years a very high proportion of the proposals for change of use to housing have been in London, especially Camden, Hammersmith and Fulham, Islington, Merton, Richmond, and Sutton, and despite trying to get Article 4 Directions to protect their office stock, the then Secretary of State for Communities and Local Government, Eric Pickles, declined most of these proposals.

What was it supposed to achieve?

The initiative was originally promoted as "getting vacant and underused commercial properties into use" as housing. That policy was bound to fail, as the secondary legislation cannot discriminate between vacant offices and those in use – many of the applications in London have been for offices that were still occupied. The policy relies on there being a strong market – in areas of the country with large amounts of vacant offices and no real housing market nothing has happened. By contrast, in areas with a high differential between housing values and office values and high office occupancy rates/low vacancy rates, the market has stripped out well-located offices for conversion, often in town centres, leaving an ever tighter market for offices and higher rents for those that remain. This not good for the local economy, town centres, small businesses and voluntary organisations.

To put it very simply, this national, top-down imposed "policy change":

- is a blunt tool - it cannot target particular areas (and avoid others) let alone discriminate between vacant and occupied premises
- is ineffective in getting vacant offices back into use as housing
- has attracted speculative proposals – emptying offices with no firm proposals for conversion to housing – and encouraged asset stripping
- has destabilised local property markets
- has promoted unfair competition with house builders who are required to provide affordable housing, meet decent space standards, provide parking, etc, whilst these conversions are freed of these requirements
- have reduced the supply of office floorspace, sometimes to critically low vacancy levels, especially for small and medium-sized firms (SMEs) - conversion to housing is a one-way trip
- has selectively stripped out offices from our town centres, which rely of office employment to add to their total economic activity as a major focus for the local economy – offices are an essential ingredient for economically-successful town centres
- has not delivered the types of homes that local communities needed

Above all, the policy is in direct conflict with the major planks of Government planning policy namely:

- Localism – that planning decisions should be taken locally – whether an office block is converted to housing should be a local decision.
- "Meeting objectively assessed need" is major requirement of national planning policy, which means making provision in the local plan for sufficient office space in the right locations – town centres and public transport interchanges – removing offices increases the need to find more sites, especially town centre sites, for offices. It is, and if it continues, would drastically
- Town centres first – the Government strongly advocates focusing economic activities – shops, leisure, offices, etc – in town centres – it supports economically-successful town centres – encouraging developers to strip out offices from the locations advocated by national policy. The policy is squeezing offices out of London's town centres.
- Encouraging economic growth – it is not clear how reducing the supply of premises in town centres supports economically-successful town centres, or the reduction in premises for SMEs helps the London's local economies

What do we want?

In short, this "policy" is short-sighted, contradictory and potentially disastrous for London. The current "three-year experiment" which is due to expire on 30 May 2016, should not be extended, let alone be made permanent as some have suggested.

Removing exemptions and offering the opportunity of using Article 4 Directions to prevent this "freedom" to convert offices to housing locally is ill-conceived – it is cumbersome, time-consuming, challengeable and, above all, still at the discretion of the Secretary of State. No amount of "adjustments" can make this inappropriate, top-down imposed policy work without considerable collateral damage and compromising the Government's main policy objectives for planning.

If these proposals are opposed by Mayor of London, London Boroughs, London Councils, the property industry (British Property Federation, major property owners in the Cities of London and Westminster, London businesses, the 37 Business Improvement Districts, and local communities [such as the London Forum's member societies]) - very broad-based coalition – there is clearly something very wrong with this policy.

In fact, it is a fundamentally flawed policy causing irreversible damage to London's local economies, town centres and communities and will drive out small business.

Local control is not an unreasonable expectation if the Government believes in local decision making – on policies in local plans and on individual decisions – in 'town centre first' to secure economically successful communities and in promoting successful local economies and supporting SMEs.

The answer is to recognise that the policy has problems – and cut our losses. Abandon this ill-conceived policy – there are too many dissatisfied customers.

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