Hackney Employment Study

Hackney

objectives of the study

To inform the preparation of Hackney's Local Development Framework, particularly policies relating to the provision of employment land and premises (including affordable workspace) in light of:

- local and strategic economic and property market trends and forecasts; and
- recent advancements in the regional and national policy context.

Approach

The development of sound policy recommendations based on a comprehensive process of evidence gathering and analysis which included:

- analysis of the baseline socio-economic and commercial and industrial property market context;
- examination of trends and forecasts of demand for employment land and premises;
- analysis of existing and future employment needs of the residents of Hackney;
- assessment of the needs of Hackney's small business base; and
- appraisal of the existing employment land and premises .

key findings

Policy Context

In preparing LDFs, guidance produced by the ODPM and the Mayor of London requires local authorities to review their existing stock of employment sites and allocations.

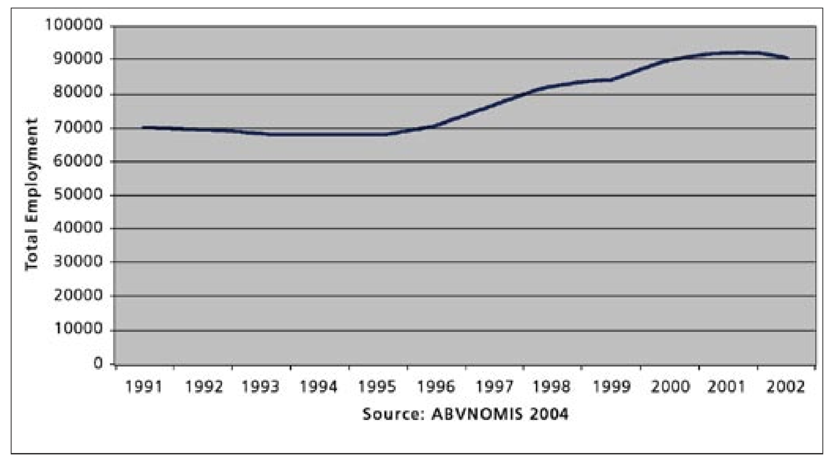
Central to this review process is the application of a criteria-based assessment approach based on factors relating to:

- Market demand and need;
- Strategic planning considerations;
- Site characteristics; and
- Sustainable development.

Socio-Economic Trends

- In 2002 approximately 90,600 jobs were provided in Hackney (excluding self-employment). This represents an increase of over 20,000 jobs (29%) since 1996.

Hackney Total Employment 1991-2002



- Key employment sectors in Hackney include: financial services; business and professional services; media and IT; cultural and creative industries; retail; wholesale.
- Following the trend in Greater London, employment in the manufacturing sector has contracted by 40% in the period between 1991 and 2002. Manufacturing now accounts for only 5.6% of total employment in the Borough which indicates that industrial restructuring in the Borough is at a mature stage.
- Warehousing related employment has increased significantly over the last 10 years and is now larger than the manufacturing sector.
- Whilst rates have fallen considerably since 1991, unemployment in Hackney remains substantially higher than the regional and national average. Reducing economic and social polarisation in Hackney is a major priority for the Council which should be reflected clearly in the emerging LDF.
- In 2002, Hackney businesses employing 10 or less people accounted for 88% of all businesses in the Borough compared to 76% in 1991.
- The ODPM ranks Hackney as the most deprived Borough in London. There is a significant mismatch in the supply of jobs in the Borough relative to the skills profile of local residents.

Floorspace Needs of Existing Businesses

- Based on an empirical survey of 500 established businesses in Hackney, over 41% intend to expand their operations in the short to medium term.
- The sample results indicate that aggregate demand for expansion floorspace within the Borough amounts to approximately 2.4 million sq.ft (225,000 sqm.).
- The average firm occupying B use class floorspace in Hackney occupies around 3,300 sq.ft (306 sqm.). Despite this, the majority of floorspace being marketed in the Borough is for premises is significantly larger than this.
- Many small firms in the Borough are seeking premises at rents which are significantly lower than the current profile of available floorspace. The issue of affordability and size of available premises in Hackney have the potential to be significant constraints to the growth of the Borough's small business base.

Employment and Premises Forecasts

- Atkins estimate that employment demand will increase by approximately 26,000 between 2001 and 2016.
- With regard to the future demand for employment floorspace our scenarios indicate that net additional floorspace requirements will range between 200,000 – 300,000 sq.m (2.2 – 3.2 million sq.ft).
- Provision of new office and light industrial premises over the next 15 years will be central to the provision of a wide variety of jobs aimed at the local and regional labour market.
- The LDF will be essential to ensuring that a balanced approach is taken to facilitating the diversification of the local economy and to preventing the loss of employment opportunities which are very accessible to local communities (particularly the most deprived communities).
- Key market segments and business sectors which should particularly be provided for in the LDF B use class employment allocations will include:
  - Cultural and creative industries such as publishing, printing, music, performance and visual art, media production, design, advertising, education and training (B1a and B1b);
  - Information, Communications Technology including services, small scale manufacturing and distribution (B1a, B1c and B8);
  - Business, professional and financial services (B1a);
  - Public services including local government, education, health and social care (B1a, B1b, B8 and sui generis);
  - Wholesale, small to medium size storage and logistics (B1a and B8).

- Other sectors which will be important to the local economy during the LDF period will require accommodation outside of the B use class. Particularly relevant to Hackney will be the retail sector and leisure, entertainment and tourism related facilities and activities.

Indicative Additional Floorspace Needs by Use Class

Use Class	% Floorspace (derived from business survey)	Lower level forecast (sq.m)	Upper level forecast (sq.m)
B1	72.8%	145,600	218,400
B2 (inc. Sui Generis)	15.2%	30,400	45,600
B8	12%	24,000	36,000
Total	100	200,000 sq.m	300,000 sq.m

Indicative Additional Floorspace Needs by Premises Size

Size of premises (sq.ft.)	% new/upgraded floorspace
1-500	25-30%
501-1,000	20-25%
1001-2,000	15-25%
2001-3,000	5-10%
3001-4,000	5-10%
4,001–5,000	5-10%
5001 – 10,000	5-10%
> 10,000	5-10%

Survey of Employment Sites and Premises

B Class business premises in the Borough were identified using the British Telecom and Experian Business Databases, sorted by Standard Industrial Classification. These were plotted on an Ordnance Survey map base to enable the spatial distribution of employment premises to be analysed. Clusters were defined based upon major agglomerations of B class uses.

An on-site appraisal was completed for 107 clusters to identify key characteristics relating to the existing use of buildings and land within the cluster, the type and condition of the building stock, access and transport issues, environmental and amenity issues and potential scope for change within the site.

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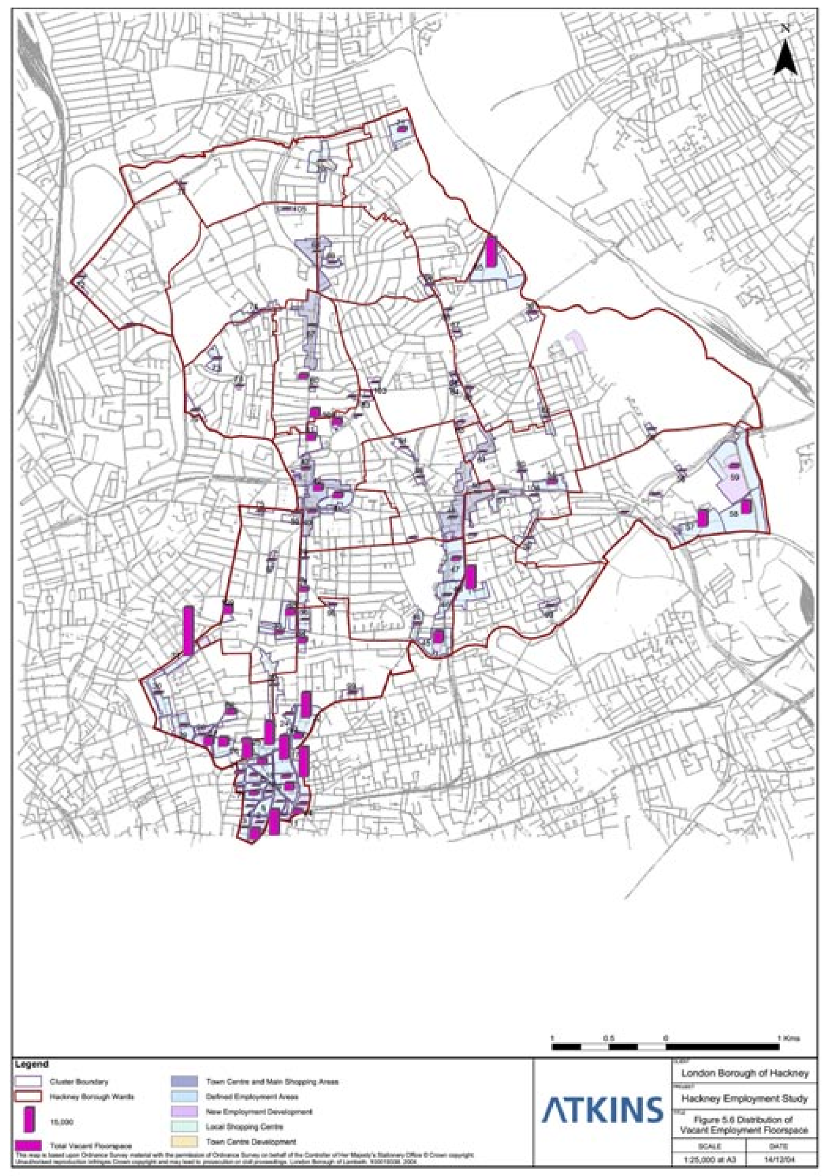
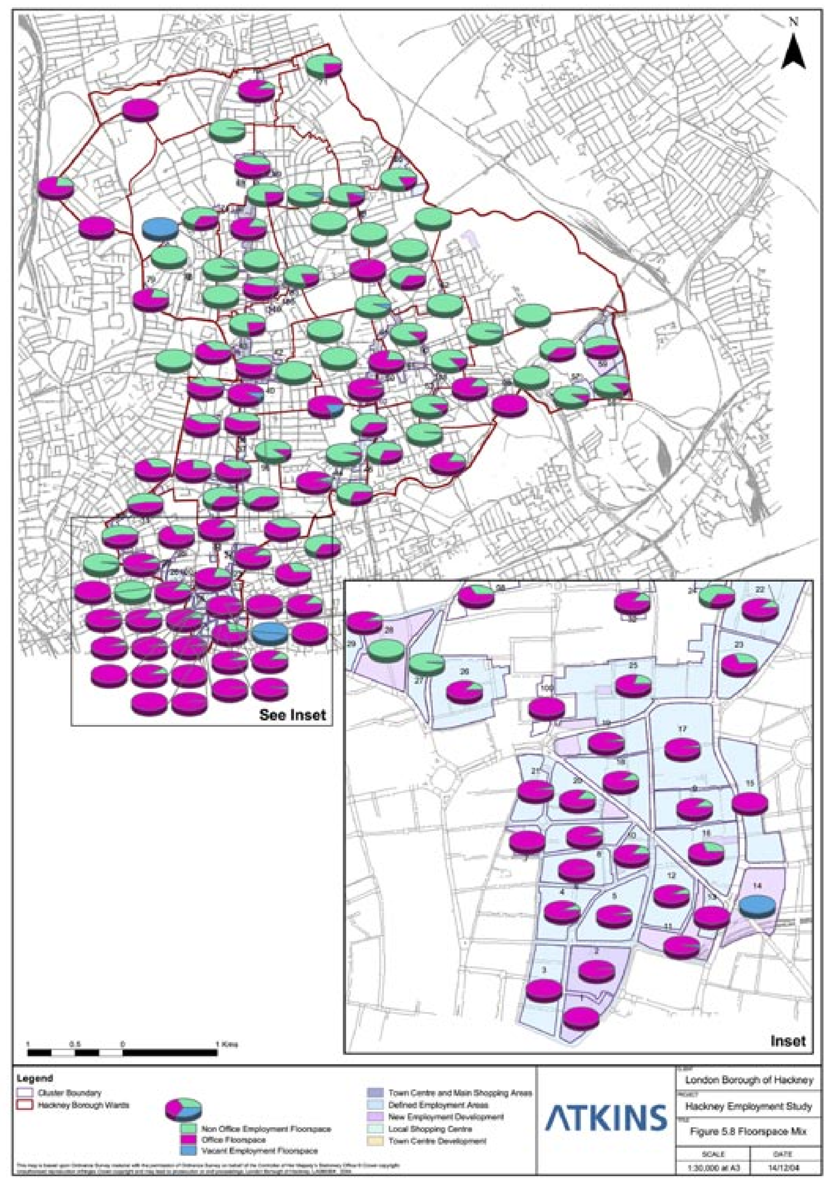
Key Results

- **Vacant land** - There is relatively little vacant employment land within the Borough (20.37 Ha) reflecting the urbanised nature of the Borough. There are is no clear spatial distribution of vacant land within the Borough, all but 2 of the 29 vacant land parcels are less than 2ha in size;
- **Vacant premises** - Some 253 of the 2091 employment premises identified in the study are currently vacant this represents 12.1% of premises.
- **Vacant Floorspace** - At present some 291,966 of employment floorspace within the clusters is vacant. This equates to 15.4% of total employment floorspace located within employment clusters. Most vacant floorspace is located towards the south of the Borough, in the City Fringe. However, pockets also exist near to Mare Street, Hackney Wick and the north east of the Borough.



Distribution of vacant employment floorspace

- **Suitability for re-occupation** - Of the total quantity of vacant floorspace some 177,338 sq.m (60%) may be suitable for re-occupation either in its present state or following minor refurbishment and upgrading. However, not all of this stock may meet the requirements of prospective occupiers in terms of the location, rental level, or the type, configuration, or size of premises. The remaining 40% (116,113 sq.m) of vacant floorspace was not considered appropriate for immediate re-occupation.
- **Type of floorspace by use class** - The balance of floorspace types within the Borough is mixed; B1a (office) uses comprise around half (49%) of total floorspace with B8 Storage and distribution comprising 16%, a further 12% comprising of B2 and sui generis floorspace and 7% B1c light industrial uses. The remaining 15% comprises of vacant floorspace split broadly in proportion to the total quantity of floorspace.



Balance of employment floorspace use by cluster

- **Age and Condition of Building Stock** - Despite the majority of buildings (68.5%) found to be over 50 years of age, 57.9% of premises were assessed as being in good or very good condition. Sixteen of the 107 employment clusters were assessed as containing at least one building which was considered to be in a very poor state of repair (3.6% of the overall building stock). A further 7.6% of assessed building stock was assessed as being of 'poor' condition.

Performance of Employment Clusters

The performance of individual employment clusters was evaluated against selected supply side criteria from the draft GLA Industrial Capacity SPG. A composite matrix was derived which enabled the comparison of the following criteria relating to employment clusters:

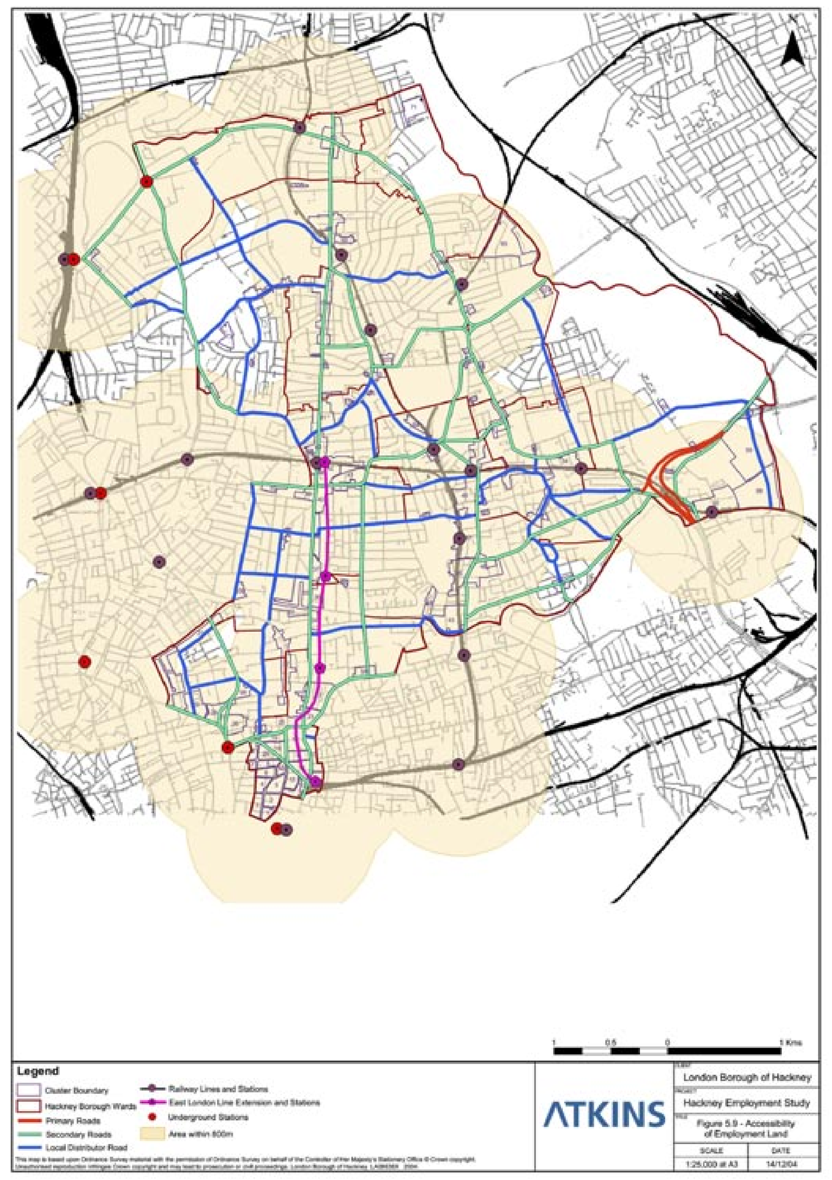
- Size and scale: including whether the cluster forms part of a larger area of employment activity. This criterion was measured by the quantity of B use class floorspace.

Clusters were considered to be locally significant if they included more than 4,000 sq.m of floorspace.

- Homogeneity: For DEAs the scale and proportion of the non-B uses is important. However, careful interpretation of the mix of uses and their management was necessary to consider whether a balance of uses enhanced the employment role of the cluster or were detrimental to its operation and functioning;

Any DEA cluster should be predominantly made up of B use class floorspace. Any DEA cluster which is made up of not more than 30% non B class floorspace will be assessed as performing well.

- Business environment and amenity issues: Whether the type and condition of the building stock and the state of the physical environment is attractive to business or has the potential to be upgraded to meet business needs. Whether the existing pattern of employment land uses is compatible with other uses within the cluster and adjoining areas.
- Accessibility: Whether the cluster is served by or adjoins either a primary, secondary or local distributor road. For those clusters served only by local streets, consideration was given to whether the existing level of road access posed a problem for existing or potential users. The proximity of the cluster to existing or planned public transport nodes was used as a measure of accessibility to public transport.



Proximity of employment land to transport routes

- Condition of building stock: Measured by the proportion of the employment premise stock comprised of premises in fair, poor or very poor condition and consideration of vacancy levels.
- Parking and servicing: The extent to which parking and servicing space arrangements within the cluster are adequate for existing and potential users.
- Provision of small/start up firms: This criterion was measured by considering the average size of building footprints and whether the range of premises represented within the cluster included managed workspace, workshops, railway arches, studios and other types

of premises which have the potential to meet the needs of start ups and SMEs.

- Potential role of the site: Whether the cluster has the potential to accommodate additional B use class floorspace without causing detriment to other environmental, amenity and parking issues.

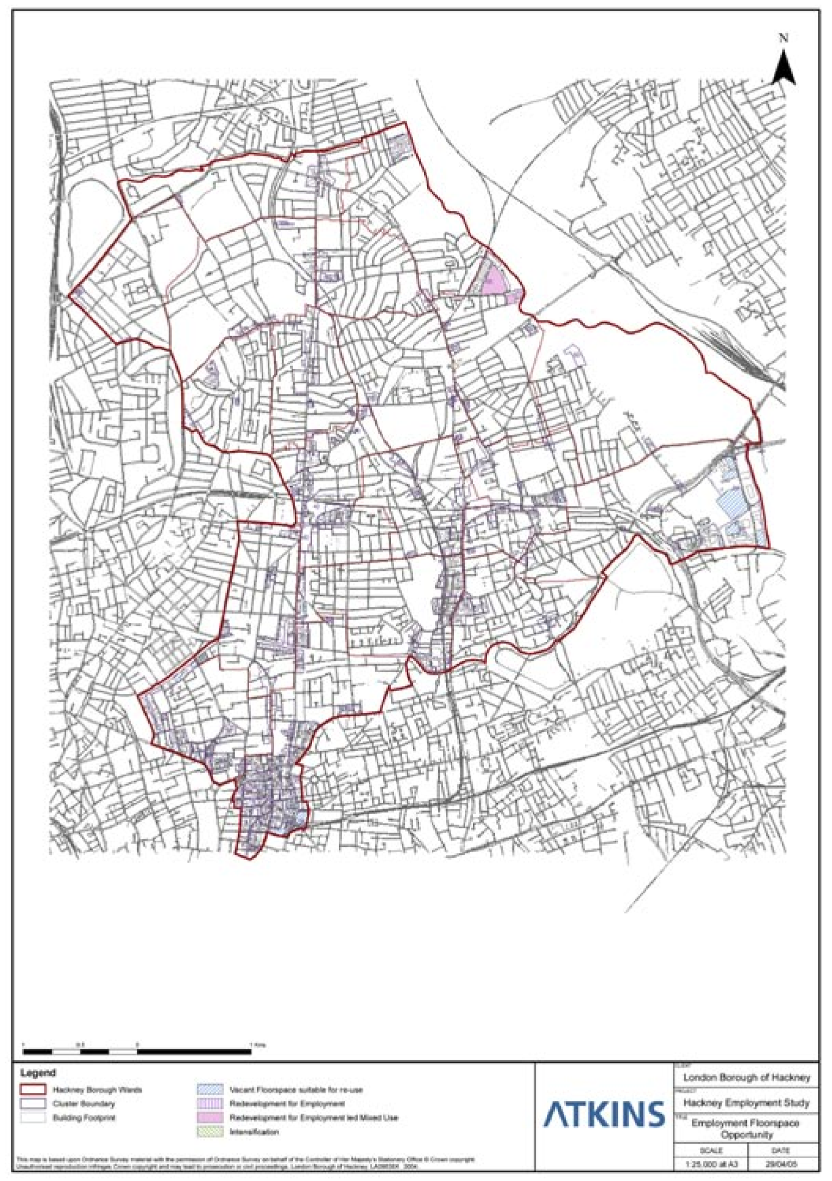
Potential Role for Existing Land and Premises Stock

The role of each cluster is not fixed and may change over time. The site assessments considered the potential future employment role each cluster could perform and the type of development which may be appropriate or needed.

The future potential of vacant floorspace not suitable for immediate re-occupation was considered in broad terms. The possible options for change at each site were considered sequentially considering the potential for employment re-use first before considering mixed use and wholly non-employment uses. More than one possible option could be selected.

Scope for change at vacant premises not suitable for immediate occupation

Potential scope for change	Vacant Floorspace not suitable for re-occupation (sq.m)	%
Intensification of employment floorspace use	12,388	10.7
Introduction of ancillary employment use	11,547.5	9.9
Redevelopment for whollyemployment use	21,033	18.1
Redevelopment for employment led mixed use (min 50% employment component)	27,110	23.3
Redevelopment for mixed use (<50% retained in employment use)	60,061	51.7
Redevelopment housing	310	0.3
Other	4,323	3.7



Opportunities for change at employment sites

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key policy considerations and recommendations

Based on the evidence provided by this study, there are three critical issues which should be addressed by the LDF's employment land policies:

- Firstly, the transfer of industrial sites to alternative uses should be carefully managed and strongly restricted to sites which are inherently unsuitable or unviable for industrial, warehousing or business use. The rate and scale of transfer to non-employment uses should be significantly lower that that experienced over the last decade.
- Secondly, the current provision of B1 premises represents a mismatch between supply and demand. Whilst there is an overhang in the current or planned supply of large scale, office accommodation, there is a significant quantum of unmet need from key business sectors, particularly small enterprises. These businesses have specific needs in terms of the size, location, type and affordability of premises.
- Thirdly, there is a need for the Council to take a strongly proactive approach to facilitating the qualitative improvement in the supply of employment land and premises in the Borough. This may involve the redevelopment and/or refurbishment of existing sites and premises; the potential allocation of some new land and/or floorspace for employment purposes; and promoting a new approach to creating employment-led mixed use developments in appropriate locations.

A Criteria Based Policy Approach

A typology of employment locations was derived which considers the existing and future floorspace requirements for the Borough up to 2016 and the capability of existing sites and premises to meet these requirements. The typology is based upon the existing planning policy approach relating to employment land and premises in Hackney. However, importantly the criteria and rationale for the policies have been updated to reflect the findings of the employment land appraisal and future employment land and premises requirements.

Recommended Typology of Employment Locations

Designation Type	Description
Major Offices	Major Offices is a policy designation which identifies areas where large office buildings should be provided. It would be appropriate to define a threshold by which to assess whether or not proposals represent major office development. Proposals over 2,500 sqm should be classified under the major office designation. The requirement to deliver tangible benefits to local communities with high levels of deprivation (identified in the LDF) should clearly accompany the policy. These benefits should be flexible but aimed directly at facilitating economic inclusion, increasing employability, and/or providing local jobs or training for local people. Contributions should be of a nature and scale appropriate to the proposed development.
Strategic Employment Location (SEL) – Industry & Warehousing	SEL's represent London's strategic reserve of industrial capacity. These sites are mostly more than 20 ha in size and represent Preferred Industrial Locations (PIL's) and Industrial Business Parks (IBP's). SEL's are designated in the London Plan and comprise Preferred Industrial Locations and Industrial Business Parks.
Priority Employment Area (PEAs)	Priority Employment Areas represent Locally Significant Employment sites encompassing viable locations for supporting B1, B2 and B8 land uses. Within Hackney, Priority Employment Sites normally meet the following criteria: ■ Form part of established area of existing industrial, warehousing or office-based activity. PEAs normally include more than 4,000 sqm (43,000 sq.ft.) of employment floorspace. In addition, employment floorspace should represent a minimum of 30% of the total area of floorspace within the DEA; ■ Support clusters of economic activity which are of particular importance to the future growth of the Hackney economy. Those clusters include cultural and creative industries, financial and business services and other business services; ■ Well located in proximity to the road network and are normally accessed directly from a primary, secondary or local distributor road; ■ Well located in relation to public transport facilities including stations of the planned East London Line Extension; ■ The quality of the employment building stock and the state of the physical environment and public realm are attractive to business or have the physical potential to be upgraded to meet those needs; ■ Provides an existing role or offers potential with regard to the provision of premises serving small and medium sized businesses (including start-up, expanding and relocating businesses); ■ Provides lower cost accommodation suitable for small, start-up or lower-value industrial, warehousing or office uses or other business important to the local economy; ■ Contributes to local employment objectives and local economic diversity. Some sites were identified because they offer potential for 24 hour working, or provide facilities for 'bad neighbour' uses without detriment to residential amenity.
Town Centre and Main Shopping Area	Town Centres represent Locally Significant Employment sites encompassing viable locations for supporting B1(a) land uses due to their accessibility by public transport. Sites on the periphery of town centres are also established locations for selected B1(c) and Sui Generis employment generating uses. Employment uses within town centres should normally be protected. The same policies and criteria applicable to PEAs are also appropriate for use in relation to town centre employment uses.
Local Centre	Local Centres in Hackney represent Other Employment Locations. Many local Centres represent viable locations for supporting B1(a) land uses. Sites on the periphery of local centres are established locations selected B1(c) and Sui Generis employment generating uses. The same policies and criteria applicable to Other Employment Locations are also appropriate for use in relation to local centre employment uses.
Other Employment Locations	Other Employment Locations represent areas of employment uses which do not meet the criteria of either a Strategic Employment Location or Priority Employment Area.
Opportunity Sites	The opportunity site designation has been proposed in relation to SEL or PEAs where is there is a need to secure improvements in the quality of the employment building stock through upgrading or redevelopment in order that employment premises meet existing and future floorspace requirements. The designation could relate to all or part of the employment site. The opportunities relating to individual PEAs are described in Appendix D which identifies which part of the PEA the opportunity area applies to and provides justification for the designation of such an area. The potential opportunities identified in relation to opportunities sites include: ■ Intensification of the existing employment premises (for example through extension or subdivision of existing premises); ■ Introducing complementary ancillary employment uses that fall outside the B use class; ■ Redevelopment of existing sites for continued employment use; and ■ Redevelopment of existing employment sites for employment-led mixed use development. Where the potential for employment led mixed use has been identified the purpose is to secure improvements in the type and quality of the employment building stock. The resulting employment floorspace should meet the qualitative requirements of businesses in the Borough. At each site the quantity of enabling non-employment floorspace should be limited to the quantity necessary to secure provision of appropriate employment premises.

Implementation

Provision of Affordable Premises

LBH should take a leading role in:

- Persuading developers and landlords to see the benefits of accepting lower short-term returns in exchange for achieving lower risk, more sustainable returns from the provision of small workspaces aimed at key small business sectors;
- Directly investing in the provision of managed workspace and/or providing a capital subsidy to local development trusts / social enterprise agencies which can operate and manage the facilities within a commercial context.
- Utilising Planning Agreements to secure capital funding for the provision of additional managed workspace and business support services in the Borough.
- In key locations promoting mixed-use as a mechanism for achieving the provision of affordable workspace in appropriate locations (on or off-site).

Planning Agreements and Conditions.

Section 106 and other forms of planning obligations provide a particularly important mechanism for implementing key policies. For example:

- Enterprise and small business fund (provision of incubator or managed workspace facilities). Such an approach must be supported by a commitment from the Council and its partners to ensure that an operator is put in place;

- Affordable housing and key worker fund – used to subsidise RSL or other agency provision of affordable housing;
- Community training and enterprise fund – used to support identified disadvantaged groups and communities in the provision of basic training and establishment of social enterprise activity; and
- Funding of local labour and training initiatives.

Marketing/viability Test

With regard to establishing marketing criteria, we recommend that policy requires applicants to:

- demonstrate the land and rental values being sought through the marketing process in light of ongoing monitoring of local and sub-regional property market trends;
- demonstrate that sites have appropriately been offered to the market in terms of potential redevelopment opportunities for employment use. It is critical that the marketing process is not constrained by the current condition and/or specification of the buildings on the site.

In assessing the viability of development proposals, it will be important that applicants have regard to guidance prepared by the local authority. Benchmarks should be established having regarding to variations in:

- Location;
- Size;
- Type / quality of premises (fit for purpose);
- Lease length and conditions;
- Business sector;
- Affordability.

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