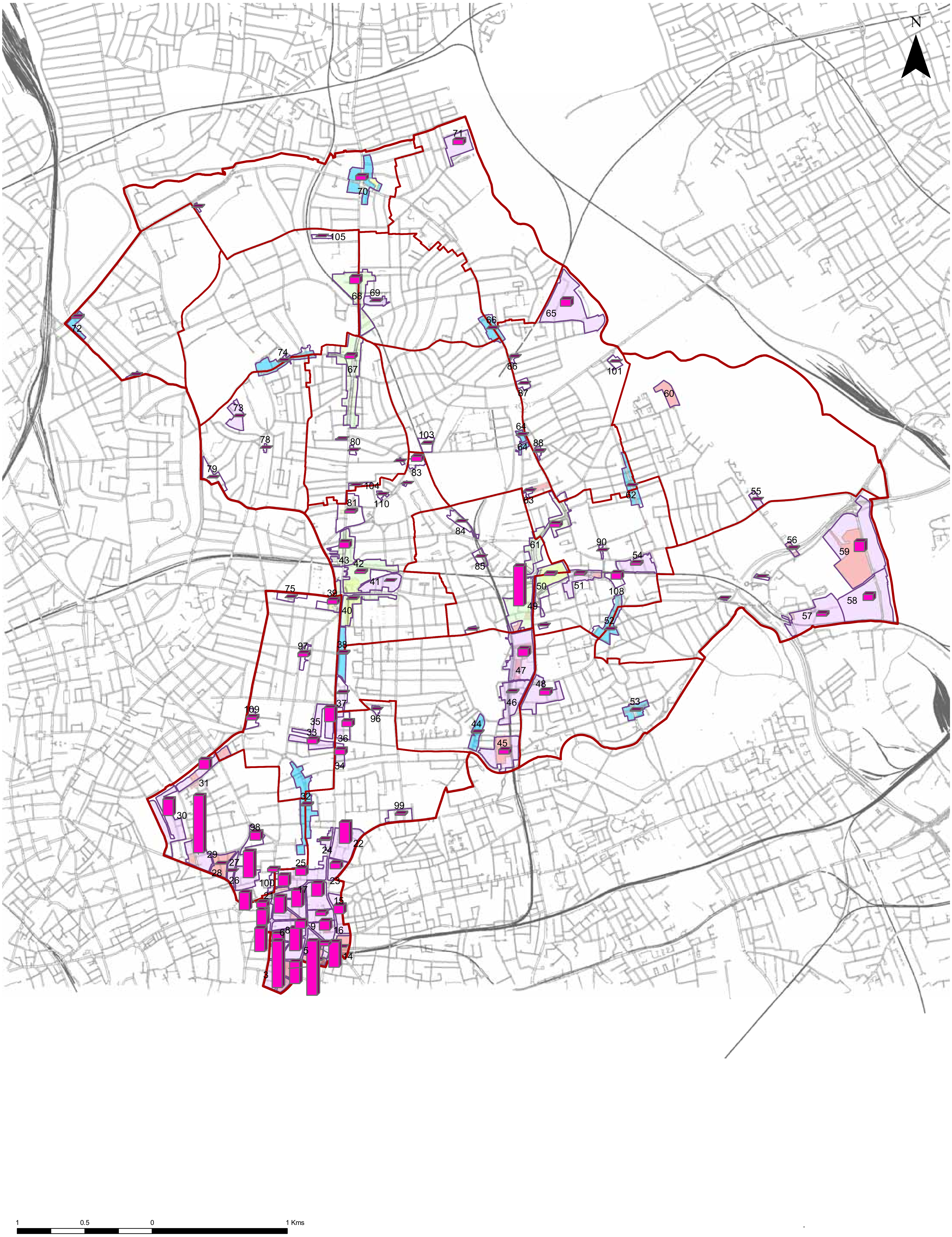


Legend

- Cluster Boundary
- Hackney Borough Wards
- Total Office Floorspace
- Scale: 40,000 sq m of Office Floorspace
- Town Centre and Main Shopping Areas
- Defined Employment Areas
- New Employment Development
- Local Shopping Centre
- Town Centre Development

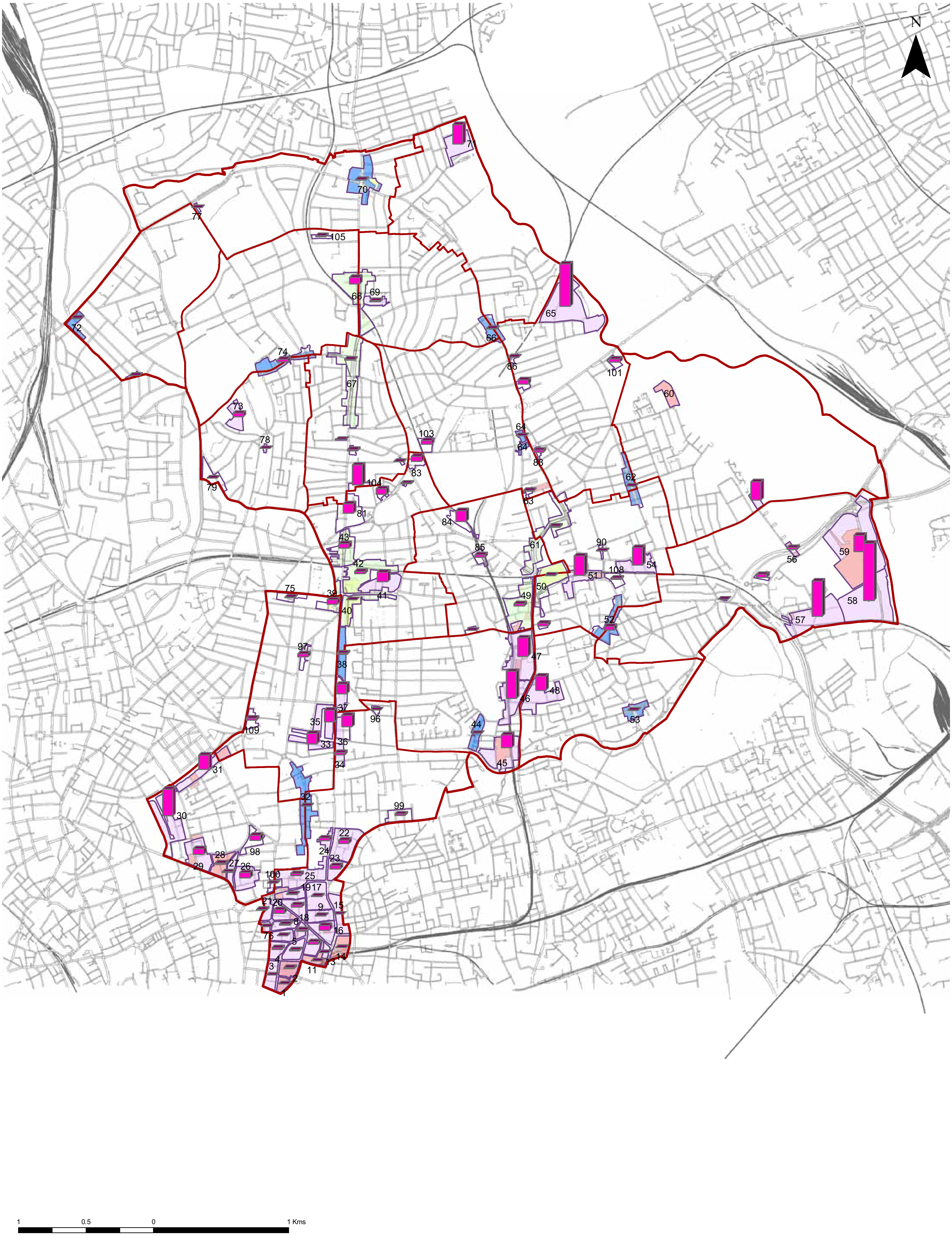
ATKINS

CLIENT
London Borough of Hackney

PROJECT
Hackney Employment Study

TITLE
Figure 5.5 Distribution of B1a & B1b Office Floorspace

SCALE	DATE
1:25,000 at A3	14/12/04



Legend

Cluster Boundary	Town Centre and Main Shopping Areas
Hackney Borough Wards	Defined Employment Areas
Total Industrial Floorspace	New Employment Development
Scale	Local Shopping Centre
30,000 sq m of Industrial Floorspace	Town Centre Development

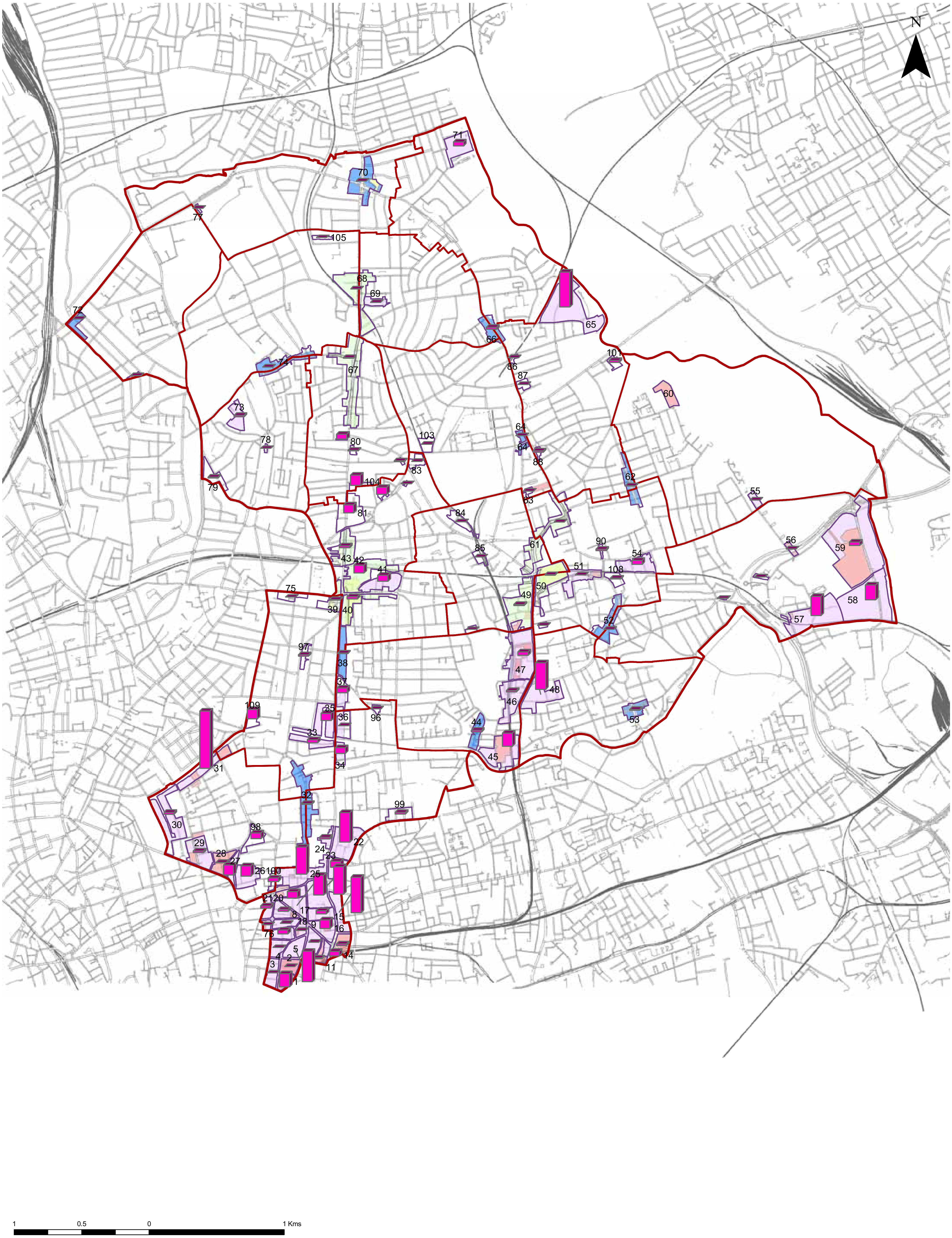
ATKINS

CLIENT
London Borough of Hackney

PROJECT
Hackney Employment Study

TITLE
Figure 5.6 Distribution of Light Industry, Storage & Distribution and Sui Generis Uses Floorspace

SCALE	DATE
1:25,000 at A3	14/12/04



Legend

Cluster Boundary

Hackney Borough Wards

Total Vacant Floorspace

Scale

15,000 sq m of Vacant Floorspace

Town Centre and Main Shopping Areas

Defined Employment Areas

New Employment Development

Local Shopping Centre

Town Centre Development

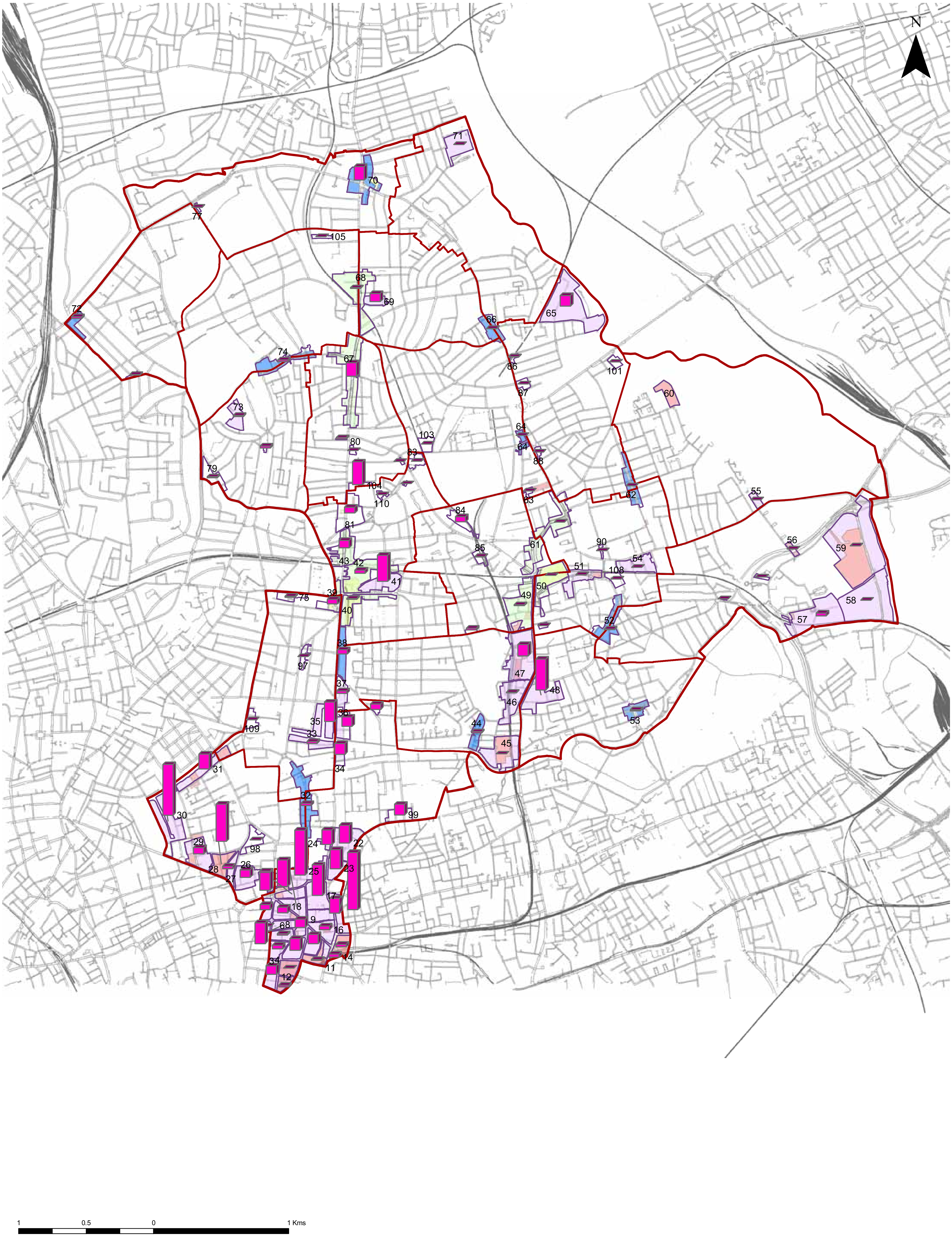
ATKINS

CLIENT
London Borough of Hackney

PROJECT
Hackney Employment Study

TITLE
Figure 5.7 Distribution of Vacant Employment Floorspace

SCALE	DATE
1:25,080 at A3	14/12/04



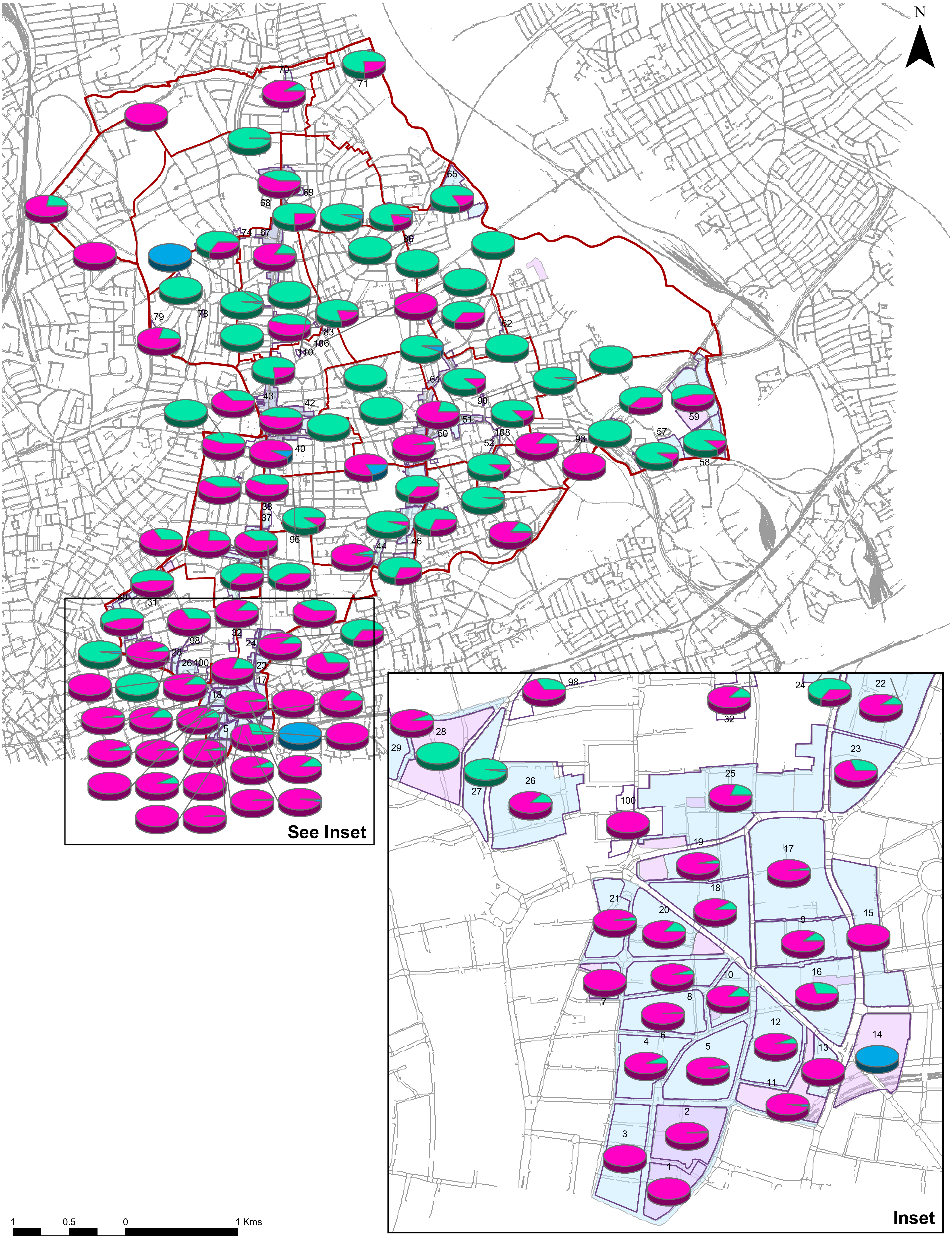
Legend

- Cluster Boundary
- Hackney Borough Wards
- Total Other Floorspace
- Scale: 20,000 sq m of Other Floorspace
- Town Centre and Main Shopping Areas
- Defined Employment Areas
- New Employment Development
- Local Shopping Centre
- Town Centre Development

ATKINS

CLIENT	London Borough of Hackney
PROJECT	Hackney Employment Study
TITLE	Figure 5.8 Distribution of Non Employment Floorspace

SCALE	DATE
1:25,000 at A3	14/12/04



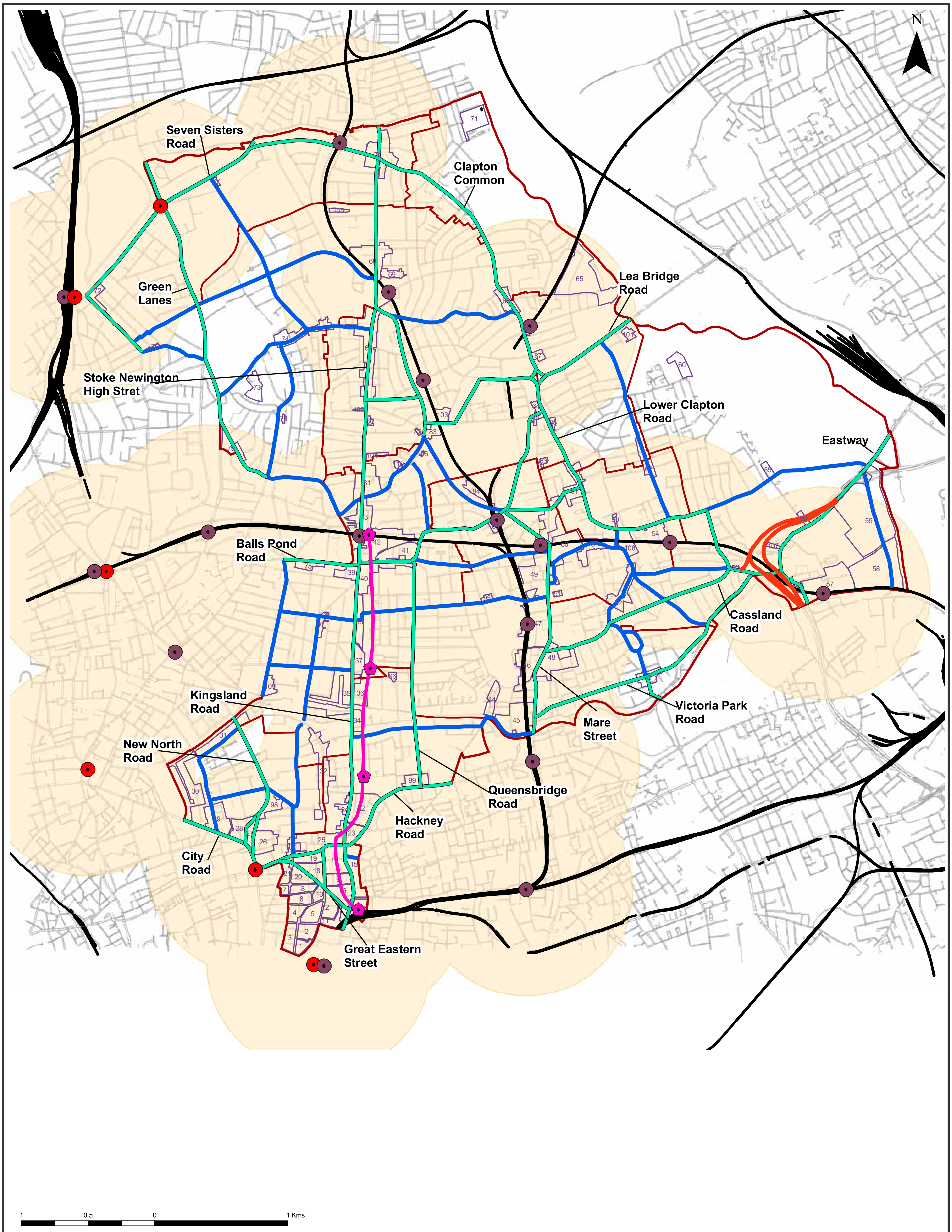
Legend

- Cluster Boundary
- Hackney Borough Wards
- Non Office Employment Floorspace
- Office Floorspace
- Vacant Employment Floorspace
- Town Centre and Main Shopping Areas
- Defined Employment Areas
- New Employment Development
- Local Shopping Centre
- Town Centre Development

ATKINS

CLIENT	London Borough of Hackney
PROJECT	Hackney Employment Study
TITLE	Figure 5.9 Floorspace Mix

SCALE	DATE
1:30,000 at A3	14/12/04



Legend

- Cluster Boundary
- Hackney Borough Wards
- Primary Roads
- Secondary Roads
- Local Distributor Road
- Railway Lines and Stations
- East London Line Extension and Stations
- Underground Stations
- Area within 800m

ATKINS

CLIENT	London Borough of Hackney
PROJECT	Hackney Employment Study
TITLE	Figure 5.10 - Accessibility of Employment Land
SCALE	DATE
1:25,000 at A3	14/12/04

6. CONCLUSIONS AND POLICY RECOMMENDATIONS

INTRODUCTION

6.1 This section sets out our conclusions and recommendations for employment land and related policies in the London Borough of Hackney. It also addresses specific issues which were identified for consideration by the study brief, including the provision of affordable workspace for small firms.

6.2 The primary purpose of this study was to provide recommendations for the employment land policy approach to directly inform the development of the Hackney Local Development Framework. Our recommendations are based on a comprehensive process of evidence gathering and analysis which included:

- analysis of the baseline socio-economic context;
- examination of trends in current and future 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, having particular regard to key sectors and demand for affordable workspace; and
- appraisal of the existing employment land and premises supply in the light of the feasibility and viability of sites meeting current and future occupier requirements.

6.3 An important starting point for considering the most appropriate policy approach to meeting Hackney's current and future employment needs is to evaluate the existing approach as set out in the Adopted UDP. Not only is it imperative for LDF employment policies to reflect the evidence provided by the analysis described above, but also to ensure that the policies are soundly set within the current and emerging strategic London-wide policy context. Indeed, since the UDP was adopted in June 1995, the strategic planning context has developed significantly. This includes:

- The London Plan;
- PPS1
- Modification to PPG3 (requiring local authorities to review all their non-housing allocations);
- ODPM – Employment Land Review Guidance Note;
- Mayor's Draft SPG on Industrial Capacity; and
- Sustainable Success (London Economic Development Strategy).

6.4 In addition to the above, the ODPM and the GLA have received a wide range of consultancy advice of direct relevance to the development of local employment land policy.

6.5 As a consequence of the changed policy context and our comprehensive assessment of demand and supply side factors, the employment land policies contained in the adopted UDP require a significant degree of refinement. In particular, it is important for the LDF approach to:

- Provide a locational emphasis where appropriate;
- Include a review of the local and strategic economic priorities to support the employment policies in the Plan;
- Define a clear typology of employment sites and premises which reflect the current and future economic roles of Hackney as well as regeneration and economic development priorities;
- Establish a robust set of criteria for defining and justifying the employment allocations contained within the typologies;

- Introduce an allocation type which promotes employment-led mixed use development;

- Include specific policies which make provision for affordable workspace;

- Identify key mechanisms for implementing the plan;

- Directly complement the Council's own economic development and regeneration strategies (including the Community Strategy and Cultural Strategy); and

- Define a strict set of criteria (including marketing) which clearly establish the only circumstances were non-employment development will be considered on employment sites.

DEMAND-SUPPLY BALANCE

6.6 Our demand analysis included a forecast of demand for B use class floorspace in the period up to 2016. We have estimated that the local economy has a need to provide for gross demand of 200,000 – 300,000 sqm. (B1, B2, B8) between 2001 and 2016.

6.7 The critical issue for Hackney will not be to make significant net additions to the existing stock of land and premises but to rejuvenate the qualitative offer of latent capacity within the Borough. Indeed, in satisfying this demand, our analysis of potential capacity in Hackney indicates that the majority of future demand can be accommodated by making better use of the existing employment land assets in the Borough. The potential sources of supply to meet our estimates of future need were identified in the previous Section (Table 5.7). In order to ensure the most effective use of land and to minimise the need to identify new employment sites, it will be essential for the Council to take a strong and proactive approach to safeguarding suitable floorspace capacity within the existing portfolio of employment sites during the LDF period.

Breakdown of quantitative requirements

6.8 Before identifying the potential sources of supply to meet our estimates of future employment need, the follow sub-section provides an indicate review of the type, size and location of future demand.

Requirements by use class and sector

6.9 An indicative estimate has been derived of the broad types of premises required within the Borough by use class by applying the floorspace utilisation information derived from the business survey to the additional floorspace requirements up to 2016 (refer to Table 6.1 below). The business survey is the most robust basis for quantifying future demand by use class given that it provides an empirical and statistically significant assessment of future floorspace requirements in the Borough.

Table 6.1 – Estimated gross 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**

6.10 It should be recognised that the above estimates provide only a guide to how the net additional floorspace needs are likely to be broken down by sector. The exact proportions will depend on (for example) how much useable vacant floorspace comes onto the market from firms who cease trading and the success of initiatives to upgrade the quality of the existing B use class building stock. It should also be noted that well located, flexible and adaptable premises may be suitable for occupation by a range of B use class activities.

6.11 However, an indicative estimate of need within the B use class category can be provided, based on our analysis of the existing and potential nature of demand for employment floorspace in Hackney. These estimates are as follows:

- B1a (Offices, not within A2) – 60%;

- B1b (Research and development, studios, laboratories, high tech) – 10%;

- B1c (Light industry) – 30%

6.12 An indicative distribution of future floorspace requirements by type and quantity is provided later in this Section.

6.13 Whilst the majority of future floorspace demand in Hackney will fall within the B1 use class, it is important to highlight the specific needs of the storage and distribution/logistics (B8) sector. Whilst direct employment generation from B8 developments is typically low compared to other users of B use class premises, storage, distribution/logistics and warehousing activities are a critical element of any local, sub-regional or regional economy. A large proportion of existing businesses and local residential communities in Hackney require ready access to the facilities and services provided by B8 occupying firms.

6.14 The importance of B8 activities to the Hackney economy has been highlighted in the analysis set out in Section 3 of this report. It was demonstrated that warehousing employment (therefore demand for floorspace) has increased significantly over the last decade. The sector provided nearly 6,000 jobs in Hackney in 2002. Furthermore, the Mayor's draft SPG on Industrial Capacity emphasised the importance of B8 activities to London's economy and highlighted the need for local planning authorities to make appropriate provision for these uses in UDPs / LDFs. Whilst many parts of Hackney are not suited to the provision of large B8 occupiers, it is essential that the LDF gives sufficient consideration to the needs of distribution, storage and warehousing businesses. This should include the identification of sites and premises which meet the needs of small and medium sized operations. Such provision should provide a reasonable mix of B8 premises in terms of size, cost and type.

6.15 Potential locations for future B8 uses in Hackney are considered later in this Section.

6.16 It is not possible to derive accurate estimates for individual economic sectors due to the uncertainty and limitations in identifying future needs relating to individual sectors. Whilst the LDF should play an important and proactive role in meeting the quantitative floorspace needs of dominant and key priority business sectors in the Borough, it is important for the plan to be sufficient flexible to allow for real demand as well as future economic and market changes.

6.17 It will be important for the LDF to reinforce Hackney's corporate economic development and regeneration objectives by promoting key sites and locations for priority activities and types of businesses. We consider that a sector-focussed land-use strategy is best approached by identifying key site policies, development briefs and/or supplementary planning documents which complement strategic policy aims. These mechanisms should be developed in partnership with local and regional business and economic development stakeholders to ensure that proposals are suited to the needs of the market. We consider that LDF policies which quantify the amount of floorspace required by individual business sectors in the period up to 2016 is overly prescriptive and unrealistic in light of the rapidly changing nature of the modern economy. Indeed, the LDF and Hackney's local authority powers are much more suited to facilitating the diversification of the local economy by enabling a step-change in the qualitative offer of commercial and industrial sites and premises for a wide range of key sectors and business types in the Borough.

Requirements by size of premises

6.18 It is possible to identify the likely size of premises required by existing and future occupiers by considering several different indicators, namely:

- The sizes of existing premises in the Borough (refer to Business Survey Report Table 3.7);
- The floorspace requirements identified by firms seeking to relocate (Business Survey Report Table 5.6);
- Business start up and survival rates to identify the space requirements of new firms; and
- Qualitative indicators gained from consultation and property market intelligence.

6.19 Based upon the consideration of existing and potential occupancy requirements of existing firms it is possible to estimate the requirements relating to indigenous business needs in terms of the size of individual premises (refer to Table 6.2).

6.20 Aimed at the small business sector, the Council should seek to promote developments where unit sizes are less than 2,000 sq.ft in size (186 sq.m) and are capable of subdivision. This could apply to new premises or the adaptation of existing employment premises. A shift towards the provision of small and medium sized units is necessary to address the current mismatch in supply and the requirements of indigenous businesses.

Table 6.2 – Future floorspace needs by premises size (2001-2016)

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%

6.21 An estimate of the floorspace required by new start up's has been derived from average business start up rates (measured by VAT registrations) and the application of business survival rates. With reference to Tables 3.26 and 3.27 there is an average of some 1,106 new registrations and 858 de-registrations in Hackney per annum (1996-2002). This equates to an average net registration of 248 new businesses per annum. Assuming that Hackney business survival rates reflect the London average some 63% (156) of firms will survive into their third year. Allowing for this churn and an estimate that approximately 40% of new businesses will not require B use-class floorspace, we estimate that there will be a need to provide premises for around 100 business start-ups per annum in Hackney.

6.22 We estimate that most small businesses reaching the VAT registration threshold are likely to require premises ranging between 50-200 sq.m., this would create a requirement of between 5,000 sq.m. and 20,000 sqm of new start up floorspace per annum[31]. It is not possible to identify a fixed quantity of floorspace needed by new firms for the Plan period as this quantity depends on market factors, and the extent to which start-ups expand into larger premises. However given the importance of SMEs to Hackney the target should be that around 50% of premises in the Borough are suitable for occupation by small businesses (i.e. are up to 200 sq.m in size).

6.23 It should be recognised that premises of appropriate size is not the only criteria sought by small businesses. Firms may have particular requirements relating to the type of accommodation sought (including mixed live/work premises, business centres, various forms of incubator provision), lease terms, location and business support needs. Affordability is also an issue of particular relevant to many small and new businesses in Hackney.

Spatial distribution/choice of locations

6.24 It is important to provide businesses with a choice of types of location and to encourage a range of different forms of employment premises in different parts of the Borough. The business survey provides an indication of the locational preferences of those indigenous firms seeking to relocate. The findings can be summarised as follows:

- 37% of firms expressed a preference for a mixed use area. In the Hackney context this suggests a coherent urban quarter supporting employment uses with a high level of supporting amenities within close proximity;
- 23% expressed a preference for a town centre/Commercial Business District (CBD) type location;
- 21% expressed a preference for a more homogeneous ‘industrial area’;
- 10% of firms had no particular locational requirements; and
- 9% expressed a preference for premises within a predominantly residential area.

[31] This requirement forms part of the overall estimates of gross demand of 200-300,000 sqm for the period up to 2016.

6.25 It is possible to provide an indicative spatial framework for the distribution of future employment floorspace within the Borough by location, type and size of premises. Seven locational zones in Hackney have been identified, based upon broad geographical groupings, for which to estimate the distribution of future B use class floorspace in the Borough. Table 6.3 identifies the seven locational zones and the clusters contained within them.

Table 6.3 – Locational Zones for future B use class floorspace

Locational Zone	**Clusters contained within the zone**
Central Activities Zone and Adjoining Area	1,2,3,4,5,6,7,8,10,11,12,13,20,21
South Shoreditch & City Fringe	9,14,15,16,17,18,19,22,23,24,25,26,27,28,29,30,31,32,98,99,100
Dalston and De Beauvoir	33,34,35,36,37,38,39,40,41,42,43,75,96,97,109
Hackney Central and London Fields	44,45,46,47,48,49,50,51,52,53,54,61,63,84,85,90,91,95,108
Hackney Wick	55,56,57,58,59,93,107
North West	67,68,69,70,72,73,74,76,77,78,79,80,81,82,83,102,103,104,110
North East	60,62,64,65,66,71,86,87,88,101

6.26 Table 6.4 provides an illustration of the potential geographical distribution of floorspace requirements by B use class type and size. This indicative geographical framework has been developed having considered the following key determining factors:

- Availability of vacant employment land and floorspace;
- Availability of redevelopment and intensification opportunities;
- Existing market preferences and viability considerations; and
- Strategic planning and regeneration considerations

6.27 For example, future large scale warehousing and distribution needs are only likely to be met within the Hackney Wick area. Existing UDP Policies direct such uses towards Hackney Wick. Moreover, the available vacant land in the area was assessed to be suitable in supporting future warehousing and distribution needs.

Table 6.4 - Spatial Disaggregation of Floorspace requirements

Employment Development	**Major office uses**	**Other B1a and B1b**		**B1c Light Industry**		**B2 General Industry**		**B8 Warehousing & Distribution**	
Location/ Premises Size	**Large**	**Large**	**Small and Medium Sized**	**Large**	**Small and Medium Sized**	**Large**	**Small and Medium Sized**	**Large**	**Small and Medium Sized**
Central Activities Zone and Adjoining Area	X	X							
South Shoreditch & City Fringe		X	X	X	X				X
Dalston and De Beauvoir			X		X		X		X
Hackney Central and London Fields		X	X	X	X		X		X
Hackney Wick		X	X	X	X	X	X	X	X
North West			X		X				X
North East			X	X	X		X		X

Source: Atkins

6.28 Table 6.5 provides an illustration of the proportion of new B class floorspace by locational zone. It should be stressed that these proportions are indicative only and provide a single scenario of the potential distribution of demand within the Borough, having regard to the capacity identified earlier.

Table 6.5 - Distribution of Gross Floorspace Requirements by Type and Location (%)

Employment Development	**Large scale office uses**	**Other B1a and B1b**		**B1c Light Industry**		**B2 General Industry & Sui Generis**		**B8 Warehousing & Distribution**	
Location/Premises Size		**Large**	**Small and Medium Sized**	**Large**	**Small and Medium Sized**	**Large**	**Small and Medium Sized**	**Large**	**Small and Medium Sized**
Central Activities Zone and Adjoining Area	50%	15%							
South Shoreditch & City Fringe		15%	60%	25%	40%				20%
Dalston and De Beauvoir			10%		10%		15%		15%
Hackney Central and London Fields		10%	10%	25%	10%		15%		10%
Hackney Wick		10%	10%	40%	25%	100%	55%	100%	35%
North West			5%		5%				10%
North East			5%	10%	10%		15%		10%

Source: Atkins

Key Policy Issues

6.29 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, prime 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. They also are of fundamental importance to the future prosperity of Hackney's established communities and have a major role to play in reducing levels of deprivation within the Borough. We consider it critical that the LDF provides a framework for creating a balance between accommodating the eastward expansion of the City and facilitating the diversification and expansion of businesses serving the local communities. It is also critical for the future supply of business premises to provide a competitive offer to priority growth sectors which are being targeted by LB Hackney and its partners.

- 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.

6.30 The evidence and justification for pursuing policies which address these three issues are considered below.

Limited/Restricted Transfer of Industrial Land

6.31 There is a significant body of evidence to suggest that the transfer of employment land to alternative uses should be carefully restricted during the plan period.

(i) Industrial restructuring in Hackney is at a mature stage and the scope for the transfer of existing employment land resulting from further contraction of uncompetitive industrial activities is likely to be significantly less than that experienced over the last 10 years. Indeed, 'industrial employment' in Hackney (as defined by recent GLA research) declined from 10,748 in 1991 to only 5,942 in 2002. In other words industrial employment in Hackney represented 15% of total employment in 1991 compared to 8% in 2002. In terms of manufacturing alone, this sector now accounts for only 5.5% of total employment which is only marginally higher than the London average (4.5%).

(ii) Despite a decline in Hackney's industrial employment base since 1991, total warehousing-related employment increased significantly. Whilst the warehousing sector in Hackney was only one third the size of the industrial sector in 1991, it now provides an equivalent amount of jobs. Indeed, an additional 2,000 jobs were created by the warehousing sector within Hackney between 1991 and 2002, representing an increase of 54%. The majority of the new employment was generated by the wholesale and activities which support land transport. These activities are likely to continue expanding over the next decade and will require appropriate development opportunities to accommodate this demand. The growth in warehousing will be driven by the anticipated increase in the sub-regional and regional population and the economic and spatial expansion of Central London.

(iii) Statistics provided by the ODPM indicate that vacancy rates in Hackney for both industrial/warehousing floorspace and land are relatively low compared to the East sub-region and London as a whole. Indeed, Hackney's vacancy rate (5.3%) is significantly below the indicative efficient frictional rate (8.2%)[32]. Our survey of employment

[32] As highlighted by the Industrial and Warehousing research conducted on behalf of the Mayor.

clusters (B1, B2 and B8) indicates that the floorspace vacancy rate in Hackney is around 15%.

(iv) It is important that the inclusion of Hackney as part of the East London sub-region should not create the situation where the diversification of the Borough's local economic base is compromised by policies which enable a disproportionately high amount of existing employment land to be lost to alternative uses. For example, according to ODPM statistics vacant industrial land in Hackney represents only 3.5% of the sub-region's total supply of vacant land. Conversely, the Borough accounts for nearly 11% of the sub-region's stock of industrial and warehousing land.

(v) The Mayor's draft SPG on industrial capacity states that Borough's should protect locally important, viable industrial sites which lie outside the SEL Framework having tested them in light of local and strategic demand and against the criteria set out in the guidance. This process has been conducted as part of this study, the results of which are summarised below.

Re-aligning B1 Supply to meet Demand

6.32 The London Office Policy Review (LOPR) indicated that Hackney is strongly influenced by the large scale, long established central London office market, primarily the City of London and the eastern City fringe. It was also suggested in the LOPR that Hackney had sufficient committed office development to meet forecast demand to 2016 (and beyond)[33]. Much of this (potential) supply arises from the combination of:

- the effects of the Central London office property boom which resulted in a major boost to the supply of large scale offices in the City fringe area (including unimplemented planning permissions); and
- planning policies which generated office floorspace (usually on the ground floor) as an ancillary use to mixed-use residential led schemes, often on employment allocated land.

[33] LOPR indicates office commitments in Hackney amounted to 2.1million sq.ft (210,000 sqm.) in 2004 (Table 20).

6.33 Whilst stating that '…*these headline numbers should not…be used to promote or justify a moratorium on any further offices permissions in the East sub-region*', the LOPR suggested that speculative office development in Hackney in the medium term would only be considered likely or possible in South Shoreditch or Hoxton. We consider that the LOPR may exacerbate the potential pipeline supply of office development in Hackney given that there is no certainty that the outstanding commitments will be taken up.

6.34 We also consider that the LOPR conclusions may create a distraction from the potential demand and need for appropriate premises arising from Hackney's existing and future small business base. It is our view that, currently, there is a mismatch between the nature of demand for and supply of B1 premises in Hackney. This arises from:

- the supply of large, prime office premises being unsuitable for small enterprises and key sector activities (including creative and cultural industries) in terms of size, cost, ownership, flexibility and location;
- the provision of office accommodation as an ancillary use to residential-led mixed use schemes often being inappropriate in terms of type and cost; and
- differentials in land value between large office developments and those of small offices and light industrial units.

6.35 We consider that there is significant evidence to support the adoption of LDF policies which aim to increase the availability of sites and premises for small businesses in Hackney despite the perceived overhang in the supply of office accommodation. This includes the following:

(i) Hackney has been the focus for substantial employment growth over the last decade. For example, between 1996 and 2002 the number of jobs provided in the Borough increased by 20,000.

(ii) The expansion of Hackney's business base between 1991 and 2002 took place at a rate twice that of employment growth. Indeed, the number of businesses in the Borough almost doubled during that period. Not only does this demonstrate the attractiveness of Hackney as a location for business growth, but it indicates the increasing importance of small enterprises in accommodating employment growth.

(iii) Despite the theoretical oversupply of office accommodation in Hackney, our empirical business survey indicates a substantial volume of unmet demand arising from the expansion and relocation needs of existing firms. Indeed, the survey indicates that businesses in Hackney currently have potential demand for 5.65 million sqft. (525,000 sqm.) to accommodation expansion needs (based on extrapolation of sample results). Total potential relocation demand to other sites amounts to over 9.6 million sq.ft (890,000 sqm.) of which 2.3 million sq.ft. (213,000 sqm.) would be within Hackney (based on the sample survey results). The majority of this latent demand originates in businesses which have less than 10 employees, which typically require less than 3,300 sq.ft (310 sqm.).

(iv) There are a number of key sectors that are strongly represented in Hackney and have accounted for a substantial proportion of employment and business growth in the Borough. Indeed, the future growth prospects of these sectors remain strong. The analysis set out earlier in this report highlights the importance of: financial and business services; retail and wholesale; and creative and cultural industries (including publishing, computing, IT and new media). Many of these activities involve the provision of services which are suited to locations which are cost efficient with good access to Central London and a large labour supply. Most of these activities have a high requirement for B1 premises and as their expansion continues, demand for B1 floorspace will also increase in Hackney. Creative and cultural industries in Hackney account for approximately 23% of all businesses in the Borough and 15% of all employment. This will create demand for a range of premises mostly comprising B1a and B1c floorspace.

(v) Using the OECD definition, Hackney has a relatively high proportion of knowledge-based jobs compared to London as a whole and Great Britain.

(vi) Hackney's population is relatively young compared to the rest of London. This reflects the Borough's role as a popular residential location for young people and young families. Indeed, the Mayor's forecasts indicate that Hackney's population will increase by 13.6% in the period 2001-2016 compared to 10% in London as a whole. It is essential that the anticipated growth of the local workforce is matched by at least, a commensurate increase in local job opportunities.

(vii) Hackney demonstrates a relatively strong entrepreneurial culture which in part reflects the diverse ethnic mix of the local population. Approximately 16% of Hackney's working population is self-employed compared to 15% in London and 13% in the East sub-region.

(viii) Hackney has a particular need for the creation of a diverse range of local job opportunities. This reflects the Borough's position as the most deprived local authority in London. Indeed, Hackney also has a high level of local residents with no qualifications and economic activity rates are low. Consequently, the provision of new jobs must be complemented by comprehensive training, education and business support infrastructure. A high proportion of the jobs created in large scale office developments in the City Fringe area are unlikely to be matched by the skills profile of a significant proportion of Hackney's residents. The mismatch is local skills relative to the local jobs profile in provided in Section 3.

(ix) The mismatch between the supply of and demand for B1 premises in Hackney largely is explained by the current supply being inappropriate in terms of location, type and/or cost. Indeed, the findings of this study indicate that affordability of premises is a particularly important factor which determines the ability of small firms to become established and to grow. Indeed, our business survey and that provided by other recent research projects indicates that cost of rents and poor availability of suitable premises are the main factors in driving companies out of the Borough. The cost of most B1 supply in Hackney is at a price significantly higher than the rents small businesses are seeking to pay. The majority of cost-sensitive small enterprises in Hackney are likely to be seeking premises at a rent of £8-£12 / sq.ft. This compares to B1 premises typically being marketed at £15-£20 / sq.ft. In addition, marketed premises are often too large for consideration by small and micro businesses.

6.36 In realigning supply to meet demand, the LDF should also give consideration to the needs of priority sectors identified by the London Skills Commission in the Framework for Regional Employment and Skills Action (FRESA). The targeting of these sectors is strongly supported by Hackney's Economic Exploratory. The priority sectors are listed below:

- Biotechnology and Life Sciences;
- Construction;
- Cultural and Creative Industries;
- Finance and Business Services;
- Green Economy;
- Information Communications Technology;
- Manufacturing;
- Public Services, including Government, Education, Health and Social Care;
- Retail;
- Tourism and Allied Industries;
- Transport and Logistics; and
- Voluntary and Community.

Improving the Qualitative Supply

6.37 In responding the needs of Hackney's existing and future business base, there is a strong case for the LDF to facilitate the improvement in the qualitative supply of sites and premises. This can be achieved through a combination of the following measures:

- Intensifying the use of some existing employment locations;

- Introducing complementary ancillary employment uses that fall outside the B use class;

- Redevelopment of some existing sites for continued employment use;

- Redevelopment of some existing employment sites for employment-led mixed use development;

- Redevelopment of windfall and/or other key sites with opportunities for mixed-use development with a significant employment component; and

- Improving environmental conditions.

6.38 These initiatives should be supported by LDF policies which are guided by a criteria-based approach as recommended by the draft SPG (see below). The implementation of policies to upgrade the qualitative supply of employment land and premises to match need should be coupled with the managed but restrictive transfer of sites which inherently are no longer suitable or viable for employment use.

CRITERIA BASED POLICY APPROACH

6.39 Based on our assessment of the demand-supply balance in relation to employment land and premises in Hackney and, having considered the nature of future demand in the Borough, we have recommended a new typology of employment locations to inform policy decisions (see Table 6.6). This typology provides our recommended designations for a variety of different employment locations which should be safeguarded for employment and related use. The table and text that follows identifies the criteria and rationale for the recommended designations. Figure 6.1 illustrates our recommended designation of the main employment clusters for safeguarding in the forthcoming LDF.

Table 6.6 - Typology of Employment Locations

Designation Type	Description
Major Office Zone	The Major Office Zone is an overlying policy designation which identifies the key area within the Borough 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 purpose of the Major Office Zone is to restrict large scale office development to appropriate sites and locations with a view to reinforcing the economic role of the Central Activities Zone. 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 should be safeguarded for this use in the LDF..
Priorty Employment Area (PEAs)	Priority Employment Areas represent Locally Significant Employment sites that should be safeguarded for predominantly employment uses. The clusters that have been recommended for this designation reflect their existing and future potential as viable locations for supporting B1, B2 and B8 land uses. Within Hackney, Priority Employment Sites should normally meet the following criteria: • Form part of established area of existing industrial, warehousing or office-based activity; • 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

Designation Type	Description
	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 offer potential to support viable B use class activities in mainly residential locations. Give the size of these sites, they do not meet the criteria of either a Strategic Employment Location or Priority Employment Area but are justified for safeguarding in terms of their local importance. Whilst these sites should be prioritised for employment use, flexibility should be introduced to enable non-employment and mixed-use proposals to be considered where marketing evidence clearly demonstrates that the site's use predominantly for employment is commercially unviable or clearly unsuitable. Other employment locations are not identified in Figure 6.1. They comprise all existing employment sites in the Borough which do not fall within any other designation described in this table. The Atkins study identified some but not all of the sites which should, for planning purposes, be categorised as 'other employment locations.' Consequently, the clusters identified in Appendix D as 'other employment locations' represent most but not all of these sites in the Borough.
Opportunity Sites	The opportunity site designation has been proposed in relation to SEL or PEAs where is there is a need to use an element of facilitating development to secure improvements in the quality of the employment building stock The designation could relate to all or part of the employment site and should reflect circumstances where a component of non-employment development will ensure the provision of good quality employment floorspace as part of the same development proposal. The opportunities relating to individual PEAs and SELs are described in Appendix D which identifies which part of the PEA and SELs 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.

Designation Type	Description
	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.

Source: Atkins

Overall Approach

6.40 Our review of the quantitative and qualitative balance between future potential demand for and future potential supply of employment land has highlighted that there is limited scope to release existing employment sites to alternative uses. Whilst we have identified a theoretical potential supply to meet estimates of future demand, there is a particular requirement to:

- ensure that the existing quantum of employment land assets are not eroded to ensure that the needs of local businesses can be accommodated during the plan period; and

- significant steps are taken to improve the quality and diversity of supply to meet the varied rang of needs in the market.

6.41 The typology set out in Table 6.6 has been devised to reflect these strategic requirements and to guide employment land policy in the emerging LDF. The overall strategy which underpins the typology is based on the following assumptions:

(i) All recommended cluster designations, with the exception of 'other employment locations' and 'opportunity sites', should be safeguarded for predominantly on-going employment use based on the premise of no net-loss. This policy principle should be embedded in the LDF to ensure that development proposals do not result in a net loss of existing employment floorspace with the designated cluster. Development proposals should seek to increase the supply of employment floorspace where feasible although the focus of policy should be on improving the quality of supply. This will should include the provision of a varied portfolio of owner-occupied and rented space suitable to the needs of modern occupiers.

(ii) In order to introduce flexibility for marginal employment sites, specific designations should be made for parcels of land where an element of non-employment development will facilitate the provision of good quality, modern employment floorspace that would otherwise not be feasible. These sites should be designated as 'opportunity sites'.

6.42 Founded on the above assumptions, the following provides the rationale for each designation type. Furthermore, we have provided a recommendation for each employment cluster according to the typology described in Table 6.6. These are illustrated in Figure 6.1.

Major Office Zone

6.43 In line with the London Plan's objective of enhancing the role of London as a World City and increasing employment in Central London, it is important that Hackney identifies appropriate sites for major office development (including tall buildings). Most major office developments should be directed to the Central Activities Zone and adjoining areas. Whilst currently there is a large amount of committed office development in the planning pipeline, it is important to ensure that sufficient provision of the type required by occupiers and investors is made for future medium and long term needs. Of particular importance will be the type and quality of premises. Consequently, it will be appropriate to undertake periodic reviews of the unimplemented planning commitments for major offices in order to assess the quality of potential supply relative to the needs of modern large-space occupiers.

6.44 We recommend that the Major Office Zone is an overlying policy designation which incorporates individual PEAs (see below). The aim is to ensure that whilst the Zone is identified as the key location for major offices, the LDF should be sufficiently flexible to enable individual PEAs within the zone to be safeguarded for a variety of employment uses of which major office development is one option..

Strategic Employment Location – Industry & Warehousing

6.45 The Strategic Employment Location designation has been defined at the regional level by the Greater London Authority within the London Plan. The only areas within the Borough which are subject to the SEL designation are part of the Hackney Wick DEA defined as a Preferred Industrial Location. Although Hackney does accommodate business clusters of regional importance (financial and business services and cultural and creative industries) which are concentrated within the Shoreditch/City Fringe area, the types of premises suitable for accommodating the needs of these sectors are not included within the Preferred Industrial Location or Industrial Business Park definition. Consequently, the majority of Hackney's key employment sites should be designated as Priority Employment Areas (see below).

Priority Employment Areas

6.46 Priority Employment Areas have been derived as the basis for the identification and protection of locally significant employment land including industrial, office and warehousing land. This designation should resemble the core portfolio of existing employment land assets in the Borough that should be safeguarded for ongoing employment use.

6.47 The quantity of employment land and premises which have been recommended for designation with the PEA designation reflect both the short term demand and strategic demand for industrial, warehousing and small-medium scale office activities.

6.48 The quality of employment land and premises within the Borough has been assessed. Parcels of employment land and premises were not recommended for inclusion within the PEA designated areas if the following issues were identified as significant problems which could potentially compromise the operation of PEA as an employment location:

- If there were significant problems relating to the compatibility of adjoining land uses which could not be addressed over time through statutory development control, enforcement or environmental controls or through improved management/mitigation measures; or

- If the area does not provide adequate parking and turning space for goods vehicles.

6.49 Table 6.6 highlights that the PEAs represent viable employment locations that should be safeguarded to ensure that they are used predominantly for accommodating a varied range of employment activities. Whilst LDF policies should encourage the provision of additional employment floorspace at PEAs, particular focus should be given to improving the quality and diversity of supply in these locations. In quantitative terms, policies should be supported by the principle of no net-loss at these sites.

Town Centre and Main Shopping Area

6.50 Policy R1 of the adopted UDP seeks to promote office development within Dalston, Mare Street and Stoke Newington Town Centres. The appraisal of employment land within town centres indicates that all three town centres continue to represent appropriate locations for small-medium scale office development meeting local needs. The encouragement of office development within town centres can contribute towards the vitality and viability of town centres. Given that town centre locations represent locally significant areas of employment development it is recommended that the same criteria are used to evaluate proposals for change of use within town centres from employment to non employment uses unless the proposed development relates to retail (A Use Class) development.

6.51 Clusters falling within this potential designation should be safeguarded for employment uses in a manner similar to the PEA designation.

Local Centre

6.52 The retail policies within the adopted UDP encourage B1(a) office uses on the upper floors of units within Local Centres, however non-retail employment generating uses are not explicitly supported at ground floor level. None of the Local Centres within the Borough have sufficient quantum of employment floorspace to justify their identification as locally significant employment locations. At a range of locations local centres do not perform well with other DEA criteria relating to land use compatibility, access and servicing needs. As a result the policy approach to employment uses within local centres should reflect the criteria relating to Other Employment Locations (see below).

Other Employment Locations

6.53 For Hackney, we recommend that all existing employment sites which do not fall within one of the main employment designations are safeguarded as 'Other Employment Locations.' The key determining factor of Other Employment Locations reflects characteristics relating primarily to size and location.

6.54 However, in keeping with The London Plan, it is important that the Hackney LDF should apply flexible, criteria based policies for these smaller sites (not to be shown on the Proposals Map). The criteria should be used to safeguard locally valuable employment sites (including those providing low cost accommodation) for predominantly employment purposes and, where appropriate, manage the potential release of sites for alternative uses (including mixed-use). The application of marketing tests should be central to the implementation of effective policies relating to Other Employment Locations (see below). These tests should require developers to demonstrate that employment uses are not viable and/or clearly unsuitable at specific sites.

Opportunity Sites

6.55 The designation of opportunity sites is necessary to identify where a more flexible approach will be encouraged to facilitate the enhancement of employment land and premises in the Borough. It is envisaged that this designation will be added in addition to the SEL/PEA designation rather than as a separate designation. A site by site schedule identifies in broad terms the potential options for delivering improvements in the quality of the building stock. The proposed site specific designation reflects circumstances where, at some locations, an enabling non-employment component may be required to deliver the type and quality of employment premises required to meet the needs of modern occupiers.

Cluster Recommendations

6.56 To take account of the proposed role of employment land and premises in the Borough, the boundaries of PEAs and new employment designations were reviewed and amendments proposed to reflect the findings of this study. The revised boundaries and proposed site / cluster designations are identified in Figure 6.1

6.57 Appendix D (Part A) also describes recommended boundary changes relating to employment land designations and a description of opportunity areas on a cluster by cluster basis.

IMPLEMENTATION

6.58 It will be critical for the LDF to set out the mechanisms by which the Council intends to implement the employment and economic development aspects of the plan. Key issues for consideration are set out below.

Provision of Affordable Premises

6.59 A particularly important element of qualitative need relates to the role of the LDF and associated public sector regeneration initiatives in facilitating a significantly increased supply in affordable workspace. This should include the adoption of innovative approaches to finding land-use and financial solutions for the provision of additional workspace for small businesses. In doing so, it is important to highlight that many small businesses and start-ups with the potential for financial self-sufficiency have particular needs that often cannot be met by the market. In particular, the need for affordable rents may not be provided by the market either because this is unviable for the developer or is below a standard expectation of return. Consequently, 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. Importantly, consideration should also be given to options for transferring the ownership / property assets to the provider. This would enable providers to grow a capital investment base which can be used to secure further income or loans for reinvestment in the service;

- Utilising Planning Agreements to secure capital funding for the provision of additional managed workspace and business support services in the Borough (see below). The capital could be either invested directly by the Council or placed in a ring-fenced fund for distribution as grants to managed workspace providers. There is an increasing view amongst workspace providers and local regeneration agencies that the need for managed workspace and the associated market failure context is comparable to the situation that has led to a shortage of affordable housing in London. It is argued that similar funding mechanisms should be made available for managed workspace.

- In key locations promoting mixed-use as a mechanism for achieving the provision of affordable workspace in appropriate locations (on or off-site). This could be identified specifically for key Opportunity Sites. The transfer of some existing employment sites to residential or for mixed-use development should be supported by a policy requirement to pay for or subsidise the cost of providing affordable workspace. Importantly, this should include the transfer of ownership to identified workspace providers and/or local development trusts. Otherwise, there is the risk that the B1 floorspace provided as part of mixed-use schemes may be either unsuitable for local businesses and/or marketed at rents which are not affordable for these businesses. Accountability for the transfer of land and property assets to third parties will need to carefully defined and should include the adoption of conditions which control the tenants and types of businesses which will occupy the premises.

Planning Agreements and Conditions

6.60 Section 106 and other forms of planning obligations provide a particularly important mechanism for implementing key policies. At the outset, it is critical that the financial implications of such agreements are realistic and fair relative to scale and viability considerations of the development in question. Moreover, the circumstances and rationale for the use of these instruments should be clearly established in the plan. It many cases, their use will relate to the transfer of existing employment areas to alternative uses and the development of major, high value offices and tall buildings.

6.61 The use of S106 contributions may be project-specific or relate to an agreed but limited list of local priority funds. These would be ring-fenced and used in pursuing stated objectives. A list of example local priority funds are provided below:

- 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. LBI must ensure bodies are in place to purchase and/or manage schemes;

- 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

- Public transport fund – provision of stated public transport priorities based on identified need.

6.62 Section 106 agreements, particularly for large developments can be used to develop local labour and training initiatives. These may include:

- Agreement to source a given proportion of workforce from the local area (often difficult to implement beyond the construction phase);

- Contribution to a local labour and training steering group – dual function of assisting incoming occupiers to source appropriate labour and providing access to appropriate training for local people to compete for the incoming jobs.

6.63 For specific sites or circumstances, the use of supplementary planning guidance or development briefs may be appropriate. These are particularly important to inform developers of local aspirations and to enable the Council to take a more proactive approach to the shaping the development in question.

Marketing/viability Test

6.64 With regard to policies prepared in respect of Other Employment Locations only, there is a need to ensure that a marketing test is introduced to provide an appropriate and robust means for assessing the extent to which developers or landowners have tested the suitability and viability of the site or premises for employment-related occupiers. Importantly, the policy should highlight the need for applicants to demonstrate the land and rental values being sought through the marketing process. It is important that these are appropriate in light of local and sub-regional market conditions and in relation to the specific characteristics of the site or premises being offered to the market.

6.65 Also of particular importance, the policy should require developers or landowners to 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.

6.66 Whilst the marketing criteria should focus on testing the commercial viability of employment uses at Other Employment Locations, wider issues of deliverability should be considered in appropriate circumstances use. This could include the potential intervention of public bodies to ensure viability for key sectors and/or types of businesses (e.g. start-ups).

6.67 Issues of viability should be considered in the light of the recommendations presented to GLA in the latest Industrial and Warehousing Land Demand report. This states that:

- *'An industrial / warehousing site might be deemed viable if it can be developed at normal industrial/warehousing land values as set by benchmark data for the sub-region, adjusted for any abnormal costs or other particular characteristics. This would help distinguish activity that is not competitive in London from activity that is driven out by higher value land uses.'* This is an appropriate policy consideration assuming a reasonable and reliable system of benchmarking can be established (see below). In addition, it is reasonable for the policy to include reference to the role of the local authority, the RDA or regeneration partners in facilitating employment related development even where development is not wholly viable on its own. Cross reference should be made to policies and initiatives which promote the provision of affordable workspace which should be identified as a specific local need. The role of the public sector may include direct development, joint ventures or gap funding (subject to State Aid rules).

- *…'if a site needs infrastructure or reclamation which cannot be paid for by industrial and warehousing land values, this might constitute an argument against protecting it for purely industrial/warehousing use'.*

This is reasonable unless the site provides the opportunity to bring identified benefits where the public sector can commit to taking a financial role in facilitating employment development.

6.68 In guiding 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.

6.69 Critically it will be essential for benchmarks to compare like with like. Moreover, a standard monitoring and review process should be establish to account for changing local, sub-regional and regional market conditions. Partnerships between the property, economic development and planning departments of different local authorities will need to be established as will formal dialogue with local and regional property agents.

6.70 With regard to developing the marketing criteria to be included in the LDF, these should have particular regard to agreed and monitored value benchmarks. Appropriate rental levels will vary for offices, industrial and warehousing premises according to the factors outlined above.

6.71 The marketing criteria should be definitive in terms of the time frame and marketing channels to be explored. In accordance with the draft SPG, the time frame should relate to vacancy for at least two years (para 6.15). Marketing channels should include: a selection of appropriate local and sub-regional agents; local property press; and local authority property database. As highlighted above, it will be critical for the assessment of marketing to examine not only the rental levels at which the property is on offer, but also the quality of the premises and the target occupier type.