

Hammersmith & Fulham

# AFFORDABLE WORKSPACE

## SUPPLEMENTARY PLANNING DOCUMENT

OCTOBER 2022



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# Table of Contents

<b>1.</b>	<b>Introduction</b>	<b>2</b>
<b>2.</b>	<b>Policy Context</b>	<b>4</b>
<b>3.</b>	<b>What is Affordable Workspace in Hammersmith and Fulham?</b>	<b>6</b>
<b>4.</b>	<b>Who Needs Affordable Workspace in Hammersmith and Fulham?</b>	<b>7</b>
<b>5.</b>	<b>Approaches to Meeting Needs</b>	<b>9</b>
<b>6.</b>	<b>Implementation</b>	<b>12</b>
<b>7.</b>	<b>Conclusions</b>	<b>13</b>
<b>8.</b>	<b>Appendices</b>	<b>14</b>
<b>8.1.</b>	<b>Appendix A - Model Workspace Management Plan</b>	<b>14</b>
<b>8.2.</b>	<b>Appendix B - Payments in Lieu Calculator, and End of Scheme Reviews</b>	<b>16</b>
<b>8.3.</b>	<b>Appendix C - Summary of Viability Evidence</b>	<b>18</b>

## 1. INTRODUCTION

1.1. Hammersmith & Fulham is already home to a thriving business community, including global companies such as GE, Disney, and L’Oreal, and at the other end of the scale has one of the highest concentration of start-up firms. The borough is changing rapidly and the Council is working to ensure that growth and opportunities are shared with local people. The Council has published an Industrial Strategy- “ Economic Growth for Everyone (2017)” setting out four key priorities: (1) West Tech Innovation District; (2) Encouraging Enterprise; (3) A Great Place in London; and, (4) Economic Growth for All. A key pillar that cuts across all of these priorities is creating Affordable Workspace. Limited supply and strong demand have pushed rents up and space has become unaffordable for many businesses. A range of mechanisms are set out to do this, but one of the most prominent is to produce an Affordable Workspace SPD which focusses on the delivery of affordable workspace to meet local needs, through the planning system.

1.2. Finding workspace that is affordable is a major challenge for many businesses in London, particularly Small and Medium Sized Enterprises (SMEs), start-ups and those in less productive sectors (charities and voluntary sectors). Affordability is often a key determinant in choosing where to locate. Loss of offices and business workspace through permitted development has been significant, and particularly impacted smaller buildings under 100 sqms. The result has been rising rents, high land values, and loss of employment space. SMEs and start-ups are particularly vulnerable to small increases in costs. SMEs are facing prohibitively high rents, which may therefore be discouraging business expansion and start- up incubation, while there is also evidence of displacement of existing businesses in this sector.

1.3. Evidence shows that the Hammersmith & Fulham economy is diverse and is home to around 140,000 jobs and at least 14,000 businesses. Recent performance between 2013- 2018 has been positive with 7% employment growth, and 13% growth in the number of businesses. More recent evidence undertaken for the council by Turleys 2021<sup>1</sup> shows that Hammersmith and Olympia and West Brompton have seen an uplift in office/mixed-use commercial values, with Hammersmith increasing by 8% and Olympia and West Brompton by 5%. Whilst this growth has not been constant across the whole borough, Turley consider the rental value changes achieved across LBHF are generally positive, and demonstrate the borough has market resiliency in light of COVID-19 and associated market changes. The evidence also shows that investor appetite has remained consistent, perhaps due to being positively influenced the London Plan and LBHF policies allowing for intensification and opportunities to value-add. This means that it can be reasonably expected that large commercial developments can support a proportion of affordable workspace.

1.4. The purpose of this Affordable Workspace Supplementary Planning Document (SPD) is to support the council’s Local Plan policies by providing details and best practice on the implementation of affordable and flexible workspace to support local demand and to support local enterprise.

1.5. The diverse range of types of businesses in the borough needs is reflected in the type of premises available for local people. The Council is also keen to see the replacement of well-used local business spaces. This SPD will focus on meeting local needs encompassing a range of sizes and types of affordable accommodation. We anticipate this to include, but not be limited to rental discounts, flexible leases, provision of co hubs/pay as you use desks and start up spaces, usually managed by an affordable workspace provider.

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<sup>1</sup> Affordable Workspace Study - Viability Review, London Borough of Hammersmith and Fulham, October 2021

1.6. Many of the borough's businesses are small or medium-sized, and the council is keen to support existing and new businesses, as well as to maximise opportunities for, and respond to changing behaviours and methods of doing business. This may include permanent structural changes following the Covid pandemic: hybrid working arrangements with home/office, and new work patterns perhaps extending over a 7 days/ 24 hours to be more responsive to local business, customer and employee needs. This can also promote innovation and fit in around family and existing employment commitments. Interventions through the local plan process are therefore necessary to support the local economy and avoid negative impacts of high rents and lack of suitable floorspace on the borough's general economic prosperity.

1.7. This SPD will support Local Plan Policy, and as stated in Local Plan paragraph 7.3: '...the Council is keen to provide a range of workspace to support existing and new businesses...' in terms of size, costs and leasing arrangements, and to "future proof" through flexible design of the accommodation to respond to new working practices, such as a 24 hour business economy.

### ***What is a Supplementary Planning Document?***

1.8. A Supplementary Planning Document supplements other planning documents such as the Local Plan and the London Plan. It does not provide new policy but provides more detailed guidance to the Local Plan policies. The SPD supports pre-application discussions, and assists with the drawing up of planning obligations.

1.9. This Affordable Workspace SPD provides approaches to delivering affordable and flexible workspace. It is supported by, and should be read alongside a bespoke evidence report<sup>2</sup>. This research report defines what 'affordable' workspace means in the context of Hammersmith and Fulham, demonstrates the viability of, and recommended approaches to delivery and implementation of affordable and flexible workspace within this SPD.

1.10. The SPD provides the policy context, defines affordable workspace in Hammersmith and Fulham; identifies who needs affordable workspace; and provides suggested approaches to delivery of affordable and flexible workspace. Guidance on implementation and to assist early engagement with the council has been provided as appendices. This SPD will be referred to alongside the council's Employment and Skills Code, and Supply Chain Procurement.

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<sup>2</sup> Affordable Workspace Viability Study, Hatch/Turleys 2020

## 2. POLICY CONTEXT

2.1. The Hammersmith and Fulham Local Plan was adopted in February 2018 and includes policies which seek flexible and affordable workspace suitable for SMEs. The Local Plan also includes a policy on planning contributions and Section 106 requirements for new developments.

2.2. The council has also published an ambitious Industrial Strategy ‘Economic Growth for Everyone’ in 2017, which seeks to ensure that economic growth in the borough is supported and inclusive. A key feature of the strategy is ‘Creating Affordable Workspace’ while recognising the importance of STEM, digital and creative industries for the local economy. This SPD is expected to aid the implementation of the Industrial Strategy.

*Table 2.3 Policy Framework*

### **The National Planning Policy Framework 2021**

#### Section 6. Building a strong, competitive economy

Specifically paragraphs 81 to 85 are pertinent to this SPD. This National Policy Statement states: “Significant weight should be placed on the need to support economic growth and productivity, taking into account both local business needs and wider opportunities for development...” The approach taken should allow each area to build on its strengths, counter any weaknesses and address the challenges of the future.”

### **London Plan 2021**

This forms part of the Hammersmith and Fulham’s Development Plan. Its policies and supporting evidence base are up to date and take account of the strategic importance of providing affordable and flexible workspace; supporting growth in priority industries such as creative and media sectors; and supporting the SME, start-up, and voluntary sector; and emphasising social value.

Policy E1 - Providing for a range of employment uses Asks for improvements “to the quality, flexibility and adaptability of office space of different sizes...” Paragraph G of this policy also considers that development of “new or existing offices should take into account the need for a range of suitable workspace including lower cost and affordable workspace”.

#### Policy E2 - Providing suitable business space

Boroughs should include policies in local Development Plan Documents that support the provision, and where appropriate, protection of a range of B Use Class business space, in terms of type, use and size, at an appropriate range of rents, to meet the needs of micro-, small- and medium-sized enterprises and to support firms wishing to start-up or expand.

#### Policy E3 D - Affordable Workspace

Sets out the strategy policy approach to meeting needs and delivery, and encourages applicants to “engage with workspace providers at an early stage in the planning process...”

### **Hammersmith and Fulham Local Plan 2018**

The Local Plan states that applications for large new commercial schemes will be expected to provide affordable workspace. This could be via cross-subsidised rent through S106 Agreements, reduced rent arrangements, the provision of co-hubs, start-up space and/ or flexible leasing arrangements.

Policy E1 - Providing for a Range of Employment Uses: Sets out the borough's aspirations for mixed use and new employment schemes, and the retention, enhancement and intensification of existing employment uses. The council recognises the existing strengths in the borough in creative industries, health services, life science and other research-based industries. Policy E1 states that these industries will require flexible and affordable space suitable for small- and medium-sized enterprises in large new business developments, unless justified by the type and nature of the proposal, and subject to viability.

Paragraph 7.5 of the Local Plan recognises that: "successful working of affordable workspace will require an understanding of the occupant and the type of space required. Therefore the council will expect developers to engage with workspace providers in order to manage the space, and/or to identify the future occupants of the space."

Policy E2 - Land and premises for employment uses: Retain employment land and resist loss of employment uses subject to criteria. The policy also addresses the need to retain a sufficient stock of premises and sites to meet local needs for a range of types of employment uses including SMEs.

Where intensification of existing sites may be appropriate, the retention of floorspace and adequate replacement of small businesses is required.

### 3. WHAT IS AFFORDABLE WORKSPACE IN HAMMERSMITH AND FULHAM?

3.1. There is no single definition of affordable workspace. The London Plan includes a general definition of affordability, however at borough-level, local authorities are left to interpret and determine what 'affordable' workspace means in the context of their particular borough. The London Plan defines affordable workspace as:

*“Workspace that is provided at rents maintained below the market rate for a specific social, cultural or economic development purpose. It can be provided directly by a public, charitable or other supporting body; through grant and management arrangements (for example through land trusts); and/or secured permanently by planning or other agreements”.*

3.2. The term 'workspace' covers a broad range of different typologies, from conventional office and industrial space to more niche shared spaces, including artist studios, maker spaces, labs and co-working spaces.

3.3. The evidence study supporting this SPD carried out a benchmarking review of flexible typologies to meet local needs: different London borough policies, approaches and definitions of affordable workspace, and identified several differences in how boroughs approach affordable workspace. The following sections of the SPD reflect this in determining of what 'affordable' means in Hammersmith and Fulham, taking account of local viability analysis on discounted rent. The SPD takes forward recommendations for alternative approaches to secure a range of affordable/flexible typologies to meet local needs.



## **4. WHO NEEDS AFFORDABLE WORKSPACE IN HAMMERSMITH AND FULHAM?**

4.1. Two of the priorities of the council's Industrial Strategy, Economic Growth for Everyone (2017) are:

- Encouraging enterprise
- Ensuring all residents and local businesses benefit from economic growth.

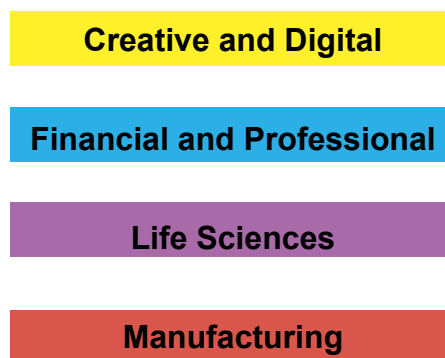
4.2. A diverse economy in the borough across a range of sectors is sought, particularly those promoting jobs in creative industries, health services, bio-medical and other research-based industries. Employment space and support specifically for SMEs and start-ups are also promoted.

### ***Local Plan Objectives***

4.3. The aims and objectives of this document are based on the challenges facing the borough. The Local Plan aims and objectives are:

- To provide workspace that is local, affordable and accessible for small and medium businesses, start-ups, and not-for-profit (3rd sector) organisations
- To increase supply and choice in workspace
- To encourage, retain and grow business activity in the borough
- To provide jobs, local enterprise and opportunity for all in the borough
- To encourage working and activity between existing industries, education and new businesses.
- To deliver social value

4.4. The evidence commissioned to support this SPD identified four priority sectors for affordable workspace, on the basis that identifying priority sectors can allow limited resources and opportunities to be directed to where they can have the most significant impact and contribute to wider strategic objectives. These are:



4.5. This approach also ensures that support is provided where need is greatest and pressures are highest<sup>3</sup>.

4.6. The areas in the borough identified in the report, as having demand for commercial development and need for affordable workspace are shown in the Viability Report (November 2020).

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<sup>3</sup> Table 3.2 and 3.3 Hatch/Turleys 2020

## 5. APPROACHES TO MEETING NEEDS

5.1. This chapter considers the question: Is 'affordable' viable in Hammersmith & Fulham?

5.2. The Affordable Workspace Viability Study identifies and justifies areas of the borough where new offices/employment space is sought, and where the market fails to provide access to meet demand for SMEs start-ups and priority sectors. The market rental discounts and alternative offers listed in this section are also applicable to re-accommodating and/or relocating existing occupiers on sites being redeveloped through intensification as required by Policy E2.

5.3. Any provision is to be specific to the area or location in which the development is being undertaken and ensure that support for SMEs and start-ups is distributed across the borough. Negotiation of the type of workspace sought will also take account of the specific requirements in local areas, for example Shepherd's Bush, which is home to Media City, and the Imperial College Campus. The Council is aware that even discounted rents may not always be affordable to micro and small businesses or may not be the most important consideration in choosing to locate in the borough. The Council has therefore committed to assessing the genuine affordability of any new workspaces, type premises and the lease terms and conditions that it delivers on a case by case basis. and will consider other options to support local small businesses and start-ups. Where applicants already have occupiers and/or an Affordable Workspace Provider committed, the SPD will support discussions to help best meet these needs.

5.4. Whether the affordable workspace space is secured at a discounted market rent on a proportion of overall office floorspace in a new development, or through alternative measures such as flexible pay-as-you go desks and as listed in the Viability report and Appendix C will depend on a number of factors and on the circumstances of the site and development.

5.5. The council will encourage the optimal outcome for local residents and small businesses. Factors taken into account may include:

- The location on high streets, office hubs/flexible desk spaces can contribute to regeneration by occupying long-vacant units, providing active frontages and new footfall for local shops and services;
- 'local business demand' responsive to local clusters such as digital and media;
- demand from local start-ups for very small spaces for few hours a week, and/or accessible beyond the /normal 'working day where short leases are a key consideration to test out business ideas and encourage local entrepreneurship;
- where new large office developments have a defined end-user and where floorplates cannot be easily broken up to provide on-site affordable workspace and payments in lieu may be preferable;
- where there is an approved affordable workspace provider on board who operate a particular 'model' and where viability needs to achieve a degree of economies of scale;
- demand from non-profit sectors and the degree of social value achieved.

5.6. Active engagement with business occupiers to identify their needs, and to ensure business continuity could be demonstrated as part of the planning application process. The need for affordable workspace has been evidenced in the adopted Local Plan (2018) and updated London Plan (2021), and is a key tenet of the council's Industrial Strategy. Therefore

any affordable workspace offer provided in accordance with Local Plan Policy E1 (and E2) will be expected to be delivered either “in perpetuity” or until any subsequent Local Plan review no longer identifies this need.

### ***Discounted Market Rents***

5.7. Evidence for the range and location of market discounts is based on the results of a sensitivity analysis which was carried out applying varying discounts to market rents in different locations, and for different sectors and sizes of workspace to identify the circumstances where discounted rents would be viable.

5.8. The analysis identifies levels of market rental discounts, depending on scenarios tested at or above new development of 1,000 sqm (gross) or more. Testing included a range of locations and floorspace/benchmark turnover rates, the current and ‘normal’ economic climate, and testing different levels of discounts.

5.9. The conclusions of this exercise support a range of discounts to be considered. Full details of the methodology, benchmarking and indicative thresholds are set out in the accompanying viability study report and updates.

### ***Viability Update October 2021***

5.10. The viability of providing affordable workspace as set out in chapter 4 of the original study report (November 2020) has been re-visited in an updated viability assessment<sup>4</sup>. This research has been based on the latest post-pandemic economic and build-cost data. The viability assessment report found that:

- It can be reasonably expected that developments in Fulham Town Centre, Hammersmith Town Centre, Olympia and West Brompton, Shepherds Bush and Townmead and Imperial can provide up to 20% affordable workspace at the proposed discounts to market rents, based on the current inputs. Whilst Townmead has been tested on an industrial basis, it may be possible to achieve a level of affordable workspace through mixed-use schemes which may generate a higher Gross Development Value overall, though this depends upon the practicality of delivering schemes with large scale office/mixed-commercial use in a largely industrial location.
- Whilst Parsons Green and Putney Bridge and Ravenscourt Park were listed initially, these areas are not considered to be locations where there is demand for commercial development and need for affordable workspace and on this basis were not re- tested.

5.11. The council considers it prudent to take a flexible approach considering site-specific circumstances (and associated costs), noting that the Benchmark Land Values set out act only to steer viability discussions.

### ***Alternative Measures to Support Affordable and Flexible Accommodation***

5.12. Where workspace has been specified as affordable and/or flexible to meet the council’s defined needs, then the council will work with developers to agree appropriate terms/means of affordability on a case-by-case basis. In addition, it will take account of the evidence and recommendations in the Affordable Workspace Viability Study.

5.13. The list in the following Appendix C gives examples of alternatives to discounted market rents, as well as complementary provision to help meet the council’s defined needs.

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<sup>4</sup> Affordable Workspace Study - Viability Review, London Borough of Hammersmith and Fulham, October 2021

***Points to Consider:***

5.14. Finding workspace that is affordable is a major challenge for many businesses in Hammersmith and Fulham - particularly SMEs and those in less productive and not-for-profit sectors. Whilst affordable accommodation is often a key determinant in choosing where to locate, other factors such as flexible lease terms to encourage start-ups, manage risk and allow businesses to adapt to changing market need and changing circumstances, can be equally important.

5.15. It should be noted that Local Plan policy E2 requires that existing occupiers of flexible and affordable accommodation are not displaced such as through intensification and/ or replacement by large floorplate developments.

5.16. The Council will expect applicants to provide evidence of engagement with, and secured re-provision locally of existing tenants in this sector within the borough on comparable terms.

## 6. IMPLEMENTATION

6.1. The council will take a flexible approach to reflect site specific considerations, and to deliver the best outcome for the council against policy objectives.

6.2. Pre-application discussions are encouraged and discussions should include how the affordable workspace arrangements will be delivered. This may be agreed with the council prior to the determination of a planning application.

6.3. **Appropriate arrangements for managing the workspace are considered to be:**

**A.** Developer leases space to an affordable workspace provider on the council's approved provider list; or

**B.** Affordable workspace lease directly to an end user on council's approved business list.

6.4. Alternatively the council may also consider direct management of the affordable workspace by the owner of the new development. To be considered favourably by the council, it should be demonstrated that they have the necessary skills and meet the council's criteria for accredited workspace providers. This method may be unlikely to be suitable where an end-user has not been secured.

**It is highly recommended that an affordable workspace offer and draft Workspace Management Plan form part of pre-application discussions.**

6.5. The council will provide a list of local businesses and local voluntary/not-for-profit organisations looking for affordable accommodation. The council will also provide a list of Accredited Workspace Providers.

6.6. A model Workplace Management Plan is provided in the Appendix A. More details on payments in lieu (PiL) and, for phased or delayed developments, end-of-scheme reviews are set out in the Appendix B.

## 7. CONCLUSIONS

7.1. This SPD supplements the Local Plan to help inform discussions and proposals for applications that provide affordable workspace. The principles of the SPD have been shown viable by the independent evidence base reports.

7.2. A flexible approach is promoted, focussing on key policy objectives, social value and optimal outcomes for the council. The independent viability assessment has shown that discounted market rents on a proportion of floorspace on large commercial schemes (typically above 1000 sqm gross as identified by the viability evidence) are viable. The independent viability assessment has also provided examples of alternatives to discounted market rents which may be applicable to smaller schemes too – such as flexible leases; discounted desks; flexible workspace/cafe hubs. The SPD will also help ensure that existing affordable workspace/SME occupiers are reprovided for in regeneration/intensification and major redevelopment schemes.

7.3. The affordable workspace SPD provides more detail on the application of the strategic and borough-wide policies in the local plan. Implementation will improve the deliverability of local plan policy objectives and the key aims of the industrial strategy.

7.4. The SPD is a material consideration in planning decisions although it is not part of the development plan.

7.5. In line with best practice in the NPPF, further viability updates will take place at least every 5 years.

## 8. APPENDICES

### 8.1. APPENDIX A - MODEL WORKSPACE MANAGEMENT PLAN

8.1.1. It is strongly recommended that a draft Workspace Management Plan (WMP) forms part of pre-application discussions to assist in agreeing priorities and negotiations on a site-by-site basis.

8.1.2. The WMP will normally be finalised and signed off via the S106 following the grant of planning permission.

#### 8.1.3. A Suggested Workspace Management Plan (WMP) headlines are as follows:

*Table A1: Workspace Management Plan*

I) Date by which the facility has to / is allowed to be completed, opened or made available, and fitted out (default Cat A standard).

II) Proposed arrangements for liaison between the facility, the development, residents and/or the council.

III) Pricing policy - e.g. rents, service charges, and additional management charges which would be chargeable to occupiers.

IV) Rent and service charge review terms; details of leases and lease terms. Include a break clause.

V) How it will be managed - ie approved Affordable Workspace Provider from the council's list. Details should cover making arrangements for cleaning, general maintenance/ caretaking/ concierge facilities.) Set out in WMP who is responsible for managing this.

VI) Arrangements for advertising vacant workspace (ie details of websites, publications, council nominations, voluntary sector/council website etc) and length of advertisement period.

VII) How it is anticipated that the affordable workspace element will be occupied (e.g. local residents/not-for-profit organisations, focus and targetted groups).

VIII) What types of activities will be likely to take place (including implications for noise, vibration, air quality etc.).

IX) Staffing arrangements when the building is open/closed -ie on site or off site, out of hours staffing and security.

X) Arrangements for how any changes in the above arrangements will be managed; and arrangements for regular review of the plan at certain intervals (usually 6 months, 3 years, 5 years and 7 years after inception).

XI) Monitoring and reporting: annually ie report on and provide evidence that these are affordable over the whole term; any increases in rents and charges; types of business occupier and number of businesses -voids and occupier turnover.

XII) Cost of preparation to borne by developer.



#### **8.1.4. Points to Consider in Drafting/Discussing the WMP:**

- Community access or other publicly accessible provisions;
- Times at which the workspace will be open, if there is a door which can prevent access; and arrangements for times when the building is closed;
- Staffing arrangements when the building is open/closed -ie on site or off site, out of hours staffing and security;
- Construction, delivery and/or servicing of a development including waste and recycling facilities;
- Sustainable travel to and from the facility: accessible parking place/drop-off point, secure cycle parking; electric vehicle charging point - details to be submitted to and approved in writing by the council, prior to the occupation of the Development;
- Ensure that Inclusive Design is integral to the build, fit out and management to ensure inclusive workspaces; and
- That opportunities for urban greening measures and sustainable design are maximised.

8.1.5. There should be some flexibility provided within the WMP to allow for changes to be made to ensure that it continues to be delivered against agreed provisions.

### **EMPLOYMENT AND SKILLS**

8.1.6. An Employment And Skills Code has been provided outside of this SPD, nevertheless it is an important consideration and applicants are encouraged to have regard to this in pre-application discussions.

8.1.7. In line with Local Plan Policy E4 the council will encourage developers to work in partnership with the council's Economic Development Team to secure job opportunities for local people including: employment, training, apprenticeship opportunities, outreach programmes including schools to raise aspirations and awareness of job opportunities, including during construction and end-use phases.

8.1.8. Securing an agreed employment and skills package in line in the council's Code can significantly improve the social value to local people in the outcome the development.

### **SUPPLY CHAIN PROCUREMENT**

8.1.9. Similarly, a Supply Chain Procurement Code has been provided outside of this SPD. It is an important consideration and applicants are encouraged to have regard to this in pre-application discussions.

8.1.10. In line with Local Plan Policy E4 the council will encourage developers to work in partnership with the council's Economic Development Team to include local Small to Medium Enterprises (SMEs) in the supply chain of developments, during the construction phase as well as the end-use phases of commercial developments.

8.1.11. Securing an agreed supply chain procurement package in line in the council's Code can significantly improve opportunities for local SMEs, promote growth and create jobs locally.

## 8.2. APPENDIX B - PAYMENTS IN LIEU CALCULATOR, AND END OF SCHEME REVIEWS

8.2.1. In line with the Hammersmith and Fulham Local Plan, and the strategic London Plan, use of payments in lieu (PiL) of direct on-site provision of affordable workspace will not be acceptable. The council does however, recognise that there may be exceptional circumstances where a payment in lieu is preferable, and this decision will be at the discretion of the council. These considerations may include:

- Where the council considers there are significantly more positive economic impacts.
- Where large floorplate developments for a named provider cannot be easily reconfigured or subdivided to provide on-site accommodation for affordable workspace/affordable workspace provider.
- Where the council is satisfied that the developer/owner has been unable, having made all attempts to lease the affordable workspace to an approved affordable workspace provider, or directly to an approved charitable/ not for profit-end-user within a given timeframe (usually 12-18 months).

8.2.2. Where it is accepted that a payment in lieu of direct provision of affordable workspace is the optimal outcome for the council, then a payment in lieu will be sought. The evidence supporting this SPD considered the potential for off-site contributions where on-site provision is either physically inappropriate or unacceptable in terms of viability. It identifies a model calculator to ensure that there is no benefit to the developer in providing a payment in lieu rather than workspace on site.

### 8.2.3. Suggested Model Formula for Payment in Lieu Calculations

*Table B1: Formula for Payment in Lieu*

**Step 1:  $C=AxB$ ; Step 2:  $E=DxC$ ; Step 3:  $G=ExF$ ; Step 4:  $H=G-E$ ; Step 5:  $J=(1/I)$ ;  
Step 6:  $K=HxJ$ .**

The letters refer to:

A Total lettable employment floorspace (sq m)

B Percentage of floorspace to be discounted

C Amount of floorspace subject to discount

D Market rent per sqm before discount

E Market rent for discounted floorspace before discount

F Percentage discount

G Rent after discount H Value of discount

I Investment yield J Income multiplier

K Capital value of discount

## **DETERMINING MARKET RENTS**

8.2.4. The definition of 'Normal' market rent to apply the discount will be agreed with the council to take into account site-specific circumstances. The council's evidence recommends that an allowance should be made for 'normal' rents to shift and change over time depending on market conditions. Any increases should be limited by inflation to ensure space continues to remain as affordable as possible. The council should be informed of any changes to rents and may need to charge a monitoring fee to cover the costs associated with this.

## **END OF SCHEME REVIEWS**

8.2.5. These are generally applicable to large and /or phased schemes. End of scheme reviews are justified to capture uplift in rising market conditions and/or where there is a long timeframe between date of planning permission and delivery. End of scheme reviews will normally be written into a planning condition and/or a S106 agreement.

8.2.6. Viability reviews may be required at key stages:

I) Near end of scheme -ie 75% / End of schemes: The trigger for the review is normally occupation of 75% of the market floorspace - any additional affordable workspace is delivered or a commuted sum is paid.

II) Phased developments: An additional viability review may be required prior to "substantial completion" of development phases (mid-term review) to secure any uplift on subsequent phases.

8.2.7. The council will expect the review to be provided at the cost of the developer/owner.

### 8.3. APPENDIX C - SUMMARY OF VIABILITY EVIDENCE

8.3.1. Within the sub-areas listed in the Viability Report:

- The proportion of gross floorspace to be occupied as affordable workspace to be set out as part of the planning application.
- Social value will also be a consideration in decision making.
- A mix of discounted rents and other affordable /supportive measures -as suggested in the table below - to meet needs of the start-up/ SME and priority sectors may be appropriate depending on site circumstances.

8.3.2. Outside of the sub-areas listed in the Viability Report, other low-cost as well as affordable/ alternatives may be sought. Further guidance on alternative and additional measures to support affordable and flexible workspace requirements is provided below.

*Table C1: Alternative Measures to Support Affordable and Flexible Accommodation*

<b>EXAMPLES OF ALTERNATIVE MEASURES TO SUPPORT AFFORDABLE AND FLEXIBLE ACCOMMODATION</b>	
A proportion of desks within an open workspace (hot-desking) area to be offered at a substantial discount of market value	The proportion and level of discount to be agreed on a site -by - site basis taking account of location, implementation and overall affordability
Discounts to 'membership models' (i.e. virtual offices, providing fixed desks, hot desks and small offices) throughout a development	
A proportion of the floorspace to be offered to an affordable workspace provider (either on the council's list or to be approved by the council) at a 'peppercorn rent' typically provided in range of smaller sizes and flexible commitment/occupation that is let to a workspace operator, and which will allow for occupation by the end-users in one or more sectors on favourable terms	Refer to LBHF approved providers list
Discounted desks within a larger office space	Will normally require a Workplace Management Plan
Fit out: to ensure that the space has been fitted out to Category A standard - typically includes raised floors and suspended ceilings; installation of mechanical and electrical services; basic fire detection systems; internal surface finishes; toilets; and blinds. Alternatively, an appropriate rent-free period offered to occupiers to cover fit-out costs/or to meet needs of defined occupiers at zero cost	Fit out costs can be a barrier to entry, therefore the council will resist provision at shell and core, and fit out will be agreed through a clause in a Workspace Management Plan (Refer to Appendix A)
Timescales for the duration of affordable workspace to be as a default either "in perpetuity" or until any subsequent Local Plan is review no longer identifies this need	Refer Appendix A for model WMP

<p>Implementation via Workspace Management Plan (WMP) - to ensure that the affordable workspace approved is delivered as agreed, monitored/ reported and that management of the space does not undermine affordability</p>	<p>Refer Appendix A for a template WMP. A supporting statement with the planning application addressing the criteria in the template may also be acceptable</p>
<p>Off-site only in exceptional circumstances</p>	<p>Refer Appendix B. Any replacement accommodation must be in close proximity to existing accommodation, and agreed and ready for occupation prior to the grant of planning permission</p>
<p>Cash in lieu payment - by exception</p>	<p>Refer Appendix B. Applicant to demonstrate to the council's satisfaction that this would deliver the optimal offer regarding affordable and flexible accommodation, taking account of policy objectives, and delivering significant economic and/or social advantages. May also be preferable where the new development provides large floorplate accommodation for a defined occupier, and which can not effectively be subdivided.</p>

Hammersmith & Fulham

OCTOBER 2022