

<b>Item No.</b> 8.	<b>Classification:</b> Open	<b>Date:</b> 7 February 2017	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Achieving 500 New Affordable Business and Creative Spaces by 2018	
<b>Ward(s) or groups affected:</b>		All	
<b>Cabinet Member:</b>		Councillor Mark Williams, Regeneration and New Homes	

## **FOREWORD – COUNCILLOR MARK WILLIAMS, CABINET MEMBER FOR REGENERATION AND NEW HOMES**

This council is totally committed to supporting local business to establish themselves, have space to grow, and become successful, that is why we promised to invest in more affordable business space. This report sets out how we have already delivered 143 affordable business and creative spaces across our borough, and agrees the plan to deliver a further 482 by 2018. This work is being planned alongside our economic wellbeing strategy and our vision is to make Southwark the place to start or run a business.

We have seen a significant increase in the amount of commercial premises in our borough, this is welcome as it creates jobs for our residents, brings in investment, and brings in much needed business rates that support our frontline council services. However, it is also important that we deliver new spaces for creative and small businesses so that they can take advantage of the great opportunities our borough has to offer.

### **RECOMMENDATIONS**

That Cabinet:

1. Approve the strategy for achieving 500 new affordable business and creative units by 2018, as summarised in paragraph 10 below.
2. Agree that the council's primary role in this respect shall be to proactively enable and facilitate this provision, by stimulating engagement between private, third sector and development community interests, rather than as a direct provider or manager of new space.
3. Acknowledge that it will be necessary to strike a balance between several priorities competing for the same resources (affordable housing, new homes, Voluntary and Community Sector need for premises, rental and capital revenue generation).
4. Instruct the director of regeneration to continue to ensure that opportunities for creative and affordable business space provision are explored in future regeneration-led schemes, in relation to operational premises deemed surplus to operations and to investigate further the nature of demand for such accommodation in the borough.

## **BACKGROUND INFORMATION**

5. Southwark's Council Plan 2014-15 to 2017-18 makes a clear commitment to strengthen and diversify the borough's economy. The focus is on new and emerging, smaller ventures in the business and creative sectors; acknowledging the important role that each has to contribute within the borough and across London, including the City. For example:
  - Invest in more affordable business space, street markets and encourage pop-up shops to help start new businesses
  - Support the growing reputation of Southwark's artistic community and enhance and expand affordable studio and performance space
  - Invest in Peckham Town Centre to include support for local arts organisations and businesses
  - Enhance and expand affordable studio and performance space.
6. The key Council Plan target is to deliver 500 new workspaces by 2018. This briefing paper considers the current strategic approach to delivering this target along with wider objectives for the council over this period.
7. Securing affordable space for small businesses in the borough strengthens and diversifies Southwark's economy. Affordable space may be focused on retail, business or creative uses. However, pressures and need for affordable space may vary across the borough with the local context. For example:
  - Protecting existing diversity in the business mix in the face of redevelopment and/or rent pressures
  - Encouraging start-ups with low entry cost space
  - Attracting or protecting a particular sector
  - Protecting the character of a local area; or
  - Protecting the amenity provided by independent small businesses for local residents.
8. Space and interim uses may be secured over shorter-term periods, potentially at lower rents to reflect the terms of the letting and therefore provides more opportunity for the most affordable/flexible space (that may be expected to provide a social as well as economic benefit). Longer term operations are more likely to face commercial rent levels for the operator and therefore operate on commercial models for users.
9. The council's approach to securing affordable space can be split broadly into a Planning-led approach driven by policy and secured through section 106 agreements, and a facilitative role led by Regeneration, using its assets and influence to secure delivery.

## **KEY ISSUES FOR CONSIDERATION**

10. Approximately 143 spaces have already been facilitated to date, as summarised below. A further 482 are in the pipeline for delivery in 2017 and 2018. This includes 72+ units secured and to be delivered by 2018 across the borough through S106 planning agreements on major developments, plus later additions at Elephant Park and Canada Water. Full details are provided in Appendix 1.

## Spaces delivered

Project	Spaces
Aylesbury Interim Uses	72
Artworks, Elephant & Castle	40
Spare Street, SE1	25
Elephant One affordable retail – S106	6

**TOTAL TO DATE: 143**

## Delivery pipeline

Project	Spaces	When?
Peckham Levels, off Rye Lane, SE15	65	2017
Bournemouth Close, SE15	25	2017
New Theatre Peckham	10	2017
Peckham Station Square & Peckham Palms, SE15	30	2017
Library Square, SE15	20	2017
St Thomas Street, London Bridge Station affordable retail – S106	6	2017
Rich Industrial Estate affordable artist / creative studio space – S106	60	2018
Redundant garages projects	200	2018
Parkhouse street	25	2018
Braganza Street, SE11	40	2018
Eagle Wharf Peckham, SE15	1	2018

**TOTAL PROJECTED: 482**

## Additions post-2018

Project	Units (Approx.)	When?
Elephant Park affordable retail – S106	TBC - up to 1600sqm 2017-2025 maximum of 200sqm 2017	2017-2025
Canada Water Sites C and E (Decathlon site) affordable retail – S106	5	2021

11. Acknowledging that some of these projects are still being developed and need to be viewed as speculative, the list should not be treated as definitive. We will continue to look for opportunities for net additions of new space and identify additional opportunities as a contingency and to maximise provision.
12. In addition to the above the council may also engage in smaller scale provision and temporary uses, “pop-ups” etc. as a means of signaling local improvement, and evaluating un-established retail activities.

## **Peckham Levels**

13. Key amongst the “pipeline” projects in delivering the programme, in December 2016 the council completed a lease to Peckham Levels Limited to facilitate the interim use of its multi-storey carpark in Peckham, leveraging in the following benefits:
  - 50 x Studios (predominantly c. 120 sq.ft; with 6 larger studios ranging up to 320 sq.) for individual hire by local creatives on easy-in terms
  - 6 x Offices (ranging from 800 – 1600 sq.) for SMEs
  - 2 x Co-working spaces (13,000 & 28,000 sq.ft) accessed through a membership system for local micro-enterprises and creative freelancers
  - 2 x Workshop spaces (3,800 & 4,900 sq.ft) again accessed through a membership system targeted at creative businesses within the building
  - 1 x large event space (3,400 sq.) available for private hire and community uses
  - A broad range of other facilities for the creative community including gallery space, ceramics & kiln room, 3D printers, laser cutters, printing press, dark room and photo studios, a number rehearsal spaces and changing rooms
  - A range of retail units, bar and food kiosks and restaurant and café
  - Project is anticipated to generate around 300-350 FT and 100-200 PT jobs;
  - A proportion of the studio spaces will be let at subsidised rents (10% at 20% of market rent and 10% at 50% of market rent)
  - Tenant selection process will prioritise local businesses, with viable business plans and a social ethos, who invest in the community
  - All tenants will be required to donate a proportion of their time through a Community Resource Scheme providing around 3,600 hours of training/volunteering annually
  - 10% of scheme profits will be retained as a Community Investment Fund for investment into local priorities, complementing the community resource scheme; and
  - Event spaces will be available for free to community groups for 25% of the time.

## **Planning-led delivery**

14. The draft New Southwark Plan currently addresses the issue as follows:
  - Commits to the delivery of 500 new affordable business units within the borough;
  - Requires that where existing SMEs are at risk of displacement from a development there should be full consideration of the feasibility of providing affordable and suitable space for existing occupiers in the completed development;
  - Encourages employment uses in railway arches;
  - Encourages small, flexible business units and management by specialist workspace providers.
15. Detailed policy guidance is planned for commercial space development across the borough’s key commercial areas, in response to evidence of business needs (now and future projected). The guidance will underpin the New Southwark Plan policy set out above and identify potential models for delivering commercial space that is affordable by design in different parts of the borough, with regard to the range of sectors and business types looking for space and factors including rents, floor areas, flexibility of leases and fit out specification.

16. In specific locations in the borough, emerging and adopted policy already sets out requirements for affordable business space in developments.
17. The draft Old Kent Road Area Action Plan, for example, provides that:
  - Developments which provide over 1,000 sq.m employment floorspace should deliver workspace managed by a specialist provider to support existing and new business start-ups and small and medium sized enterprises. This should also include an element of low cost or affordable workspace.
  - The council has developed an approved workspace provider list to support this AAP policy and encourage early discussions between developers and high quality providers of managed small business workspace.
  - Proposals in employment clusters should accommodate existing businesses on site or in the Old Kent Road area or provide a relocation strategy for businesses that may be displaced by development.
18. At the Elephant and Castle, specific measures have been adopted for some years to mitigate for the displacement of existing small retail businesses in regeneration sites. "Large retail developments (including refurbishments) over 1,000 sq.m should:
  - Contribute to the provision of a vibrant mix of retail uses to add diversity to the town centre.
  - Provide a range of shop unit sizes, including affordable units. Make available at least 10% of new retail floorspace (GIA) as affordable space at rents discounted by 40% over 5 years to provide suitable premises for small and medium sized enterprises in the opportunity area who have been displaced as a result of development, new business start-ups or independent retailers.

### **Community impact statement**

19. It is envisaged that the proposals set out in this report will have a positive impact on a wide range of groups and the wider community, regardless of age, disability, faith, gender, ethnicity or sexual orientation.
20. This is by supporting the supply of business and creative space across the borough, stimulating local economic and cultural activity and thereby contributing to the vibrancy of the borough for its communities, residents, businesses and visitors.
21. The affordable nature of the accommodation will promote access to business and creative space, which parts of the community might not otherwise be able to benefit from, whilst also delivering benefits to the borough as a whole by acting as a catalyst to further investment.

### **Policy implications**

22. The Council Plan 2014-15 to 2017-18 commits to a strong local economy through, amongst other measures, enhancing and expanding affordable studio and performance space in the borough.
23. The approach is echoed in the recently refreshed Economic Wellbeing Strategy 2017-2022, which includes the commitments to:

- Provide 500 new creative and small business units by 2018, by encouraging developers to include workspace as early as possible in the planning process and setting out clear requirements for its provision; and
  - Invest in and encourage the development of affordable and flexible workspace that meets the needs of start-up and growing businesses.
24. The proposals set out in this report specifically address this corporate objective, including performance measures to bring forward the conversion of unused undercroft garages and to facilitate the provision of 500 new workspaces by 2018.

### **Financial implications**

25. This report recommends, amongst other things, that the cabinet member for regeneration and new homes approves the proposed strategy for achieving 500 new affordable business and creative units by 2018, details outlined in the body of this report.
26. It is noted that the council will facilitate provision rather than providing space directly and therefore, there are no new/ immediate direct financial implications arising from the approval of the proposed strategy.
27. The council is reviewing its residual portfolio of studio/workshop/business premises and its more extensive retail premises holdings to decide the extent to which they might support provision of affordable business and creative space provision, compared to contributing to other corporate objectives.
28. Staffing and any other costs associated with the implementation/facilitation of this strategy, and the delivery of any related project, will be contained within existing budgeted resources.

### **Consultation**

29. In the course of preparing this report we have consulted widely within the council, including Planning Policy officers, Property Managers, Regeneration Managers and Arts Service officers.
30. Specific policies, strategies and projects feeding into the proposed strategy are widely consulted upon, including public consultation, during their development and adoption.

### **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

#### **Director of Law and Democracy**

31. At this stage there are no direct legal issues arising from the report since the cabinet member is merely being asked to approve the strategy as set out in the report and acknowledge and note certain approaches which the council is proposing.
32. Some of the sites referred to are currently occupied by business tenants and the ability to bring these tenancies to an end will be subject to the provisions of the Landlord and Tenant Act 1954. At that time, the decision maker will need to have due regard to the public sector equality duty ("PSED") in accordance with section 149, Equality Act 2010.
33. The PSED requires the council to consider all individuals when carrying out its functions but specifically has to have due regard to the need to eliminate discrimination,

harassment, victimisation or other prohibited conduct and in particular to assess any impacts on the persons with protected characteristics. Whilst not a matter of concern at the current stage of the process, the possible impact on any groups with protected characteristics will need to be assessed at the time that the council is considering its options for obtaining vacant possession of the relevant sites.

### Strategic Director of Finance and Governance

34. The strategic director of finance and governance notes the financial implications contained in paragraphs 25 - 28 of this report.
35. It is noted that there are no immediate financial implications arising from the approval of this strategy, however, any future option appraisals/decision making should consider fully all financial implications, including any potential loss of rent income.
36. Staffing and any other costs connected with this recommendation to be contained within existing departmental revenue budgets.

### BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

### APPENDICES

No.	Title
Appendix 1	Delivery project details

### AUDIT TRAIL

<b>Cabinet Member</b>	Councillor Mark Williams, Regeneration and New Homes	
<b>Lead Officer</b>	Eleanor Kelly, Chief Executive	
<b>Report Author</b>	Matthew Jackson, Head of Property	
<b>Version</b>	Final	
<b>Dated</b>	26 January 2017	
<b>Key Decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments sought</b>	<b>Comments included</b>
Director of Law and Democracy	Yes	Yes
Strategic Director of Finance and Governance	Yes	Yes
<b>Cabinet Member</b>	Yes	Yes
<b>Date final report sent to Constitutional Team</b>		27 January 2017