

**Item 11 Appendix A**

**Appendix 2**

## Economic Development Detailed Response to Consultation Paper

### Background

The key proposal is to introduce permitted development rights to allow for change of use from B1 (business) to C3 (dwelling houses) without the need for planning consent. It is also the aim of DCLG to provide the broadest scope for this relaxation and believe that there a strong case for making changes from B2 (general industrial) and B8 (storage and distribution) to C3 permitted development, and there is also the opportunity to convert unused space above a shop into a flat.

The background to these proposals from the DCLG is the urgent need to increase the rate of house building in the country and make housing supply more responsive to changes in demand.

### Business facts for Brighton & Hove

- Between 1998 and 2008 the private sector employment base of the city grew by 24.8% .
- There are 13,422 VAT registered/ PAYE businesses in the city. Based on the OECD estimates there are some 20,000 businesses operating within the city
- Brighton & Hove has the third highest business stocks per head in England & Wales.
- In 2008 Brighton & Hove had the 6th highest levels of start-up business activity in the country. (Centre for Cities 2010)
- 86.4% of businesses employ less than 10 people  
11% of businesses employ 11-49 people  
2.1% of businesses employ 50-199 people  
0.5% of businesses employ more than 200 people

Brighton & Hove businesses tend to employ less people per-business. Overall, Brighton & Hove has a larger proportion of small and micro businesses employing less than 10 people, and lower proportions of all other sized businesses. It has 23% less businesses employing over 200 people than the national proportion, and 25% less businesses employing 50-199 people.

Brighton & Hove has a strong entrepreneurial culture, reflected by high levels of start-ups compared with other cities. Its start up rate of 49.6 businesses per 10,000 people in 2008 was above the national (GB)

average of 44.4, but due to higher than average business deaths Brighton & Hove is still growing our business base slower than the national rate (1.6% growth compared with 2.2% nationally).

Between 2008-2009 Brighton & Hove lost 2.8% of total Business stocks, compared to the 2.9% lost nationally. It still has the third highest business stocks per-head of any city in England & Wales (402.6 / 10,000 head of population). This is 16.4% higher than the national level (345.9 / 10,000 head of population).

There are 263,300 people living in Brighton & Hove and current projections suggest that the city's population could increase by 4.8% or 12,000 over the next ten years. 94% of these new residents are expected to be of working age, which is a very high proportion compared to the rest of the country.

If these projections prove accurate, the city may need to find work for an additional 6,000 residents by 2014 just to keep the employment rate at the current level of 75.6%. If we also hope to meet the national aspiration of an 80% employment rate in the next ten years 16,000 more jobs will need to be created. The current downturn in the economy is adding many newly unemployment people to the pool of job seekers and also reducing the number of local jobs.

Furthermore, the population of Brighton & Hove is considered one of the most highly qualified adult populations in the country with nearly half the working age population having the equivalent of a degree or higher. The city has 32,000 students at two universities.

Nevertheless, the qualification structure of the local population has not clearly transferred into a high value added economy. This suggests that it may not be skills alone that drive up productivity. Instead, there is anecdotal evidence that higher qualified local residents commute to other areas for work. Others work in local jobs for which they are overqualified, which tends to inflate the level of qualifications expected from job applicants and makes it more difficult for residents with lower skills to get a foothold in the local labour market.

So the challenge for the city is to create at least 6,000 more jobs by 2014 but to help local residents develop the right skills and to grow the business base as that it is able to employ a larger number of the resident workforce.

### **Economic Development perspective**

The DCLG want to encourage economic growth by encouraging developers to bring back redundant commercial space into use and at the same time help tackle the need for more housing.

The economic development team together with colleagues from Planning at the city council have always encouraged developers to bring redundant commercial space back into operational use and with the aid of SRB/AIF programmes in the late 90's early 2000's there was considerable success in the city in revitalising our industrial estates and buildings on them to bring them up to modern day business requirements. Subsequently once central government funding ceased and alternative funding programmes were not forthcoming; this was placed firmly back in the hands of the businesses/owners to implement any modernisation / upgrading of the commercial stock in the city.

The City's commercial stock is split between 3,000,000ft<sup>2</sup> of industrial / warehousing and circa 5,000,000ft<sup>2</sup> of B1 office accommodation.

Industrial /Warehousing (B1b,c, B2 and B8) is primarily located on the 21 industrial estates / business parks around the city which are all relatively small in size and located closely to residential areas. The vast majority were constructed in the late 50's early 60's when car ownership was low and people travelling to work locally wherever possible. These are now becoming dated with age and some are also not best located for modern business requirements; however they still provide valuable employment for the residents of the city. Together with these industrial estates / business parks there are units throughout the city outside these areas that are protected through their existing use allocation.

B1 office accommodation can be found around the city and out of the current stock level, just over 4,000,000ft<sup>2</sup> (85%) was constructed before 1987.

Vacancy rates for both the industrial /warehousing and the office accommodation are currently running at about 10%. The B1 Grade A office accommodation vacancy rates is currently running at 2%. Which suggests that the demand for Grade 'A' office accommodation is growing as business practises demand higher quality space.

In response to this demand for Grade A space the city has and is continuing to witness refurbishments of existing stock rather than demolition and rebuild. One such scheme in the city centre was completed 6 months ago and out of the available refurbished stock (30,000ft<sup>2</sup>) only 5% is currently available. A number of other B1 office developments within the city have been refurbished or are in the process of being refurbished to help to meet the demand for Grade A space in the city.

With the predominance of businesses in the city employing less than 10 people there is continued demand for smaller floorplate office space and this will continue. If the CoU is accepted and approved, it is our opinion that it will be smaller office spaces that will have the ability to be adapted more easily to residential use and these will be lost to the market making it harder for small businesses to find space, inflating the rental values of the office space that is left making it less affordable to businesses in the city to remain.

A number of studies have been produced in the past 5 years looking at the need for commercial space in the city including the Creative Industries Workspace Study (2008), The Employment Land Study (2006 and revised 2009), the Business Retention and Inward Investment Strategy (2009) and the City Employment and Skills Plan (2011-14). All these studies identified the need for commercial space to meet the needs of the city, businesses currently located here and businesses considering Brighton as a business location.

Together with the above, Brighton & Hove is one of the partner cities in the Centre for Cities programme entitled Unlocking City Potential and Sustaining City Growth working with a small group of cities to inform economic development policy and improve economic performance. In a study produced by the HSBC Future of Business report, Brighton has also been recognised as one of 5 'Supercities' that will lead the country's economic recovery ([http://www.brightonbusiness.co.uk/secure/assets/ni20110603.142230\\_4de8cc161125a.pdf](http://www.brightonbusiness.co.uk/secure/assets/ni20110603.142230_4de8cc161125a.pdf)).

A recent report published by Nathaniel Lichfield & Partners, entitled 'Economic Outlook Stuck in the Slow lane?', May 2011 states that "Looking to the future, consensus forecasts are that all types of commercial property will see some growth in rental levels in the next 3 years. However offices will be the stand-out performers with growth of 14% whereas industrial property is only expected to record 2% growth". This predicted increase in office rental levels, coupled with the potential wholesale loss of office stock in the city through the relaxed planning rules could make the remaining stock unaffordable to many of the businesses in the city.

Brighton is now being considered seriously as a business location building on the business sectors that are located here. The key sectors that have been identified for growth are digital media, creative industries, finance, health and environmental technologies, all of which have a growing presence in the city. The protection of the existing stock and the development of new high grade space is fundamental

to the economic wellbeing of the city to allow these sectors to prosper and grow.

### **Response to Consultation document**

In response to the consultation document

#### **QA:**

**'Do you support the principle of the Government's proposal to grant permitted development rights to change of use from B1 to C3 subject to effective measures being put in place to mitigate the risk of homes being built in unsuitable locations'**

The economic development team **does not support** the principle for the following reasons:

- The proposal if approved will seriously affect Brighton's ability to deliver as a Supercity;
- The proposal would severely hamper the ability of the city to meet its employment target of 6,000 new jobs by 2014 as the business base will stagnate due to the lack of suitable space;
- Commercial space has the lowest commercial value compared to other competing uses and owners of vacant space could see this proposal as a way of enhancing the value of the vacant space resulting a loss of commercial space to residential without the need to meet tests currently in place in the city through the Local Plan. This would have the resultant effect of less available commercial space to meet demand, an increase in rental levels being sought (general economic principles of supply v demand), businesses not being able to afford the space on offer and therefore relocating out of the city to more affordable but less attractive areas culminating in further outward migration of the resident workforce making the city a dormitory town;
- The studies and reports referred to above all demonstrate the need for more commercial space in suitable locations to allow the city to grow as an economic base for the wider economic area;
- There is a continued need to safeguard the existing businesses (and jobs) that are found in the city and provide space for them to grow and remain in the city;
- There is demand for high quality commercial space in the city which also has to be affordable to businesses to allow them to remain and grow;
- Brighton has become an alternative business location for businesses due to its close proximity and easy access links with London (and Gatwick airport) together with more affordable rental levels for high quality space;

- The strength of the key sector growth and the businesses already located here within the key sectors act a magnet to attract new businesses to the city;

**QB:**

**Do you support the principle of the Government's proposal to grant permitted development rights to change of use from B2 and 8 to C3 subject to effective measures being put in place to mitigate the risk of homes being built in unsuitable locations?'**

The economic development team **does not support** the principle for the following reasons;

- Commercial space has the lowest commercial value compared to other competing uses and owners of vacant space could see this proposal as a way of enhancing the value of the vacant space resulting a loss of commercial space to residential without the need to meet tests currently in place in the city through the Local Plan. This would have the resultant effect of less available commercial space to meet demand, an increase in rental levels being sought (general economic principles of supply v demand), businesses not being able to afford the space on offer and therefore relocating out of the city to more affordable but less attractive areas culminating in further outward migration of the resident workforce making the city a dormitory town;
- The proposal would severely hamper the ability of the city to meet its employment target of 6,000 new jobs by 2014 as the business base will stagnate due to the lack of suitable space;
- The studies and reports referred to above all demonstrate the need for more commercial space in suitable locations to allow the city to grow as an economic base for the wider economic area;
- There is a continued need to safeguard the existing businesses (and jobs) that are found in the city and provide space for them to grow and remain in the city;
- There is demand for high quality commercial space in the city which also has to be affordable to businesses to allow them to remain and grow;
- Brighton has become an alternative business location for businesses due to its close proximity and easy access links with London (and Gatwick airport) together with more affordable rental levels for high quality space;
- The strength of the key sector growth and the businesses already located here within the key sectors act a magnet to attract new businesses to the city;
- The vast majority of B2 and B8 buildings are 'industrial' in form and will not lend themselves easily to a change of use;

- There will not be many instances within Brighton & Hove where this would apply with the caveat of '*effective measures being put in place .....*' as both B2 and B8 uses are not uses, and therefore locations, that accord with residential use.

**Additional Comments:**

Notwithstanding the above, there are locations within the city that are not best suited for business use. The local planning authority through its adopted local plan recognises this and does provide the ability for a change of use through the planning process with tests to be met to demonstrate the space is not economically viable for its existing use.

The city has to continue to provide commercial space to provide jobs for its resident workforce, safeguard the existing businesses and also attract new businesses to the city to increase employment opportunities.

The LDF (Local Development Framework) recognises that there is a need for refurbishment of commercial space in the city to meet modern business needs because of the lack of available sites and land. It has recognised the opportunity for enabling development to come forward in suitable locations to facilitate the provision of modern business space. It is the opinion of the economic development team that the use of enabling development principles is a more appropriate tool to provide modern business accommodation and additional residential accommodation to meet the housing needs for the city.

Article 4 Directions are used in some instances to remove permitted development rights and require planning consent for such developments. It is recognised that where a permitted development right is granted nationally it is not appropriate in a local area. The economic development team consider that if the Government's proposal is approved in order for Brighton to continue as a 'supercity', then Brighton along with the other 4 cities identified as 'supercities' should have an Article 4 Direction in place to safeguard the employment space in the city to realise its potential. (This is subject to the Government either amending the Article 4 compensation requirements or setting up a central fund to address subsequent compensation claims and handling costs).

**Prepared by Andy Glover, Senior Economic Development Officer, June 2011**