



**Nathaniel Lichfield  
& Partners**  
Planning. Design. Economics.

**Request for Office to Residential  
Permitted Development Rights Exemption**

**Supporting Evidence Report for Brighton  
& Hove**

Prepared on behalf of Brighton & Hove City  
Council

February 2013

13409

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## Executive Summary

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Brighton & Hove is a tightly constrained and compact City located on the Sussex coast between the South Downs National Park and the sea. It is one of the fastest growing economies in South East England, with an internationally-renowned cluster of digital, media and creative businesses. Over the past 15 years the rate of job growth has exceeded the regional and national average, and the City is consistently identified as a focus for private sector job growth, and Centre for Cities recently identified it as having the second highest per capita stock of business outside London, and a 5.3% growth in private sector jobs, the fourth highest in the country.

Forecasts indicate that the City has potential to generate 20,000 jobs over the next two decades, of which about 7,900 (some 40%) will require office premises. Much of this growth will be focused within small but high-growth businesses that now characterise the City's economy and leading sectors. It is estimated that the City will require an additional 112,000 m<sup>2</sup> of commercial office space by 2030, an increase of 26% on current levels.

The options to accommodate this requirement are limited, and recent evidence indicates that the City already has insufficient supply of office space to meet future needs, exacerbated by the lack of delivery of new Grade A space in the past. This has significant long-term implications because a lack of office space may ultimately constrain the City's ability to retain its businesses as they grow and expand. Rental levels for prime space have been on an upward trajectory since the early 1990s and are now uncompetitive for many small and growing businesses, while the office vacancy rate stands at just 8%.

Against this backdrop, Brighton & Hove also has some of the highest housing affordability pressures of any local authority in the South East, and on average has lost 3,000 m<sup>2</sup> office space per annum to residential and other uses over recent years. Land value differentials continue to provide strong incentive to landlords to seek to transfer even occupied office space to residential use.

Planning policy in the City is therefore finely calibrated, aiming to balance the need for homes and jobs and managing the competing requirements for a limited supply of space. Through its Submission City Plan the City Council is proposing a strategy to help remedy the City's lack of office supply through a policy of safeguarding the most valuable office sites and providing a small number of new sites within the limitations of available development land. Together these are only expected to meet 85% of the identified office requirements, therefore protecting and upgrading existing office space will be essential to help meet future needs.

In support of this approach, the City Council is proposing a number of areas for exemption from the office to residential permitted development rights so that:

- a existing office floorspace in primary locations to support key clusters of economic activity can be protected, namely Central Brighton which

accounts for 32% of the City's stock of office space, in line with the Submission City Plan. The Council has been successful in securing funds to invest in this location through the Super Connected Cities Programme and Coast 2 Capital LEP funding;

- b local policy direction can continue to be applied to a relatively small number of other Strategic Allocations and development sites identified in the Submission City Plan to extract maximum development potential and to enhance the delivery prospects of these sites to meet future office and other land use needs.

Introduction of permitted development rights in these areas would have a disproportionately significant impact in terms of supporting the City's jobs, business base and economic output. The City Council is committed to only protecting the existing and potential office supply that is of greatest importance to the functioning of the City's economy, both now and in the future.

This 'policy-based' approach would not be available if the Permitted Development Rights took effect; these would allow 100% replacement of office space with residential. In the context of a tight market, a requirement for additional office space to secure economic growth outcomes, and market failure acting against provision of new office space, this would give rise to significant adverse local economic effects.

The economic cost of losing even 10% of the Central Brighton office stock would equate to a loss or at best displacement of up 700 office-based jobs, with an impact of £36.4 million Gross Value Added (GVA) per annum. In contrast, conversion of 10% of this stock would support just c.190 residential units, and 114 jobs over the three year period during the construction phase (equivalent to 34 FTE jobs, worth just £2.4m of GVA).

The evidence therefore indicates that an exemption to the permitted development rights is required within selected areas of Brighton & Hove, and the City Council's request for exemption is endorsed by the Coast-to-Capital Local Enterprise Partnership (LEP). This would leave the permitted rights to apply in all other parts of the local authority area.



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## 1.0 Introduction

1.1 This evidence report has been prepared by Nathaniel Lichfield & Partners (NLP) on behalf of Brighton & Hove City Council (BHCC) in support of the exemption request being submitted to the Department for Communities and Local Government (CLG) in respect of the recently announced introduction of permitted development rights for change of use from B1(a) office to C3 residential.

1.2 The analysis has had regard to the Letter to Chief Planning Officers which sets out a range of criteria against which exemption requests will be assessed.<sup>1</sup> Accordingly, the remainder of this report is structured as follows:

- Section 2.0 identifies the **current characteristics of the proposed exemption areas** and their existing economic value and significance;
- Section 3.0 outlines the **future economic and business needs** that the proposed exemption areas are specifically able to meet;
- Section 4.0 assesses the **potential adverse economic impacts** that would arise from their introduction of permitted development rights in the proposed exemption areas.

1.3 This report should be read in conjunction with the covering letter provided by the Leader of Brighton & Hove City Council.

## Basis of exemption request

1.4 Brighton & Hove City Council's exemption request is being made on the basis that the introduction of the new office to residential permitted development rights within the proposed exemption areas defined below would result in substantial adverse economic consequences **at the local authority level** which are not offset by the positive benefits that the new rights would bring. This falls within a Category B exemption request as defined in the CLG letter.

## Definition of proposed exemption areas

1.5 The City Council has identified a number of proposed exemption areas as set out below, referenced as areas 'A' and 'B'. Scaled maps are included at **Appendix 1** in accordance with the requirements set out in the CLG letter.

### A. Central Brighton (including New England Quarter and London Road)

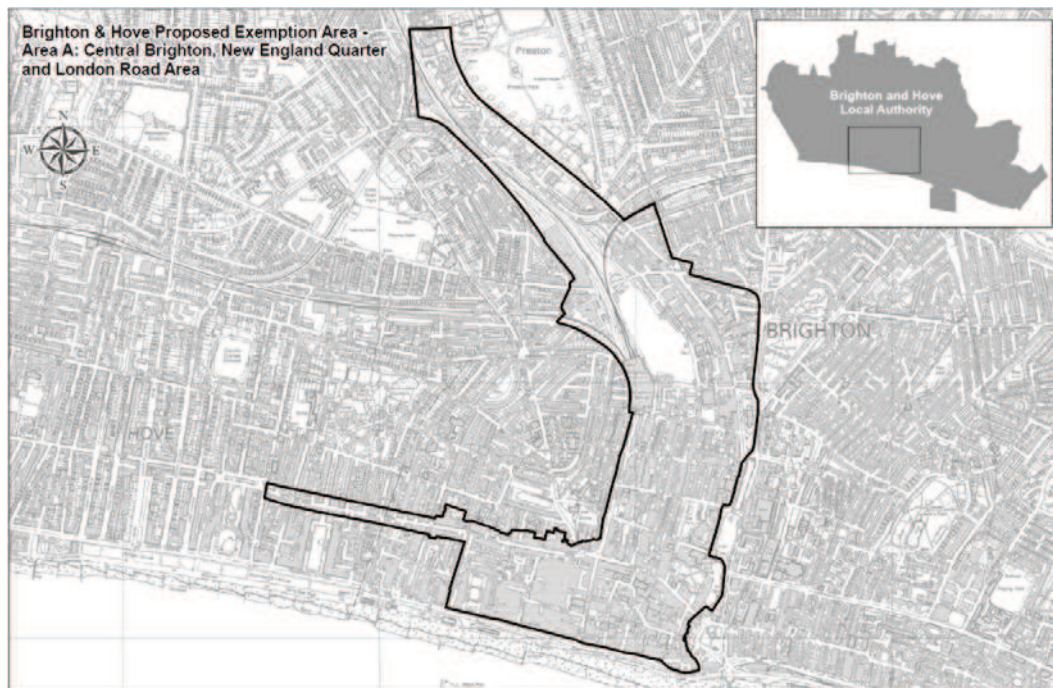
1.6 The Central Brighton, New England Quarter and London Road area together constitute the primary office area for Brighton & Hove. It is a location where

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<sup>1</sup> Permitted development rights for change of use from commercial to residential, letter to Chief Planning Officers, 24 January 2013

high quality premises are demanded from a variety of occupiers such as media, creative, financial, business and professional services, and is the focal point for the City's internationally-renowned digital and media economy. The Submission City Plan therefore safeguards existing office accommodation in this area and encourages improvements in quality to meet future business needs.<sup>2</sup> The boundary of this area is shown in Figure 1.1 below.

Figure 1.1 Central Brighton, New England Quarter & London Road area



Source: Brighton & Hove City Council

## B. Strategic Allocations and Other Significant Sites

1.7 A total of 15 sites have been identified as being of critical importance to the existing and future potential supply of office space in the City set in the context of the Submission City Plan.

1.8 The sites are grouped into the following categories:

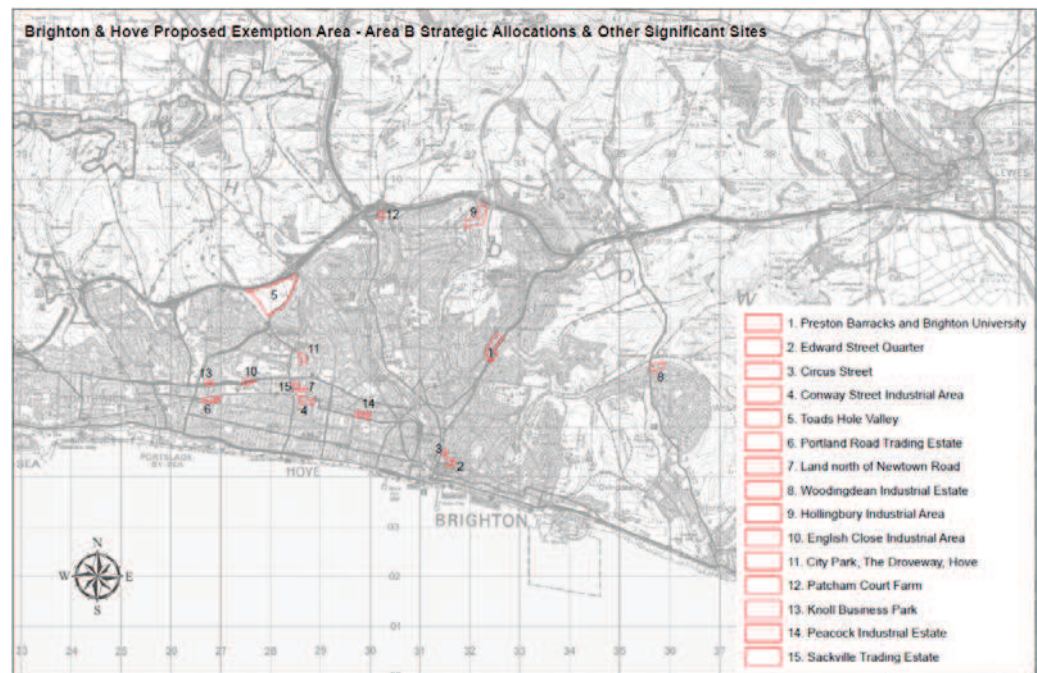
- Strategic Allocations within Development Areas identified in the Submission City Plan;
- mixed use employment areas identified in the Submission City Plan;
- industrial estates that include modern office accommodation; and
- other significant office clusters.

<sup>2</sup> Submission to Secretary of State in April 2013, pending publication consultation stage 25 February – 12 April 2013. Further details available at <http://www.brighton-hove.gov.uk/index.cfm?request=b1163744>

1.9

The City Council considers that the loss of these sites would critically undermine the ability of the City to meet future office needs. Whilst each of these sites has individual factors that each contribute to the exemption request, these sites share common characteristics in terms of their strategic value to the City and have therefore been considered collectively. The location of these sites is shown in Figure 1.2 below.

Figure 1.2 Strategic Allocations & Other Significant Sites



Source: Brighton & Hove City Council

## Letters of representation

1.10

The Council has received letters of representation from a number of organisations listed below in support of this exemption request, with copies included at **Appendix 2**.

- Ron Crank, Chief Executive of the Coast-to-Capital Local Enterprise Partnership.
- Phil Jones, Managing Director, Wired Sussex and Board Member, Coast 2 Capital Local Enterprise Partnership.
- Anthony Mernagh, Executive Director, Brighton & Hove Economic Partnership.





2.0

## Economic Characteristics of Exemption Areas

2.1

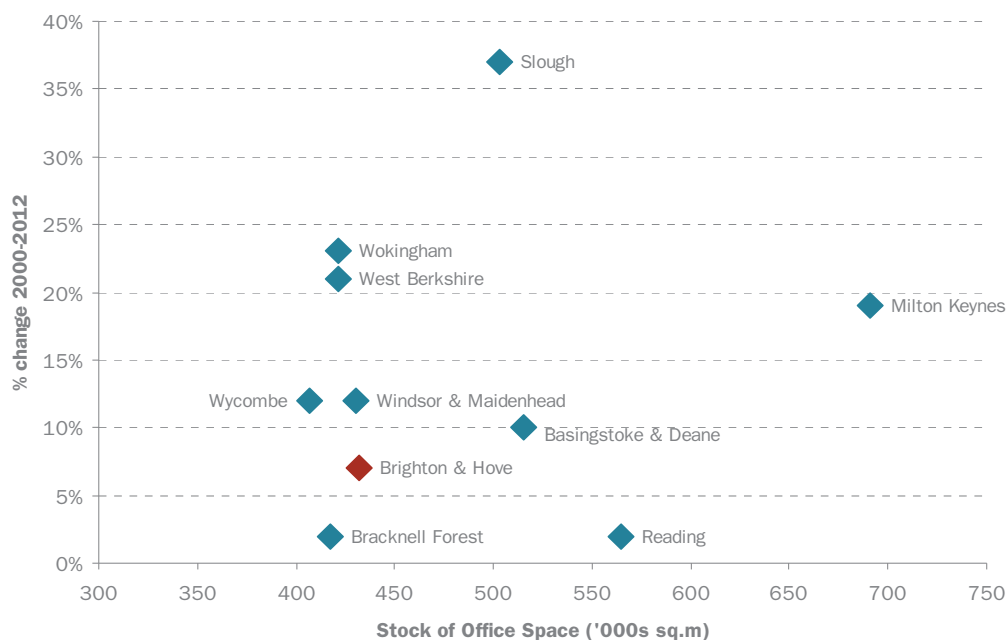
This section provides an overview of current office market conditions in Brighton & Hove, and details the current economic characteristics and value of the areas that are proposed for exemption.

### Office market overview

2.2

Based on published 2012 Valuation Office Agency data, Brighton & Hove contains the fifth largest concentration of office premises in the South East region with about 430,000 m<sup>2</sup> of office space. However, the City has registered the third lowest increase in office stock compared to the other top 10 South East office locations with an increase of only 7% since 2000 (Figure 2.1) despite an expanding economy.

Figure 2.1 Comparison of Top 10 South East Office Centres



Source: VOA / NLP analysis

2.3

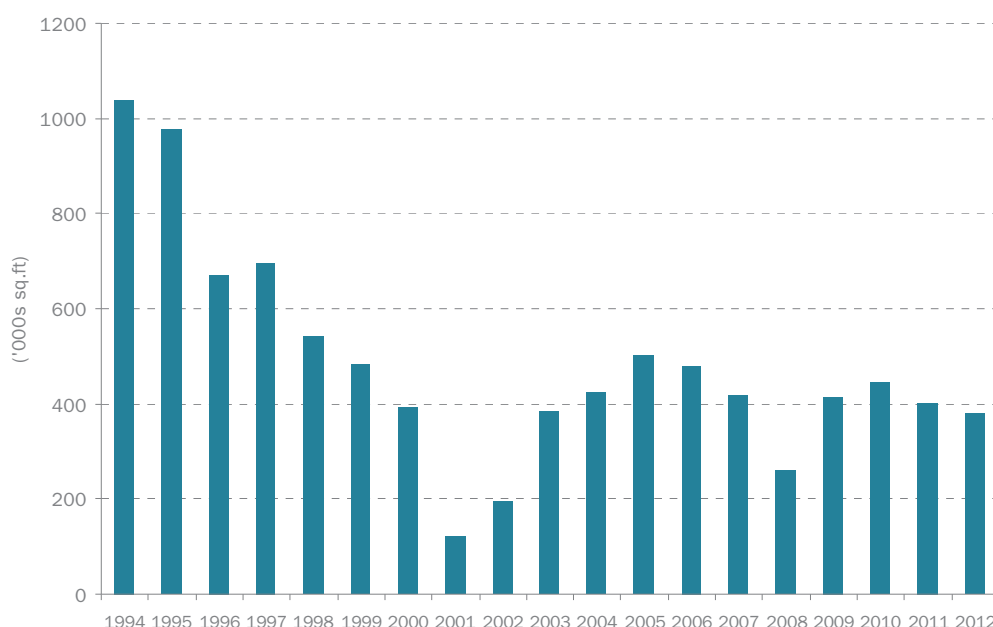
Demand levels for office premises in Brighton & Hove are generally strong, with the majority of demand coming from local firms wishing to expand or upgrade premises and stay within the area. Given the concentration of SME's within the City's business base (particularly within the high growth 'technology, media and telecoms' sector) and demand arising from these firms, the main office requirements tend to be relatively small, typically up to 5,000 sq.ft (460m<sup>2</sup>) in size. Conversely, the City receives limited demand for larger floor plates, for example from larger corporate firms. This contrasts with the 1970-80s when Brighton & Hove (as with many other locations) experienced considerable demand from financial and insurance companies locating in the area. That trend gradually reversed during the 1990s as these types of firms consolidated and downsized. The City does still attract some office relocations or expansion

from elsewhere but these tend to be smaller in scale and more closely linked to the City's existing sectoral strengths, for example INTO University Partnerships, which relocated its headquarters to refurbished space at One Gloucester Place in 2012.

2.4

Much of the current office supply comprises older, second-hand town centre premises built between the 1960's and 1980's (some of which were originally designed for corporate occupiers) that have undergone recent refurbishment or upgrading, as well as some converted period buildings. Very limited new office space has been delivered in Brighton & Hove over the last 20 years or so, and as such the overall availability levels have declined significantly over recent years (Figure 2.2). Market reports point to less than 2% of the available stock of office space being classified as 'Grade A'.<sup>3</sup>

Figure 2.2 Office Availability in Brighton & Hove, 1994-2012



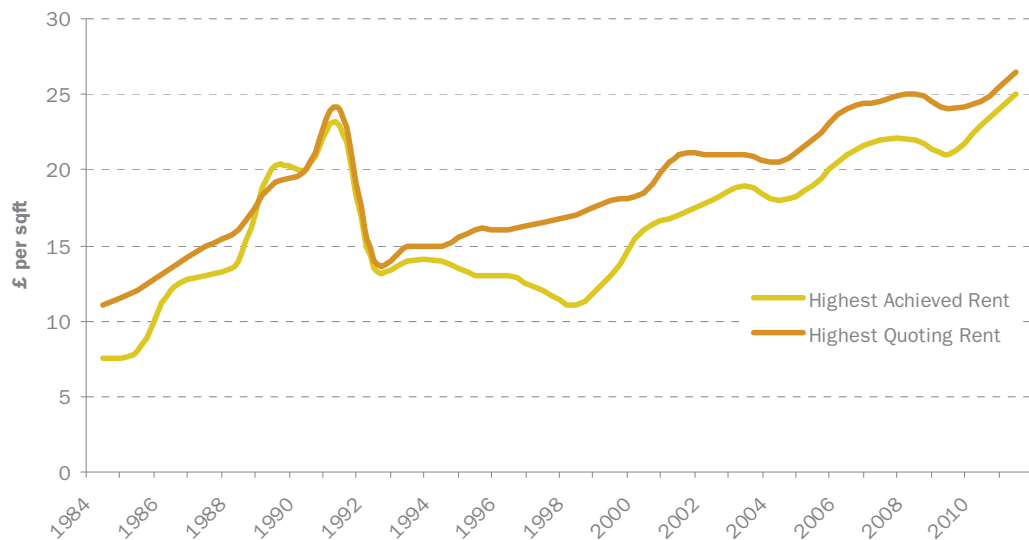
Source: Stiles Harold Williams

2.5

Consequently the overwhelming view amongst local property agents consulted as part of the City's recently published Employment Land Study is that the City has a significant shortage of higher quality office accommodation, particularly up to 5,000 sq.ft (460m<sup>2</sup>) in size. Current office vacancy levels in the City stand at 8%, and generally have not exceeded 10% in recent years. The market impact of this shortage of good quality space is that rental levels have gradually increased for this type of space (with the gap between quoted and achieved rents narrowing) to the extent that they are regarded as uncompetitive by many of the City's small and growing businesses (Figure 2.3).

<sup>3</sup> Stiles Harold Williams Market Focus Q3 2012. 'Grade A' office space is generally defined as a newly developed or recently refurbished space which offers a high specification and is located in prime office areas and/or other highly accessible locations.

Figure 2.3 Brighton &amp; Hove Office Rents, 1984-2011



Source: Stiles Harold Williams

- 2.6 Current market circumstances are restricting the development that the City needs, with development of new 'Grade A' office space reportedly unviable (despite the relatively high rents that such developments would command) and funding restrictions preventing any speculative development. In addition, many of the City's smaller businesses demand increasingly shorter leases (i.e. up to a maximum of five years) with this extra risk making the process of securing development finance more challenging.

## A. Central Brighton

### Description of area

- 2.7 The City's prime office market is principally focused within Central Brighton, located on the east and southern side of Brighton Station, within the New England Quarter and interspersed within the city centre. Much of the existing office stock is within older purpose built buildings or converted period buildings and offices above shops, many of which would represent prime residential conversion opportunities. The scope for significant new office floorspace within Central Brighton is very limited and therefore opportunities for new office floorspace on the edge or outside Central Brighton have also been identified (see **B. Strategic Allocations & Other Significant Sites** below).
- 2.8 Nevertheless, over the timeframe of the City Plan, Central Brighton will continue to remain a location where high quality offices will be demanded for a variety of occupiers such as media, creative, financial, business and professional services and information communication industries. The area has recently been awarded a £5 million funding allocation under the Government's Super

Connected Cities programme to provide ultrafast broadband services to serve Central Brighton's cluster of digital and media companies.<sup>4</sup> 'Block J' within the New England Quarter was part of a successful bid to the Coast 2 Capital Local Enterprise Partnership to access funding from the Growing Places Fund. This investment will unlock a new flexible office/innovation centre to be operated by the Sussex Innovation Centre (part of the University of Sussex), allowing support for digital start-ups to be located in Central Brighton complemented by the new ultrafast broadband network noted above.

- 2.9 A commensurate supply of high quality, modern and sustainable office accommodation is therefore required to meet the needs of the City's commercial occupiers both now and in the future. The Submission City Plan therefore safeguards office accommodation within Central Brighton and encourages improvements in quality to meet future business needs. Where the need for renewal of secondary office locations has been identified within the Central Brighton area (e.g. along Preston Road), the Submission City Plan provides policy support for mixed-use redevelopment of outdated office stock to residential and modern office accommodation.

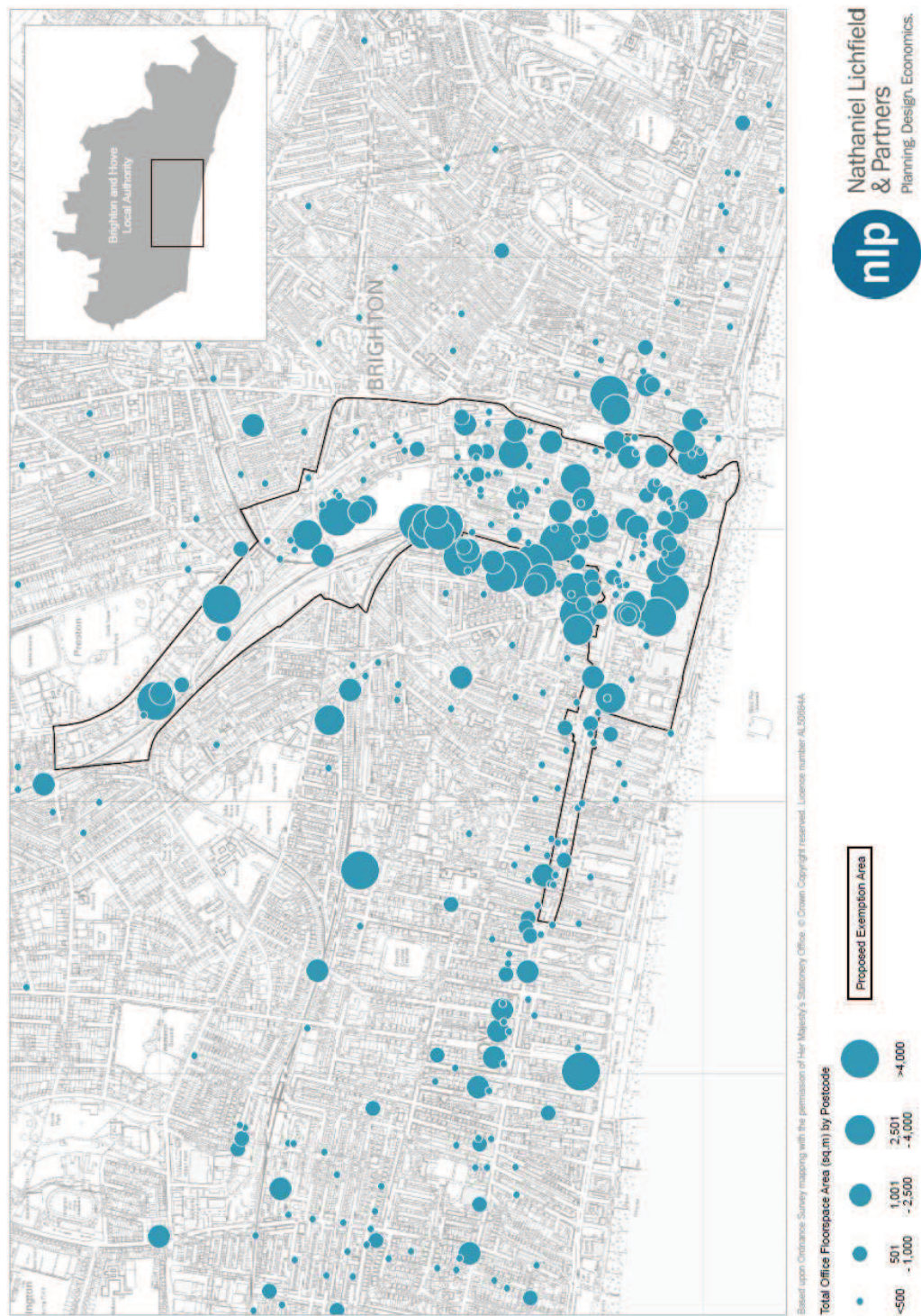
### **Existing stock of office space**

- 2.10 Figure 2.4 overleaf shows the distribution of office space in the proposed Central Brighton exemption area. In total, the current supply of office space in this area amounts to 140,000 m<sup>2</sup> or 32% of the local authority total.
- 2.11 This confirms that the boundary of the proposed exemption area contains the primary concentration of office space in Central Brighton, but that it is not intended to be exhaustive with other secondary office locations identifiable outside of the proposed area where the permitted development rights would apply.

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<sup>4</sup> Ultrafast broadband for 12 UK cities, DCMS, 5 December 2012

Figure 2.4 Distribution of Office Floorspace, Central Brighton



Source: VOA / NLP analysis

## Economic value

2.12

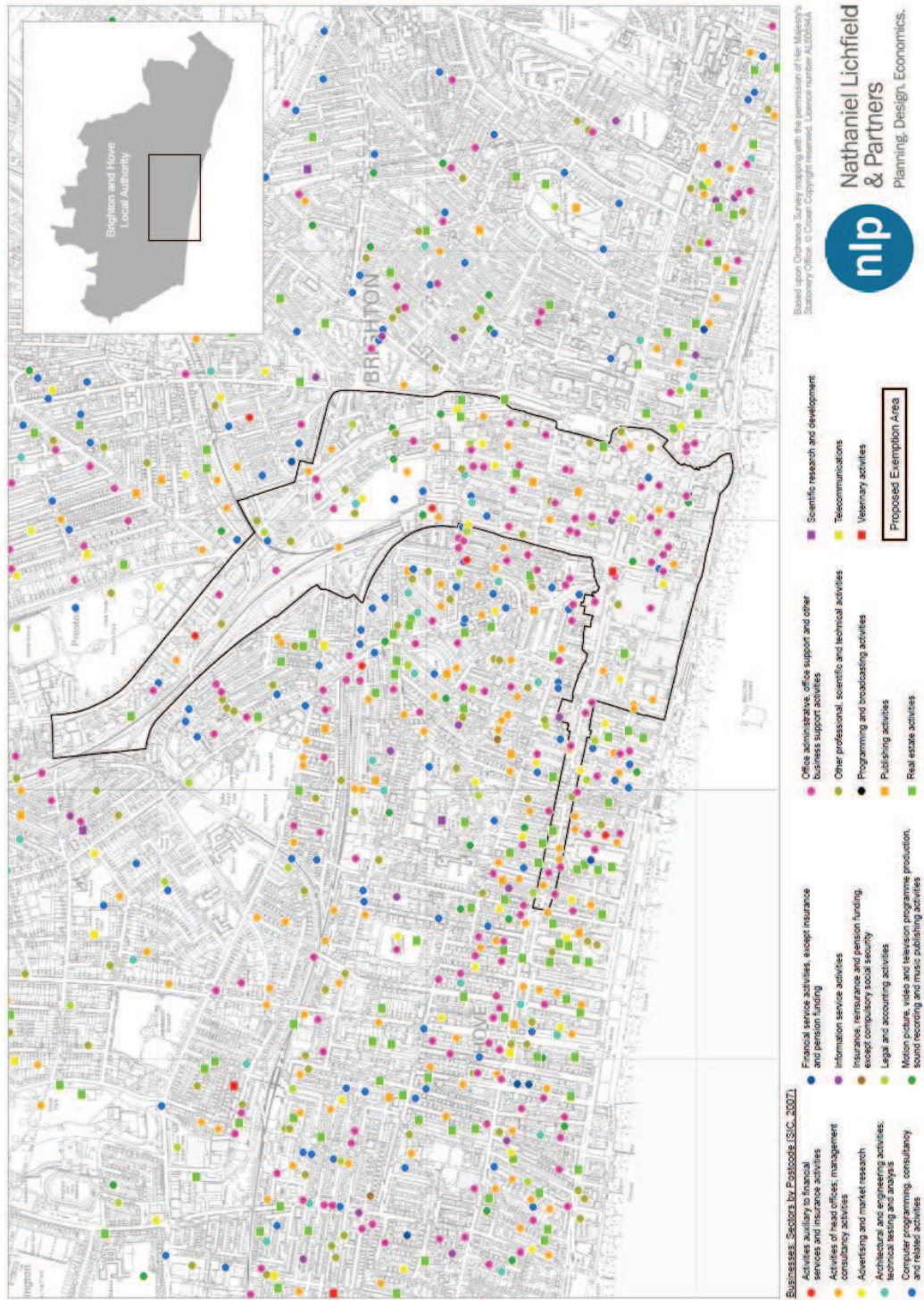
Figure 2.5 overleaf shows a plot of businesses by sector in the Central Brighton area. Together there are a total 1,500 of individual companies based in the proposed exemption area, equivalent to 20% of the City's entire business base.<sup>5</sup> There are also significant concentrations of businesses in close proximity but outside the proposed exemption zone which may in time relocate closer into Central Brighton to access services and the upgraded broadband infrastructure when it is completed.

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<sup>5</sup> This is not an exhaustive list of office-based businesses in Central Brighton because a proportion of business records contained in the Mint UK Database do not have SIC codes (making it impossible to readily classify businesses by sector or accommodation type), so it does not represent coverage of all businesses in the area.



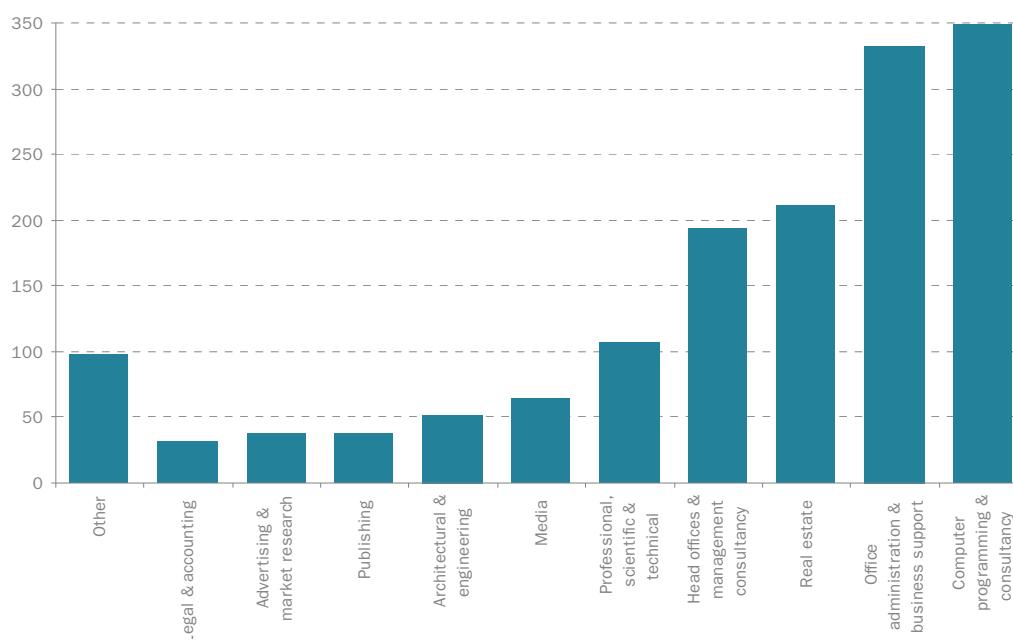
Figure 2.5 Distribution of Businesses by Sector, Central Brighton



Source: Mint Database / NLP analysis

2.13 Figure 2.6 provides a breakdown of businesses located in Central Brighton by type. The largest sector is computing and information technology activities, which account for nearly a quarter of businesses in the area but a range of other specialist high value sectors are also apparent.

Figure 2.6 Profile of Businesses in Central Brighton



Source: Mint Database / NLP analysis

## Market characteristics

2.14 Central Brighton represents the City's main focus for office demand, particularly for premises in close proximity to the railway station and around the Queen's Road area which benefits from excellent transport links and a desirable location in the heart of the City. This is particularly the case for smaller creative businesses who value the attractions and amenities offered by a Central Brighton location, as noted in recent research prepared on behalf of the City Council.<sup>6</sup>

2.15 The key challenge in this location is that very limited new space has been developed and consequently there has been reliance on refurbishing second hand space (e.g. Sovereign House, One Gloucester Place). As noted above, over time this may constrain the ability of small and medium sized businesses to grow and expand.

2.16 The market consequence of this shortage of good quality space is that rental levels have gradually increased for this type of space to the extent that they are regarded as uncompetitive by many of the City's small and growing businesses.

<sup>6</sup> Brighton & Hove: Sustaining City Growth, Centre for Cities, 2009



- 2.17 This can be mitigated to some extent through the provision of managed and subsidised premises (e.g. New England House operated by the City Council) but it points to underlying risks to the City's competitiveness with regard to the availability of office space.

## **B. Strategic Allocations and Other Significant Sites**

- 2.18 Whilst Central Brighton provides the City's primary office market, there are a number of other significant sites and locations across the City identified as being of critical strategic importance to meeting future office requirements (detailed further in Section 3.0). As noted above, these sites have been grouped for ease of reference, but a brief description of some of their characteristics is provided below:
- Sites forming part of the City's academic corridor to accommodate spin-off businesses from the two universities (Preston Barracks and Brighton University, Circus Street);
  - Locations serving major corporate occupiers and significant employers (Edward Street – American Express, City Park – Legal & General);
  - The City's only greenfield employment site identified to provide a major new high-tech business park (Toads Hole Valley);
  - Premises specifically meeting needs of small and growing businesses (Knoll Business Park); and
  - Sites identified by the Submission City Plan to accommodate new B1a space (Patcham Court Farm, Conway Street, Portland Road).

### **Existing stock of office space**

- 2.19 Figure 2.7 overleaf shows the distribution of office space across the other 15 sites that are proposed for exemption. Some sites are allocated for development and therefore have no existing office floorspace.

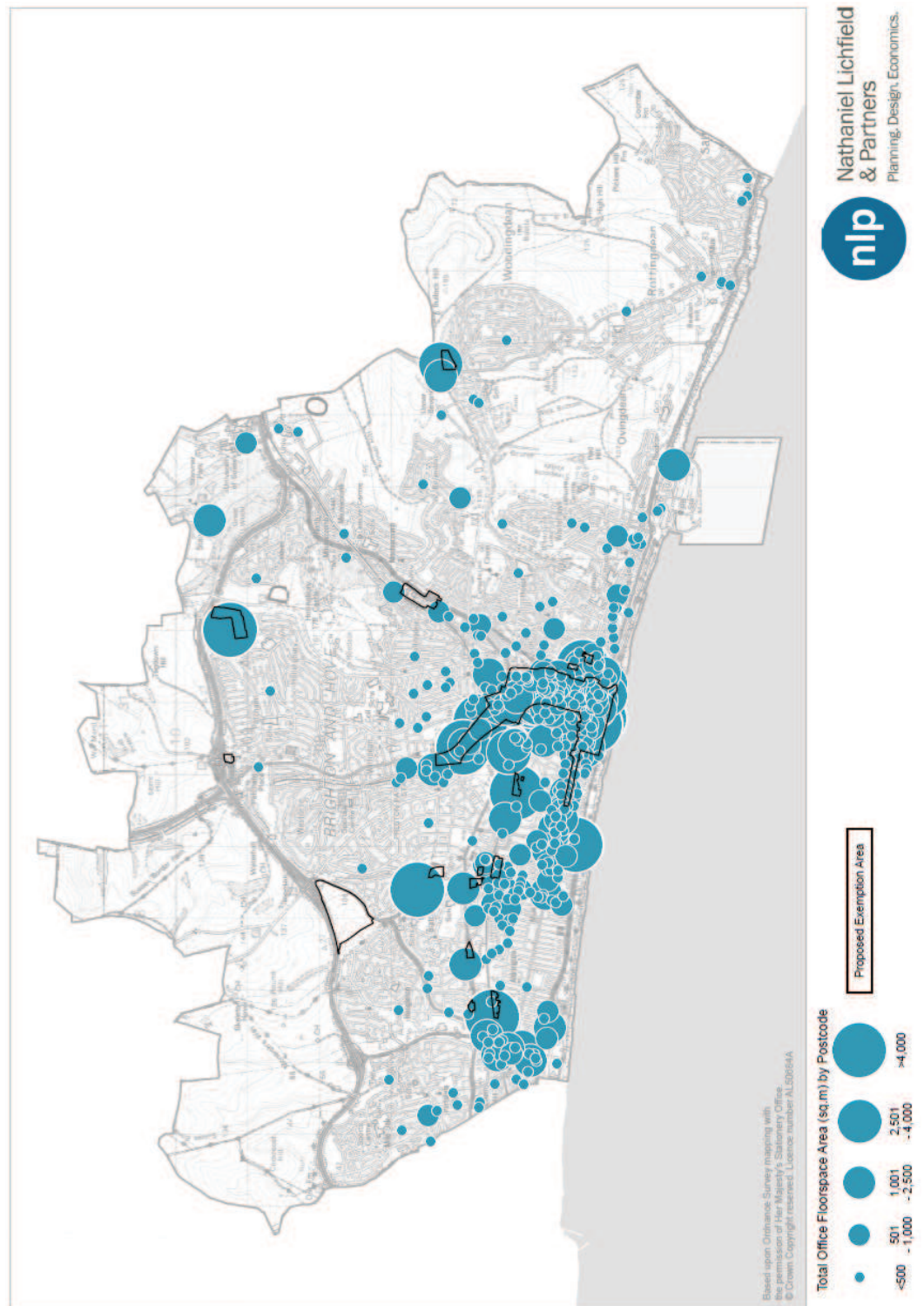
### **Economic value**

- 2.20 Figure 2.8 overleaf illustrates the distribution of businesses by sector relative to the location of the 15 sites proposed for exemption. Some sites are allocated for development and therefore have no existing business activity located on them. However, it does indicate the extent to which business activity is widely dispersed across the City, and therefore the need for new office provision to be considered in a range of locations in line with the Submission City Plan.<sup>7</sup>

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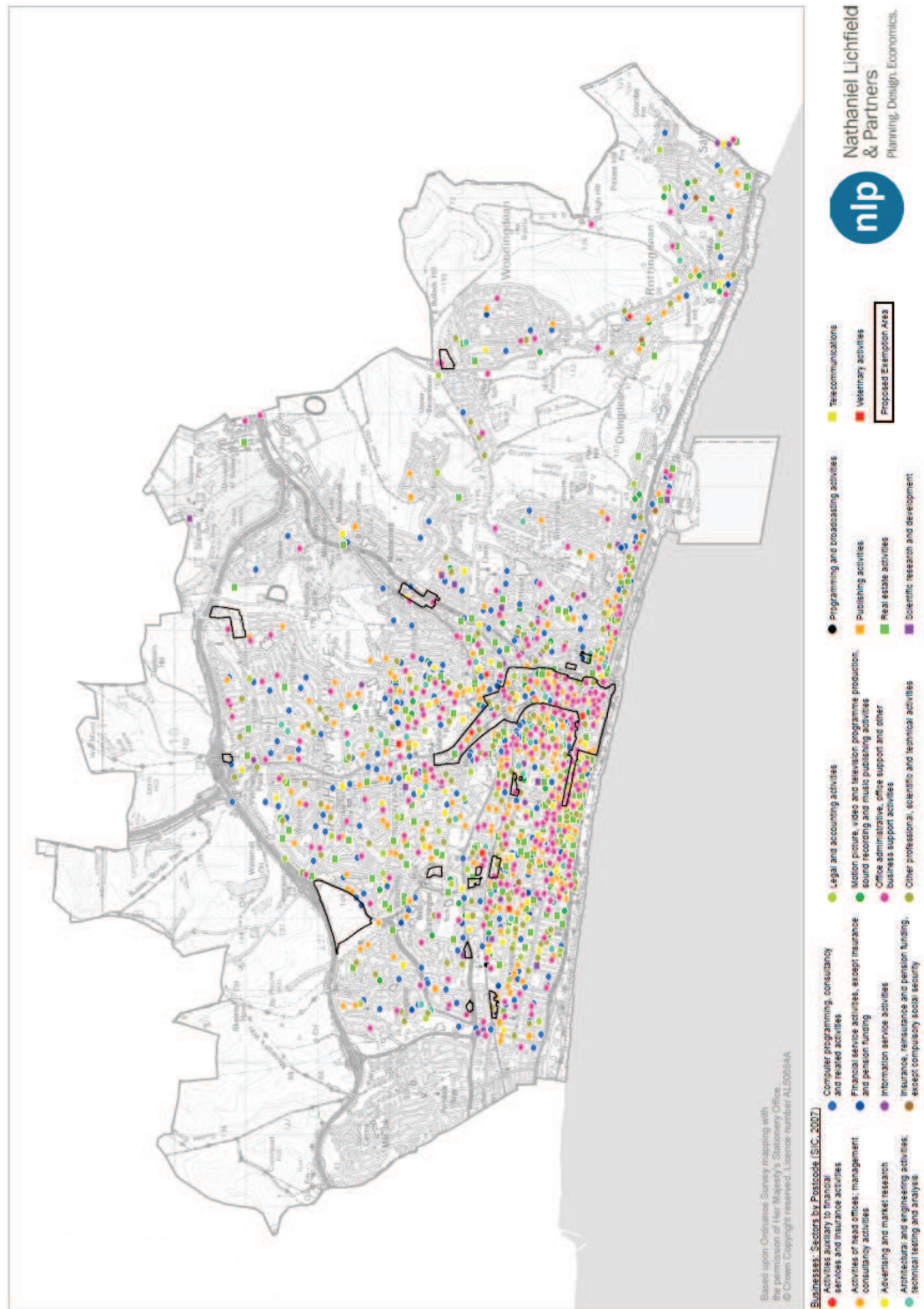
<sup>7</sup> This is not an exhaustive list of office-based businesses in Brighton & Hove because a proportion of business records contained in the Mint UK Database do not have SIC codes (making it impossible to readily classify businesses by sector or accommodation type), so it does not represent coverage of all businesses in the area.

Figure 2.7 Distribution of Office Space, Strategic Allocations and Other Significant Sites



Source: VOA / NLP analysis

Figure 2.8 Distribution of Businesses by Sector, Strategic Allocations and Other Significant Sites



Source: Mint Database / NLP analysis



## 3.0 **Future Economic & Business Needs in Brighton & Hove**

3.1 This section provides an overview of future economic growth and business needs in the Brighton & Hove economy, set in the context of the current identified demand and supply for office floorspace in the City. It draws on the analysis contained in the Brighton & Hove Employment Land Study, which forms part of the evidence base for the Submission City Plan.<sup>8</sup>

### **Job growth potential**

3.2 Widely recognised as a place of innovation, creativity and enterprise, job growth in Brighton & Hove has exceeded the regional and national average in recent years. The City has been identified as having the potential to become one of a limited number of 'super-cities' nationally which can drive future economic growth.<sup>9</sup> Centre for Cities Outlook 2013 identified Brighton as second only to London in its stock of businesses relative to its population, and the fourth fastest growing city for private sector employment.<sup>10</sup>

3.3 In February 2013, the Deputy Prime Minister announced that Brighton & Hove would be taken forward as part of the Wave 2 City Deal programme. The focus of the Council's bid (in partnership with the adjoining authorities of Adur, Lewes and Worthing) is to deliver additional economic growth by harnessing the potential of the eco-tech sector, building upon existing strengths in digital media and creative industries, encouraging innovation and business growth.<sup>11</sup>

3.4 The City's economy is worth around £5.3 billion, which has nearly doubled in value since 1997. Its contribution to the national economy has increased by over 47% in the last decade, boosted by a fast growing private sector which created 20,000 new jobs between 1998-2008 and better productivity with GVA per worker increasing to £36,570 in 2012. More than 120,000 people now work in the City, including 8,000 entrepreneurs who run their own business. This is supported by two leading universities who support innovation amongst local businesses and provide a stream of graduates.

3.5 Latest Experian forecasts of employment growth for Brighton & Hove for the period up to 2030 indicate potential growth of just over 20,000 jobs over the

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<sup>8</sup> Brighton & Hove Employment Land Study 2012, Nathaniel Lichfield & Partners, December 2012

([http://www.brighton-hove.gov.uk/downloads/bhcc/ldf/BH\\_Employment\\_Land\\_Study\\_Review\\_Final\\_Report.pdf](http://www.brighton-hove.gov.uk/downloads/bhcc/ldf/BH_Employment_Land_Study_Review_Final_Report.pdf))

<sup>9</sup> The Future of Business, HSBC, 2011

<sup>10</sup> Cities Outlook 2013, Centre for Cities, January 2013

([http://www.centreforcities.org/assets/files/2013/CITIES\\_OUTLOOK\\_2013\\_FINAL.pdf](http://www.centreforcities.org/assets/files/2013/CITIES_OUTLOOK_2013_FINAL.pdf))

<sup>11</sup> Deputy Prime Minister launches more 'City Deals', 19 February 2013

(<http://www.dpm.cabinetoffice.gov.uk/news/deputy-prime-minister-launches-more-city-deals>)



next two decades, of which approximately 7,900 jobs or some 40% are expected to occur within office-based sectors (Table 3.1).

Table 3.1 Forecast Employment Change in Brighton & Hove, 2010-2030

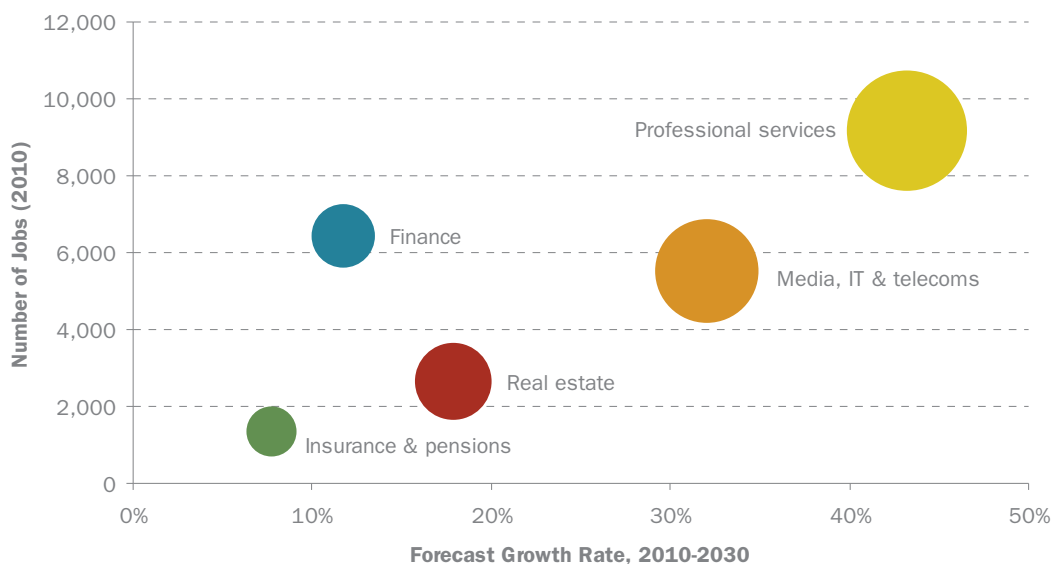
	No. of Jobs		Change
	2010	2030	2010-2030
<b>Offices (B1a/b)</b>	<b>27,750</b>	<b>35,620</b>	<b>7,870</b>
Total B-class Jobs	39,040	45,730	6,690
Jobs in All Sectors	136,330	156,410	20,080

Source: Experian / NLP analysis

3.6 Office-based sectors are a key driver of employment growth in the City because Brighton & Hove did not develop an historic industrial base to any significant extent. In total office sectors currently account for 27,750 jobs, or 20% of total employment in the City, the vast majority in the private sector. The share of office-based jobs in the City is expected to rise to 23% by 2030.

3.7 The City's office sector is broad-based, with the largest sectors being professional services (9,200 jobs) and financial services (6,400 jobs). However, there is also an important cluster of specialist sub-sectors, with media, IT and telecoms activities together accounting for 5,500 jobs. Of all office sectors, media activities have the second highest forecast growth rate over the period to 2030 (Figure 3.1).

Figure 3.1 Size and Growth Rates of Office Sub-sectors in Brighton & Hove



Source: Experian / NLP analysis

## Meeting future office space needs

3.8 The future office space needs in the City have been assessed drawing on the Experian forecasts set out above and other benchmarks, taking account of

latest trends in the more efficient use of office space in the future. These indicate a requirement of 112,000 m<sup>2</sup> of office space in the period to 2030, which has now been taken forward for planning purposes in the Submission City Plan. This represents an uplift of 26% on the current supply of office space in the City.

- 3.9 The Submission City Plan has identified potential capacity to accommodate up to 96,000 m<sup>2</sup>, but this represents only 85% of the identified office floorspace requirement with a shortfall of 16,240 m<sup>2</sup>. The implication is clear: the City cannot fully meet its future office needs through new development, and therefore must rely upon on the renewal and upgrading of existing office space to meet some future needs.

## Role and contribution of exemption areas

- 3.10 In the context of the new office space requirements identified above, the Submission City Plan identifies potential new office floorspace provision across a range of sites within the City, as shown in Table 3.2. All of these sites fall within proposed exemption zones (either A or B).
- 3.11 For sites within Development Areas, the exemption would apply to the strategic office allocations only rather than the Development Area in its entirety to reflect that the Submission City Plan provides for new housing and other uses alongside new office development in these locations.

Table 3.2 Submission City Plan Office Floorspace Provision

Site / Development Area (DA) *	Indicative Office Floorspace (m <sup>2</sup> )	Exemption Area #
DA3 Lewes Road	15,600	<b>B</b>
DA4 London Road and New England Quarter	20,000	<b>A</b>
DA5 Eastern Road and Edward Street	23,200	<b>B</b>
DA6 Hove Station	1,000	<b>B</b>
DA7 Toad's Hole Valley	25,000	<b>B</b>
Patcham Court Farm	6,500	<b>B</b>
Extant Planning Permissions	4,757	-
<b>Total potential office supply</b>	<b>96,000</b> <b>(85% of office requirement to 2030)</b>	

Source: BHCC

\* Exemptions to apply to office allocations only not entire Development Area sites

# Note: A = Central Brighton, B = Strategic Allocations & Other Significant Sites

- 3.12 This indicates that if office space is not delivered on these sites, the City's shortfall of office space could increase significantly over the Plan period beyond the current 16,240 m<sup>2</sup> already implied by policy. It has been assumed that

more efficient use of existing office space through refurbishment and upgrading will contribute to meeting the shortfall, and therefore retaining policy control of the existing stock is critical in this respect.



4.0

## Economic Implications of Permitted Development Rights

4.1

This section assesses the economic impacts that would arise from the introduction of office to residential permitted development rights in the proposed exemption area. The analysis is structured in terms of the criteria set out in the Letter to Chief Planning Officers.

### Scale of impact

4.2

The impact of the uniform introduction of permitted development rights would be to place 32% of the City's current office stock (that within Central Brighton) at risk of conversion. This not only meets current needs, but some is relied upon to meet future requirements through refurbishment and change.

4.3

In turn, this would have the potential to impact or displace up to 1,500 businesses, or 20% of the City's business base. The profile and characteristics of the location mean that a significant proportion would be in high growth, high value sectors of the economy. The impact would therefore be significant in the context of modest corresponding benefits in terms of delivery of new housing.

4.4

As an illustration, if 10% of the current Central Brighton office stock (140,000 m<sup>2</sup>) were to be converted from office to residential use the impacts in economic terms would be as follows:

- Loss or displacement of up 700 office-based jobs, with an impact of £36.4 million Gross Value Added per annum;<sup>12</sup>  
*versus*
- Creation of c.190 residential units, supporting 114 jobs over the three year construction period, equivalent to 34 Full Time Equivalent direct, indirect and induced jobs and generating £2.4 Gross Value Added million through direct and indirect impacts.<sup>13</sup>

4.5

This indicates that the relatively short-term economic benefits arising from residential conversion would be significantly out-weighed by the short and long-term economic benefits arising from occupied office space within Central Brighton.

4.6

In terms of the Strategic Allocations and Other Significant Sites, permitted development rights would undermine the ability to provide a future pipeline of

<sup>12</sup> Assume office employment floorspace density of 1 job per 20 m<sup>2</sup>, and Brighton & Hove Gross Value Added per worker in private sector office-based sectors of £51,950 in 2012 (Source: Experian)

<sup>13</sup> Assumes one flat is 75 m<sup>2</sup> and £100,000 construction cost per residential conversion. Construction job impacts based on ratio of construction jobs to turnover in South East England and application of sector multiplier for indirect impacts.

office space in the City which in themselves imply a shortfall of supply compared to the latest objective assessment of office floorspace needs set out in the City's Employment Land Study 2012.

## Significance at local level

- 4.7 The impact of permitted development rights for conversion of office space in Central Brighton would disproportionately impact the highest growth, highest value sectors of the City economy that are key drivers of private sector job creation. As noted in the letter of representation from Wired Sussex (**Appendix 2**), this would run directly counter to the various initiatives and funding streams that have been directed towards growing the digital and media economy in this location including the announcement from Central Government of funding for upgraded broadband infrastructure.
- 4.8 Brighton & Hove also has some of the highest housing affordability pressures of any local authority in the South East, and on average has lost 3,000 m<sup>2</sup> office space per annum to residential and other uses over recent years. Land value differentials continue to provide strong incentive to landlords to seek to transfer even occupied office space to residential use.
- 4.9 If delivery of new office space was not forthcoming on the identified Strategic Allocations and Other Significant Sites, and existing occupiers were to become displaced from existing premises, it would increase the shortfall of supply to meet future office requirements. The impact of this would be far ranging: office-based businesses would be increasingly priced out of the City, growing businesses would move elsewhere and inward investment inquiries would be diverted. It would significantly destabilise the ability of the City to provide new jobs in line with future housing growth, with the consequence that the City's economic vitality would be harmed and it would increasingly retrench to becoming a dormitory settlement for other economic centres.
- 4.10 Beyond the local level, the economic health of Brighton & Hove is fundamental to the wider sub-region as a major focus for jobs and investment that, in turn, help sustain neighbouring economies. This is consistent with the Strategy for Growth published by the Coast-to-Capital Local Enterprise Partnership (LEP)<sup>14</sup> and is specifically noted in the letter of representation from the Chief Executive of the LEP (**Appendix 2**).

## Strategic and long-term impacts

- 4.11 Introduction of permitted development rights in the proposed exemption areas would have major long-term impacts in terms of supporting the City's jobs, business base and economic output. Office-based jobs are forecast to account for 40% of the City's future job growth over the next two decades. The City

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<sup>14</sup> Strategy for Growth, Coast-to-Capital LEP, July 2012 (<http://www.coast2capital.org.uk/about-us/strategy-for-growth.html>)

Council (with other authorities) has responded to the Government's invitation to help drive private sector economic growth through the City Deal initiative, and office-based sectors are an important part of the identified potential.

- 4.12 The City Council is committed to only protecting the existing and potential office supply that is of greatest importance to the functioning of the City's economy, both now and in the future. This 'policy-based' approach would not be available if the permitted development rights took effect; these would allow 100% replacement of office space with residential. In the context of a tight market, a requirement for additional office space to secure economic growth outcomes, and market failure acting against provision of new office space, this would give rise to significant adverse local economic effects.
- 4.13 Submission City Plan policies already offer flexibility through the "redundancy test" for outmoded space to be redeveloped for other uses through the application of a criteria-based approach. The exemption would provide the opportunity for greater local policy direction and decision-making than would be possible if permitted development rights were to be introduced. Annual average losses of 3,000 m<sup>2</sup> of office space to other uses indicates that the Council does not operate a 'blanket' protection on office space where it is not justified, but rather seeks to retain the ability to consider individual change of use applications on their merits having regard to other City Plan objectives and the constrained supply of development land available.

## Spatial extent

- 4.14 The City Council proposes two exemption zones, both of which are focused on key existing and potential future office locations.
- 4.15 The Central Brighton exemption zone is based on the City's core office area as defined by the Submission City Plan. As noted in the letter of representation from the Brighton & Hove Economic Partnership (**Appendix 2**), this location is essential to meeting the needs of the digital, media and creative businesses which have very specific locational and space requirements.
- 4.16 The Strategic Allocations and Other Significant Sites comprise 15 other locations defined in the City Plan to contribute to future delivery of office space in line with identified requirements for the next 20 years. The definition and basis of these sites has been subject to recent evidence and review through the process of preparing the Submission City Plan.



## **Appendix 1      Scale Maps of Exemption Areas**





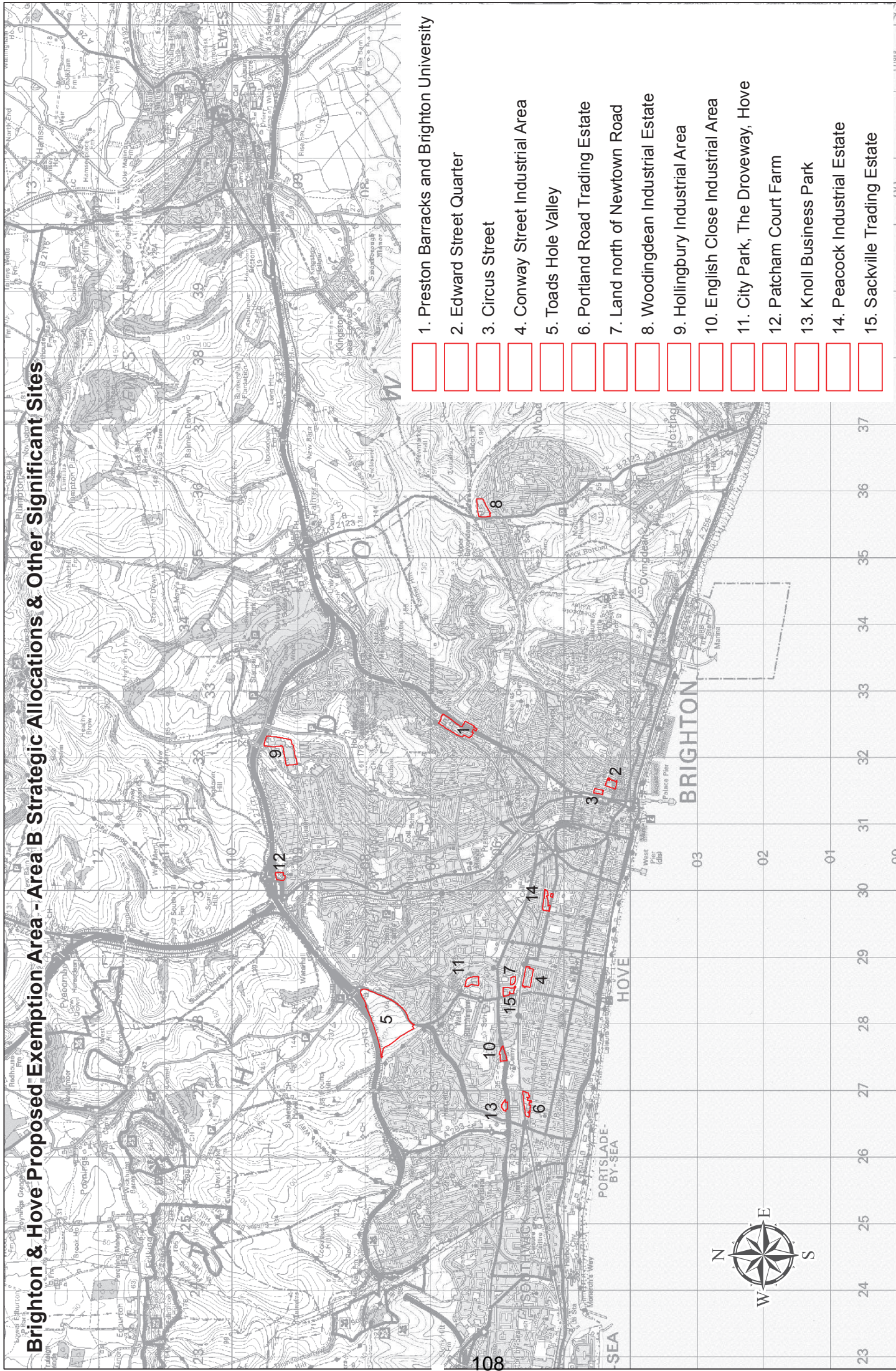
# **Brighton & Hove Proposed Exemption Area - Area A: Central Brighton, New England Quarter and London Road Area**



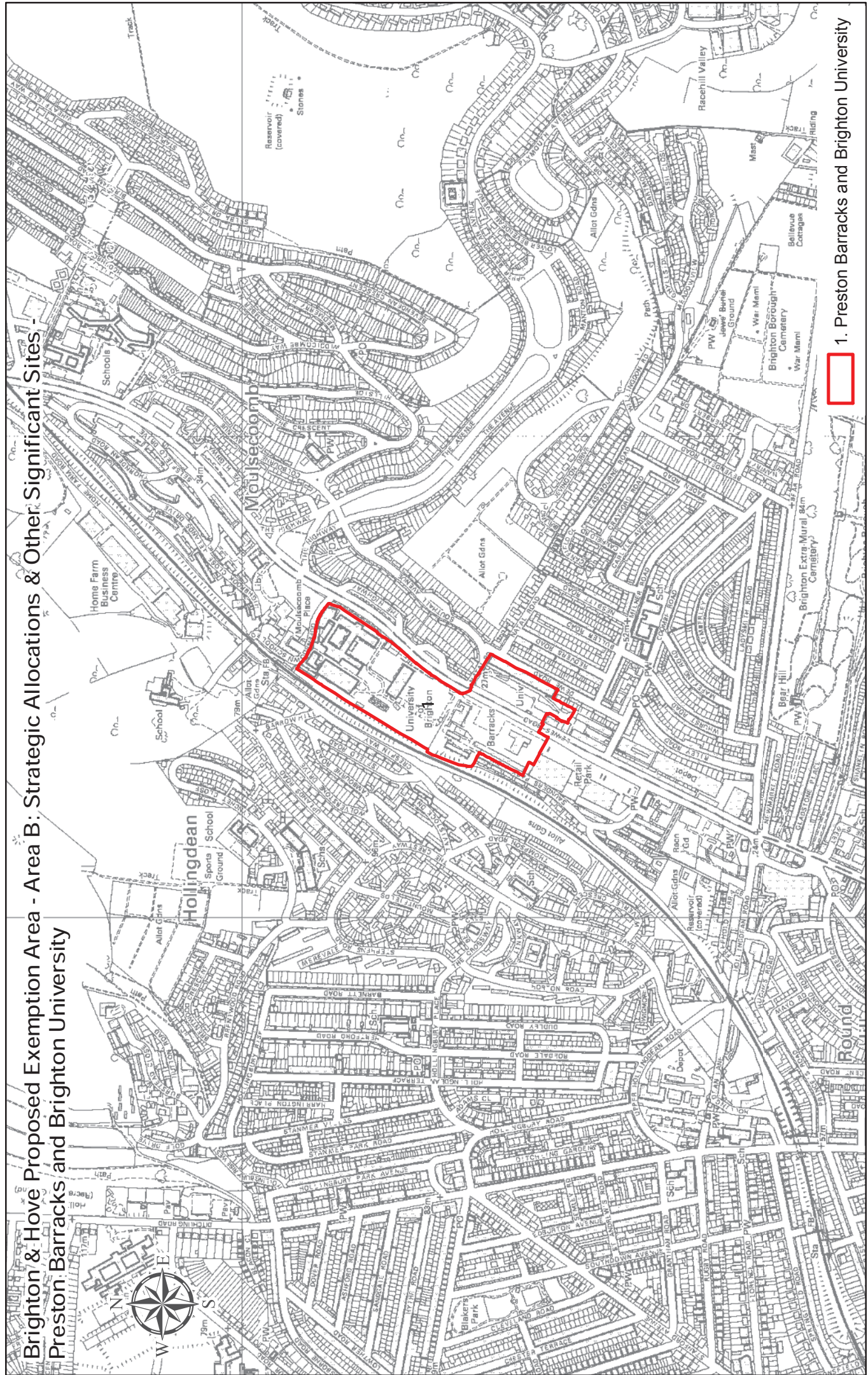
Brighton and Hove  
Local Authority



Brighton & Hove Proposed Exemption Area - Area B Strategic Allocations & Other Significant Sites







Brighton & Hove Proposed Exemption Area - Area B: Strategic Allocations & Other Significant Sites -  
Preston Barracks and Brighton University

1. Preston Barracks and Brighton University



Brighton & Hove Proposed Exemption Area - Area B: Strategic Allocations & Other Significant Sites - Edward Street Quarter



2. Edward Street Quarter

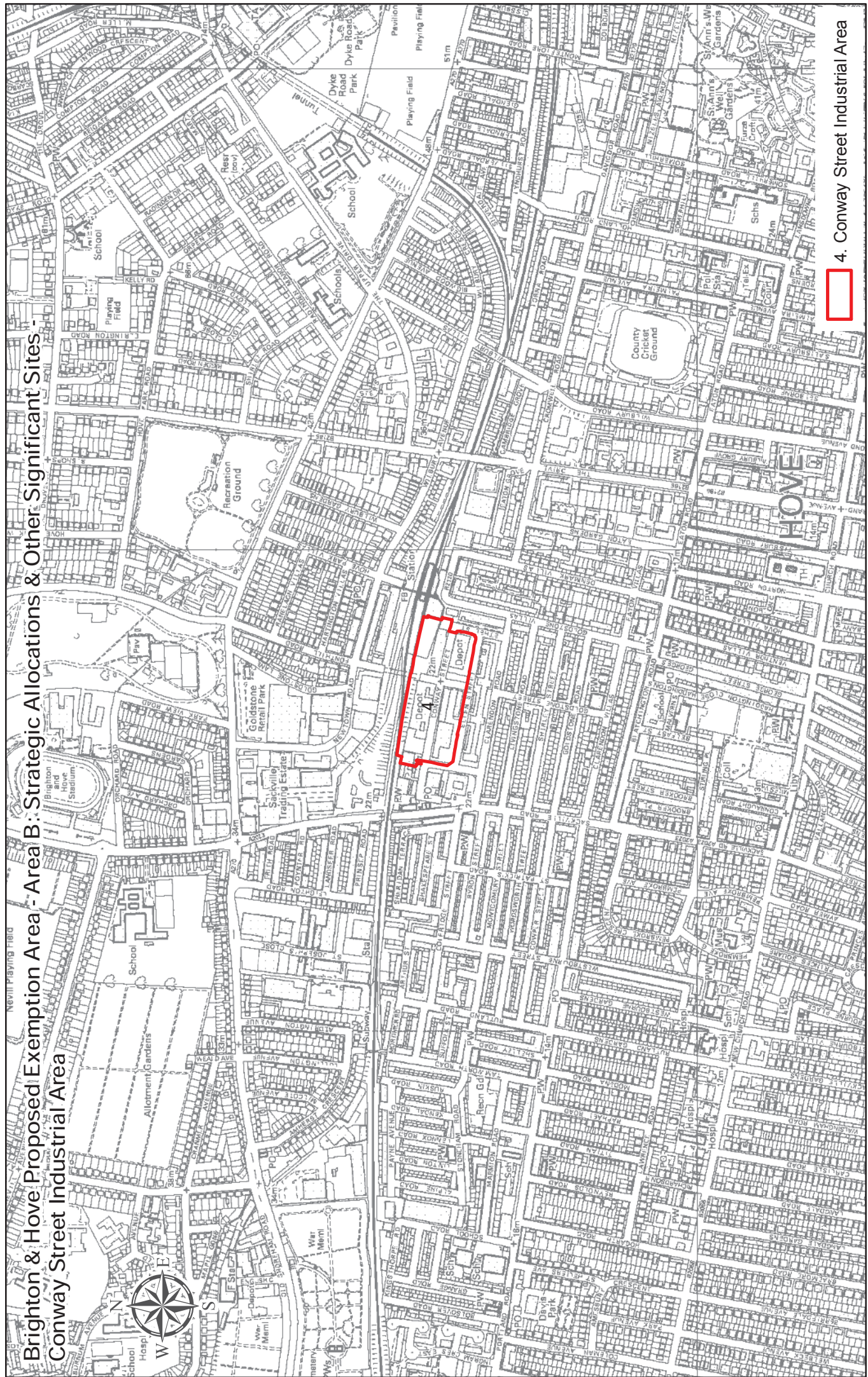


# Brighton & Hove Proposed Exemption Area - Area B: Strategic Allocations & Other Significant Sites - Circus Street



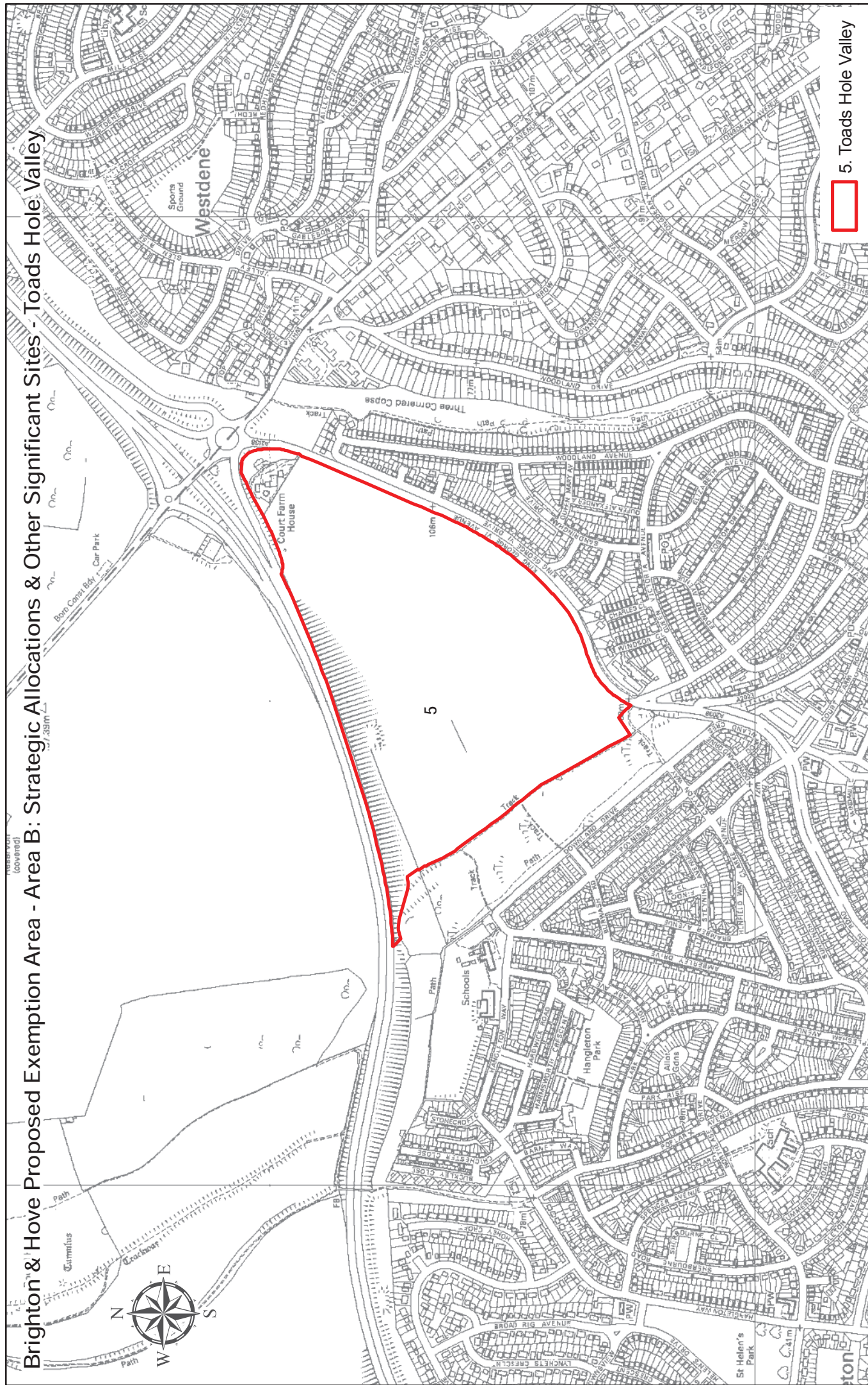
3. Circus Street





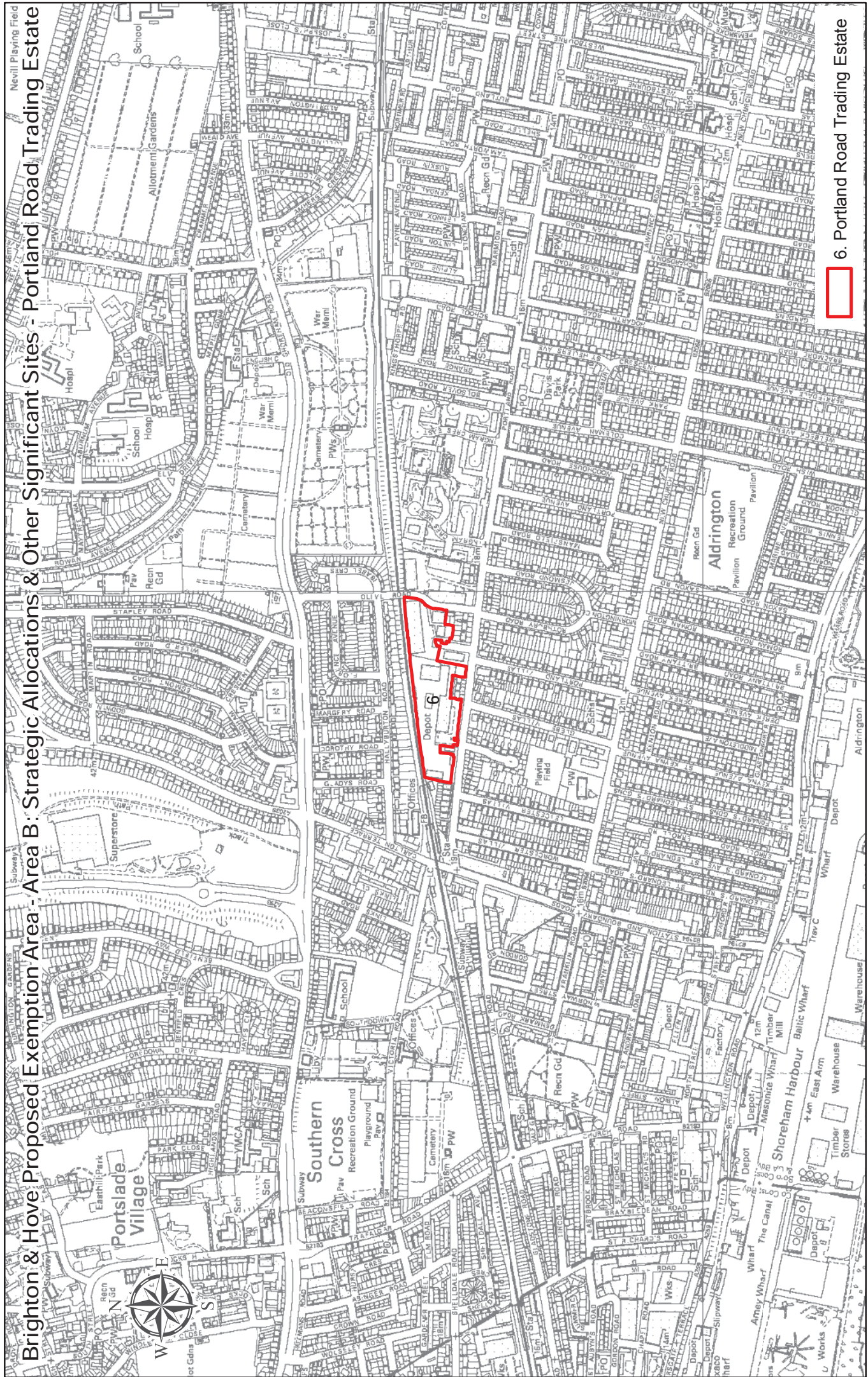


# Brighton & Hove Proposed Exemption Area - Area B: Strategic Allocations & Other Significant Sites - Toads Hole Valley



5. Toads Hole Valley

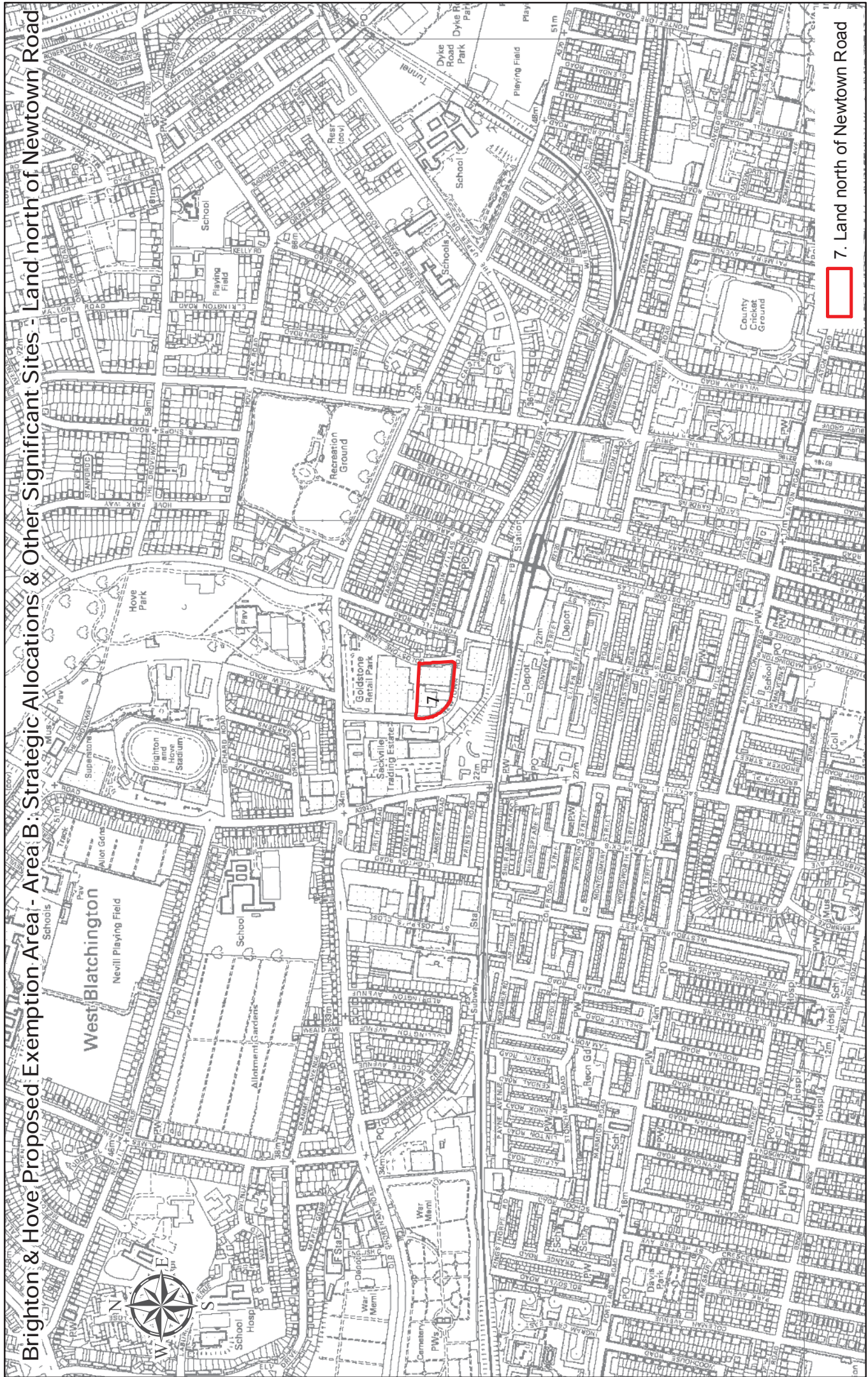




Brighton & Hove Proposed Exemption Area - Area B: Strategic Allocations & Other Significant Sites - Portland Road Trading Estate

6. Portland Road Trading Estate





Brighton & Hove Proposed Exemption Area - Area B: Strategic Allocations & Other Significant Sites - Land north of Newtown Road

7. Land north of Newtown Road



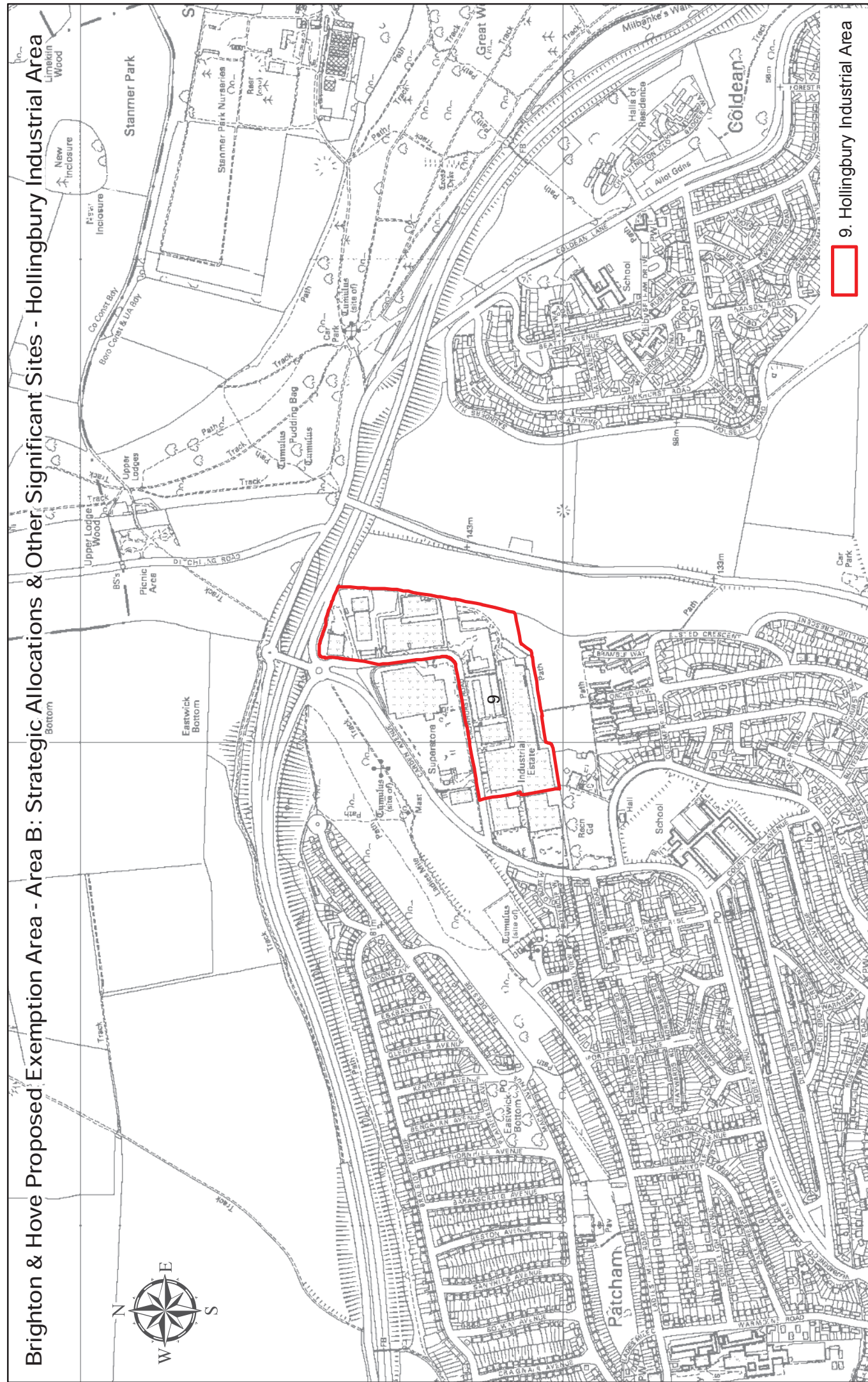


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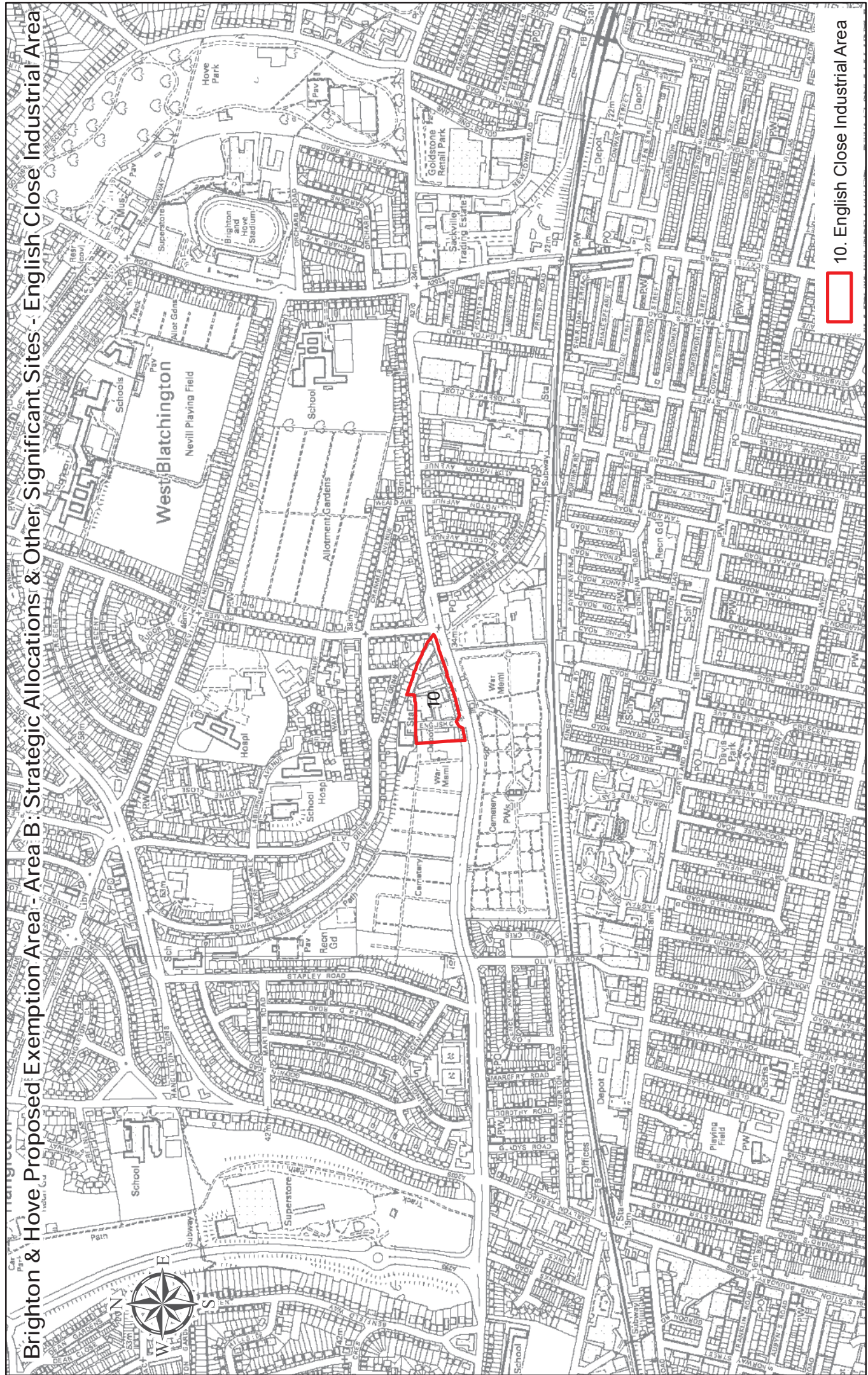


# Brighton & Hove Proposed Exemption Area - Area B: Strategic Allocations & Other Significant Allocations & Other Significant Sites - Hollingbury Industrial Area



9. Hollingbury Industrial Area

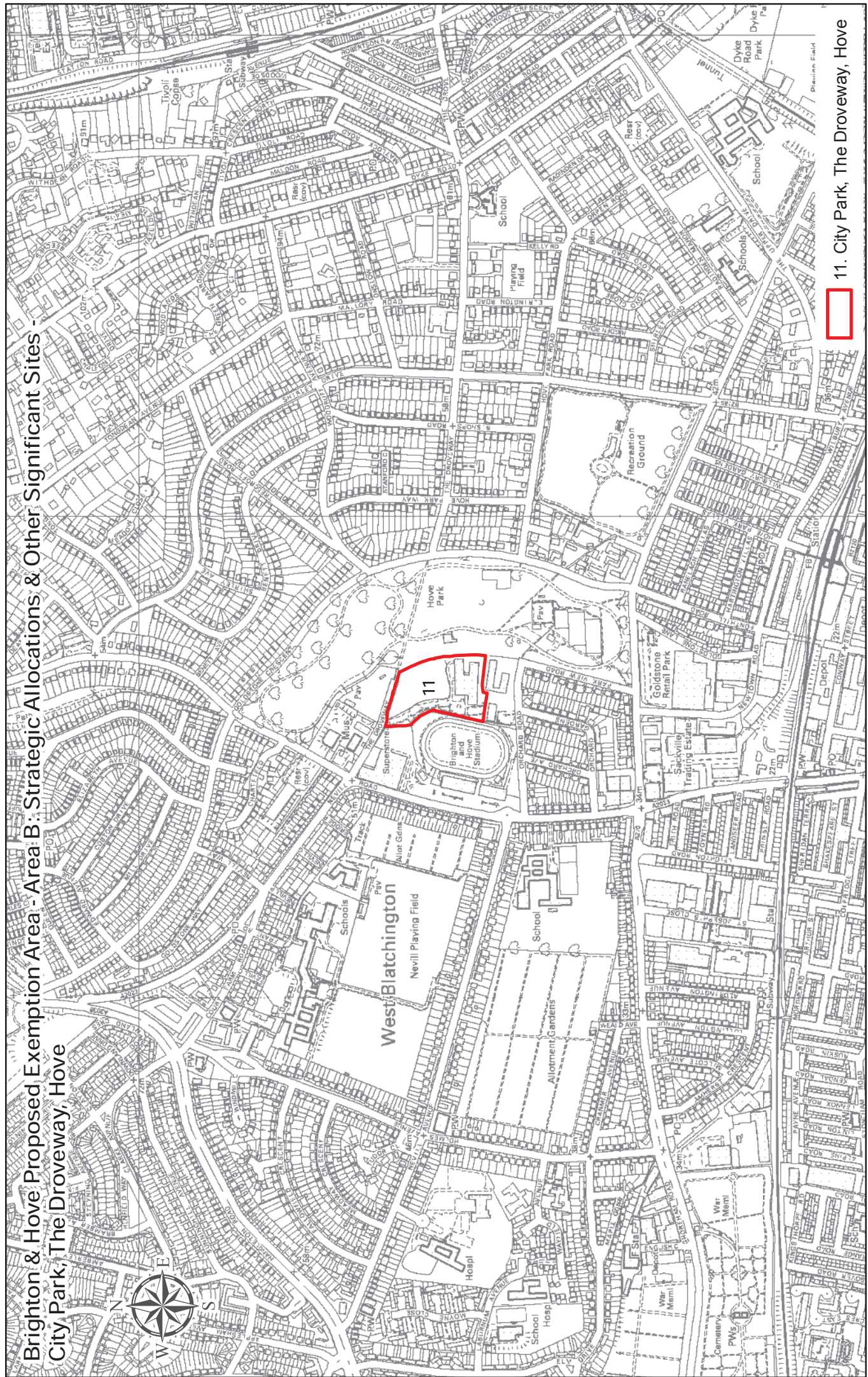




Brighton & Hove Proposed Exemption Area - Area B: Strategic Allocations & Other Significant Sites - English Close Industrial Area

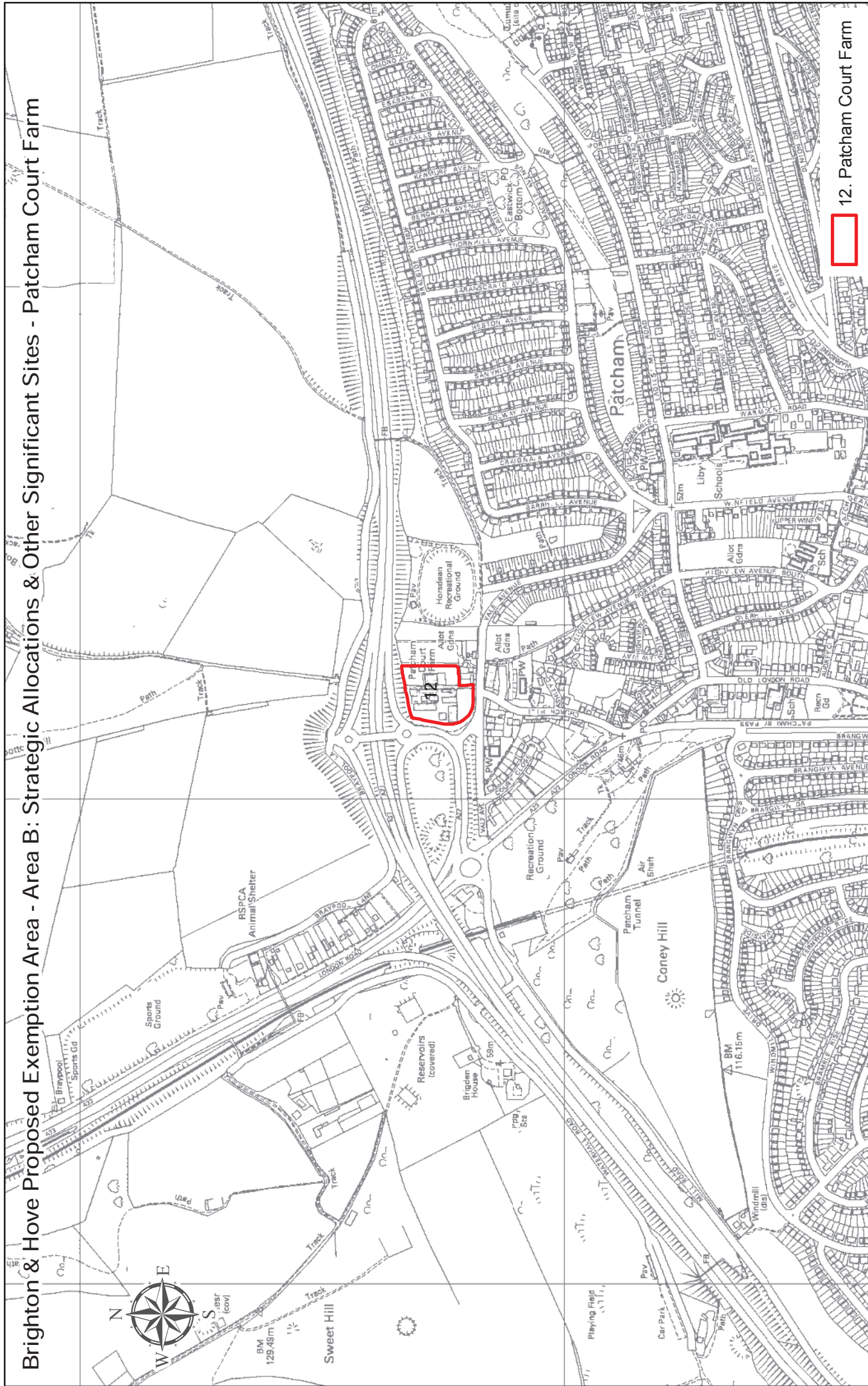
10. English Close Industrial Area







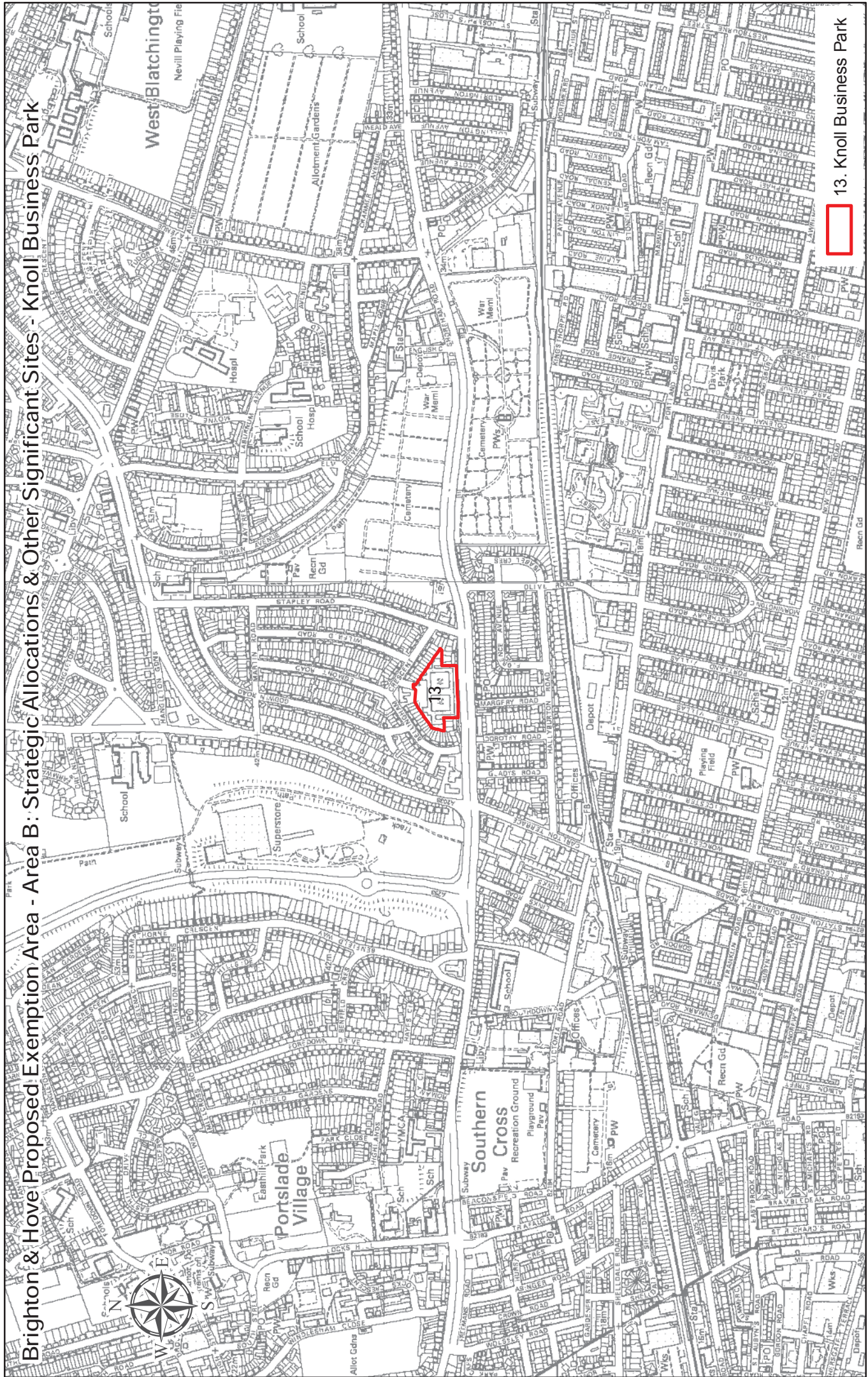
# Brighton & Hove Proposed Exemption Area - Area B: Strategic Allocations & Other Significant Sites - Patcham Court Farm



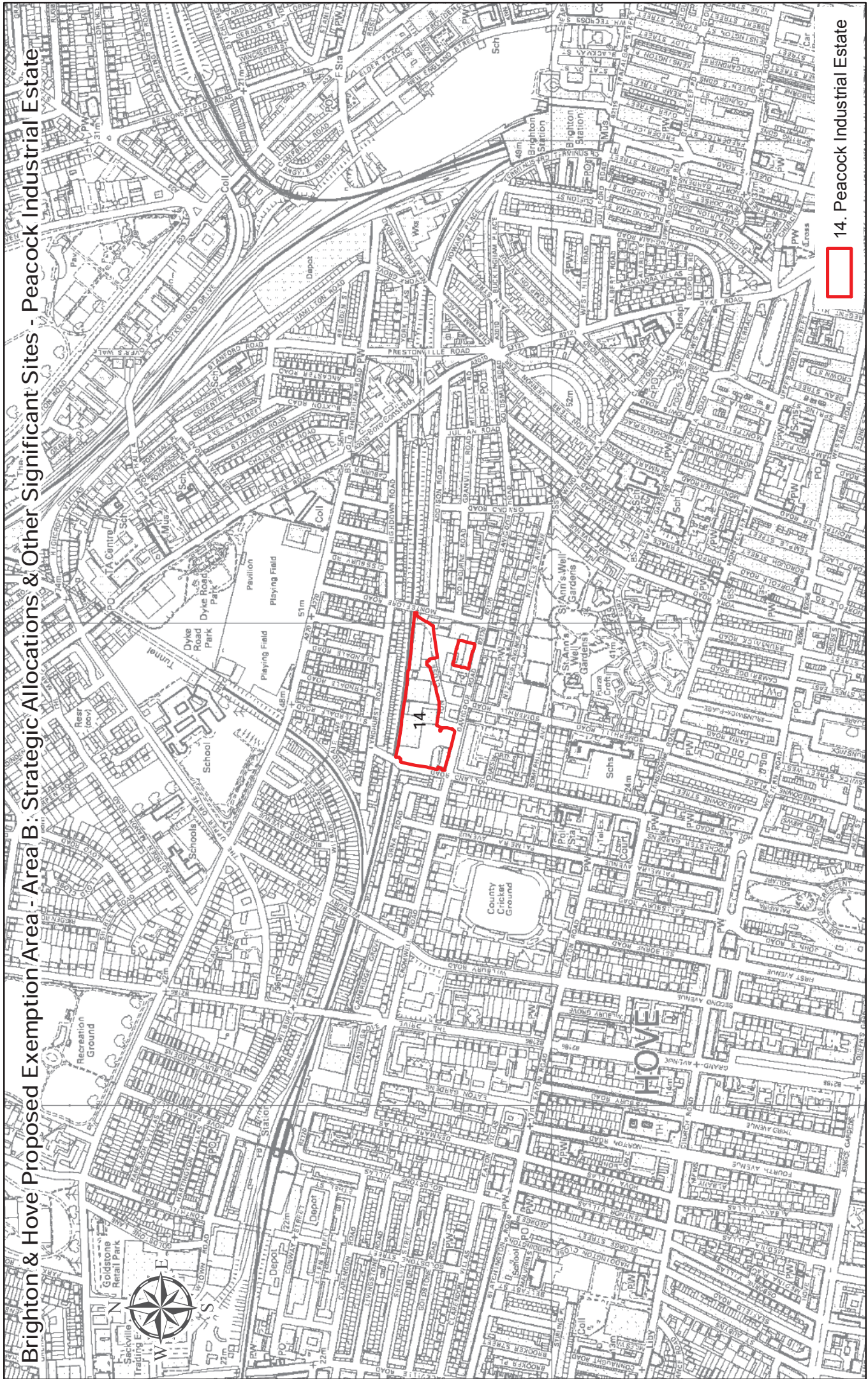
12. Patcham Court Farm



# Brighton & Hove Proposed Exemption Area - Area B: Strategic Allocations & Other Significant Sites - Knoll Business Park

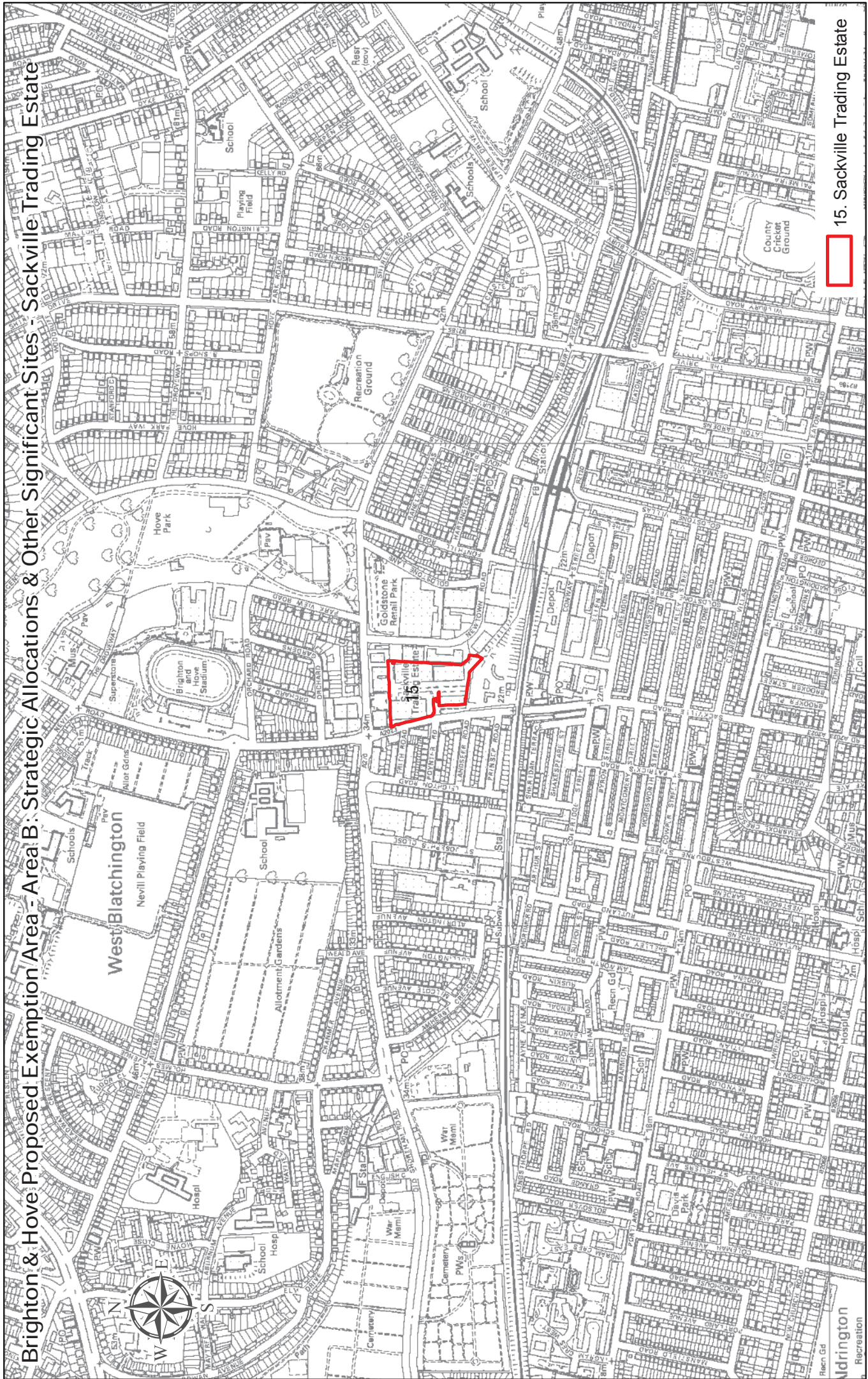






14. Peacock Industrial Estate





15. Sackville Trading Estate





## **Appendix 2      Letters of Representation**



Coast to Capital  
Arun House  
Hurst Road  
HORSHAM  
West Sussex  
RH12 2DN

22 February 2013

Geoff Raw  
Strategic Director  
**Brighton & Hove City Council**  
Kings House  
Grand Avenue  
BN3 2LS

Dear Mr Raw

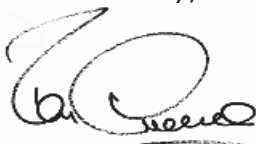
**Permitted Development Rights for Change of use from Commercial to Residential**

Further to your request for support for exemptions from the forthcoming Permitted Development Rights for Changes of use from Commercial to Residential, I am writing to say that we will support your request that we regard that there will be a loss of economic activity.

Central Brighton is an important strategic employment site for Brighton & Hove City Council, for Coastal Sussex and for the Coast to Capital LEP. It is imperative that we allow businesses to grow and develop in this most vibrant part of the city. To not allow or prevent office accommodation to the benefit of housing would be both economic ineptitude and foolish. We are certain, in Brighton & Hove, limitations on areas for business growth that are strategic to support the digital, creative and media sector, for example, would be hampered and cause substantial lack of investment in jobs and the future. The area is part of a City Deal bid, which itself will, in the future, be acknowledged as a key driver and hub for services for the Coast to Capital Local Enterprise Partnership's priorities.

The Coast to Capital Board has committed to creating or safeguarding 100,000 jobs in 25 years and we believe that every opportunity should be given to employment for the area that you have designated. Therefore, I endorse, wholeheartedly, your request to support.

Yours sincerely,



Ron Crank, Chief Executive





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Martin Randall  
City Planner  
Brighton & Hove City Council  
Hove Town Hall  
Norton Road  
Hove BN3 4AH

14<sup>th</sup> February 2013

Re: HMG's proposed relaxation of planning rules on change of use.

Dear Martin,

I am writing to you to behalf of Wired Sussex Ltd to express my concern about the Government's proposed relaxation of planning rules to enable change of use from commercial to residential without the need for planning consent, and give my full support to the City Council's request for an exemption.

We do understand HMG's need to ensure that redundant commercial space can be used effectively to provide homes, but feel this approach needs to be balanced with the Government's desire to ensure that local authorities have the ability to respond effectively to important local economic factors. In the case of Brighton & Hove, this is our internationally renowned cluster of creative and digital businesses.

Brighton's Creative, Digital and Tech (CDIT) cluster is rightly recognised as one of the most dynamic in the United Kingdom. It now comprises over one thousand fast growing and entrepreneurial companies and a large and skilled freelancer base. It is currently experiencing double digit annual growth and is one of the key reasons why the city has demonstrated real resilience in spite of a challenging economic climate. Specifically, it has enabled the commercial base of the city to expand beyond a reliance on the lower-skilled and lower-value visitor economy.

Brighton's CDIT cluster delivers knowledge-based, sustainable employment to a growing proportion of the Brighton workforce and acts as a magnet for talent and investment into the City. All this is clearly documented in a number of independent research studies including The Fuse: Igniting High Growth, Centre for Cities: City Outlook 2013, HSBC's Growing British Business Report and others.

Wired Sussex works closely with many digital, media and technology companies in the Brighton city region. These range from multinationals like Disney and Warner Bros to the City's large number of innovative SMEs with their international client



base. It is clear to us, as it is to others, that this is a cluster is of far more than local significance.

The key challenge that our research tells us inhibits further CDIT sector growth is that the local infrastructure is struggling to keep pace with demand. This case was made specifically and successfully in terms of broadband capacity in Brighton & Hove's bid for Government funding to deliver enhanced ultra fast broadband capacity. The introduction of Permitted Development Rights would undermine the ability to safeguard office space that is planned to benefit from new investment in broadband infrastructure across Central Brighton and nearby areas.

The other very significant infrastructural restraint for these businesses is lack of workspace, including high quality office accommodation. For a wide range of very practical reasons, digital businesses cluster within a specific part of the City, primarily in Central Brighton, the New England Quarter and the London Road area.

It could represent a loss of significant value to the UK economy as a whole over the next decade if Brighton is unable to realize the potential inherent in its CDIT businesses. To do this means the Council needs to retain a degree of policy control to protect and enhance office floorspace capacity particularly within Central Brighton.

Wired Sussex encourages the City Council to urgently apply for an exemption to the new rules to enable this to happen.

Yours sincerely,

Phil Jones  
Managing Director, Wired Sussex  
Board member, Coast 2 Capital Local Enterprise Partnership



Martin Randall  
City Planner  
Brighton & Hove City Council  
Hove Town Hall  
Norton Road  
Hove BN3 4AH

7<sup>th</sup> February 2013

**Relaxation of planning rules on change of use from commercial to residential**

Dear Martin,

I write to you with no small measure of concern about the coalition government's proposed relaxation of planning rules for change of use from commercial to residential without the need for planning consent.

Whilst the Brighton & Hove Economic Partnership understands the basis for the government's desire to see redundant commercial space in the UK converted to housing, this policy needs to be applied carefully otherwise it risks imposing a 'one-size-fits-all' solution which does not reflect the unique circumstances and business needs in each locality; and especially in Brighton & Hove.

Having spent the best part of a decade assisting the City Council to progress the Local Development Framework and getting to the stage where our draft City Plan has just been agreed by the City Council, the Economic Partnership considers this new proposal to be entirely unhelpful.

Constrained by its geography, Brighton & Hove faces significant challenges in terms of meeting demand for both houses and offices but one of the business community's greatest concerns is to avoid the City becoming a dormitory town for London commuters. The City Plan strikes a delicate balance between the need for homes and employment space, the latter being crucial to our realistic aspiration to become an economic powerhouse in the sub region. Years of careful analysis and research have informed that balance and it is essential that control of the mix remains in the hands of the City. It is perhaps ironic that the City Plan already allows for mixed use development of new build and refurbishment of existing stock to facilitate the return of redundant employment sites back into commercial use (e.g. Anston House on London Road in Central Brighton). In this respect we are already accommodating the government's requirements.

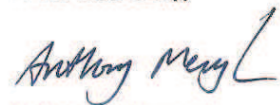
From our interpretation of the guidance it seems unlikely that the City Council could secure a blanket exemption from the rules but the Partnership is particularly concerned about the Central Brighton office district, the New England Quarter and the London Road area. It is a further irony that our recent successful £5m bid to government for ultra fast broadband funding specifically targets much of this business district; to then allow parts of its commercial offer to convert to residential would run completely counter to this investment in new business infrastructure and represent a major missed opportunity. Any significant loss of office space in this area would have severe adverse effects of the local economy and particularly our burgeoning Creative, Digital & IT [CDIT] sector

which is currently growing at over twice the national average, forms a major plank of the economic strategy and City Deal and already has a well-established cluster in Central Brighton. The clustering effect of this sector in Brighton is already internationally renowned, and it has potential to develop much further and generate high-value private sector jobs.

CDIT is important because it is largely credited with broadening our economic base, which in turn has allowed the City to weather the recession, but the Partnership also has concerns about the effect this policy will have upon start-up businesses in *any* sector. The City has one of the highest rates of business birth in the country but a shortage of start-up accommodation and choice of office premises will thwart this enviable achievement and the job creation that accompanies it.

The magnitude of Brighton & Hove's metamorphosis from down-at-heel seaside town two decades ago to a vibrant, growing City of creativity today cannot be overstated. Continued progress cannot be held hostage to the unknown and unknowable vagaries of this new planning policy. The Economic Partnership urges the City Council to apply for an exemption to the new rules with the utmost urgency.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Anthony Mernagh', with a stylized flourish at the end.














Anthony Mernagh  
Executive Director





**Nathaniel Lichfield  
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