

Event: Workspace Provider Workshop
Venue: Hackney House, 27 Curtain Rd, London EC2A
Date: 20th June 2017
Time: 09:30 – 12:00

Attendee organisations

Bathtub to Boardroom
Bootstrap
Bow Arts
CENTA
Creative Space Management
Cubit
The Brew
Alice Fung – Impact Hub Islington
Launch 22
HCD CIC
Institute of Physics
The Trampery
Shoreditch Trust
Space Studios
Islington Council
LB Hackney

Workspace Providers Workspace Summary

Workspace providers operating in Hackney and Islington came together to consider existing workspace policy, sector needs and to identify key challenges. A set of questions were posed to prompt discussion:

- a. What do you think about Hackney's existing policy?**
- b. What do you think about Islington's existing policy?**
- c. How could policies be enhanced to help deliver a range of affordable workspaces for different types of occupiers / end-users?**
- d. How can policy respond to future trends?**
- e. What type of space is in highest demand?**
- f. What do occupier/ end-users priorities most when looking for space?**

Below is a summary of the group discussions. The key points can be arranged into 6 overarching themes, although the themes Physical Space and Finances/ Economics are interrelated, particularly with regards the finances of shell and core, for example:

1. The Physical Space

- a. Specifications**
- b. Lease Terms**
- c. Sectoral variance**

Policy needs to be flexible and adaptive enough to cater for all end-user needs in order to protect and secure a range of space styles, from desk space suitable for tech entrepreneurs, to office space for growing businesses, to creative space for designers and studio space for artists. Similarly, there are different categories of providers, from charities and social-enterprises to high-end commercial providers each operating in different ways, catering for different sectors, different types of end user and different stages of business growth.

The physical space requirement therefore depends on the type of workspace provider – how they operate and finance their operations - and the end users they cater for.

2. Finances / Economics

- a. Specifications**
- b. Lease terms**
- c. Affordability and Sectoral Variance**
- d. Set up costs**
- e. Rents**
- f. Business Rates**
- g. Sectoral variance and diversity of economy**

A key point is that shell and core can be prohibitively expensive for a provider to fit out. Developers need to provide a fit out budget or rent free period if shell and core is offered. That said, shell and core suits artists very well.

Equally, for most providers, workspace does not need to be fitted out to high specification. Costs can be kept low for developer, provider and end user if fit out is kept simple and flexible (Category A fit out), with basic specification (i.e. WCs, plumbing, electrical supply).

Similarly, the spec should avoid introducing unnecessary running costs (i.e. avoid AHV, design in windows that open and avoid air con, do not include a shared reception, address security issues with simple window bars at ground floor). High spec equals high rents.

Lease terms are important and again relate to finances. Long leases allow for longer term business planning and longer term absorption of fit out costs.

Stepped rents allow start-ups to move in at an affordable rate and slowly increase their rent outgoings as their business and turnover grows.

There are two costs involved in the 'affordable equation' – the cost to workspace providers for taking on the site, and the cost to end-users to rent space. These two costs are separate (although related) and often confused.

Hackney policy currently defines 'affordable' as 80% market rate. Even with this discount, space deemed 'affordable' by this definition remains inaccessible and unviable for some providers, particularly in high rent areas where policy should secure a higher discount (i.e. 50% in Shoreditch). Not only does the current policy definition fail to serve the target businesses, but the knock-on effect is that business clusters that have grown up over the years are lost as prices increase and businesses move out.

It was suggested that rent controls could be introduced to benefit priority sectors. Charities in particular would benefit from special sector-specific policy considerations.

Islington Council's policy provides space for free, making it significantly more affordable than the affordable workspace secured by Hackney. However, due to the size and nature of the developments coming forward, is securing less affordable workspace (compared to Hackney). Policy needs to consider the trade off, therefore, between affordability and volume of space it helps secure.

The London Legacy Development Corporation and Hackney council's Masterplan in Hackney Wick, offers a best practice model, whereby the cost of workspace (to the provider) is linked to RPI at £8/sqft in perpetuity plus service charge, which is similarly capped at £8/sqft.

Local economies were also mentioned as a benefit to end users and providers. It is important to protect local business clusters, as the strength of the local supply chain is a significant factor in where to set up business. Co-location and integration with the local supply chain and economic eco system is a cost factor.

Similarly, workspace should create and provide a support network for its tenants. Artists should be recognised as important part of an area's ecology, and be fairly represented in policy.

The same goes for workspace providers with a team of advisors and experts who can support and build the business skills of tenants.

3. Growth & Move-On

More work is needed around the availability of move-on space and the policies / practices that support businesses with their move-on. Businesses that outgrow their space struggle to find larger premises that are similarly affordable. Consequently, the transition from affordable to 'mainstream' workspace is very difficult.

Move-on policy should fit a business cycle of 1-5 years, although there is also a need to recognise that some businesses plateau and don't grow beyond a certain point. A sector approach is required.

Support might best come from a pan-London support service. GLA pilot project in the pipeline.

4. Integration with Wider Community - the broader contribution of Workspace

Opportunities to link workspace provision with community benefit, particularly through the commercial space being developed on the council housing Estate Renewal Programme should be explored.

Workspace could also create community space and opportunities for education, skills development and work experience.

5. The powers / limitations of local authorities

- **Policy**
- **S106**
- **Property portfolio – council stock**

The market determines local economies and 'ecologies'. The extent to which local/regional government can influence it was discussed.

The greatest power lies with the property owner. Options to use Council stock to optimise affordable workspace provision could be explored. Ideally, measures are required to secure affordable workspace in existing commercial properties, not just in new build / developments. However, this is beyond the scope of planning policy.

S106 negotiations need to take into account many issues raised in these discussions, such as the expense of fitting out shell and core.

Priority should be given to early year business support.

6. Suggestions to Explore Further

a. Negotiation support - Workspace Management Company

Many providers and end users would benefit from the support of a company who helps with negotiating terms on their behalf.

b. Set up a Workspace Forum

- to bring providers and developers together
- to have further discussion between providers

c. Facilitated access to education

Providers could offer workspace within schools and colleges to help develop skills and employability among students. Councils should help link workspace providers to local schools and colleges.

d. Affordable Workspace Policy for existing properties, not just new build

The policy discussed applies only to new build / redevelopments of a certain size. It does not secure affordable workspace in existing buildings. Planning Policy does not govern lease arrangements on existing property. Additional measures should be explored and created to bridge this gap.

e. Rent caps / Rent controls for priority sectors

Councils should set their vision for an area, the role of workspace in helping deliver that vision, and prioritise the sectors for special policy support i.e. charity sector

f. Local / Regional government intervention

Should explore how local and regional government tools and powers can further influence and counteract market forces to support provision of affordable workspace.

g. Business rates

Should explore further the relative merits of registering all tenant businesses individually for business rates (which gives tenants the opportunity to apply for discretionary small business

rate relief where applicable) or the workspace provider paying business rates and apportioning to tenants as part of the tenancy costs. Options carry admin implications for both provider and tenants.

h. Consider rent/lettings based on social outputs rather than finance

It was suggested that workspace providers should be recognised for the socio-economic benefits they offer their tenants and wider area through engagement with local community, and that such 'in-kind' contributions and value might be considered in place of a financial offer when negotiating rents and lettings.

i. Policy for post-incubation grow-on space?

- Would need to balance prioritising start-ups vs supporting grow-on.

j. Providers list application window

Some workspace providers suggested a permanently open providers list instead of an intermittent application window that only allows for 2 application windows a year. This however may be difficult to implement due to the 'due diligence' process required by (the) Council(s). A compromise however would be to have more application windows within the year.

Next Steps

As a result of this workshop discussion, the Planning Policy Team's at Hackney and Islington will review and revise existing policy and advise of the opportunity to comment on emerging policy. The Economic Regeneration Team at Hackney will lead on the exploration of ideas listed in section 6 above. You will hear of further discussion and consultation opportunities in due course.

More detailed elements of the workshop discussion will not be suitable for including in Planning Policy. However, the two council teams will work together to establish guidance about the workspace sector, so that this knowledge is not lost and can be shared with developers, council property teams and other relevant staff as additional guidance.