

Manchester City Council Report for Resolution

Report to: Executive - 13 February 2013

Subject: New permitted development rights for the change of use of offices (B1 Use) to residential (C3 Use) - Proposed application for exemptions.

Report of: Chief Executive

Summary

The Government has announced its intention to amend planning legislation to allow the change of use from an office to residential without requiring a planning application. This move is intended to promote the delivery of more homes, a national priority for the current government. However, there is recognition from government that in certain areas this relaxation could undermine prospects for economic growth, and therefore local authorities may apply for exemptions for defined areas. Exemptions should be justified on the basis of the potential for significant national or local harm, and must be submitted by 22 February 2013.

This report contains a recommended approach to identifying areas that may warrant an exemption in Manchester, and seeks delegated approval to prepare and submit the necessary applications on this basis by the above deadline.

Recommendations

1. Executive are recommended to agree that the Council should seek an exemption for certain areas of Manchester from the proposed relaxation in planning laws that would permit change of use from office to residential without needing planning permission.
 2. Executive are asked to delegate authority to approve the details of an application for such exemptions to the Chief Executive after consultation with the Leader and the Executive Lead Member for Planning and Regeneration.
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Wards Affected:

All

Community Strategy Spine	Summary of the contribution to the strategy
Performance of the economy of the region and sub region	Manchester has certain areas that play a vital role in the City Region economy, with office development at the heart of this activity. The on-going health of the local economy will be supported by seeking exemptions for appropriate areas.
Reaching full potential in education and employment	A substantial proportion of the employment growth forecast for Manchester in the next 15 years is expected to be based in offices. It is therefore essential that the City can continue to offer a range of attractive office space to business.
Individual and collective self esteem – mutual respect	It is important that employment opportunities are created that can be accessed by local people. The on-going focus on accessible locations for office-based employment is necessary to promote future employment.
Neighbourhoods of Choice	Manchester’s strategy for growth is based on creating clearly defined neighbourhoods, including those characterised by commercial uses. There is a danger that in some cases this strategy will be undermined without exemptions from the rights to convert offices to homes without planning permission.

Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

None

Financial Consequences – Capital

None

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Background documents (available for public inspection):

Manchester Core Strategy

1.0 Background

- 1.1 In April 2011 the Government consulted on a proposal to grant express planning permission (permitted development) for the change of use from an office to residential. They have now indicated a commitment to introduce this relaxation, which will come into force from Spring 2013. The new regulations would be for an initial period of three years, after which the impact of the change would be reviewed.
- 1.2 Before these new permitted development rights are introduced, local authorities have been given the opportunity to apply for an exemption for specific areas where the new rights would result in substantial economic harm, although the Government has indicated that a high threshold will be applied for this test.

2. Government Proposals

- 2.1 All development requires planning permission; development includes changes of use and building or engineering operations. There are instances, however, where permission is expressly granted through the regulations, and this development is known as “permitted development”. Examples include small extensions to houses or changing the use of an estate agent to a shop.
- 2.2 Since its election in 2010, the coalition government has been considering how the planning system ought to support growth and has identified one of the key challenges as being the provision of new homes. Historically, the delivery of new homes at the national level has been below the level that meets identified needs, but this shortfall has become more pronounced due to the on-going effects of the banking crisis and credit crunch.
- 2.3 The Government believes the current proposal, which seeks to extend permitted development rights, so that the change of use from an office to a dwellinghouse (a house or flat) will no longer require planning permission (it will become “permitted development”) will assist the creation of new homes. This assumes that there is a large supply of under-used office space that could meet a proportion of the demand for new homes, and that it is the current planning system that is acting as a barrier to their delivery. The evidence in Manchester is that any barriers to housing delivery at the present time are principally related to the availability of developer and mortgage finance, rather than restrictive planning policies.
- 2.4 The Government has indicated that local authorities can seek exemptions for defined areas. Within these areas, planning permission for the change of use from an office to residential would still be required when the change is introduced. It has already been reported that the City of London will seek such an exemption and other Core Cities and London authorities are considering how best to respond to the issue.

3.0 Basis for Exemptions

- 3.1 The Government has invited applications for exemptions from the new permitted development rights on two grounds:
- That the exemption is necessary to prevent the loss of a nationally significant economic asset; or,
 - That the exemption is necessary to prevent substantial local economic impacts that are not outweighed by the benefits of new homes.
- 3.2 It is clear that Government intends these thresholds to be challenging, reflecting the importance it attaches to the provision of new homes and the perceived contribution that the new policy will make in this regard.
- 3.3 The guidance provided by Government explains that applications must give a clear indication of the scale and significance of the harm anticipated without an exemption. The evidence adduced by local authorities should also explain why the area proposed is the smallest possible area necessary to prevent undue harm.

4.0 The Case for Manchester

- 4.1 Manchester drives the City Region's economy, and this economic strength is largely due to a substantial office/commercial sector. There is already in excess of 1.5 million sqm of office space in the City Centre, and the growth of the City's economy over the next 15 years is predicated on further large scale new commercial development.
- 4.2 The strength of the City's economy is also driven by the agglomeration of complementary activity, with productivity thriving through the connections fostered by physical proximity. Consequently, the possibility that the concentration of office space could be diluted poses a significant threat to the overall health of the City Region economy, and its prospects for future growth.
- 4.3 The current economic circumstances are not typical and may not support strategies that remain sound for the long-term. Although Manchester has seen the emergence of a thriving and diverse city centre, comprising a mix of uses, the need to secure an increase in the supply of office space remains. The growth of city centre living has been a notable success and it remains an attractive option for people wanting to live in Greater Manchester. This has, however, to be balanced against the need to protect the centre's key economic function and should not be at the expense of those uses which drive and support economic growth. There is a danger that decisions to convert office space to residential, that are commercially attractive for landowners based on today's economy will result in a reduction in the availability of office space that could weaken the City's economy and threaten its ability to function effectively in the future.
- 4.4 Furthermore, Manchester's economic growth strategy is spatially focused, with key locations identified within the Core Strategy. There are risks to the delivery of this strategy if the City Council is unable to preserve this spatial

focus. Not only could the foci for development become less significant, but there would be no policy basis to promote alternative locations for growth (this is an issue that is even greater for other districts in the City Region, as there is a policy assumption that much of the region's economic growth will be concentrated in the Regional Centre). It is therefore important that the commercial character of the areas on which the City Region's economic fortunes rely is protected.

- 4.5 Recent initiatives such as the successful establishment of an Enterprise Zone in Manchester, also emphasises the importance of the City's economy in a regional context. A fundamental prerequisite of the Enterprise Zone is the creation of new jobs and therefore there is logic in considering the inclusion of key areas within an application for exemption together with any other regionally significant employment areas.
- 4.6 It is therefore proposed that Manchester submits applications for exemptions from the new permitted development regime for those areas in which offices can be shown to be important to the City's current and future economic growth.
- 4.7 As already noted, applications for exemptions ought to be based on national or local considerations. In the case of Manchester, it is believed both considerations are at play. Local well-being is dependent on the creation of employment opportunities, which allow local people to access the benefits of economic growth. There are also wider benefits to Manchester's growth. Greater Manchester's economy revolves around the Regional Centre and other key economic assets within Manchester's district boundary, and so the strategies of the other Greater Manchester districts are fundamentally tied to the economy of Manchester.
- 4.8 The Government at the same time continues to stress the importance of economic re-balancing, reducing the productivity gap between London and the south east and the rest of the country. In this context, Manchester has an important contribution to make. It is acknowledged as a key regional engine for growth and creates the opportunities that could effect re-balancing. There is therefore a need to ensure that the current government proposals don't undermine this potential, and therefore have a detrimental impact on an important national objective.

5.0 Conclusion

- 5.1 Government believes relaxing permitted development rights will assist the delivery of new homes. However, the evidence is that any barriers to housing delivery in Manchester are related to the availability of developer and mortgage finance, rather than restrictive planning policies. Indeed, positive planning policies have been central to Manchester's population growth over the last decade, supporting the delivery of almost 25,000 homes through new development and appropriate conversions.
- 5.2 Although Government has sought to emphasise its commitment to

implementing this change to legislation, it recognises that there are certain limited locations where its application could potentially cause substantial economic harm. Manchester is not a typical authority. It contains a nationally important Regional Centre which drives the economy of the City Region and the wider North West. It is therefore considered that there is a strong case to be put forward for exemptions, which would meet the criteria set out by Government.

5.3 It is therefore proposed that applications are made for those parts of the City (based on the areas outlined above) which would have the greatest potential for harm caused by the uncontrolled loss of office space and the role of certain areas in realising wider economic goals. Officers are already engaged in producing the evidential requirements which will need to accompany any application.

5.4 Executive is recommended to delegate authority to approve the details of an application for such exemptions to the Chief Executive after consultation with the Chair and the Executive Lead Member for Regeneration.

6.0 Contributing to the Community Strategy

(a) Performance of the economy of the region and sub region

Manchester has certain areas that play a vital role in the City Region economy, with office development at the heart of this activity. The on-going health of the local economy will be supported by seeking exemptions for appropriate areas.

(b) Reaching full potential in education and employment

A substantial proportion of the employment growth forecast for Manchester in the next 15 years is expected to be based in offices. It is therefore essential that the City can continue to offer a range of attractive office space to business.

(c) Individual and collective self esteem – mutual respect

It is important that employment opportunities are created that can be accessed by local people. The on-going focus on accessible locations for office-based employment is necessary to promote

(d) Neighbourhoods of Choice

Manchester's strategy for growth is based on creating clearly defined neighbourhoods, including those characterised by commercial uses. There is a danger that in some cases this strategy will be undermined without exemptions from the rights to convert offices to homes without planning permission.

7.0 Key Policies and Considerations

(a) Equal Opportunities

It is not considered that there are any specific equal opportunities issues associated with the recommendations in this report.

(b) Risk Management

The success of the City's economy is to a considerable degree driven by a strong office sector. The ability to manage the development and maintenance of this sector is important to manage risks associated with goals to support the economy and reduce dependency.

(c) Legal Considerations

In areas not covered by an exemption, the Council would no longer be able to manage changes of use from office to residential through its functions as local planning authority, unless limitations were imposed through planning consents.