Preventing the displacement of small businesses through commercial gentrification: are affordable workspace policies the solution?

Jessica Ferm

To cite this article: Jessica Ferm (2016) Preventing the displacement of small businesses through commercial gentrification: are affordable workspace policies the solution?, Planning Practice & Research, 31:4, 402-419

To link to this article: http://dx.doi.org/10.1080/02697459.2016.1198546
Preventing the displacement of small businesses through commercial gentrification: are affordable workspace policies the solution?

Jessica Ferm
Bartlett School of Planning, University College London, London, UK

ABSTRACT
The displacement of small businesses in cities with rising land values is of increasing concern to local communities and reflected in the literature on commercial or industrial gentrification. This article explores the perception of such gentrification as both a problem and an opportunity, and considers the motivations and implications of state intervention in London, where policies requiring affordable workspace to be delivered within mixed use developments have been introduced. Based on case studies of 13 mixed use developments in London, the findings reveal the limitations and unintended consequences of affordable workspace policies, leading to a call for planners to revisit and strengthen more traditional planning tools.

Introduction
Although economic restructuring has long been a feature of change in cities (see Giloth & Betancur, 1988), the use of the term ‘commercial gentrification’ (or industrial gentrification) places emphasis on what happens to low-value businesses in this restructuring, and describes a process by which business are replaced by either higher value, more competitive businesses or more profitable residential conversion/redevelopment typical of the post-industrial era (for further definitions and explanations of industrial or commercial gentrification see Pratt, 2009; Yoon & Currid-Halkett, 2015). The familiar story is that the gap left by declining manufacturing and industry is filled by pioneering creative entrepreneurs, who are perceived to turn the neighbourhood around and make it a desirable. Over time, these ‘early arrivals’ – according to the staged theory of gentrification (see Yoon & Currid-Halkett, 2015 for a summary) – are displaced by higher-value commercial occupiers or loft dwellers and forced to move further afield to find more affordable premises. In this process, the neighbourhood becomes a victim of its own success as it loses the very ingredients that made it desirable in the first place – a process much written about in London’s now famous Hoxton (see e.g. Cartner-Morley, 2003) and a perceived downside of the success of East London’s Tech City (Doctorow, 2014).
This suggests that the challenge for urban policy makers is to protect lower-value businesses from displacement in order to preserve an urban area’s unique identity. Typically, this has been achieved through reinforcing zoning or protecting land uses. In the US, the planned manufacturing districts introduced in Chicago in the 1980s reinforced manufacturing zoning and provided an additional signal to the market that incremental conversions would not be permissible (Giloth & Betancur, 1988). In the UK, a similar impact has been sought in London through introducing a hierarchy of industrial land protection, but even now, so-called Strategic Industrial Land is being eroded (Ferm & Jones, 2015). There is an assumption that safeguarding employment land is becoming less necessary as new economy sectors no longer seek traditional employment locations, but are more attracted to the mixed-use environments of the inner city. Since the early 2000s, these assumptions have been reinforced through national and regional policy promoting more flexible mixed land use and placing greater pressure on local authorities to release vacant, derelict, and underused employment land and premises for housing development (DCLG, 2012; GLA, 2015).

In response to this, London local authorities have been moving away from simple protection of employment land to an approach that secures a quantum of ‘affordable workspace’ when employment floorspace is lost through mixed-use redevelopment, facilitated by the UK’s discretionary planning system, which allows local authorities to negotiate planning gain upon redevelopment. This intervention might be seen as an active response by local planning authorities to prevent displacement of vulnerable small businesses, which would be consistent with their role as proponents of fairness and social equity. However, the public sector is increasingly dependent on economic growth and private-led development in order to secure social benefits through planning gain (Rydin, 2013), which might explain why commentators are increasingly observing that the purpose of planning is to facilitate economic development (Fainstein, 1991; Gordon et al., 2009, amongst others) and private-led regeneration (Imrie & Thomas, 1993; Turok, 2004), and others are calling for planning to rediscover its original purpose (Ellis & Henderson, 2014).

This article reveals a number of challenges to the common narrative of commercial gentrification and to the notion that there are simple policy fixes. The next section provides a critical overview of the literature on commercial gentrification, exploring its conceptualization as both a problem and an opportunity. The subsequent sections set out the empirical findings in two parts. The first part explores the different motivations of local authorities in negotiating affordable workspace. The second part reveals the challenges of implementing policy in practice and the unintended consequences of doing so. The final section concludes and warns of the limitations of policies that rely on new development to deliver wider benefits.

**Commercial gentrification: opportunity or problem?**

Gentrification itself can be perceived as either a positive or negative process. However, policymakers are more likely to positively promote gentrification than address its negative impacts (Lees et al., 2008, Ch. 6), under the guise of ‘the friendly banners of regeneration, renewal or revitalization’ (Wyly & Hammel, 2005, p. 35). Many of the themes raised in the broader gentrification literature are relevant here, such as the benefits of diversity and the problems of displacement. This section picks up on some of these common themes, but...
focuses the discussion on commercial gentrification and its perception as either an opportunity or a problem.

Commercial gentrification could merely be seen as an process of economic progress. As Cheshire (2006, p. 1235) argues:

In cities in which the economy is prospering, land prices get bid up and less-skilled, lower-paid jobs get squeezed out as they are replaced by better-paid and more-skilled jobs. Cities which are not losing low-paid, traditional jobs have stagnant economies.

The process by which ‘jobs get squeezed out’ was a particular fascination for Jane Jacobs (1961) in her seminal book, The Death and Life of Great American Cities. There, she argues that as a city district becomes successful, competition for space develops and the winners will be those who emerge as most profitable in that locality. Those successful uses multiply and gradually crowd out the less profitable uses. One or a few uses become dominant and destroy the patterns of economic and social mutual support that existed. Eventually, the district will be dominated by a single use, and it goes into decline – a process she refers to as ‘the self-destruction of diversity’. Although diversity is something Jacobs values, this process in itself is not considered a problem in that new, innovative businesses will find new locations and the process starts again:

Unless they are handsomely financed to start with, or instantly successful … new ideas tumble into second-best locations; thereby second-best becomes first-rate, flourishes for a time, and eventually it too is destroyed by the duplication of its own greatest successes. (Jacobs, 1961, p. 147)

Under this interpretation, the displacement of businesses is gradual and part of an evolutionary process integral to the way cities function. Attempting to prevent such dynamism might be counterproductive as it may then deprive other locations from the economic benefits of spill-over: ‘The problem is to hamper excess duplications at one place, and divert them instead to other places in which they will not be excess duplications, but healthy additions’ (Jacobs, 1961, p. 252). Proponents of regeneration embrace such change and seek to manufacture it. In fact, it is this potential to catalyze regeneration that is exploited by the public sector in its support of culture-led or creative-led regeneration (see Grodach & Silver, 2013, for a discussion). But, arguably, if a city loses all its low-skilled jobs, or is left with few city districts to regenerate, then it might altogether lose the very ingredients that made it successful in the first place.

The literature on clustering and agglomeration could also point to a problem with the displacement of small businesses. If there are benefits to both the firm and the broader economy arising from ‘geographic concentrations of interconnected companies and institutions’ (Porter, 1998, p. 78), then the loss of business from that cluster could have negative consequences. Indeed, it is argued, this concern underpins the rationale for local authorities with already established clusters to negotiate affordable workspace. Since the industrial revolution, there has been an interest in understanding the benefits of agglomeration of industries, as famously studied by Weber and Marshall, in order to inform industrial policy. Despite ‘the technological breakthroughs that have caused the death of distance’ (Glaeser, 2011, p. 1), cities are thriving more than ever and proximity is still important. Explanations have focused either on the importance of collaborative networks to facilitate the exchange of tacit knowledge (Gordon & McCann, 2000; Keeble & Wilkinson, 2000; Maskell, 2001) or on the importance of competition between businesses within a cluster (Porter, 1990, 1998, 2000). However, Wolman and Hincapie argue that although ‘we know a good deal about
how clusters operate’, we know ‘much less about how they are formed and, in particular, the extent to which they can be assisted either in their formation or in operation through public policy’ (2015, p. 146). The barriers to achieving this, they suggest, lie in the fact that we do not know enough about the different types of clusters, the spatial scales at which they operate, how to identify emerging clusters or the nature of their evolution.

Whereas the cluster approach encourages us to consider the impact of displacement on the economy, Cox and Mair (1988, 1991) shift the focus to the individual businesses and human relationships. They argue that established (small) firms tend to be locally dependent as a result of relationships between buyers and sellers, where trust is built over time, as well as reliance on a local labour force. Such relationships were illustrated through interviews conducted by Raco and Tunney (2010) with small industrial firms subject to forced relocation as a result of the London 2012 Olympics. They spoke of the difficulty of replicating customer, buyer and supplier networks elsewhere, and replacing valuable local employees. But there tends to be ‘little acknowledgement of the peopled nature of SMEs or the relationships of trust and reciprocity that build up between social actors over time. Disrupting such networks has a potentially devastating effect on a firm’s competitiveness and the lives of those who work for it’ (Raco & Tunney, 2010, p. 2082). Often it is the speed of change under large-scale, private-led regeneration programmes that causes problems for firms, who need time to find suitable alternative sites, negotiate with employees or find new staff (Imrie & Thomas, 1993). In some cases, there is a perception that the local business community is disregarded in the face of ambitious visions for regeneration (Imrie, 2009), explained by the fact that they lack the political, financial or temporal resources to organize themselves to resist change (Imrie et al., 1995).

There is often also disregard for the important role that local businesses can play in contributing to the identity of an area, and to its civic life (Urry, 2002; Friedmann, 2010; Ujang, 2012; Sethi, 2013). Aside from concerns about displacement, which can be difficult to evidence and quantify (Atkinson, 2000), the identity of an area and the nature of the businesses and services supporting its residents is a recurrent theme in arguments constructing gentrification as a negative process (Lee et al., 2008).

Much of the literature on commercial gentrification focuses particularly on the contribution of creative industries – rather than more everyday businesses – to the identity of an area, and their fate through successive waves of gentrification.² The arrival of artists to an area is usually described as the first wave of gentrification: it is rarely seen as a problem in itself, as it is perceived that these pioneers are finding uses for spaces vacated by a declining manufacturing sector. But the attraction of artists and creative industries to an area can in turn act as a catalyst for further waves of gentrification (Kunzmann, 2004) and it tends to be this loss that is mourned. Thus, it needs to be acknowledged that within the creative industries, there is a diversity of firms (Evans, 2009; Hutton, 2009b) ranging from ‘highly paid elite creative professionals’ to ‘artists and performers working for bare subsistence’ (Hutton, 2009b, p. 626). These higher-value knowledge businesses are ‘increasingly vulnerable to the vagaries of the London property market, within which the financial–commercial sector and upscale residential development are paramount shapers of demand’ (Hutton, 2008, p. 100). In the process of place marketing in Liberty Village, Toronto, traditional manufacturers, artists, photographers and non-profit arts organizations ‘who add diversity and creativity to the site’ (Catungal et al., 2009, p. 1110) were displaced by corporate firm-based creative industries. In Lower Manhattan, cultural producers were viewed as risk-takers and catalysts
for redevelopment, but their economic contributions were outweighed by the political power of real estate and the increasing presence of creatives was used to ‘fuel more intense waves of gentrification’ (Indergaard, 2009, p. 1087). Such displacement has also been documented in San Francisco’s SOMA (South of Market) district (Hutton, 2009a), in Hoxton, London (Pratt, 2009); and Yaletown, Vancouver (Barnes & Hutton, 2009).

Zukin (2010) argues that the real estate industry exploits the notion of authenticity invoked by small-scale manufacturers, creative producers and artists, and explicitly uses it in marketing strategies to drive up real estate values, which forces out the original uses. The displacement that takes place can be through commercial upgrading, as just described, or through conversion or redevelopment for residential use. In an earlier study, Zukin (1988) challenged the assumption that the trend of loft-living in Manhattan was initiated by artists who were merely finding innovative uses for empty spaces vacated by a declining manufacturing sector. She argued that the transformation of loft-living from something marginal, acted out by ‘powerless’ artists, into something ‘chic’ and appropriated by high-class users suggests that there is a bigger story over and above that of simple supply and demand; a story involving developers and landowners, the mass media, selective disinvestment by banks and re-zoning by city government, all of which weakened industry’s hold on the city centre. Over two decades later, in a study of Williamsburg (New York), Curran claimed that the city is still home to a ‘vibrant and varied manufacturing sector that serves important urban niche markets and provides employment for a less educated and largely immigrant and minority workforce’ (2007, p. 1428). However, it provides an illustration of Smith’s (1979) ‘rent gap’; the actual rents paid by industrial occupiers are far below the potential rents of converted residential space.

Of course, businesses that own their commercial property can be happy to sell up and move, taking advantage of the rent gap (Pratt, 2009). Imrie and Thomas (1993) found some occupiers used compensation monies to upgrade and improve their premises but that these firms tend to be a small minority. Curran (2007) concurs with this in Williamsburg, where the wide range of businesses she interviewed told negative tales of their displacement, from being ‘paid off’ by their landlord to allow for residential conversion, forced downsizing or closure, multiple displacements from one manufacturing area to another and ‘indirect displacement’, whereby the displacement of other industrial businesses impacted negatively on their business, causing them to relocate or close down. Ultimately, she argues the loss of industry from Williamsburg is not only due to deindustrialization, but to real estate speculation for residential conversion, actively promoted by developers, city planners, policymakers, landlords and individual gentrifiers (Curran, 2004). In Clerkenwell (London), Hamnett and Whitelegg (2007) found that demand for lofts originated not with artists, but with developers who manufactured demand through sophisticated marketing of ‘ex-industrial city-centre chic’ (p. 113) following the collapse of the secondary office market in the early 1990s and a search for alternative, profitable uses for the space. This is consistent with Logan and Molotch’s (1987, 2007) thesis of the city as ‘growth machine’, where those who have most to benefit from economic growth and property development also have the power and resources to form coalitions and influence local politics.

Thus, presenting commercial gentrification merely as a form of economic progress and a natural dynamic in the rise and fall of city districts is problematic. It does not consider the question of what happens when the process of replacement continues to such an extent that the ingredients that made the city successful in the first place are lost. The perspective
it takes is necessarily abstract – at the level of the economy or the city – but if considered instead from the perspective of individual businesses, for the cluster they are situated in, the local people who are employed there, the residents who access their goods and services, or the identity of the area (relevant also to wider city ‘users’), then commercial gentrification can more readily be seen as a problem. Importantly, it ignores the scale and pace of change and the money to be made as a consequence of the ‘rent-gap’, which means that businesses are not being upgraded gradually as industries go into decline, rather there is evidence in post-industrial global cities such as London and New York of what Rast (2001) called ‘manufacturing urban decline’, in which the public sector plays a role. The remainder of this article draws on this insight to evaluate the motivations of local authorities in London in negotiating affordable workspace in mixed-use redevelopments and the impacts of such intervention.

Method

In the early 2000s, a few London boroughs started to introduce affordable workspace policies, using planning gain to require that new mixed-use development on employment land should provide some ‘affordable workspace’ to be let at a discounted rent to a workspace provider who takes on the lease, fits out the space and in turn sub-lets and manages the units to small business occupiers. Workspace providers can be either commercial operators, social enterprises or charities. By the late 2000s, the London Borough of Hackney emerged as the local authority in London with the most experience of implementing its policies and had delivered over ten mixed use schemes with affordable workspace. The research, therefore, focused on the London Borough of Hackney, with comparisons to schemes in Camden, Wandsworth and Newham. In Hackney, 10 case study developments were identified through the Council’s online database that had been granted planning permission over a five-year timespan between 2004 and 2009, and implemented subsequently. Three additional case study developments were chosen; one in each of the other planning authorities (see Figure 1).

Hackney is an inner London borough with varying characteristics. The southern tip of the borough lies within the ‘City Fringe’ (and includes Shoreditch). It then extends north to the border with Islington and east to the borders with Tower Hamlets and Waltham Forest, near the site of the 2012 Olympic Games. The case study developments considered in Hackney were located across the borough in these very different areas (see Figure 2), allowing for some analysis of the different motivations for and impacts of affordable workspace policies in different locations. The depth of analysis permitted in Hackney allowed for initial findings in one London borough to be developed and then tested against and compared to the approaches in other boroughs.

The analysis of policy drivers included a review of policy and strategy documents, interviews with local authority officers in planning, regeneration and development control, and an analysis of planning committee reports, revealing the arguments made by planning officers in recommending schemes to planning committees. Through the case study framework, the next stage was to investigate how policy was playing out on the ground. For each case study, this included observation, document review and interviews. The observational work was necessary to ascertain the outcome of the development, whether it was complete and occupied and who was occupying it. Document review included (a) planning
applications and their supporting documents, (b) legal agreements, (c) planning committee reports and minutes of planning committee meetings, (d) proofs of evidence for planning inquiries (where relevant) and (e) developers’ and workspace providers’ websites, marketing materials and annual reports. Finally, where possible, semi-structured face-to-face interviews were conducted with planning case officers, developers and workspace providers for each case study.

Diverse motivations of local authorities in London

The drivers of affordable workspace policies are diverse, and depend on the extent to which areas are experiencing development pressure or underinvestment. This distinction is illustrated within Hackney, which extends from the City Fringe, where development pressure is high, northwards to more peripheral areas bordering outer London. The findings in Hackney are compared with findings in three other boroughs: one covering central London (Camden) and two inner London boroughs (Newham and Wandsworth).

Contrasting motivations: Hackney’s story

Today, Hackney’s economic position is strong. Tech City, Europe’s fastest growing cluster of technology firms, borders the City of London. To the north-east is the 2012 Olympics site, undergoing major redevelopment. In the early 2000s, when Hackney introduced its affordable workspace policies, its economic position was less secure. Shoreditch was home to a large cluster of creative businesses, threatened by development pressure from the northwards expansion of the City and rising rents. As the Council stated at the time:
Large parts of the existing cultural base are coming under increasing pressure from demands for higher rents. The result is a large number of existing practitioners and organisations facing property pressures and new practitioners finding affordable studio space almost impossible to obtain. (LB Hackney, 2005, p. 13)

The perceived problem was, if the creative sector could not be accommodated in the borough, it would move elsewhere:

The biggest threat to the creative sector in Hackney is the increase in commercial rents in the south of the borough, due to the expansion of the City Fringe, and the East of the borough, as a result of Olympic driven regeneration. This coupled with a drive from outer Boroughs … who are seeking to build a creative base, may mean a net loss of businesses within the sector.
… As such, planning policy that protects and encourages space to host this sector should be encouraged. (Invest in Hackney, 2009, p. 18).

Hackney’s first affordable workspace policy appeared in a supplementary planning document for South Shoreditch. However, the affordable workspace schemes delivered in the mid-2000s were all in other employment areas, where planning officers justified the loss of employment space on the basis that there was a need to ‘regenerate’ derelict sites, promote mixed use in line with regional and national policy priorities, and provide suitable space for small businesses.

Two early examples illustrate this well. The first is a canalside mixed-use scheme in a Defined Employment Area (DEA),4 which proposed 71 flats and 12 affordable workspace studios, a café and a nursery. The planning officer argued although ‘it is normally required that any redevelopment of a site within a DEA should be employment-led’ and the proposed scheme contains a high proportion of residential, ‘it must be stressed that there are other benefits associated with the scheme that sufficiently offset/outweigh this concern’ including the fact that the involvement of a workspace provider will ensure ‘the quick uptake of commercial floorspace and that it doesn’t lie empty by allowing start-up businesses to use the premises at affordable rates’ and that ‘the redevelopment of this underused/vacant site will contribute positively to the regeneration of the area as a whole’ (LB Hackney, 2004a, para 7.31).

The second example is a development on Hackney Road, which proposed a five storey building with 12 flats and affordable office units on the ground and basement floors. Here, the planning officer argued ‘the positive benefits of affordable workspace are considered to satisfactorily compensate for the negligible loss of employment floor space’ since the ‘affordable workspace provides managed workspace for newly started small businesses predominantly those in the creative industry looking to establish within the borough’ and the proposed redevelopment ‘provides the impetus for much needed regeneration to this section of Hackney Road which includes a substantial number of dilapidated and underutilised buildings’ (LB Hackney, 2004b, paragraphs 5.10, 5.8, 6.1).

The first London Plan (2004) expressed an ideological shift towards mixed use and set ambitious targets for affordable housing, priorities that were reflected in arguments made by planning officers to justify loss of employment floorspace. For example:

The acceptability of allowing residential use in a DEA is reinforced in this case by the fact that the employment use proposed is B1 (offices), which by its nature can be situated alongside residential use without detriment to the latter … Furthermore, the B1 floorspace would be affordable workspace. (LB Hackney, 2006a, para 6.1.5)

Notwithstanding the loss of employment floorspace, the re-provision of 490 m² of employment floor space is considered to be acceptable as this area will be provided to shell and core as subsidised, managed workspace to the benefit of local employment and businesses and the housing component comprises 100% affordable housing. (LB Hackney, 2006b, para 6.7)

Whereas policy and strategy documents in Hackney indicated that affordable workspace policies could be used to protect employment space for creative industries to prevent their displacement to other boroughs, in practice the policy was used in places where there were no established clusters, as a tool to stimulate regeneration, deliver housing and move towards a more mixed-use environment. In reality, it was more often used to promote commercial gentrification than prevent it. Where there did appear to be a concern about commercial gentrification, it was only where there was a perceived risk of displacement of creative
industries by higher value uses, not where there was a loss of more traditional industries and activities occupying premises on employment land.

**Other London boroughs**

The experience in Hackney was compared with that in Camden, Newham and Wandsworth. In Camden, which covers parts of Central London, the policy originated in Hatton Garden in order to support the renowned jewellery manufacturing cluster:

In the Hatton Garden Area, it is considered that the replacement of any business space by housing could place pressure on the stock of premises available for small jewellery workshops and related light industry … [Policies] will be applied in the area to prevent a net loss of workshops and support the internationally significant jewellery sector. (LB Camden, 2006, para 1.28)

Like Hackney, Camden is keen to retain its creative industries:

The more you take away and don't put back, the more people [the creative industries] will move out to, say, Wandsworth, Barnet, Enfield or Peckham. There's lots going on down there with creative industries and artists, because it's cheaper and there's a lot of availability of space they can use. [The creative industries are] a really important part of Camden's character and we want to do everything we can to keep people like that staying in Camden. (Planning Policy Officer)

However, securing suitable space is undermined by pressure to secure housing on sites in employment use. A planning policy officer explained their dilemma in relation to a building run by a commercial workspace provider looking to upgrade their site:

The problem is that they are not looking to provide any housing on the site and the main aim of [the planning policy framework] is housing. So it's really hard because at the end of the day we all have to balance these issues … It's not like we're trying to annoy them, but politically we have our aims and objectives to follow and I mean I can see the benefits for employment and the economy of a building that is going to be used solely for employment space, but my colleague who deals with housing would be jumping up and down saying 'prime site, prime site, we could get x amount of new units in here'. So it's always a game of balancing.

Elsewhere in London, the emphasis is different again. In Newham, which covers part of the 2012 Olympics site in East London, the planning officer revealed their affordable workspace policy arose following a concern about the quantity of commercial space lying empty in mixed-use schemes, as well as the loss of artist studios over the years, particularly as a result of the Olympics. Affordable workspace was a way to ensure developments were occupied, re-provide studio space for artists and act as a catalyst for economic development. It would also promote employment space perceived to be accessible to local people, in contrast to that provided in nearby Canary Wharf.

In Wandsworth, a more affluent borough in south-west London, the Council was approached by a commercial workspace provider with a view to redeveloping one of its sites in the town centre. The applicants argued that redevelopment of the site for employment use only was not financially viable and therefore they proposed a mixed use scheme with affordable workspace and housing to cross-subsidize the upgrading of employment. The planning officer used the provision of affordable workspace to argue for the acceptability of the proposal arguing that it would 'provide more employment space than at present, which would be modern affordable employment space of a type identified within the core strategy as the most needed in the Borough on sites such as this one which is on the edge of Wandsworth Town Centre' (LB Wandsworth, 2007). The planning officer revealed the Council’s desire to transform the whole site into a mixed-use district more compatible with a
town centre environment, which would secure ‘better quality’ employment and improve the centre’s overall image. In other words, the Council’s interest was in supporting commercial gentrification to secure the ‘right type’ of business in that location, with little concern raised about the fate of existing businesses.

**Challenges in practice**

On the ground, the outcomes of mixed use schemes with negotiated affordable workspace are mixed. Of the 10 case studies considered in Hackney, only four are operating as intended with workspace providers managing the space with the majority of the remaining schemes being let or marketed as a larger single space to commercial tenants. Regardless of occupation, the quantum of affordable workspace delivered in mixed-use developments is not offsetting the loss of employment floorspace. For example, in Hackney, the borough secured approx. 11,000 m² of affordable workspace between 2004 and 2008, whereas it had lost 456,000 m² of industrial floorspace between 1998 and 2008. Drawing on the experience of implementing these case studies, this section considers first why it is difficult to use affordable workspace policies to prevent commercial gentrification, and second the consequences of using policy to promote regeneration.

**Legal agreements and financiers**

In theory, a Council could introduce wording into the legal (Section 106) agreement with the developer, which could protect small businesses. For example, it could stipulate the size of the workspaces, the type or length of lease or the type of occupier. In practice, developers and workspace providers can only agree to terms acceptable to their lenders. However, the role of financiers in determining what policy can and cannot achieve is often overlooked.

In the case of Wandsworth Business Village, the lender’s primary concern was the future sale of the building if the loan defaults. As the developer/workspace provider explained:

> We had a S106 agreement which firstly stipulated the amount of space that we had to provide and secondly which talked about the types of leases and the numbers of tenants and the maximum size of units that we could have. Now the problem with doing that is that …we don’t really have any competitors who are the same size as us … So therefore whilst we might say that it’s our business to rent to small businesses and therefore we’re quite happy with this, we’re quite happy with three-year leases with three-month break clauses. But the problem that you have is that you can’t then sell that building.

In Hatton Garden, financiers’ concerns also limited what could be achieved. Here, the Council’s Jewellery Sector Development Manager managed a tender process to appoint workspace providers. The first round of tendering did not attract any bids. Follow-up with organizations who had initially expressed an interest indicated they had not submitted tenders because the terms of the legal agreement were too restrictive, requiring that the workshops could only be sub-let to businesses in the jewellery manufacturing industry for a term of 15 years. The concern of their lenders was that demand from this sector could subside, making the property unlettable in the future. Amendments to the planning application and S106 agreement were subsequently sought to allow for greater flexibility, which resulted in a successful appointment in the second round of tendering.
Restrictions imposed by lenders would also explain the fact that local authorities find it difficult to secure affordability in the long term, as developers cannot commit to offering long leases to workspace providers.

**Council resources**

Despite Camden being unable to limit the category of future tenants through the S106 agreement for the scheme in Hatton Garden, it is now fully occupied by businesses in the jewellery sector. In this case, the success was perceived to be down to the dedicated Council resources. The planning officer insisted that the Partnership Manager’s input has been very valuable. She helped to demonstrate to developers that there is demand for workspace in the area when they claim there is not.

This was supported by the policy team:

> The only reason we achieved what we achieved in Hatton Garden was because of [her]. Having somebody with that knowledge, with the research to hand, saying ‘we are a special case, we have an aim for this area, we have things we want to achieve, this is the problem, this is the evidence and this is what we could do about it’.

And further confirmed by the chosen workspace provider:

> Camden’s input was really helpful to make sure the developers delivered to the spec we agreed on and to help reassure us and demonstrate to us that there was a healthy demand in the area.

**Perspectives of delivery partners**

Another challenge in preventing commercial gentrification is that it is generally in the interests of delivery partners to attract higher-value tenants, where possible. For developers of mixed-use schemes, the core priority is ensuring that business uses are compatible with residential, which is the main income generator:

> We found the place where [the workspace has] been located on the ground floor gives an opportunity for its own street entrance without having to go through any of the residential cores.

> There’s a danger I suppose of going in with a relatively amateur operator and they’ll turn it into a workshop or a noisy workplace … because it’s a shared space with residents, it should be a clean workspace.

This priority is often understood by local authorities, hence the insistence that affordable workspace should be delivered and managed by workspace providers. There are potentially two further problems here. The first is that developers are not always successfully securing workspace provider partners. This is often down to a clause in the S106 agreement, which allows the space to revert to market rent if no suitable workspace provider could be found within, say, six months. For developers wishing to exploit legal loopholes, the opportunity is there. However, in many cases, developers were keen to retain a good relationship with the Council, but they genuinely struggled to find suitable workspace providers. Hackney has, for a long time operated, an ‘approved list’ of workspace providers, which has expanded in recent years, but in these earlier years developers complained that the list was either not forthcoming or limited to only one or two providers, who in turn were often not interested in taking the lease. This problem occurs when workspace providers are sought late in the process, once planning permission has been secured or development even started on-site.
The second problem is that the priorities of workspace providers themselves differ. There are some whose core purpose as a charity or social enterprise is to provide cheap workspace for its target tenants. However, there are an increasing number of workspace providers who are entering the market and expanding their property portfolios in order to fund their other charitable or social enterprise work. In order to fund their other business support or charitable work, it is in the interests of these workspace providers to maximize the rental income from their properties. Therefore, they will – like commercial operators – look to capitalize on any demand from higher-value occupiers when the opportunity arises (see Ferm, 2014 for a more in-depth discussion of developers’ and workspace providers’ perspectives).

So, using affordable workspace policy to prevent commercial gentrification, particularly in the long-term, is challenging. However, we have established in the previous section that many local authorities are not using policy in this way. Some are using it to promote regeneration and attract creative and ‘new economy’ businesses to areas seen to be suffering from underinvestment.

**Direct and indirect displacement**

In such cases, contrary to often-held assumptions, schemes are not necessarily being progressed on sites that are otherwise vacant or derelict. Often there are viable uses there, albeit perhaps not generating the value that is desired. For example, on a scheme in the north-east of Hackney (case study site 7, Figure 2), affordable workspace proposals were key to the acceptance of mixed-use development on industrial land. However, a variety of existing uses were displaced in the process. The site accommodated approximately 4500 m² of employment floorspace, including a ‘large car repair workshop’, a four-storey concrete-framed building ‘used by local artists as studio/workshop space on a rent free agreement’, a two-storey building used by a distribution company and containing office and storage space, and a variety of ‘attractive warehouse buildings … used by local artists free of charge’ and including ‘a joinery workshop, art exhibition space, clothing workshops, recording studio, etc’ (LB Hackney, 2006c, para 6.7). Another example of direct displacement was found in Wandsworth, where the planners placed a condition on the planning permission that the developer/workspace provider should accommodate existing tenants in the redevelopment. However, the developer explained this would have little impact in practice since businesses will have moved to alternative premises during the construction and are unlikely to move again, especially since rents will have increased:

Let’s make no bones about it We’ll be taking rents from let’s say £10 or £12 per square foot to say £20. So, you know the types of tenants who will be paying £10 to £12 will probably move to somewhere else which we can give them which is also the same level of quality and they’ll pay the £10 or £12 a foot If you then said ‘come back and pay twenty’ … it may be that we’re just not targeting those businesses anymore, we’re looking at a different type of business.

The potential for indirect displacement is, however, more concerning. For example, even if a mixed-use scheme with affordable workspace is built on a genuinely redundant site, the act of granting planning permission for a change of use in an employment area erodes the integrity of the employment designation and makes it more difficult for the Council to protect other employment sites. This, in turn, raises ‘hope values’ in the area, discourages investment in industrial/warehouse buildings and triggers indirect displacement. For example, in making a case for a change of use within an employment area (case study
site 1, Figure 2), Hackney’s planning officer pointed to a previous similar application for a mixed-use scheme on the same road, where the inspector concluded that ‘the proposal would make sufficient provision for employment floorspace that would not be inconsistent with the employment generating focus of [the Council’s] policies’ (LB Hackney, 2004a citing Planning Inspectorate, 2003, Para 13). She suggested that, given the similarities between the two schemes, a refusal on the grounds of the Council’s employment policies would not stand at appeal. The broader ramifications of facilitating redevelopment on piecemeal basis therefore need to be considered.

**Conclusion**

This study provides a critical evaluation of policy intervention by local authorities in London to provide affordable workspace in mixed-use redevelopment of employment sites. At face value, it extends the debate on commercial gentrification and the displacement of businesses in successful cities by considering what can be done – in practical terms – to prevent it, and evaluating contemporary approaches to doing so. Its starting point, however, is to reflect on the perception of commercial gentrification as both a problem and an opportunity, and to question the assumption that policy is necessarily intervening in order to prevent it. Pratt (2009) describes industrial gentrification as a process by which businesses are replaced by either higher-value commercial or residential uses. This description encompasses a broad range of very different processes: the slow piecemeal upgrading of employment on a site is different to its conversion for residential use, which again is different to large-scale mixed-use redevelopment of a site. When Cheshire described the ongoing upgrading of employment as a signal of a prospering economy and successful city, or Jacobs discussed the benefits of the spillover of businesses from a ‘first-rate’ district to a ‘second-best’ one, they were not referring to the displacement of small businesses by residential conversion or development. The money to be made from the latter, and the speed of transition involved, is what causes problems. The difference is not adequately acknowledged in the literature on commercial gentrification to date.

The empirical findings show that local authorities are using affordable workspace to both prevent and promote commercial gentrification, depending on what they are trying to achieve in an area. This illustrates the tensions faced by local authorities, and planners in particular, whose role in part is to promote fairness and social equity, but they are locked into a ‘growth-dependent’ model (Rydin, 2013), where they rely on private-led development to secure social benefits through planning gain. Having said that, the study questions the extent to which local authorities are using affordable workspace policy to promote social equity. In both cases, their motivation is primarily to support creative industries – either prevent their displacement or attract them to a new location. There is little expressed concern for economic diversity or the loss of traditional industries in the process of commercial gentrification. This limited concern may, in part, be due to the limitations of the typology of mixed-use buildings promoted through affordable workspace policies, where design is driven by the needs of residents rather than businesses, the residential component being the financial driver.

The second strand of empirical findings relate to what is happening when policy is implemented in practice. The findings point to a number of factors, which can limit the success of policy: the nature of legal agreements, the requirements of financiers, limited
Council resources and reliance on delivery partners. However, the main contribution of this paper is not to provide recommendations for the better delivery of policy. Rather, it is to point to a more fundamental concern that the provision of affordable workspace in mixed-use developments has been used by developers and planners to justify redevelopment of employment land for mixed use. This can involve the direct displacement of businesses for comprehensive mixed-use redevelopment. The real concern, however, is that it erodes the integrity of employment areas, which raises expectations that further redevelopment and loss of employment land could be achieved in an area. This is a problem because it can affect the confidence of remaining businesses in the area to invest, and also motivate developers and landlords to ‘manufacture urban decline’ (as discussed by Rast, 2001) in order to provide justification to redevelop for higher-value uses. The speed and comprehensiveness of change that takes place as a result means that the transition is not a slow, piecemeal process of economic upgrading, but linked to large-scale capital, more characteristic of later waves of gentrification discussed in the literature. By introducing affordable workspace policies, the local planning authority is providing a signal that it is doing something positive to address a problem. The findings of this study suggest that this could be counterproductive. It provides a false sense of security that something is being done, whilst at the same time large swathes of employment land are being lost across London (Deloitte, 2014).

Affordable workspace policy is not the policy panacea that local authorities might have hoped for. It is not a solution for accommodating a broad range of small businesses, whilst at the same time meeting housing targets and promoting vibrant, mixed use city districts. There are two main problems with it. The first is the impact on land values of promoting mixed-use development in employment areas. To date, there is no effective solution in the UK for protecting industrial land values in a mixed-use context. The second is the limitation of a policy that focuses only on new development. If a broad and diverse business base is to be protected, the loss of existing workspace and business premises needs to be prevented: in industrial areas, in secondary office locations, in and around the edge of town centres and around transport nodes. Many of these have been identified as preferred locations for accommodating housing growth in the London Plan (GLA, 2015). However, such a strategy fails to acknowledge the dynamic nature of London’s economy and clusters, whereby peripheral centres are likely to become more in demand for employment use in the future as land values in the central zone continue to rise and businesses are displaced. The time has come to re-invigorate some of the more traditional planning tools available, such as the protection of employment land, drawing on new methodologies to evaluate industrial land (Howland, 2010) as well as reassert the importance of planning restrictions on change of use, which has been undermined with recent moves to deregulate the planning system. Unfashionable perhaps, but necessary.

Notes

1. The terms ‘industrial gentrification’ and ‘commercial gentrification’ are used interchangeably in the literature, but are generally referring to the same process. This article prefers to use the term commercial gentrification to avoid assumptions that this process is limited only to the loss of traditional industrial uses.


4. The UK planning system does not allow for functional zoning of a statutory nature, but employment areas can be protected through designations in local plans. These are either of strategic or local importance. DEA in Hackney are considered of local importance.

5. Based in the London Thames Gateway Development Corporation – the planning authority.


7. In the UK, legal agreements to secure planning gain are referred to as ‘Section 106’ agreements [from Section 106 of the Town and Country Planning Act 1990].

Acknowledgements

I would like to thank the two anonymous referees, Claudio de Magalhaes for supervisory support on the PhD research which informed this article, Susan Moore for her helpful comments on an earlier draft, and all the interviewees and participants who contributed to the research. I also gratefully acknowledge the financial support I received from the Engineering and Physical Sciences Research Council during the course of my PhD research.

Funding

This work was supported by the Engineering and Physical Sciences Research Council.

References


