



Delivering affordable workspace: Perspectives of developers and workspace providers in London

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Abstract

The provision of subsidised workspace for small enterprises has been a public sector concern in many developed economies since the 1960s. In recent years, the focus of economic development initiatives has shifted away from supply side initiatives, such as fiscal incentives and the direct provision of premises, towards a consideration of the collective provision of infrastructure and services, in order to meet demands of businesses and workers in cities where there is already strong demand and growth. As well as this shift from supply- to demand-side initiatives, there has been a change in the political ideological approach to land and property development, away from public sector direct provision and funding, to place greater onus on the private sector to deliver development, infrastructure and services. The introduction of ‘affordable workspace’ planning policies by local authorities in London from the early 2000s is part of this shift – building on more established key worker and affordable housing policies.

This paper evaluates the success of affordable workspace planning policies in thirteen mixed use schemes in London, from the perspectives of developers and workspace providers, who are responsible for delivering and managing the affordable workspace. First, it finds that the perspective of the developer, in particular whether it sees affordable workspace policy as (a) an opportunity, (b) a ‘tool’ to secure planning permission or (c) a burden, is mostly influenced by the way in which the affordable workspace emerged within the proposal. Developers’ perspectives and the success of their partnerships with workspace providers are critical to the successful delivery of affordable workspace within the scheme. Second, the findings show that ‘affordable workspace’ is difficult to define and deliver, with different interpretations used by delivery partners and the ability of workspace providers to deliver affordability depends critically on their organisational model. Finally, the research shows that although there are clear benefits of the policy for artists and small, creative industry businesses, it is not benefiting low-value manufacturers or small family-run retail and service businesses, nor is it generally benefiting start-ups. The implications of policy outcomes for economic development are considered; overall the beneficial impacts are limited. The research concludes that the predominant model of affordable workspace policy being promoted in London will fail to meet the aspirations of policy makers, with the limited success of policy further compounded by the global recession of the late-2000s. Alternative or complementary strategies are discussed.

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1. Affordable workspace policy in context

1.1. Introduction

The provision of subsidised workspace for small enterprises has been a public sector concern in many developed economies since the 1960s, and has been part of a trend in economic development which focused on supply-side initiatives, such as fiscal incentives and the direct provision of premises. The public sector had its biggest impact in the UK during the 1980s and 1990s, through the direct provision and funding of managed workspaces (see Section 1.2). Since then, there has been a shift in focus of economic development policies towards a consideration of the collective provision of infrastructure, workforce housing and services, in order to meet the demands of businesses and their workers in areas where there is already strong demand and growth (Jonas, While, & Gibbs, 2010; Raco, 2008). The emphasis is no longer on promoting inter-regional equity, but on increasing the competitiveness of places, through the attraction of highly skilled, young professional ‘creative’ workers to key centres of production (Cheshire & Gordon, 1996, 1998; Peck, 2005; Raco, 2008; Turok, 2004; Ward, 1990).

This re-focus on successful cities took place as globalisation took hold, much mass production moved overseas, and it became clear that the UK’s economic strength lay in nurturing smaller industries, niche producers and supporting ‘new economy’ businesses. To the surprise of some, globalisation promoted rather than undermined the benefits of agglomeration (or ‘clustering’) (Asheim, Cooke, & Martin, 2006; Porter, 1998; Sassen, 1991; Scott, 1998, 2001). New theories of clustering suggested that businesses’ competitive advantage in the new economy is enhanced by the healthy competition between businesses found in a cluster (Porter, 1990), as well as the collaboration and social networking between them and other agencies within it (Gordon & McCann, 2000; Keeble & Wilkinson, 2000; Maskell, 2001). Most influential has been the writing of Florida (2002, 2005) who argued that businesses in the new economy make location decisions based on the availability of human capital.

This influenced the recognition of demand-side considerations of businesses and workers residing in the city, rather than an exclusive focus on supply-side policies. Furthermore, these issues have become more pertinent as successful economic centres mature, the cost of collective provision rises and threatens the competitiveness of firms operating in these spaces (Jonas et al., 2010). In the late 1990s and early 2000s in

London, there was a real concern that property values were rising to such an extent that small businesses were being pushed out (Ancer Spa, 2006; New Economics Foundation, 2004). Also, the lack of supply of land for housing, coupled with a changing economic base, meant that there was increasing pressure from central Government on planners to release employment land for housing and mixed use (see DETR, 2000a, 2000b). This, coupled with the pressure of market forces, led to a reduction in employment land and increase in residual employment land prices. Also, the emphasis on mixed communities meant there was a greater acceptance of mixed-use development on former employment land, again impacting on land and property prices for employment use.

It was in this context that policies on affordable workspace started to emerge, building on already accepted policies on affordable and key worker housing. It was perhaps expected that introducing a policy on affordable workspace would compensate for the loss of naturally affordable workspace on protected employment land. Some local authorities, such as Hackney on the fringe of the city of London, had been experiencing such acute pressures as a result of rising property values that they started to develop their own policy responses. These local initiatives were reinforced through the Mayor of London’s call for more affordable workspace in the capital (GLA, 2004a, 2004b, 2008). Other local authorities in less high value areas are using affordable workspace policy as an economic development tool to stimulate regeneration through attracting creative industries (Ferm, 2011). The policies that have emerged are modelled on affordable housing: they use planning obligations (Section 106 agreements) to legally require developers of residential or mixed use schemes on employment land to provide and subsidise affordable workspace on site, funded through the profits on the sale of residential accommodation (see Section 1.4 for a further discussion of Section 106).

In this new policy context, the local authority retains an interest through its role as planning authority, but the space is delivered by developers through new build schemes, and is operated and managed by workspace providers. This follows a change in the political ideological approach to land and property development, placing greater onus on the private sector to deliver development, infrastructure and services. As a result, private property developers are now the predominant supplier of buildings in Britain, whereas in the late 1970s, they supplied only half of new construction orders (Henneberry & Rowley, 2000). As Section 1.2 shows, the evidence on the impact of managed

workspaces in economic development terms was weak, which undermined support for subsidy from the public purse. Although the affordable workspace model means that public sector money is not used directly to subsidise premises, as with all economic development initiatives, justification has to be made that subsidy is ‘worth it’. In an age of austerity, this is even more important.

This paper therefore evaluates the success of planning policies that rely on the private sector to deliver affordable workspace through mixed use schemes, using data from an analysis of thirteen case study developments in London. It asks four questions: (1) What are developers’ and workspace providers’ perspectives on affordable workspace and its delivery through the planning system? (2) How do their organisational models, priorities and motivations affect the way affordable workspace policy is working in practice? (3) What are the outcomes in practice and why? (4) What are the implications for planning policy?

The National Planning Policy Framework (DCLG, 2012) introduced a requirement for local authorities to demonstrate the financial viability of their local plans, and thus requires a better understanding of the pressures and constraints developers face. However, we know surprisingly little about the development industry, in particular whether developers see themselves as ‘partners of the state’ in delivering objectives or what their relationship with planners is like (Adams, Croudace, & Tiesdell, 2012). This paper responds to the call for “a more thorough understanding of the development industry, and particularly of the cultural differences between different types of developer, as a pre-requisite for more effective policy-making” (Adams et al., 2012: 17). It also turns our attention to the other key partner in delivering affordable workspace through planning policy – the workspace provider – of which even less is known.

Developers’ profit drive and interest in the ‘exchange value’ of buildings as opposed to their ‘use value’, which is traditionally the interest of occupiers (Logan & Molotch, 1987), means that we might expect affordable workspace to be viewed by developers as yet another ‘exaction’ by local authorities on private developers. However, in their revised edition, Logan and Molotch (2007) propose that Florida’s creative class thesis has challenged this common dichotomy by showing that residents themselves are an engine of development. If developers are to make money and maximise the exchange value of buildings, then they have to consider the components that influence their use value too: “Developers and city officials believe that signals of creativity, like art galleries, espresso bars and foreign

magazine stands, can generate rent and revenues. The ‘arts’ – in the most general sense of the word – have become a conscious strategy for growth” (Logan & Molotch, 2007:xix). Therefore, in relation to affordable workspace policy, we can speculate that developers may not be reluctant partners in delivering public good, where a state requirement is simply detracting from the exchange value of land. Rather, affordable workspace could be seen as another part of the ‘smart growth’ mantra and “may turn out to be just another smoke screen for making more money, now with arts organisations as valued coalition ‘partners’” (p.xx). This paper extends this idea to workspace providers, asking whether they operate as agents of the state, responsible for delivering affordability and the state’s social objectives or whether they operate more as coalition partners with developers in the delivery of growth objectives.

Before turning to the methodology and case study evidence on developers’ and workspace providers’ perspectives, the remainder of this section considers the broader context and explanations for the transition from ‘managed workspaces’ to ‘affordable workspaces’. In addition to a shift in approach to economic development, it argues that the transition has also been facilitated by (a) a change in political ideology towards land and property development, and (b) changing economic structures and land use trends, with a growing emphasis on ‘mixed use’. Having established what lies behind this shift, the mechanism of planning gain and the S106 planning system is explained in more detail, describing how it has evolved to enable affordable workspace to be delivered through it.

1.2. From managed workspace to affordable workspace

The provision and funding of ‘managed workspaces’ by the public sector gathered support in the UK during the 1980s (Green & Strange, 1999), as it was seen as a way to support local economic development (Segal Quince Wicksteed, 1985) and was in line with the Conservative Government’s ideological commitment to an ‘enterprise culture’ (Chalkley & Strachan, 1996). More specifically, it sought to address a number of identified problems, namely that (1) a restricted availability of small business premises was acting as a constraint to their development (Coopers & Lybrand Associates, 1980; Fothergill, Monk, & Perry, 1987), (2) small businesses did not generally have the resources to build their own premises or the stability to commit to long leases (Chalkley & Perry, 1984), and (3) private

sector developers were reluctant to build small units due to the insecurity of returns from small businesses and the high management costs involved (Ambler & Kennett, 1985).

The term ‘managed workspace’ is generally used to describe collections of small workspace units, with shared services (such as meeting rooms and office facilities) managed by a third party and let to small businesses on ‘easy-in, easy-out’ terms. With the acknowledgement of the creative industries as a legitimate economic sector in the late 1990s, the managed workspace format evolved to combine elements of the older artists’ studios model with the serviced office space model, providing specific services for creative industries (Montgomery, 2007).

In the 1990s, approximately two-thirds of managed workspaces were operated by the public sector (Chalkley & Strachan, 1996: 162). In recent years, the private sector has taken a more positive view of the small business market and now operates a much larger proportion of all managed workspaces. Workspace Group, the largest private-sector provider of managed workspaces in the UK, has grown substantially in the past 20 years from 400 tenants in the late 1980s (The Wall Street Transcript, 2005) to over 4000 in the late 2000s (Workspace Group, 2009). At the same time, the public sector’s appetite for direct provision has waned and examples are emerging internationally of new approaches being adopted by the public sector to delivering workspace for small enterprises and artists in partnership with the private sector and other institutions. For example, in Amsterdam, the City authority established a fund for ‘Breeding Places’ (Broedplaatsen) providing direct subsidies to property developers for the development of workspaces for artists and creative entrepreneurs (Buchholz, 2011; Pot, 2011). In New York, the City’s Economic Development Corporation (NYCEDC) established a network of low-cost workspaces through partnerships with academic institutions, commercial landlords, space operators and arts organisations (NYCEDC, 2011). There has therefore been a shift in approach to the provision of subsidised workspace for small enterprises; from direct provision and funding by the public sector to a partnership approach with the private sector and other institutions, and – in the UK – the use of the planning system (in particular planning obligations) to deliver.

Evaluative research on managed workspaces was most prevalent in the 1980s and 1990s. It was found that (a) tenants were staying in managed workspaces well beyond the start-up phase, on the basis of cost and availability, rather than the additional facilities and

services provided (Green & Strange, 1999) and (b) businesses in managed workspaces did not have a better survival rate than the small business sector as a whole (Chalkley & Strachan, 1996). This research undermined the value of public subsidy for managed workspaces on the basis that it was not providing added value and supporting economic development. Yet, it did not examine the impact of subsidised workspace on local economic development, such as the formation of new business clusters, or the contribution to economic diversity. Rather, it focused on the benefits to individual businesses and what this could mean for economic development. This research explains the shift that has taken place since the 1990s, from managed workspaces to affordable workspaces. The subsidy for affordable workspace is no longer coming directly from the public purse, but this research suggests that the same problems persist with affordable workspace provision, namely that it is benefiting more established businesses rather than start-ups, and therefore not supporting economic development. The reasons for this are due to the organisational priorities of developers and workspace providers, which will be explained in Sections 3 and 4.

1.3. Drivers of change

1.3.1. Towards a hybrid neoliberal ideology?

A change in political ideology has underpinned and facilitated the shift from direct funding and provision of services and infrastructure by the public sector to a partnership approach with the private sector. The contemporary system represents a hybrid of political ideological approaches to land and property development that has evolved since the end of the Second World War. It follows two reasonably distinct ideological phases of (1) post-war social democratic consensus and (2) the neoliberalism of the late 1970s and 1980s. In the post-war era, an enlarged public sector co-existed with free market capitalism, or state-managed capitalism (Taylor, 1998: 21). Widespread public ownership of land meant that the public sector had the power to control much development. Local authorities owned or purchased land and built housing on it, retaining responsibility for on-going maintenance and management (Healey, Purdue, & Ennis, 1995). Affordable housing was provided through public ownership with the assistance of central government subsidies. In addition, public services, physical and social infrastructure were delivered directly by the local authority (Crook et al., 2006). By the 1970s, a political ideology of neoliberalism gained widespread prominence due to the global recession, a decline in profitability of Fordist

mass-production and the perceived failure of Keynesian welfare policies, and it was marketed aggressively by the Thatcher government (Brenner & Theodore, 2002; Jessop, 2002). This period has been characterised as ‘roll-back’ neoliberalism (see Peck & Tickell, 2002) in that it was concerned with the destruction of Keynesian-welfarist and social collective institutions. It was seen as the role of the market and private property development to allocate resources. In addition, local government finance was cut and their powers of policy formulation and service delivery reduced (Imrie and Thomas, 1999:8). With the sale of publicly owned land, the local authority lost control over implementation.

By the 1990s, the limitations of ‘roll-back’ neoliberalism became evident and its economic and social consequences were difficult to contest (Peck & Tickell, 2002). The ‘Third Way’ approach, promoted by both the Blair and Clinton administrations, was more socially interventionist and this trend continues: the Obama administration in the US is continuing to pursue a more interventionist federal urban policy regime (Jonas & McCarthy, 2009). Peck and Tickell (2002) argue that the neoliberal project did not implode at this point, rather it transformed into what they describe as ‘roll-out’ neoliberalism, concerned with new forms of institution building and governmental intervention within the broad neoliberal project. Raco (2005) argues that neoliberalism is not always the dominant political agenda and that increasingly it sits side by side with other dominant discourses, such as sustainable development, to represent “a hybridity of approaches and rationalities” (Raco, 2005: 324). The increasing use of planning agreements in the 1990s to secure physical and social infrastructure through private sector development represents, it could be argued, this hybrid approach to planning. Private property concerns are dominant but the state exerts its influence through the planning system and seeks to achieve social and economic objectives through it. Through the evaluation of affordable workspace policies in the 2000s, this paper provides an opportunity to explore the effectiveness of this hybrid approach.

1.3.2. *Changing economies and urban structure*

The delivery of affordable workspace through planning policy has also been facilitated by the significant change in urban land use structure from predominantly separated land uses to mixed land uses, which has accompanied the dramatic transformation from an industrial to a post-industrial economy in successful cities of developed economies. The shift has been particularly pronounced in London, which saw a

steep decline of traditional manufacturing between the 1960s and 1990s (Sassen, 2001; Thornley, 1992), alongside an equally dramatic rise in the financial and business services sector (Clark, 2002; Pratt, 1994, 1997; Sassen, 2001), and a significant growth in creative industries (Higgs, Cunningham, & Bakhshi, 2008). These new growth industries are more compatible with housing and therefore the need to separate industry and housing became less acute. Whereas in the post-war era, upwardly mobile social classes tended to leave the city, the decline of manufacturing decoupled the association between inner cities, dirt and pollution (Storper & Manville, 2006), and the inner city has become popular as a high-value residential location amongst the middle class (Butler, Hamnett, & Ramsden, 2008).

These market-led trends towards a repopulation of the inner city and mixed use were reinforced by a pro-urban ideology promoted by New Labour in the late 1990s (Cheshire, 1995) expressed in the Urban Task Force’s report, *Towards an Urban Renaissance* (DETR, 1999) and the *Urban White Paper, Our towns and cities – the future: Delivering an urban renaissance* (DETR, 2000b). These documents called for a repopulation and revitalisation of inner cities through high density, mixed-use development on brownfield sites, made available through the relocation of industry. Trends towards mixed-use development meant that the price of employment land was more difficult to regulate through land use designations, but it created an opportunity for planners to negotiate affordable workspace from developers as a concession for planning permission for mixed use development on employment land. The way the planning system has evolved to enables this is explored in the next section.

Most literature assumes that the re-colonisation of the inner city by higher income residents and the new economy was an active response to the decline of manufacturing (Rast, 2001), and the benefits of regenerating derelict buildings and run-down neighbourhoods are emphasised. This narrative ignores the impact on the uses that were there before, however informal. More recently, there is interest in the displacement of industrial uses through both residential gentrification (see Curran, 2004, 2007, 2010) and industrial gentrification (Barnes & Hutton, 2009; Catungal, Leslie, & Hii, 2009; Hutton, 2009). The process of industrial gentrification describes the displacement of lower-value manufacturing businesses, artists, and creative workers by higher-value knowledge and creative businesses. It suggests that changes in urban structure are influenced not only by industrial decline but also by (a) the inability of manufacturing

businesses to compete with sectors that are willing to pay higher land costs for central locations (Buck, Gordon, & Young, 1986), (b) political motivations and alliances between politicians and different sectors of the urban community (Rast, 2001), (c) the real estate and financial sectors and the mass media (Indergaard, 2009; Zukin, 1988), and (d) the absence of public and political support for industrial uses in the city (Curran, 2004).

Policies on affordable workspace appear on the surface to be concerned with preventing the displacement of more vulnerable, low-value businesses, which occurs with rising property values. However, it is argued in this paper that, in practice, affordable workspace policies are having the opposite effect. Developers' and workspace providers' priorities and working practices mean that both have an interest in attracting higher value creative industries to occupy the affordable workspace, and this can accelerate the process of industrial gentrification.

1.4. Planning obligations and infrastructure delivery

The use of the Section 106 (S106) planning gain system to deliver affordable workspace in the UK has been facilitated by an expansion of the role of planning and what is deemed acceptable for the planning system to deliver. This has been achieved through the changes that have taken place in order to allow the system to deliver and fund social housing – which in turn has facilitated a similar approach to be adopted for affordable workspace.

S106 is an ad hoc local tax, negotiated between the Council and the developer, with the aim of mitigating the impacts of the development, and meeting the need for increased services and infrastructure (London Assembly, 2008). The concept dates back to the 1947 Planning Act, which nationalised the right to develop land. The requirement for developers to seek planning permission for a change of use created the possibility for land values to increase significantly on the granting of permission. This in turn allowed for this rise in value to be captured through a development tax, referred to as 'betterment', which enabled the local community to be compensated for the disruption, loss of amenity or burden on services caused by new development. The basic system of planning and betterment remained relatively unchanged until the early 1990s. Until then, issues of access, tenure and price were not considered planning issues, and betterment could only be secured for issues directly connected to the development itself. In the 1980s, some local authorities started to use their

own initiative to extract elements of planning gain for the provision of additional infrastructure and other contributions of value to the community (Crook & Whitehead, 2002). In addition, concerns about the affordability of housing in the 1980s led to new approaches to regulate the price of housing through the planning system. One such approach was to secure affordable housing through cross-subsidy on sites that were not allocated for housing in the local plan but granted planning permission for residential development on an exceptional basis (see Crook, 1996).

The ability of local authorities to secure infrastructure not directly connected to the development and address issues of price and tenure through the planning system was given statutory weight under Section 106 (S106) of the 1990 Town and Country Planning Act. This was followed by the publication of PPG3 (DoE, 1992) and Circular 6/98 (DETR, 1998), which made the need for affordable housing a material planning consideration. The move towards a consistent approach to affordable housing requirements across local authorities had the effect of lowering land values on eligible sites, thereby reducing the cost to social housing providers of acquiring land, acting as a subsidy and replacing direct grants. This represented a shift of the burden of providing affordable homes from taxpayers and tenants towards landowners, developers and purchasers of market housing, which demonstrated a growing 'fuzziness' of the boundaries between what should be funded by the private sector and what should be funded by the public sector (Crook & Whitehead, 2002). This, in turn, also allowed affordable workspace to be secured through a similar mechanism. However, affordable workspace has not been formally established as a material consideration and in the absence of national policy guidance and legislation, it remains an ad hoc policy inconsistently applied across local authorities, therefore limiting the impact on land values.

The model of delivering infrastructure through the S106 system was developed within a climate of rising property prices and high levels of demand. Economic conditions are now very different and challenge more fundamentally the pillars of such an approach (see Parkinson, Blake, & Key, 2009). In August 2012, the Homes and Communities Agency set up a dedicated Section 106 Renegotiation Programme, providing support to local authorities looking to renegotiate the terms of S106 agreements on major schemes in order to achieve housing targets. Even before the recession, the S106 system was criticised as being inconsistent, unfair, lacking in transparency and a source of substantial delays (see Hall & Tewdwr-Jones, 2011; Healey et al.,

1995; Ratcliffe, Stubbs, & Keeping, 2009). Other systems of financing infrastructure are therefore being introduced. In 2010, a system of development impact fees – the Community Infrastructure Levy (CIL) – was introduced and all local authorities are required to have CIL in place by April 2015. CIL is calculated according to a tariff on development, and used to fund regional and sub-regional infrastructure. It operates alongside S106, which is more local in scope (and crucially still is the mechanism to secure affordable housing). Even before the majority of local authorities have started to operate CIL, the Government is consulting on changes, which would allow developers to negotiate or opt out of the CIL tariff in some cases and undermine the simplicity of the system (Geoghegan, 2013). The UK is also piloting Tax Increment Financing (TIF), which has operated for over 40 years in the United States. TIF enables local authorities to borrow against predicted future revenues (such as business rates) to fund the infrastructure necessary to facilitate development. Lending is on the basis that the increased business rate revenues generated by the scheme can be used to repay the initial investment. TIF has its limitations (see Jonas & McCarthy, 2009), the most significant for this discussion is that “cities can find themselves in fiscal difficulties if the redevelopment does not produce the projected increment to pay off the bonds” (p.307). In other words, it is another tax that is dependent on a healthy development climate to deliver the required revenues and social benefits.

Despite alternative infrastructure financing methods being considered, this research is critical for a number of reasons. First, it appears that the S106 system will still operate at the local level for the foreseeable future and the future of CIL is still very uncertain. Second, the alternatives coming forward still rely on private sector development and there is little sign that radical alternatives to the neo-liberal view to urban development are being seriously considered (Raco & Street, 2011). Finally, many of the findings are applicable to any situation where workspace is being delivered in partnership with developers and workspace providers, regardless of the specific funding mechanism.

2. Methodology and case study overview

2.1. Overall approach

In order to assess the outcome of affordable workspace policies, a qualitative research approach was chosen for this study. A quantitative analysis was not feasible due to lack of quantitative data, since

relatively few schemes have actually been implemented, and even fewer are occupied and embedded in the local environment. Thus a qualitative approach, focusing on the perspectives of actors involved in the delivery of affordable workspace was adopted. This allowed for the consideration of case studies that had not yet been completed. It was also considered an appropriate method of inquiry in order to inform policymaking:

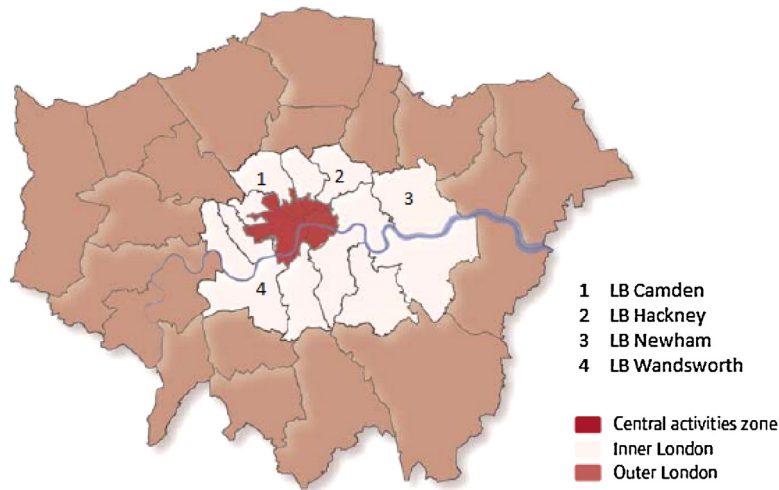
What qualitative research can offer the policy maker is a theory of social action grounded on the experiences – the world view – of those likely to be affected by a policy decision or thought to be part of the problem. (Walker, 1985: 19 in Ritchie & Spencer, 1994)

More specifically, a combined case study and phenomenological approach was adopted. A multiple-case design (Yin, 2009) was used to draw comparisons between different mixed-use schemes. For each case study, a phenomenological method of inquiry uncovered the subjective experiences of the actors (see Dukes, 1984). These subjective experiences have been combined with other information available for each case study, drawn from documents or observations.

2.2. Choice of case studies

A review of local authorities' strategic planning documents¹ undertaken in April 2009 revealed that 17 of the 33 London planning authorities referred to affordable workspace (or similar terminology) in their (adopted or emerging) plans. This confirmed the extent to which affordable workspace was considered to be a planning issue in London, but also suggested that policy was still in its early stages. There were strong similarities between local authorities that had formulated specific policies. The research focused primarily on the London Borough of Hackney, where ten mixed-use schemes with affordable workspace had been implemented since 2003. No other London borough had implemented a comparable number of schemes. The focus on Hackney allowed for a more in-depth investigation in the wider research project into the borough's motivations for affordable workspace policy and its implementation over time. In order to provide some comparison with other boroughs and schemes

¹ The review referred to the most recent published policy document – either the adopted Unitary Development Plan (UDP) or Core Strategy (many were still in early stages).



Map 1. Selected local authorities in the London context. Adapted from Greater London Authority (2011:47, Map 2.2). Ordnance Survey.

across London, three further mixed-use schemes with affordable workspace were identified in the London boroughs of Camden, Newham and Wandsworth (see Map 1), which allowed for comparison across different variables.² An overview of the thirteen case studies is provided in Table 1.

2.3. Developers' and workspace providers' perspectives

Developers' and workspace providers' perspectives have been chosen as the focus for this paper. The wider PhD research project also examined the motivations of local authorities, but this paper has focused on these two delivery partners for two reasons. First, due to the shift in responsibilities for the delivery of infrastructure and services away from the public sector and the paucity of knowledge available on the perspectives of delivery partners in the contemporary context. Second, a selective focus on the two partners allows for a more in depth analysis and coverage of the rich data available.

In order to gain an understanding of the developers' perspective, a mixed approach was used, drawing on both written material and interviews. Where interviews were obtained, perspectives were assessed according to whether they viewed affordable workspace primarily as an 'opportunity', a 'tool to secure planning permission',

or a 'burden'. Questions also focused on how the proposal came about, their experience of delivering it, of appointing a workspace provider, and the outcome of the scheme. In addition, further analysis was undertaken of the final scheme design, marketing material and planning statements. Where affordable workspace was considered to be integral to the scheme and used in the developers' marketing material, this suggested they perceived it as an opportunity. Developers who mentioned it in their planning statements, but did not integrate it into their schemes or mention it in their marketing material were considered to view AW primarily as a tool to obtain planning permission. Those who saw it as a burden generally did not mention it in official documents, although these perspectives were confirmed through interview.

Gaining a rounded understanding of the workspace providers' perspective was more complex since not all the case study developments had appointed a workspace provider. There were four workspace providers that had partnered with developers in the selected case studies. It was therefore decided to initially focus the analysis on these four, who represented different categories of type of workspace provider: (i) commercial, (ii) not-for-profit, targeting small businesses and (iii) not-for-profit targeting artists. In addition to the interviews with Directors (or equivalent) of the organisations, the organisation's website, official reports and publications, press articles and informal documents provided by the interviewees were consulted. The research also considered four workspace providers that were not partners in mixed-use schemes with affordable workspace, allowing a broader spectrum of providers to be

² (1) Central or inner London location (2) Extent of influence of the local authority (3) Residential or commercial developer (4) Partnered with charitable or commercial workspace provider (5) Type of target tenant.

Table 1
Overview of mixed-use schemes with affordable workspace.

Scheme	Developer	Workspace provider (WP)	Scheme progress (Feb 2011)	Term	Cost to WP	Cost to tenant
<i>London Borough of Hackney</i>						
Canalside Works, 8-14 Orsman Road	Places for People	Shoreditch Trust	Completed 2007, Fully occupied early 2011	In perpetuity	Unknown (No S106)	£15–18 psf
87-91 Hackney Road	Unknown ^a	Not appointed. [Marketed by commercial agents.]	Complete 2009. Fully occupied (commercial tenants) early 2011	7 years	£4 psf	Unknown
Burberry, 29-53 Chatham Place	Aitch Group	Not appointed. [Aitch Group to manage if development goes ahead]	Phase 1 complete. Phase 2 with AW suspended.	10 years	50% market value	Unknown
Adelaide Wharf	Firstbase	Shoreditch Trust	Completed 2007. Fully occupied 2011.	10 years	£1 psf	N/S in S106. £240 per desk space a month.
48-50 Well Street	Sheinman & Sheinman	Not appointed [Space let commercially]	Completed 2008. Occupied 2011 by single commercial tenant.	5 years	£5 psf	N/S in S106
Eagle House, City Road	McCabe	Not appointed. [Under negotiation with Shoreditch Trust]	Under construction early 2011.	Under negotiation	£9.45 psf	N/S in S106.
Paradise Park, 142 Leabridge Road	Phoenix Logistics	Not appointed.	Completed 2009. Commercial units occupied early 2011.	10 years	Not stated	£6 psf – stated in S106
Oak Wharf, Timberwharf Road	Mosaic Homes	Not appointed. [Marketed by commercial agents]	Completed 2009. Commercial space configured as single unit – unoccupied 2011.	10 years	Not stated	50% market value – stated in S106. [Being let by agents]
Former Lesney Toy Factory, Homerton Road	Telford Homes	Acme Studios	Consent 2009. Under construction 2011. Completion due May 2012.	125 years	£75 psf – purchase of 125 yr lease	‘Lower than market rent’ stated in S106. Acme to let at approx £10 psf.
199-205 Richmond Road	Findon Urban Lofts	Not appointed.	Under construction 2011. Completion due Spring 2011.	5 years	50% market value	Not stated
<i>Other London boroughs</i>						
Arundel House, Kirby Street, Camden	Unite Group	Centa Business Services	Completed 2009. Fully occupied by jewellery sector businesses in 2011.	15 years	£5 psf	£14–32 psf depending on location
150 Stratford High Street, Newham	Genesis Housing Group ^a	Acme Studios	Under construction 2011. Due to complete Oct 2012.	125 years	Not known	£9 psf – stated in Heads of Terms between developer and WP
Wandsworth Business Village	Workspace Group Glebe	Workspace Group	Consent 2007. Development due to commence 2011.	In perpetuity	Not known. [Workspace Group to purchase from developer.]	Approx. £20 psf

^a Not included in analysis of developers’ perspectives (Section 2) due to insufficient information (interview or written documentation).

considered and more robust conclusions to be drawn. Areas of questioning focused on the background and business model of the workspace provider, their target tenants, their operational requirements, the perceived advantages and disadvantages of providing affordable workspace within mixed-use developments, their experience of the planning and implementation of the case study development (if applicable), and their perception of affordable workspace policies.

This research has been limited in the extent to which it can describe the experiences of local businesses – the users of the space. This is because, at the start of the fieldwork in 2008, only one of the thirteen schemes (Canalside Works) had any tenants, and here only two of the twelve units were occupied. Of the remaining case studies, some were completed but not yet occupied, others were not yet complete or construction had not started, and one was still being determined at Planning Inquiry. At that stage, it was therefore considered unviable to include the users in the research design. Although progress was made on these developments during the course of the research and writing-up phase, it was not considered feasible from a time or resource perspective to extend the study. This could, however, be an area for interesting future research.

2.4. Case study overview and broad analysis

Table 1 provides an overview of the 13 mixed-use schemes. The data was gathered through site observation, interviews and document analysis, in particular the S106 agreements for the schemes.

Information on scheme progress and the appointment of a workspace provider provides a measure of success. Of the 13 schemes in total, six were still under construction or due to start. Of these, only three had appointed a workspace provider. However, the impact of the recession in the middle of the fieldwork meant that lack of progress on schemes could not be attributed to problems with implementing policy. The seven schemes that had been completed were more informative. Workspace providers had only been appointed in three of these schemes, and these were either fully or nearly fully occupied. The remaining four schemes did not have workspace providers. Of these, two were fully occupied, one was partially occupied and another was still unoccupied and being marketed by commercial agents. The fact that two were occupied represents a failure of policy to operate as intended, i.e. through the appointment of a workspace provider. Given that all these schemes are relatively new, strong conclusions cannot be drawn about the ‘success’ of these schemes from these

figures. However, Sections 3 and 4 investigate this issue further, looking at the reasons why developers are finding it difficult to secure workspace provider partners, or why schemes are not tenanted.

Table 1 allows for observations to be made regarding the assessment of ‘affordability’ of workspace in the case studies. The problem is that it was mostly not possible to obtain a figure for the cost to be paid by the end tenant. In over half of the cases, the S106 agreements specified only the cost to the workspace provider. In two of the Hackney case studies (Oak Wharf and Leabridge Road), the S106 agreement did state the rate at which the workspace provider “must sub-let the whole or any part of the Affordable B1 Workspace Units for use as affordable workspace”. Given the agreement is signed with the developer and not the workspace provider, it is difficult to see how this clause could be enforced. Nevertheless, in both these cases, it was not possible to obtain interviews with the developers and workspace providers had not been appointed. It was therefore not easy to verify. Although the fact that both these schemes were occupied by individual tenants or marketed through commercial agents suggests that the space was let at market rent. Where the cost to the end tenant is provided, this was based on approximate figures provided verbally by the workspace providers. Rents ranged from £9 psf to £34 psf, depending on the scheme, the location and type of workspace provider. Reasons for the large variation are discussed in Section 4 which investigates workspace providers’ operational models and perspectives.

The lease term is another consideration that has an impact on the ability to secure affordability in the long-term. This is the length of the term (in years) that the developer is required to let the space to the workspace provider at the agreed rent in the S106 agreement. In four of the case studies, the affordable lease terms are secured ‘in perpetuity’ (or 125 years) since the workspace provider has purchased the workspace outright or on a long lease. In the case of Eagle House, the lease term was being negotiated between the developer and the local authority. However, in the remaining majority of the cases, the lease term secured was only short; between 5 and 15 years.

In addition to the questions and hypotheses posed at the beginning of this research, Sections 3 and 4 explore some of the reasons why developers are finding it difficult to appoint workspace providers and to deliver affordable workspace as prescribed in their S106 agreements, and why the appointment of workspace providers will not guarantee ‘affordability’ of workspace.

3. Developers' perspectives

This chapter explores developers' behaviour and perspectives on delivering planning policy objectives through the lens of affordable workspace policy. More specifically it explores (a) their perceptions of affordable workspace policy, (b) their experiences of partnering with workspace providers to deliver affordable workspace, (c) the factors that influenced their perspectives, and (d) how their perspectives then influenced the outcomes. Developers' perspectives are considered on a case study basis, divided into three categories depending on the way in which the affordable workspace proposal emerged:

- The developer as originator
- The local authority as originator; or
- Inherited planning permission

The analysis shows that developers who instigated the affordable workspace proposals themselves are more likely to perceive affordable workspace as an 'opportunity', and see the wider benefits, acknowledging the contribution of affordable workspace to the success of the development as a whole. Conversely, those who inherited a site with planning permission, where affordable workspace provision was a condition, were most likely to see affordable workspace as a 'burden' and were least likely to deliver. Where the affordable workspace proposal originated with the local authority and emerged as a proposal through discussions at pre-application stage, developers were most likely to see affordable workspace as a 'tool' to obtain planning permission. Payne (2009) distinguishes between developers who are 'pioneers', 'pragmatists' and 'sceptics'. The former are more likely to be regeneration specialists, typically small, local and independent developers (Guy, Henneberry, & Rowley, 2002), although it includes one of the UK's leading housebuilders, Berkeley Homes (Karadimitriou, 2005). This chapter suggests that this categorisation is helpful in understanding developers' perspectives and strategies on delivering affordable workspace, and considers the factors that might influence their approach.

In addition to considering the process as a factor influencing developers' perspectives, the case studies consider also the type of developer delivering the proposal, and how this might influence their perspectives and the outcomes. There has been a longstanding distinction in the UK between residential and commercial developers, which persists despite the trend towards mixed use (Havard, 2008). The majority of the

developers in this research are 'residential-led', i.e. they make most of their money through the construction and sale of housing, although some have previous experience of delivering mixed use schemes. This is necessarily the case, since affordable workspace policy comes into play on residential or mixed use schemes, rather than commercial-only schemes. There are two commercial-led developers included in the research. In these cases, affordable workspace policy has come into play because they have sought to modernise their business workspace through mixed use redevelopment, with housing as cross-subsidy. Other important distinctions have been made in the literature between 'developer-dealers' (or 'developer traders') and 'developer-investors' (Adams, 1994; Havard, 2008). The former move quickly from one scheme to the next and do not retain a long-term interest in the development. The latter typically hold and manage completed developments, retaining equity as a long-term investment; as such they have a greater interest in place-making (Adams & Tiesdell, 2013).

3.1. The developer as originator

In two of the case studies, the proposal for affordable workspace in the mixed use development originated with the developer. In the case of the former Lesney Toy Factory, the residential-led developer, Telford Homes, formed an early partnership with workspace providers, Acme Studios, and together they made an application to the Council. At Wandsworth Business Village, the commercial-led developer, Workspace Group Glebe, made an application for the redevelopment of an outdated business village, which required residential development as cross-subsidy. Both developers were pro-active in their inclusion of affordable workspace in their schemes. However, there are differences in their perceptions of affordable workspace and the outcomes of the schemes. Each is considered in turn below.

3.1.1. Telford Homes: former Lesney toy factory

Telford Homes are the developers of the former Lesney Toy Factory in Hackney, which is a large mixed use scheme including 49 affordable artists studios. Affordable workspace was a key feature in Telford Homes' proposals submitted as part of their planning application (CMA Planning, 2007), in which Acme Studios was named as the proposed workspace provider partner. The partnership with Acme was formed independently of the Council and early in the preparation of the scheme's design. The section of the planning statement describing the 'commercial use'

of the development was entirely dedicated to the affordable workspace component, which comprised approximately two-thirds of the total commercial floorspace. The applicants focused on the importance of the creative economy, their partnership with Acme and the fact that the units would be occupied immediately.

The centrality of the affordable studios to the scheme was illustrated again in the use of Acme in Telford Homes' exhibition presented to local people as part of Telford Homes' consultation for the planning application.³ The exhibition featured a "new artists' quarter", which was clearly a selling point for the development and integral to the scheme. This is consistent with the comments of the Managing Director in interview:

I think it's a fantastic proposal for that site. You've got affordable commercial. You've got artists that work. They don't just work 9 to 5, some of them have jobs and they use their studios in the evening, so you've got some vibrancy, some different sort of life going through there. . . We know that true regeneration works on sites where you have private housing, affordable housing, private commercial and affordable commercial, but also get arts and culture in there as well. So, when I met with Acme studios, I liked what I saw. . . and I kind of got hooked a little bit really, I suppose. I was interested in what they've done and what it has brought to society. . . and how it can help communities build.

The concept of affordable artists' studios contributed to a regeneration package, which was used by the developer to prepare a planning case and market the development. As Acme Studios claimed in a presentation in April 2008: "Telford need us to achieve planning consent on a brownfield site" (Acme, 2008b). However, the benefits were not only tactical; they were financial also. The Managing Director of Telford Homes emphasised the fact that Acme has a waiting list of about 8–900 artists within London, of which about 100 are looking for space in Hackney, so the units would almost certainly be occupied from the outset.

So that was a real plus for us as well, a real incentive. Because obviously we've sold it, so it's a massive financial incentive the fact that we've contracted something and we haven't got it on our books

anymore. And the fact that it's occupied from day one and there's some life there, some vibrancy.

The greatest financial driver of the scheme overall is the residential part of the development, consistent with Telford Homes' niche as a housing developer. The Managing Director explained that when they first saw the site, they saw the potential it offered adjacent to the River Lee with views over the marshes. He claimed they were unaware of the designation of the site for employment use when they purchased it, which meant residential use had to be the main driver in order for the scheme to stack up given the high purchase price. Any commercial use that was proposed in the scheme then had to be compatible with the residential, so as not to lower its value. This suggests that the affordable workspace component became increasingly important to the developer as a way of both meeting the Council's requirements for continued employment use and maximising the overall value of the development.

That's why I think the Acme studio thing works. If you can get that into a community, that's commercial space that does work in a residential place. A warehouse doesn't, or light industrial doesn't, like Lesneys Toys, banging away in the evening and stuff like that. . .

So Telford Homes saw both regeneration and financial benefits to including artists' studios in their proposal. However, it also appears to be the only form of commercial space that they believed would be viable in this location. The Managing Director was genuinely sceptical about the viability of site if they were to re-provide the 9000 m² of employment floorspace that the Council required, especially given the million square feet (92,900 m²) of state-of-the-art commercial space coming forward as part of the legacy of the Olympics, within walking distance of the Lesney site.

In the Lesney case, the residential-led developer, Telford Homes, was the driver behind the proposal for affordable workspace and considered it to provide a number of opportunities. The affordable workspace was key to the developer selling a complete regeneration package to both the planners and the public. In selling the concept to the planners, the focus was on the provision of affordable workspace and meeting a particular need in the borough, in order to try and secure planning permission for a change of use. For local people and prospective buyers, the emphasis was on an artists' quarter and how this would contribute to the overall vibrancy and quality of the scheme. In addition, although the affordable workspace was to be

³ Copy of exhibition panel (pdf format) provided by Director of Acme Studios (unpublished).

sold to Acme Studios at half the market rate, the developer still considered there to be financial benefits to providing affordable workspace. Its perception of affordable workspace fundamentally as an opportunity was heavily influenced by the early partnership it formed with Acme Studios, and the fact that this took place in advance of the scheme's design and submission of its planning application, enabling Telford Homes to factor in the workspace into the scheme, both conceptually and financially.

3.1.2. Workspace Group Glebe: Wandsworth business village

The developer for Wandsworth Business Village is Workspace Group Glebe – a partnership between Workspace Group (the workspace providers) and property and investment company, Glebe. Workspace Group has a long history as the providers of workspace on the Wandsworth site and describes itself as “the leading provider of affordable commercial property to let on flexible terms to small and medium sized enterprises (SMEs) in and around London” (Workspace Group, 2011). In its capacity as a developer partner, the company therefore brings with it extensive commercial expertise, with a particular focus on small businesses. It retains a long-term management and investment interest in the development.

In the developers' planning statement, the core proposal was to replace an out-dated business village with the provision of “flexible, affordable business units, specifically tailored to the small and medium enterprises” (Rolfe Judd, 2007: 3), delivered by mixed-use enabling development, including 209 residential units. This development is therefore different to the other case studies, where the affordable workspace represents a small proportion of the total floorspace. Here, it is not only integral to the scheme, it is what drives it. The proposal originated with the developer as Wandsworth Council did not have a policy on affordable workspace at the time. The proposal was welcomed by the Mayor of London (Greater London Authority, 2007).

Workspace Group interpret affordable workspace as flexible workspace:

What small businesses look for is a small place that has its own front door but that is very flexible. . . . So our business model is providing flexible inexpensive workspace in London for small businesses.

Given that Workspace Group's core business is to deliver workspace in buildings where a relatively large number of units can be accommodated, subsidising the

workspace is not an option. In fact, they are finding that it is generally not viable to build new workspace without enabling development:

On some of our sites, where they're coming to the end of their natural life. . . what you really need to do is knock it down and start again. But it's not viable because the build costs are higher than the value. . . there's got to be some enabling development by way of residential.

Although Workspace Group's business model is to provide flexible workspace, they are not happy for the S106 agreement to be too prescriptive, as banks are reluctant to lend money for developments where there are constraints on the future sale of the property:

So we had a S106 agreement 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.

Workspace Group used the concept of affordable workspace as a selling point for the redevelopment of an out-dated business village and a way to secure mixed use on an employment site to allow for enabling development. However, they were not prepared to subsidise any affordable workspace as this would undermine their business model as commercial providers of flexible workspace for small businesses. Although the Wandsworth scheme was not yet under construction at the time of writing, Workspace Group's track record and comparison with similar schemes they have delivered suggests that the workspace is likely to be successfully delivered and occupied, albeit at commercial, market rates.

3.2. The local authority as originator

In the majority of case studies, the proposal for affordable workspace originated with the local authority through discussions with the developer at pre-application stage. It was usually clear to the developer that the application would not be approved unless the requirement to provide affordable workspace was met. All developers in this group therefore perceive affordable workspace as a 'tool' to secure planning permission. However, they differ in the extent to which they see

wider benefits, and whether or not they successfully deliver affordable workspace in the spirit of the policy. Some developers also substantially changed their perception of affordable workspace during the course of negotiation and implementation.

3.2.1. Unite Group: Arundel House, Hatton Garden (London Borough of Camden)

Unite Group is “the UK’s leading developer and manager of student accommodation” (Unite Group, 2008) and the developer of a mixed use scheme at Arundel House, with affordable workspace studios on the lower-ground and ground floors and student accommodation on the upper floors. Their focus on student accommodation informs their perspective on mixed use:

The core product for Unite is student accommodation; that’s how we make our money. Any mixed-use element, any commercial or other use, is a by-product of us getting student accommodation. We don’t go out to do that; it’s the nature of how the planning system acts upon us.

Unite’s focus on student accommodation means that they do not see the commercial potential of providing workspace; they consider it to have little or nil value. When they initially started discussions with Camden regarding their proposal for student accommodation on a former employment site, Camden requested that they provide workshops for the jewellery industry, in line with their policy for Hatton Garden. Unite’s response to Camden’s requirement that they provide the workshops at £5 psf was that they would be happy to “write off” the space on the lower-ground floor:

For us it was fantastic, because no-one would have wanted to live there, we couldn’t use it for student accommodation.

After further consideration, Camden requested the ground floor in addition to the lower-ground, which Unite were happy to provide if Camden could grant them a concession of an additional floor. However, Unite thought there would be little demand for the units and envisaged converting the workshops to student accommodation at some point in the future:

The other aspect for us was that we were pretty certain that there wouldn’t be a market for these workshop units. Because you see the way they’re set out is almost identical to the studios above. So we thought that after a certain period, we could convert these back – when Camden realise that this crazy idea will never work!

However, the Council had a dedicated team working in Hatton Garden who knew the local market very well. They also managed the tender process for the appointment of a workspace provider, who managed to fill all the workshop units.

The Design and Planning Director explained that the Council had sold the concept of affordable workspace to them on the basis that the workshops would be targeted at start-up businesses and Unite became positive about the proposal, believing the units would be occupied by young people providing synergies between the two elements of the scheme.

The other aspect for us was the synergies and the fact that in principle it was a good idea – workshops for up and coming businesses. Having visited Langdales, you see a lot of small businesses, young people, they could have been students in our building – so that’s another lovely story to tell, there’s a lot of positive aspects there. So that was also a good sell for us, in terms of the marketing we do.

However, closer to completion, it became clear that the majority of the units would be occupied by established businesses who were relocating from elsewhere in Hatton Garden and the developers felt they had been misled.

I was slightly dismayed by that because you’ve got established businesses moving out and in effect we’re subsidising them through this building. And the original intention for this was for people starting up. It left a bitter taste in my mouth. Why are we subsidising uncompetitive organisations? If they’re failing because they weren’t efficient enough, they need to close down and the younger ones will come up in their place.

Unite conceded that their agreement to work with Camden to provide the workshops was motivated by their desire to develop a good working relationship with a borough where they intend to develop more schemes in the future:

The perception of Unite by Camden is also important. As a developer, we’re only going to develop in certain locations where the students want to be and where the universities are located. So we want to show willing, we want to work with these boroughs. I’d like to think that Unite has a good name in Camden.

Unite’s scheme has been successful in that it is now fully occupied, mostly by businesses in the jewellery

sector. Although the developers initially saw no value in the provision of workshops, they soon understood it was a pre-requisite for their obtaining planning permission and acknowledged that it is a positive use for those parts of the building that are not suitable for living accommodation. Furthermore, they saw the marketing opportunities that the provision of workshops for the jewellery industry offered. The Council's assistance in providing evidence of demand from the jewellery industry and in appointing a workspace provider contributed to the positive view of affordable workspace they ultimately held:

For us it would be something that we could look at in other developments and try to kick-start. . . I suppose it could be a benefit for us – maybe we could manage it ourselves, with our management capabilities.

3.2.2. Firstbase: Adelaide Wharf

Adelaide Wharf is the first mixed-use scheme with affordable workspace to be delivered by Firstbase, who describe themselves as “residential-led urban regeneration developers” (Firstbase, 2006: 28) and have become known for their innovative new model for affordable home ownership (Firstbase, 2009). The decision to include affordable workspace at Adelaide Wharf arose from discussions with Hackney Council prior to planning application. The scheme put forward by Firstbase proposed significantly less employment floorspace than a previously consented scheme. However, through discussions with the local authority it was agreed that it would be acceptable if the employment floorspace were delivered as affordable workspace, and the developer saw the opportunities this presented in securing planning permission. In addition, there were also financial and wider regenerative benefits perceived by the developer.

In terms of financial benefits, the Project Manager saw affordable workspace as beneficial in that it provided a positive use for parts of the development that were not easy to sell for residential, plus it helped to offset other Section 106 payments:

I think it's always a bit of give and take in Section 106 negotiations. So whereas you might be obliged to provide more affordable workspace here, you may then be given a little bit more comfort in other [areas] like traffic contributions or other community contributions. Also in central London especially, there are parts of an estate or a building whereby you might not see great incomes. . . So for example at Adelaide Wharf, on the ground floor where the entrance to this B1 space is, you may have had

trouble marketing that space given that it fronts quite a busy road. And so that sort of lends itself to more of a commercial use. So if you can use that space and I guess maybe secure some 106 contributions through using that space for affordable workspace, then that's probably not a bad combination.

The affordable workspace was not a selling point from the developer's perspective. Adelaide Wharf's dedicated website made no mention of the affordable workspace (Firstbase, 2007). This was confirmed by Firstbase's Project Manager:

To be honest, I'd like to say that people wanted to live there because of the mixed-use nature of it. But I think the key worker housing was sold just on the back of its own affordability.

Therefore, although the developer was able to see clear planning and financial benefits to including affordable workspace, it is evident that the residential component of the development was the most important: the affordable workspace was not considered integral to the scheme, and there is no substantial evidence that the affordable workspace was being used to enhance the saleability of the housing. On the contrary, the project manager's explanation of the decisions regarding the location of the workspace within the development show a desire to keep the residential and workspace components as separate as possible:

We found the place where [the workspace has] been located on the ground floor gives an opportunity for its own street entrance and its own direct entrance without having to go through any of the residential cores or go anywhere near other people's front doors. So that drives its location.

In addition, the developer emphasised the importance of the choice of workspace provider, who controls the types of businesses that occupy the space. From Firstbase's perspective, it was important to ensure that any future occupiers do not disturb the residents and that they help to retain the value of the development:

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 or sort of . . . fairly untidy. . . because it's a shared space with residents, it should be a clean workspace. Not a sort of metal shop and bits and pieces left lying around. And I guess you'd hope that it would not be too dense a workspace, just because of the wear and tear of the building and the fact that there are shared facilities.

The types of businesses that are able to occupy this affordable workspace are carefully controlled through the choice of workspace provider. This also shows how the developer relies on the workspace provider to deliver and manage the space on their behalf.

In Firstbase's case, the provision of affordable workspace was seen initially as a tool to secure planning permission, but they also found that it provided a positive use for the less marketable space within the development, and was a way to offset other perhaps more costly Section 106 contributions. However, the workspace and mixed-use nature of the scheme was not embraced as an opportunity to create a brand or market the development to a certain clientele – probably due to its niche as an affordable housing developer. The residential component was clearly the focus and every effort was made to ensure occupation of the units by 'cleaner and quieter' industries. Its partnership with a 'reputable' workspace provider and the location of the workspace away from the residential core was key to this.

3.2.3. *Aitch Group: Burberry, Chatham Place*

Aitch Group are niche developers of the former Burberry site in Chatham Place, Hackney, with expertise in both residential and commercial development. Hackney Council refused their first planning application due to loss of employment floorspace, and recommended that either the total employment floorspace increase substantially or they should provide a proportion of the proposed floorspace as 'affordable workspace'. The developer's revised application reflected the affordable workspace option.

Although it was the Council that instigated the affordable workspace proposal, there were distinct advantages for the developer in choosing this option: it was a straightforward route to obtaining planning permission for the scheme. Furthermore, Aitch Group has managed to turn it round to its advantage. As Aitch Group's marketing material shows, phase II includes "commercial space, designed to attract sole traders and start-up companies [which] will be retained by Aitch Group as an investment" (Aitch Group, 2009). This was confirmed by their agent, who indicated that Aitch Group have put themselves forward as the workspace providers for the scheme. In addition, in his description of the initial design of the scheme, he described the workshop units as being quite 'artisan' attracting young designers – "maybe they'll design from there and maybe have a little bit of retail and a little bit of manufacturing or something like that". This suggests that the affordable workspace units are considered

integral to the scheme and became a positive addition to the development concept. However the construction of phase II was delayed and their agent suggested they would need to wait and see how Burberry is trading in order to finally determine the types of tenants that take up space there. When interviewed a second time in 2011, when phase II was still on hold, he was more reluctant to discuss the affordable element of the scheme and appeared to be less confident of its delivery. It is therefore difficult to assess the likely success of the scheme.

Although Aitch Group saw the planning benefits of including affordable workspace as an opportunity, and put themselves forward as the workspace provider, they still had reservations about the way the Council envisaged the implementation of the affordable workspace since they have a different understanding of the concept of 'affordable'. As summarised by Aitch Group's agent, "their view is affordable means cheap and our view is affordable means it's flexible. So I don't know how that circle is going to be squared." Aitch Group's perception of affordable workspace as a tool to secure planning permission was influenced by the way the affordable workspace proposals emerged in discussions with the Council. Following this, the developer's commercial expertise has meant that they have strong views on what affordable workspace means and this could be an on-going discussion with the Council.

3.2.4. *Phoenix Logistics: Paradise Dock, 142 Lea Bridge Road*

The developers of the proposed scheme at Paradise Dock were the residential-led Phoenix Logistics. Evidence for the developers' perspective on affordable workspace was initially provided in their planning statement accompanying the planning application. The developers argued for a proposed change of use from industrial to mixed-use residential and commercial office use. All the proposed commercial floorspace was to be affordable workspace and this was central to the developers' argument for a change of use.

The planning statement (DP9, n.d.) identified regional policies in the London Plan (GLA, 2004a) supporting the provision of affordable workspace and quoted Supplementary Planning Guidance on Industrial Capacity (GLA, 2004b) which encouraged "the re-development of London's industrial areas to enhance their position as competitive locations to be more attractive to modern industry, subject to securing low cost premises to meet local needs" (DP9, n.d.:17–18). The developers then argued that a 15% re-provision of

employment floorspace on the site was acceptable since “it is proposed that the employment floorspace will be offered as affordable workspace, which will be provided at a reduced rent” (p. 18). They further argued that B1 use “is considered to be the most appropriate use for this element of the scheme” since “the low level of disturbance associated with this use class makes it compatible with the proposed residential element of the Development and the existing surrounding residential properties” (p.19).

An interview conducted with the developers prior to implementing the development further revealed that affordable workspace was a key part of their argument to secure lower levels of affordable housing, thus increasing the profit potential of the scheme. It also showed that they would not even need to subsidise the affordable workspace component in order for the scheme to meet the Council’s requirements.

It’s not really a high value area, so we wouldn’t have been able to get much for commercial in that area anyway. The Council put a cap in the S106 on what we could charge; I think it was between £5 and £10 psf. We wouldn’t have been able to get much more in that location anyway. And it facilitated planning. We were also able to negotiate 33% affordable housing on the scheme, which is less than the 50% normally required.

Thus the developers saw the provision of affordable workspace, to comply with policy, as an opportunity to secure planning permission for a change of use and negotiate lower levels of affordable housing. They did not see it as a financial burden, since it would have minimal impact on rental income. The scheme, implemented in 2009, was fully occupied by 2011, but the developers had not partnered with a workspace provider. The residential component of the scheme overlooks Paradise Park and the River Lea and is kept separate – with the use of a locked gate – from the commercial components that occupy the heritage buildings on the site. Although the short telephone interview granted with the developers did not allow for these issues to be thoroughly explored, observation of the completed development suggests that the developers fully exploited the potential of the site, ensuring that the heritage buildings required to be retained were occupied and that the residential component could benefit from the site’s prime characteristics and not be de-valued by its commercial elements. Certainly the marketing material for Paradise Dock (Vision Homes, 2008) did not mention the commercial element of the scheme, let alone its ‘affordable’ nature.

3.2.5. Mosaic Homes: Oak Wharf

It was not possible to obtain an interview with the developers for Oak Wharf, Mosaic Homes. However, the Employment and Marketing Report and Planning Statement prepared to accompany the planning application provide an insight into their motivations and views on the affordable workspace.

The Employment and Marketing Report (Nelson Bakewell, 2005) described how Oak Wharf was used as a timber yard for approximately 80 years, employing some 20 people at its peak in the 1950/60s. The business ceased trading and the property became vacant in February 2004. Since then, the property was marketed as a commercial development site for over a year, with no sale achieved. Oak Wharf was not a recognised commercial location and several local agents indicated that the combination of poor public transport links and surrounding residential uses made it an “unrecognised and unpractical location for new commercial space. . . However, opportunity may exist for small-scale development which would be marketed specifically for small businesses and cottage industries who during their formative stages prefer to work from home or close to home. In this regard location and transportation will therefore not be an issue” (p.9). This indicates the owners were having trouble marketing it as a commercial site and were therefore required to look at a mix of alternative uses. The report estimated that Oak Wharf would achieve only 75% of the average market rental for new warehouse units in the borough and only 50% of the rental for new office units and that this has been a deterrent for potential commercial developers. As such, it acknowledged that “due to its location a rental discount may have to be provided as an incentive to lease the space” (p.9).

In the introduction to the Planning Statement, the developers listed “providing affordable start-up workspace” (FirstPlus Planning, 2005:5) as one of the key benefits of the redevelopment to regenerate the area. They argued that redevelopment of the employment land for mixed use is appropriate since (a) the site was derelict and vacant, (b) there was a lack of demand for commercial use on the site due to its location and access, and (c) the Employment and Marketing Report showed that “the only form of employment use that can be sustained on the site is small scale employment space offered at below market rent” (p.18). Enabling residential development was, however, required in order to offset the cost of the employment space (p.19).

In the developers’ description of the proposed scheme, it stated that the employment use, mostly flexible start-up workspace, was designed as a

two-storey mews-style development linking the three residential blocks “to encourage the integration of the employment and residential parts of the development. . . The integration of affordable workspace in this way is intended to provide continual activity and vitality to the development and the commercial element will be a back drop to the residential part of the site” (p.20). This suggests the affordable workspace is integrated into the design and that it is considered to be of significant benefit to the scheme’s overall success. However, observational evidence suggests otherwise. The scheme was completed in summer 2009, but the commercial units were still unoccupied in January 2011 and being marketed as a single unit on the open market by commercial agents, Currell, who confirmed that the space would not be let as flexible space to smaller occupiers, and there was no mention of subsidy.⁴ It appears that, in this case, the proposals for affordable workspace in the planning application were purely a tool to secure planning permission for a change of use.

As an appendix to the Planning Statement, the developers attached a summary of meetings and telephone conversations with council officers and other agencies between February 2004 and November 2005. This information provides an insight into the negotiations between the local authority and developer on the provision of affordable workspace and suggests that the Council was the main driver behind the affordable workspace proposals. In the first three meetings (February to July 2004), the developers’ summary of the discussion suggested that the Council was open to mixed-use on the site, but that it insisted on the development being ‘employment-led’, i.e. comprising at least 50% of the total floor area. It was not until a meeting in March 2005 that the Council indicated it would require some affordable units on the site. In April 2005, the Council suggested there may be some European funding available and that subsidy should be made available to a provider or individual businesses through regeneration or other funding agencies. By August 2005, the Council stated more categorically that employment was a big issue and it “can only accept [a] net loss if affordable employment space [is] provided”. It was not until November 2005, a month before the developer submitted the planning application that the draft S106 for affordable workspace was mentioned and the Council agreed to send a copy to the developer’s agents.

Although the indications are that the developers ‘came round’ to the idea of embracing affordable workspace on the site as the only viable commercial use there, the observational evidence now that the scheme is complete suggests that the proposals for affordable workspace in the planning application were primarily a tool to secure planning permission for a change of use. There may have been attempts to secure workspace providers that have not been made public. Certainly the timing of the completion of these schemes during the recession may have meant that the developers were struggling to meet other commitments in the S106 that possibly had higher priority, and the Council was in a weak negotiating position. However, the fact that the developers did not respond to requests for interview means that it has not been possible to ascertain the full story.

3.2.6. *Sheinman & Sheinman: Well Street*

A family-run enterprise, Sheinman & Sheinman, were the owners of the Well Street site since before the Second World War. Until the 1990s, the site was mostly used for clothes manufacturing. In the early 2000s, the owners looked at options for redevelopment since the building was achieving low rental income and was considered a management liability. Commercial redevelopment of the site did not stack up financially, and the Council would not accept a change of use or loss of employment floorspace if cross-funded by private residential housing. As a result, they prepared a proposal with Islington & Shoreditch Housing Association for 100% affordable housing on the site. According to the Director, the Council insisted on including affordable workspace on ground and first floors as well, and would not accept market commercial space in the scheme. The owners were reluctant to accept this, given the amount of affordable housing they were putting on the site, but they agreed to the Council’s demands since they “were worn down by this stage”.

The fact that the developers reluctantly agreed to the affordable workspace in the scheme is consistent with the presentation of the scheme in the marketing leaflet, where it was simply described as consisting of 47 residential units and 1 commercial unit (Kind & Company, 2010), with no mention of the ‘affordability’ of units. Following an agreement to include affordable workspace in the scheme, the developers claimed that the Council did not help them to secure suitable tenants, despite the S106 agreement referring to a list of organisations that should be provided by the Council to the developer. They insisted that the Council referred only one workspace provider, Acme, who was not

⁴ Personal communication from agent at Currall Commercial, 27 January 2011.

interested. Subsequently, they were referred to the inward investment agency, Invest in Hackney, who put two further names forward. Of these, Hackney Voluntary Association expressed interest but was unable to take the lease as it could not secure a grant. Although the scheme was completed in 2008, by 2009 the developers had still not found suitable tenants. The same year they sold the site on and the new owners were not required by the Council to implement affordable workspace as the six-month clause had expired.⁵ At the time of writing, the commercial workspace was occupied as a single unit by a building and maintenance services company.⁶

In this case, it is clear that the developers saw the provision of affordable workspace in its scheme as a burden and the outcome has clearly been unsuccessful from the point of view of delivering affordable subsidised workspace. One can only speculate on the factors influencing their perspective, but it appears that the requirement to provide affordable workspace was imposed on the developers relatively late in the planning application process, after they had devised a scheme with affordable housing providers, who do not have commercial expertise. As a family run enterprise with little track record of development, and no expertise in either the residential or commercial development sectors, they did not have the experience and/or perhaps resources to respond to the Council's requests effectively. As the original owners of the site, their interest was in securing the highest possible value for the site and then selling on, retaining no ongoing interest in the building from either an investment or management perspective.

3.3. Inherited planning permission

Two of the developers of the case study schemes in the research inherited a requirement to provide affordable workspace in their schemes, through purchasing a site which had the benefit of planning permission. Both developers saw the affordable workspace policy as a burden imposed upon them by the local authority and this has undermined or looks likely to undermine the success of the schemes. Again, the reasons for their perspectives are considered below, as well as the factors that have influenced their perspective.

3.3.1. McCabe: Eagle House

Established in the 1970s, McCabe originally made their name as housebuilders in Ireland, but now have a UK portfolio and actively market themselves as developers of a diverse project portfolio including mixed use, commercial, industrial, retail, educational, leisure, and healthcare (McCabe, 2012).

McCabe inherited the requirement to provide affordable workspace at Eagle House, when they purchased the site in 2007 from the previous owners, which already benefited from planning permission and a signed Section 106 agreement. The Director of McCabe claimed he was unaware of the implications at the time of purchase:

When we bought this scheme, this is the document we bought it on; it doesn't actually mention affordable workspace. It just says workshops. Does that mean it can't be offices?

The situation was made worse by the discovery of a flaw in the wording of the S106, which implied that a rent of £9.54 psf was both the rent to be charged by McCabe to the workspace provider and the rent chargeable by the workspace provider to its tenants. McCabe were in discussion with three separate workspace providers, but were struggling to sign a deal. Under the terms of the S106 agreement, the workspace provider would only be able to take on the space if the developer paid all the additional costs of fit-out and service charges. McCabe was unwilling to agree to these terms since they would not normally pay for these costs on their commercial space let at market rates and therefore negotiations fell through. According to the Director of McCabe, Hackney Council requested that the space be advertised at this rent. "The way the financial market is at the moment. . . it would suit me if I could get a tenant there for £9.54 at the moment, to be honest with you, because it's a part of my building gone that I do not have to try and get it rented". This suggests that it was not the letting of space at a discounted rent that was seen as the major burden for the developer, rather it was the fact that it did not seem possible to sign a tenant at all and there was a perceived risk the space would remain empty.

On the other hand, there was an opt-out clause in the S106, which stated that if they could not close a deal within six months, following sufficient advertising, then the workspace could revert to market rate (London Borough of Hackney, 2006: Para 4.3.5). Following unsuccessful negotiations with the workspace providers put forward by Hackney, the Council insisted that the developers advertise the space, which McCabe approached reluctantly:

⁵ D Sheinman (2011) *Well Street* [Email], Message to Jessica Ferm, 25 January 2011.

⁶ Site visit, 22 January 2011.

So what I've got to do now, I've been told, is advertise it again. I didn't advertise it before because we're not ready. So I've got to advertise it and then if the people come in and say the exact same thing, then I've got to go back to Hackney and say 'thank you very much, I've done what I can and nobody wants it, we'll have it back please'.

The developers' comments also revealed their lack of knowledge of the local commercial market in Hackney:

So presumably one would have to advertise within the borough. Where one would advertise in the borough, I have no idea. Hackney Gazette? I don't know where else you'd advertise. But I'll give it to an agent, I'll give it to Stirling Ackroyd who are being taken on to market our commercial bit...

Conversely, he appreciated the aims of an affordable workspace policy and the local authority's aspirations, and they were willing in principle to work with the local authority to achieve it.

In principle it's a reasonable scheme but it needs to be sorted out and put into a proper format so that it's not as ambiguous as it is. See I've no problem putting a painter in there or an artist or a poet or whatever you put in there, I don't know, it's no problem to me. But I've got to have my £9.54 at least. I can't give it for nothing.

Moorfields Eye Hospital, who were already committed to taking some of the commercial space in the development, expressed an interest in taking the affordable workspace: "I'm sure Moorfields would love an extra 10,000 sq. ft. at £9.54", but he emphasised "it's not in the spirit of things really". So the impression is that McCabe would like to appear willing and go with the 'spirit' of the policy. However, additional comments made during the interview indicated that they had no motivation of their own to include affordable workspace or small businesses in the development and the affordable workspace was not seen as contributing positively to the scheme overall.

Upon purchase of the site, McCabe made a decision to co-locate the affordable workspace with the affordable housing in the least desirable part of the rear, retained building, claiming this was because there were benefits of low service and maintenance charges for both types of users:

If somebody's going to come in at a £9.54 rent, they don't want to be in the middle of our tower where their service charges are going to be colossal. If they're in the other building, then their service charges are going to be reasonable...

This raises service and maintenance charges as an issue that could become a problem for the effective implementation of affordable workspace policies, especially if it is anticipated that the affordable workspace would be co-located with commercial workspace. In addition, this also highlights how McCabe did not see the affordable workspace occupiers as anchor tenants that are likely to attract other commercial tenants or as a positive feature of the scheme that could help to market the private residential component. Rather the affordable workspace has been placed away from the core of the development. Furthermore, McCabe were reluctant to divide the 1000 m² of space into ten units for small businesses, as requested by the Council, because this was not something that was stipulated in the S106 and is costly.

In this case, there are a number of factors influencing McCabe's perception of the affordable workspace as a burden: the fact that they inherited the requirement from previous owners and therefore did not witness the planning benefits secured as a result; that the S106 agreement was flawed; that they purchased the site based on calculations that assumed they would be achieving market rents for all their commercial space; and a lack of knowledge about the local commercial and small business market. This meant that although they sympathised with the Council's aspirations to secure affordable workspace, and were keen to meet the Council's requests to build a good relationship with them, there was little motivation to make it work from their own perspective.

3.3.2. Findon Urban Lofts: Richmond Road

Findon Urban Lofts are residential-led developers of Richmond Road and have been described as a 'boutique developer' (Young Group, 2008). It is a family business, with its origins in Israel, specialising in developing contemporary London based apartments, with commercial components, in regeneration areas of London.

From their marketing material, including the webpage and brochure for the Richmond Road development, it is clear that the artistic heritage of the building, and the fact that it was previously home to a gallery and artists' studios, was central to the marketing theme. On the website, the development was given the name, 'Arthaus'. It is described as having "a unique creative heritage" being a former art gallery, and that its "creative reputation is set to be enhanced by this very individual, mixed-use development" (Union Developments, 2009). The extract from the developers' online brochure also refers to its previous use as an art gallery and that it has "been redesigned to provide artists and designers with

working studios” and that “it is still a focus for creativity” (Union Developments, 2009).

When the Chief Executive was interviewed, a different picture emerged. The requirement for affordable workspace was something the developer inherited from the previous, consented scheme, which was granted permission on appeal. Contrary to the impression that artists’ studio space would be central to the development, he insisted that Space Studios, who were the previous tenants in the building and who were expecting to be guaranteed replacement workspace, would not be tenants in the new development. He argued that the S106 is fundamentally flawed in that it allows the developer to let the space to an intermediary – the workspace provider – who is then not obliged to sub-let the space at subsidised rates, rather they can then sub-let it at market rent. Unless local authorities are willing to offer concessions – for example allowing the developer to build an extra storey in return for providing affordable workspace – then he insisted he will not provide it. Furthermore, he emphasised that the developer needs to buy into the concept, in order to make it work:

If they want a developer to actually want to give them affordable workspace, they need to give something in return. . . because it’s too management intensive. If the developer doesn’t buy into it, who’s going to make it work? . . . Say I have 15 tenants, altogether paying me £30,000 a year. And I need to manage them and the mess that they create. Can you imagine me having this whole hassle? I might as well leave it empty. The management probably costs me half.

The Chief Executive was unapologetic about the profit-making motives of his company: “My ethos is just to make money. So I’m a total greedy developer”. Contrary to the impression given in the marketing material, the commercial component of the development is predominantly to be a Grade A office block, with rents of approximately £30 psf, significantly higher than any other offices in Hackney. He emphasised that he works on the assumption of very high profit margins, even if he is required to show lower margins to comply with policy.⁷ “So all the day I’m busy manipulating figures. That’s what I do all the time. Showing that the construction costs are higher and my sales values are lower”.

This is undoubtedly the starkest example of how developers and local authorities need to work together with a common purpose if affordable workspace is to be delivered effectively. Imposing a requirement on a developer who has no incentive to implement affordable workspace and does not believe in its purpose is unlikely to lead to results. In this case, the affordable workspace was seen as an imposition by the local authority on the developer, who had inherited the requirement from a previous planning permission. Rather than reluctantly accept the requirement, this developer chose to exploit the legal loopholes and avoid delivering affordable workspace. This approach was not apparent in the original marketing material for the scheme, which gave the clear impression that it has been designed with the artists’ studios at its core. The developer was therefore opportunistically exploiting the concept of affordable workspace for the company’s own benefit, with no intention to deliver the outcome required by the local authority.

3.4. Summary of findings and reflections

The summary of findings (see Table 2) illustrate the relationship between developer type, the origins of affordable workspace (A/W) proposals, the developers’ perspectives (gleaned from interview as well as evidence such as the integration of A/W into scheme design, and whether or not it featured in the developers’ planning statements and marketing materials), and the outcome of the development (whether a workspace provider was secured and subsidised workspace delivered). The findings clearly show that it is not possible to generalise how developers (as a unified category) perceive the policy. Rather, there is wide variation between developers in their attitudes and approaches to delivering affordable workspace. It is also difficult to predict what a developer’s perspective on affordable workspace will be based on their characteristics. There are, however, some commonalities between developers’ motivations, which inform their attitudes on particular case studies, and these will be explored.

In terms of the wide variation of perspectives, two developers saw the wider regenerative and place-making opportunities of providing affordable workspace, and two saw it only as a burden. The remaining six fell in-between, seeing the provision of affordable workspace within their schemes primarily as a tool to secure planning permission. Within this group, there were some who – over time – came to see that there could be benefits (primarily financial) of placing

⁷ In order to show compliance with the London Plan’s affordable housing policy, developers are required to show their development calculations by using the GLA’s affordable housing toolkit.

Table 2
Summary of findings on developers' perspectives.

Developer	Type	Origins of A/W proposals	Perspective on A/W	A/W integral to scheme?	Used in marketing material?	Used in planning statement?	Workspace provider secured?	Delivers subsidised workspace?
Telford Homes	Residential Developer-investor National Young	Developer, and its early partnership with workspace provider	Opportunity – integral to the marketing of the scheme as an ‘artists quarter’, planning and financial benefits.	Yes	Yes	Yes	Yes – Acme Studios	Yes
Workspace Group	Commercial Developer-investor Regional Mature	Developer (in its capacity as workspace provider)	Tool to secure planning permission, sees opportunities of providing affordable workspace according to its own business model, but does not aim to subsidise workspace	Yes	N/A	Yes	Yes – Workspace Group	No
Unite Group	Residential Developer-investor National Established	LA – through planning negotiations (early)	Tool to secure planning permission, but sees potential opportunity of synergies between creative industries and students, planning and financial benefits	No	No	No	Yes – Centa	Yes
Aitch Group	Mixed R/C Developer-investor Regional Established	LA – through planning negotiations (early)	Tool to secure planning permission but sees potential opportunities of having young designers on the site	No	Partly	N/A	Yes – Aitch Group	Unknown
Firstbase	Residential (affordable) Developer-investor Regional Young	LA – through planning negotiations (early)	Tool to secure planning permission and financial benefits	No	Partly	N/A	Yes – Shoreditch Trust	Yes
Phoenix Logistics	Residential Regional Established	LA – through planning negotiations	Tool to secure planning permission – potential burden	No	No	Yes	No	No
Mosaic Homes	Residential Developer-investor Regional Young	LA – through planning negotiations (late)	Tool to secure planning permission – potential burden	In design terms only	No	Yes	No	No
Sheinman & Sheinman	N/A Developer-dealer (was landowner) Local Young	LA – through planning negotiations (late)	Tool to secure planning permission but a ‘burden’ – no help from LA finding workspace provider	No	No	No	No	No
McCabe	Mixed Developer-investor International Mature	Inherited scheme	Burden – problems with S106 wording on workspace provider, financial burden	No	N/A	N/A	No	Unknown
Findon Urban Lofts	Residential Developer-investor Regional Young	Inherited scheme	Burden – Management and financial burden, no concessions from LA.	No	Yes	N/A	No	No

affordable workspace in their schemes in places that were not viable for other uses. There were others who proposed affordable workspace in order to secure planning permission, but never delivered subsidised workspace in the spirit of the policy.

Although there is this wide variation, developers were commonly shown to be driven by (1) obtaining planning permission, (2) development viability, (3) marketing or achieving sale of the residential component of their schemes, and (4) their reputation and relationship with the local authority. The question is how do these underlying motivations translate into different perceptions of affordable workspace in the chosen case studies? The findings show that the way the affordable workspace proposal emerged has some correlation with developers' perspectives. For example, if a developer initiates the affordable workspace proposal, or the requirement is made clear early on by the local authority, then the developer is more likely to see it as an opportunity. This is because it has the opportunity to (a) have early discussions with the local authority to understand how the proposal might help them to secure planning permission, (b) factor in the affordable workspace at an early stage into development calculations, and (c) choose a workspace provider partner that will complement the overall development and enhance sales. Therefore, schemes that appointed workspace providers and delivered subsidised workspace were more likely to have been negotiated early. In contrast, if the requirement emerges late in discussions, or is inherited from a previous planning permission, then the developer is more likely to see the requirement as a burden and the outcome is unlikely to be successful.

Where enthusiasm for affordable workspace exists, it was closely linked to the types of occupiers of the affordable workspace; artists or creative workers. This provides support for the hypothesis that developers who embrace affordable workspace policy do so because they believe that signals of creativity can generate rent and revenues and that they are not simply reluctant partners in delivering public good (Logan & Molotch, 2007). Findon Urban Lofts did use the concept of affordable workspace extensively in their marketing material, although they clearly saw the provision of affordable (subsidised) workspace as a burden and did not deliver it within the scheme at all. This suggests that there is scope for developers to exploit the concept of affordable workspace in terms of its signal to creativity, in order to enhance sales, without the intention of honouring its delivery.

It is more difficult to draw conclusions about the type of developer and how this influences either its

perspective on affordable workspace, or the outcome. This is because of the small number of case studies considered in the research and the fact that affordable workspace policy comes into play primarily on large residential or mixed-use applications. Developers therefore tend to be residential-led and there was only one 'local' developer (previous landowner) – the others operated at least regionally across multiple sites. Therefore, conclusions cannot be drawn from this research about the influence of the geographical focus of the developer nor the developers' stage of maturity – although this does not mean that these could not be factors. Some observations can be made about the sectoral focus of developers. Although residential-led developers were represented in all three categories of perspective, there did appear to be some commonality between the two commercial developers. In both cases, the affordable workspace helped to achieve planning consent and the developers put themselves forward as the workspace providers for the schemes, showing that they saw the opportunities presented by the provision of affordable workspace in policy terms. However, both were reluctant to allow the local authority to dictate the terms of the S106; they were especially resistant to caps on the rental levels and believe that the best way to achieve affordability for small businesses is to provide flexible accommodation and lease terms.

The final question is whether or not a description of developer character – as 'pioneer', 'pragmatist' or 'sceptic' as suggested by Payne (2009) – is helpful here. Certainly, describing some developers as pioneers captures, for example, Telford Homes' proactive approach to accommodating affordable workspace within their mixed use proposals. In terms of causality, it is the developers' character that led it to initiate affordable workspace proposals. Those who saw affordable workspace as a burden in their development could also usefully be described as 'sceptics' and it may be that these developers are inherently more cautious in their approach. However, the case studies show that to some extent all the developers adopt a pragmatist approach, taking into consideration the four factors considered earlier. Whether, in practice, they embrace affordable workspace or are sceptical about it might be also due to the particular circumstance of that development, and the way the affordable workspace proposal emerged. It might also change over time, as they become more familiar with the policy and the way in which they can design their development to accommodate affordable workspace. Certainly, in the case of Unite Group at Arundel House, the findings show how this developer's perception of affordable

workspace changed over the course of discussions with the council, and their experience of implementing it. Thus, whilst they could legitimately be described as more pragmatist on this occasion, they might well be more pioneering in the future. A further distinction was made by Goodchild and Munton (1985) between ‘active’ and ‘passive’ behaviour (in this case referring to landowners, but could be applicable to developer behaviour too). This helps to distinguish between developers who are proactively incorporating affordable workspace in their proposals and helping to shape policy (Telford Homes and Workspace Group), in contrast to the majority, who are more passive and only deliver affordable workspace when policy acts upon them. Again, however, this fails to capture the dynamic nature of developers’ attitudes and approaches towards delivering affordable workspace, which could be an interesting area for further consideration.

4. Workspace providers’ perspectives

In the 1980s and 1990s, the workspace provider market in the UK was dominated by the public sector and voluntary organisations (Chalkley & Strachan, 1996), but today it is much more diverse. It includes many private operators, as well as a variety of not-for-profit organisations, including charities and social enterprises. At the same time, the public sector has assumed a less direct role in the funding and management of managed workspaces. However, its interest in subsidising workspace as an economic development tool remains strong, as illustrated by the emergence of affordable workspace policies in planning documents.

The new policy context means that instead of one party (the public sector) being primarily responsible for the refurbishment of buildings, as well as their funding and management, now there are three parties involved. The local authority retains an interest through its role as planning authority, the space is delivered by developers through new build schemes (instead of refurbishment), and it is then operated and managed by workspace providers. In addition to its management role, the workspace provider provides developers with the specialist expertise required to deliver small business workspace within their developments, as well as access to a pool of potential occupiers (often on a waiting list), providing evidence of demand and certainty for developers. It acts as a bridge between the state and the developer, providing access to a pool of tenants that are ‘in need’ of affordable workspace and delivering ‘affordability’ on behalf of the Council.

Thus, the workspace provider’s role is pivotal, yet we know even less about them than we do about developers. Through exploring their perspectives on affordable workspace and their experiences of managing it, this chapter provides us with some insight into what motivates workspace providers and how their organisational models work. It explores the implications of their organisational models for their perspectives on and interpretations of affordable workspace, and how these in turn influence policy outcomes, i.e. who are their target tenants and are they delivering affordability? These questions provide us with the crucial insight into who is benefiting from affordable workspace policy and allows us to reflect on whether or not policy is supporting economic development.

This chapter is structured according to three categories of workspace providers:

- commercial (Section 4.1),
- not-for-profit, catering for artists (Section 4.2),
- and not-for-profit, catering for small businesses (Section 4.3).

The distinction between commercial and not-for-profit is made because local authorities themselves have made that distinction, and in some cases have requested that developers partner only with not-for-profit workspace providers. A further distinction between artist studio providers and other managed workspace providers catering for small businesses is made since they have different origins. The perspectives of the four workspace providers that partnered with developers on our case studies are complemented with a further four workspace providers that are not partners in mixed use schemes with affordable workspace.

4.1. Commercial workspace providers

This section features the only commercial workspace provider in our case studies, Workspace Group. It is the largest provider of workspace for small and medium sized enterprises in London, and as a public limited company (PLC) has a responsibility to deliver profit to its shareholders. The implications of its business model for its perspective on and interpretation of affordable workspace, its target tenants, its ability to deliver affordability and its view of affordable workspace policy are considered. Two further commercial workspace providers that were not partners in any of the case studies are considered more briefly in this category in order to draw comparisons and conclusions. These are Greater London Enterprise Property, which caters to small and

medium-size businesses, and the Ethical Property Company, which caters to voluntary sector organisations.

4.1.1. Workspace Group

Workspace Group was established in 1987 through the privatisation of the former Greater London Council's industrial property portfolio, with only 400 tenants ([The Wall Street Transcript, 2005](#)). Since then, it has grown to become the leading provider of workspace for over 4000 new and small businesses in London and the Southeast ([Workspace Group, 2009](#)). It has built its portfolio over the years through the growth of rents achieved on the management of its stock, leading to improved valuations and the ability to acquire new stock. By acquiring properties in areas of change, it is able to achieve both rental and long-term capital value growth ([Workspace Group, 2009](#)), thus it has little interest in keeping its rental levels low for existing tenants or retaining the status quo on any given property in its portfolio.

Workspace aims to provide a competitive product in terms of price, the quality of accommodation and the nature of the lease ([Workspace Group, 2009](#)). According to the company's Development Director, Workspace's target customers are small businesses with less than 20 employees who are in their second stage of maturity, i.e. about 4–5 years old. Although there are some start-ups, Workspace does not market itself as an incubator and does not provide additional business support. Within the market, it sits between incubators and serviced office providers. Workspace describes itself as 'no frills'; it provides simple basic workspace to businesses that are conscious of their overheads. The flexible leases also make its properties attractive to young or lower turnover businesses. Workspace offers three-year leases with the opportunity to break with three-month's notice. New tenants are required to provide proof of identity and three month's rental deposit. No further criteria, personal guarantees or business plans are required as a condition of entry. The Development Director claims that these "easy-in, easy-out" terms means that Workspace generally gets very low debts; businesses that cannot afford to pay the rent will leave and be replaced by a new business. This business model works even in uncertain economic times, when businesses tend to look for flexibility. This was confirmed by articles in the commercial press which confirmed that despite falling values and difficulties facing small businesses in the recession, Workspace Group survived better than most property companies with commercial portfolios ([The Times, 2009](#); [The Telegraph, 2008](#)).

Wandsworth Business Village was acquired by Workspace Group relatively cheaply at a time when industrial uses predominated in the area. Since then, land values have risen significantly providing an incentive for the company to expand its role in property development and upgrade the site. Redevelopment provides an opportunity to attract higher quality tenants and charge higher rents:

We had a site that was designated for employment use. We had buildings there that were reaching the end of their natural life. There were two ways forward; one was to patch it up and hope for the best. But eventually it drives itself down and from attracting good quality tenants who are there because they like the location and because it's a good image for them... you'll be attracting tenants who are there because it's dead cheap. And they generally are not the best types of tenants to have. I'm not saying that you should ignore them, because there's a place for them, but the place is not necessarily in a high value area like Wandsworth.

This shows that Workspace Group's motivation is not to provide the cheapest possible workspace to businesses that are most in need. The fact that it takes advantage of opportunities to increase its rental revenue stream is consistent with its status as a public limited company with responsibilities to its shareholders. Although the planners required Workspace Group to offer space in the new building to existing tenants following the redevelopment, the Development Director explained this is unlikely to happen in practice. Businesses will necessarily have moved on to alternative premises during construction and are unlikely to want to move again. Further, the rents will no longer be affordable for these tenants:

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 redevelopment will lead to more expensive workspace, displacing previous tenants and providing an opportunity to upgrade the quality of workspace and attract new, higher-value tenants, willing to pay higher rents. The fact that Workspace Group is promoting the

redevelopment as a “modern business centre providing flexible, affordable business units” (Workspace Group, 2008) raises the important question: for whom is it affordable? Affordability is a relative term; what is affordable for some businesses (in this case high value creative or knowledge based businesses) is not affordable for others (the existing tenants).

In Wandsworth, Workspace Group was able to use the existence of affordable workspace policy at the regional London level to its advantage, helping it to justify redevelopment of a site that was decreasing in value. However, it only worked because the local authority did not have a policy on affordable workspace that required the developer to subsidise the workspace. In other locations, such as Camden, Workspace Group has found that the existence of affordable workspace policy in the area is actually a threat to its existing operations. As a commercial operator, it is not able to subsidise its workspace, therefore it cannot compete with schemes in the area that have benefited from affordable workspace policy. Which leaves us with an important question: does affordable workspace policy undermine the work of commercial providers whose core business it is to provide flexible workspace for small businesses?

4.1.2. Other commercial workspace providers

Two further commercial workspace providers were included in the research. The first was Greater London Enterprise (GLE) Properties, which is the property arm of the economic development company, GLE Group, owned by the 33 London boroughs. In general, it operates commercially without public subsidy and has developed over two million square feet of workspace accommodating over 950 small and medium-size business tenants (Greater London Enterprise, 2009). In the case of Waterfront Studios, GLE’s largest business centre in east London, the site was owned by the public sector which secured £1m European grant funding for capital works to add to GLE’s £6m investment. The second was the Ethical Property Company, set up in 1998 to lever ethical investment into property. It raises capital through issuing shares, which are reinvested into property; the buildings are then converted to provide workspace for organisations that promote social change, including the charitable and voluntary sector, and social enterprises.

Both companies claim to offer affordability or ‘good value’ for their tenants through the provision of good quality flexible space with short, flexible lease terms and cost savings through the provision of communal facilities and services, co-location of similar organisations and high occupancy rates. With a similar model and approach

to Workspace Group, they offer value for money and flexibility, rather than aim to provide workspace at the bottom of the market. As commercial providers, they are required to focus on profit and cannot subsidise space or substantially undercut the market; this is the case regardless of whether their tenants are businesses, or charities or voluntary sector organisations.

Similar to Workspace Group, GLE Property does not cater specifically for start-ups. At Waterfront Studios, it focuses on more established businesses in order to ensure income security, although it rents some space to an incubator that independently provides business support services. In November 2008, at the time of interview with the manager of Waterfront Studios, rents averaged £23 psf for business centre accommodation and £8–9 psf for the light industrial units, and the complex was 80% occupied. He explained it is always a question of balancing occupancy and cost, therefore future prices might drop in order to boost occupancy. However, he emphasised that Waterfront Studios was likely to continue to do well, even in a difficult economic climate, since they have very few competitors in the area and businesses are often looking for flexible leases in uncertain times.

Does affordable workspace policy provide future opportunities for either company? GLE traditionally only gets involved in large stand-alone business-centre schemes. They did consider partnering with McCabe, the developers of Eagle House, but it was ultimately unattractive to them as a business proposition. Firstly, it was unclear from the S106 whether or not the workspace provider could sub-let at a higher rent than the price they pay for it. Secondly, the accommodation consisted of “deep and dark space which will not readily divide into smaller units” on basement or ground level. Finally, they were not allocated parking and there was no lift.⁸ They had also been approached by developers who had been unsuccessful in securing planning permission for large mixed-use schemes. One of GLE’s consultants believed they were being approached in order to act as broker between the developer and the Council, due to their relationship with the London boroughs.⁹ The Ethical Property Company is perhaps even more constrained in its potential to partner with developers on mixed-use schemes with affordable workspace, given the high environmental

⁸ Unpublished paper by Kevin Joyce, GLE Consultant (2008) – ‘Affordable workspace and S106 Agreements – Getting it all wrong’. Provided in person 2 September 2008.

⁹ Personal communication, Kevin Joyce, GLE, 2 September 2008.

standards and specifications it is required to deliver in order to meet its ethical property commitment. Certainly, they have run into difficulties in the past when they were offered space through a S106 contract in a new building, but where there had been no early consultation with them on their requirements for the building and this proved costly to install at a later date. The opportunity presented by affordable workspace policies for both companies is therefore as yet unknown.

4.2. Not-for-profit artist studio providers

This section focuses on the artist studio provider, Acme Studios, which was the workspace provider in two of the case studies in the research, the Former Lesney Toy Factory and 150 High Street Stratford. Another large artist studio provider in London, SPACE Studios, is also considered, in order to assess whether generalisations can be made about artist studio providers from the Acme case. In contrast to commercial providers, not-for-profit providers often have a remit to help certain sectors (in this case, artists) and they may have access to grant funding, which can be used to pay for capital refurbishment works. They are not required to generate a profit and do not have financial responsibilities to shareholders, therefore arguably we would expect they are able to deliver comparative affordability.

4.2.1. Acme Studios

Acme is a charity that grew from a collective self-help initiative in the 1970s and has grown to manage over 400 studios in 12 buildings throughout east and southeast London (Acme, 2011a). The Director of Acme explained that their philosophy has always been to cut costs for artists and find ways to deliver studios more cheaply than anyone else: “We are the cheapest of the cheap”. Their average inclusive rent for studios in 2011 was £9.44 psf or £197 a month for a 250 sq. ft. studio (Acme, 2011b), approximately a third of comparable average rents in the commercial sector (Acme and Capital Studios, 2006). To be on Acme’s waiting list, you have to be a non-commercial fine artist deemed to need charitable support. The Director acknowledged the difficulty of means testing and how to determine whether an artist is ‘in need’ or not, however, this is the charity’s stated aim.

Acme’s original model was described by its Director:

The old way of doing things was very much to find an old building that no one else wanted, to throw a little bit of money at it to convert it more or less okay into

studios – cheap and cheerful – and rent them out to artists who didn’t pay a great deal of attention to looking after the building. In any case it was only for a five-year lease and in any case along came developers and kicked you out anyway. And off you went to find something else. And that’s the classic story.

Acme claims that artists do the hard work to convert difficult, hard-to-let properties, helping to reduce crime and vandalism and acting as a catalyst for the revitalisation of areas (Acme and Capital Studios, 2007:10). The problem with this model is the short lease on these studios. Very quickly, developers come along and take advantage of the creative reputation that particular location has acquired thanks to the artists. And the artists themselves move on to a new property.

In the last fifteen years, two significant shifts were described by Acme’s director. The first is that rising land values and tightened building regulations have reduced the viability for artists to acquire old buildings for refurbishment: “there’s no such thing as a cheap and cheerful conversion anymore”. This makes them especially reliant on existing stock. However, across London, only 9 of 89 studios are on a long lease, with 25% threatened through redevelopment (Acme, 2008b). In addition, building required for the 2012 Olympics led to the loss of a large number of studios. In 2001, Acme alone lost 150 studios at Carpenters Road, at the centre of the Olympic Park (Acme, 2008a). Acme’s argument is that without identifying new, more secure ways to acquire studio space, the charitable studio sector faces a major threat. The second shift – “the Tate effect” – has presented a lifeline for artists. Society’s perception of artists has shifted from something to be ‘planned out’ to something to be ‘planned in’. Whereas previously, artists were displaced in the process of gentrification or regeneration, now many authorities and developers are seeing artists as central to their regeneration proposals. As well as having cultural value, it is acknowledged that they are good citizens, they have pride in the properties and places they occupy, they provide jobs and bring economic benefits. In short, they have become “some kind of metaphor for social reintegration or social regeneration”. This has enabled a new form of partnership working to emerge between developers and workspace providers, whereby artists’ studios are provided through the planning gain mechanism in mixed-use developments.

The first scheme that Acme was involved in was *The Galleria* in southeast London; a partnership with Barratt Homes, providing private housing, affordable housing

and affordable studios. Acme insists that it is important that each scheme stacks up financially without a grant, although they have had access to Arts Council funding which has helped to reduce their borrowing and given them more freedom to consider other schemes. Since then, Acme has partnered with developers on a number of similar schemes, with their involvement facilitated through the planning gain process, enabling them to purchase a long lease on the studios from the developer at approximately half the market value. Acme is therefore gaining significant experience working with developers to deliver affordable studios in mixed-use schemes. They are also actively promoting the new-build partnership model, which provides certainty and affordability in perpetuity, as well as good design and environmental specification, lower running costs and space efficiency. Acme claims it represents one of the few remaining options for artists:

If these partnerships are not realised the sector faces both a reduction in the number of affordable studios overall and many organisations will be forced to relocate further from the centre.

(Acme and Capital Studios, 2007:5)

In both the Lesney and Stratford schemes, Acme was appointed by the developer as the workspace provider early in the life of the project, enabling them to participate in the design of the workspace and negotiations on cost. In both cases, Acme explained that they calculated what they could afford to offer for the purchase of the workspace based on the anticipated rental levels from their tenants. At Stratford, they purchased 15 studios for approximately half the market value. In addition, they provided the developer with a detailed specification of the space that they required and worked with the architects on the design. An early partnership with the developer is one of Acme's conditions for involvement, not only because they require an input into the design and specification, but also because their offer to the developers needs to be in the context of helping the developers to win planning permission.

There are many occasions where Acme has rejected offers of space from developers. This tends to be where Acme has been approached by developers who already have planning permission for mixed-use schemes with a few commercial units, but are unable to let the units at market rate to conventional occupiers. These schemes tend to be unattractive to Acme as they would normally require a minimum of 10 units to make a scheme viable and create the economies of scale required. Furthermore, when developers already have planning permission, Acme is usually expected to take the space

at a marginally reduced rate and the developers are rarely willing to sell a lease for the workspace to Acme at a price that they can afford. In contrast, where developers have been introduced to Acme from the outset, understand the wider benefits that Acme can bring to the scheme, and have based their calculations on Acme's offer, partnerships have been successful.

In Acme's case, affordable workspace policy is perceived as an opportunity to acquire good quality, affordable studio space in perpetuity, whereas they have historically had to rely on short leases in run-down buildings that are threatened with redevelopment. However, this perspective relies on an early partnership being formed with the developer so that Acme has an input into the planning application. For comparison, the perspective of another large artist studio provider in London was sought.

4.2.2. SPACE Studios

SPACE was established in 1968 by artists as an arts and educational charity. It supports contemporary visual artists primarily through the provision of studio space and professional development. SPACE is London's largest artist studio provider, with studios across east and southeast London. It has approximately 600 tenants in 16 buildings, 10 of which are in Hackney. SPACE studio's portfolio underpins its business and activities by providing revenue for a range of grant-funded arts related programmes.¹⁰

In contrast to Acme, SPACE does not have an objective to provide its artists with the cheapest space possible. The Director explained that their most recent customer survey showed that only a third of its tenants considered price to be the most important consideration. For the remaining two-thirds of tenants, the priority was split equally between location and amenities. "There's no one model. Some people actually quite like central heating and alarms and a reception and they'll pay decent money for that. Some people like to be near Shoreditch and they'll pay a premium for that. We have got a building in Barking, but we can't get people out there even though it's dirt cheap." SPACE's experience is that their tenants tend to have a threshold of how much they'll pay rather than how much space they need. Often they would prefer to take on a smaller space rather than move somewhere else.

When looking to acquire new studios, SPACE looks for buildings with good long-term prospects;

¹⁰ Unpublished Word document by SPACE on public benefits for Hackney provided by Chief Executive, 20 March 2009.

ideally 20–25 year leases or freehold properties. Larger spaces are preferable, given that there are cost efficiencies associated with accommodating more studios in one building. However, whereas SPACE used to rely on capital funding from grant bodies to refurbish buildings, this has now almost entirely dried up. This means that they are increasingly moving towards partnership working; partnering with developers on mixed-use schemes being one such example. There are two current schemes with developers in Hackney. One is at Timber Wharf on Kingsland Road, where SPACE approached Shoreditch Trust for assistance with the capital funding for fit-out in exchange for a rent-share.¹¹ The other is at Richmond Road, where SPACE was the previous tenant in the now demolished building and they are negotiating with the developer on taking space in the new development.¹² One of the problems SPACE is encountering in the Richmond Road scheme is that they were never named as the workspace providers on the Section 106 agreement. When the previous owners sold the site upon securing planning permission, the new developers were not legally required to involve SPACE.

If negotiations with developers on mixed-use schemes are successful, the Director of SPACE acknowledged that this model provides opportunities to secure some affordability for a short period (in the case of Richmond Road only five years). Apart from the short length of the lease, there were other problems for SPACE. Developers tend to want clean and quiet tenants: “I remember at planning appeal they were talking about how they’d like a certain type of artist, who maybe worked off laptops or video – as opposed to people with paintbrushes and messy materials. If you’ve got shared access with a posh apartment block, they won’t be particularly happy”. As a result, the workspace tends to be located in the least desirable part of the building: “they tend to tuck you in the back areas, which are by the bins, by the plant and with no light. The bits that they can’t let commercially... taking the bits of the property that have the most security risks”. In the case of Richmond Road, the Section 106 agreement did not specify the size of the units or where in the building they should be located.

In terms of future opportunities, SPACE is looking at the acquisition of some long leases and freeholds. The recession, accompanied by company closures and

abandoned office blocks, once again provided them with the potential to acquire new properties. They are also working with the Adam Smith Institute to improve the profile of live-work: “we should really be dealing with live-work because that’s what people really want because they can’t afford two sets of rent. If you want a critical mass of artists up there [in SPACE’s new scheme in Barking] then they should be living there too.”

SPACE has a similar remit to Acme: it is a not-for-profit charity set up to provide studios for artists. However, there are some important differences, which suggests caution needs to be taken not to assume that their objectives are the same and that they will necessarily deliver the same outcome. Whereas Acme explicitly aims to cater for artists ‘in need’, SPACE’s remit is much wider. Whereas Acme aims explicitly to provide the cheapest possible space for its tenants, SPACE has a broader portfolio and the requirements will differ from property to property. Whilst Acme makes the claim that the new model of partnering with developers on mixed-use schemes is a lifeline for them and there are very few other opportunities available, SPACE is actively pursuing acquisitions of properties left empty following the recession. Acme is taking a much more proactive approach to the opportunities provided by new affordable workspace policies, whereas SPACE is being more cautious and still pursuing other avenues.

4.3. Not-for-profit workspace providers for small businesses

The final category of workspace providers are the not-for-profit providers catering to small businesses. Two workspace providers in the case studies fell into this category: Shoreditch Trust (Canalside Works and Adelaide Wharf) and Centa Business Services (Arundel House). In this category, it is interesting to consider commonalities and differences between both commercial workspace providers and the artist studio providers. A final comparison is made with a not-for-profit workspace provider that is not involved as a partner in mixed-use schemes with affordable workspace, namely Hackney Cooperative Developments.

4.3.1. Shoreditch Trust

Shoreditch Trust was set up in 2000 to deliver a ten-year £60 million New Deal for Communities (NDC) regeneration programme in Hackney. Towards the end of the Government’s funding, the Trust focused on acquiring property assets in Hackney, which was rapidly gentrifying, in order to secure community

¹¹ This scheme did not secure affordable workspace through the Section 106 process and therefore was not included in the Hackney case studies analysed.

¹² SPACE studios was not named as the official workspace provider in the case study analysis for Richmond Road since negotiations were still underway at the time of research.

facilities and develop an asset base and on-going source of revenue for the Trust and its projects (Frith, 2004). By 2011, the organisation was managing over 20 properties for a range of uses, including four properties with affordable workspace (Shoreditch Trust, 2011). Prior to the termination of Government funding, the emphasis on Shoreditch Trust's website was on its succession strategy and long-term sustainability:

In order for the Trust to continue its activity beyond 2010 . . . , the Shoreditch Trust Board developed a succession strategy that includes social enterprise. . . to increase its range of assets which provide an independent source of revenue for the Trust that will help support its community goals way beyond 2010. (Shoreditch Trust, 2008)

Shoreditch Trust's funding context and its need to secure a long-term sustainable revenue source is not compatible with significantly subsidising workspace. Rather it suggests it would have an interest in charging market rates for business space. The two case studies of Canalside Works and Adelaide Wharf explore this issue.

For **Canalside Works**, the Shoreditch Trust and City of London Corporation launched a press release in 2007 describing it as “first-rate but affordable move-on space” and that they anticipate the space will appeal to creative enterprises and financial services sectors who currently struggle to find appropriate space in the City fringes (City of London, 2007). The Shoreditch Property Company website stated that Canalside Works “is designed to cater for the needs of expanding firms in the creative sector” (Shoreditch Property Company, 2008a). The initial take-up rate was slow with two tenants occupying the twelve units a year after the launch. The first tenant was a high profile fashion designer, Roksanda Ilincic, who has a relatively high turnover, has been operating for many years and has several employees. In this case, the company was required to provide three years of accounts and a business plan in order for it to be approved as a tenant.¹³ Such terms would make it difficult for a start-up to take space there, suggesting that Shoreditch Trust was targeting the higher end of the market.

The affordability of the units is questionable. As the Director of the Shoreditch Trust stated: “it was the initial intention that this was to be an affordable workspace development, but what happens in practice is that you have to go with the market.” He indicated this

meant charging about £15 psf. Affordability is clearly something that the scheme has struggled with. The Head of Regeneration at Hackney Council confirmed these problems:

Well they were looking for £20 psf at one point. Now when that scheme was thought through originally, the market was very strong. And the problem with that is that they're relying on high rents and it's not a high rent location. . . . And I remember [the Director of Shoreditch Trust] said to me they were asking for £17 or £18 psf and I said 'you're still a bit off the beaten track there'. So it doesn't entirely surprise me that they haven't managed to let it. It's just too expensive.

The European Grant enabled them to purchase a property in a location that would not have been attractive at the time as an office/studio location on the open market. The aim was to use the relative affordability of the units to attract tenants, which in turn would create a critical mass and attract further tenants. However, the Property Director explained that location is an issue:

The problem is primarily the location. Most potential tenants say they love the space but it's not ideal for clients who are visiting as it's so inaccessible. But now the restaurant has opened on the ground floor and the basement unit has been sold on a long lease to a photographer. So, we've got him and Roksanda [Ilincic] and the restaurant. So hopefully now it will take off. And in two years, we'll get the tube.

Indeed, by early 2011, the scheme was fully occupied with a range of tenants, mostly creative businesses, with one voluntary organisation, one charity and a social enterprise. So their risk paid off.

For **Adelaide Wharf**, the online publicity stated that the workspace is “affordable” and targeted at “start-up creative and design enterprises” (Shoreditch Property Company, 2008b). However, the Trust's Property Director revealed a problem with the economics of the scheme at the time of negotiation on the lease and the resulting affordability to end tenants. He explained that once the space is delivered by the developer to ‘shell and core’ standard, the responsibility for additional on-costs fall to the workspace provider. Although the S106 agreement specified a lease rent to the workspace provider of only £1 psf, in addition to this Shoreditch Trust would need to repay the loan obtained to fund the estimated £200,000 fit-out, as well as pay a £3 psf service charge to the head landlord and costs for maintenance and utilities. He estimated that with a lease

¹³ Personal communication, Roksanda Ilincic, 1 July 2008.

of 10 years, their annual costs would be approximately £95,000. Assuming the net floorspace is 5500 sq. ft., the charge to tenants would be £17.27 psf, but that with management costs included, “it will be considerably higher”. This would mean charging higher than the average market rents in that location. Following these estimated calculations, the Shoreditch Trust managed to negotiate a longer lease on the workspace of 15 years and decided to put grant funding into the project:

The only way that we managed to make Adelaide Wharf work in the end was to put a lot of NDC grant into it to cover capital costs and fees. As a commercial venture, we just didn't think it would work at all.

However, rather than use the grant to make the workspace more affordable for its tenants, it was used to increase the specification of the fit-out from an initial fit-out cost of £200,000 to a final cost of £500,000.

Even if you did a really basic fit-out, the rents we would have to charge would be beyond market rents in that location. But of course, now that all the capital costs are paid for through the NDC grant, we can make it work and make it profitable.

The Property Director explained his decision to spend the grant funding on a higher quality fit-out:

It is going to be a very stylish fit-out. We're aiming it at a very particular section of the market, which is tenants who want a desk space primarily, who want to be in that sort of environment; people who perhaps work at home at the moment, who would be attracted by somewhere really nice to work, where they can interact with like-minded people.

To find appropriate tenants, he appointed a consultant who has “the most fantastic range of contacts in the arts and design world.” However, in the year or so between the initial estimated calculations (February 2007) and the point at which the workspace is ready for occupation (July 2008), the estimated rental to end tenants had increased substantially:

The rental is now likely to be about £70-80 a week. For that, tenants get quite a high quality environment, desk space, storage, bike storage, broadband and telephone, office facilities and generous meeting space, showers. You can get cheaper space – there is a similar scheme in Dalston for £50 per week but it is 'horrible'.

One of the possible reasons for this further increase in rental costs is that the Shoreditch Trust brought in an

additional partner on a profit-share arrangement in order to run the marketing and manage the lettings. In this case, the Shoreditch Trust is simply the head lessee, taking responsibility for the original fit-out and negotiations with the Council and developer, but retaining a minor day-to-day role.

Shoreditch Trust's Property Director acknowledged that they would not be the choice of workspace provider if the objective were purely affordability: “There may be someone out there who could possibly have done a really cheap fit out, perhaps someone like Space Studios, but that's probably the best that the Council could have hoped for”. Therefore, it is clear it is not geared up to, or interested in, delivering workspace at the bottom end of the market; the main reason being the type of tenant it is seeking to attract and the quality of workspace it perceives is required in order to achieve this.

Even though the Shoreditch Trust is a charity, it has similar aspirations to profit-making organisations in its approach to risk and long-term revenue. It acquires sites in run-down areas, with a view to making a long-term profit once values increase. However, the Property Director acknowledged this was a risky strategy for a charity:

I mean you're always sort of second guessing the market, I suppose. That's why property developers get big returns when they get it right, because they take big risks. We've got that issue now with these development sites. We're sort of banking on the fact that if we develop them out now, in two years' time the economy will be stronger. But it's a fairly risky business for a small charity like us. So we need to be very careful.

Although Shoreditch Trust is one of Hackney's preferred workspace providers and one it recommends to developers through its affordable workspace policy, the Trust's objectives to generate a healthy return on its investment and on-going revenue for the Trust are at odds with the delivery of either subsidised workspace or workspace at the bottom end of the market for small businesses in Hackney.

4.3.2. Centa Business Services

Centa Business Services is a social enterprise providing business advice and support to start-ups and micro businesses in central London. It has no liabilities to shareholders but has to demonstrate to its funders how it invests its profits. Until 2008, Centa was funded by the London Development Agency (LDA), but

this funding ceased upon the election of a new mayor in 2008. Centa has now turned to property management as a way of funding its core business advice work. Whereas previously, the ratio of Centa's work on business advice and property management was approximately 70:30, now it is 20:80.

All enterprise agencies are in trouble; the only ones who will survive will be those who have property portfolios.

(Business Development Manager, Centa Business Services)

Although start-ups and micro businesses form the core of its business support work, Centa relies on established businesses as anchor tenants for its workspace schemes, in order to make its business model work. Centa relies on the business advice and support network it has built up in order to fill the workspace in its schemes. It manages four properties providing workspace for small businesses – three in Kings Cross and our case study, Arundel House in Hatton Garden. In Arundel House, Centa's Business Development Manager explained that the majority of the 32 units are being taken by established businesses, whose existing premises may be threatened or unsuitable and who are attracted by the networking opportunities possible at Arundel House. He claimed "there is a real buzz about the place" as businesses recognise the opportunity and value for money provided at Arundel House, which will be the largest and newest building in the area housing jewellery manufacturers. "Most of the units were signed up before we had even signed on the head lease", he claimed, suggesting that Centa would take on another building in the area if the opportunity arose "because I reckon I could fill it".

Centa was initially charging between £14–32 psf for space at Arundel House. It does not set out to provide affordable workspace per se, rather it is prepared to limit the amount of rent charged to its tenants since this "fits in with our business support model". Ultimately, however, its purpose and motivation for managing a property portfolio and providing workspace is to fund its on-going business advice work.

The timing of the first interview with Centa's Business Development Manager in October 2009 meant that it was possible to obtain a view on the impact of the recession on their operations. Three points were made. First, workspace providers were finding it difficult to borrow money from banks to fund fit-out. Thus, the previously dominant model, where the developer is required to complete the workspace to shell and core specification, with the responsibility for fit-out then

falling to the workspace provider, was not working anymore. In order for Centa to be interested in bidding for the contract at Arundel House, they required the developer to fit out the workspace to an agreed specification and for this to be tightly controlled through the S106 process. Second, the recession meant that many landlords were left with commercial space they were unable to let and were therefore keen to sub-let to a third party who would take the head lease and the responsibilities associated with it, often at peppercorn rent. This led to an increased availability of cheap space available on the market to workspace providers. The final point was that rents were being slashed so significantly that tenants were able to find high quality serviced office accommodation at the same price as the run-down property they were occupying. Centa lost tenants from its existing business centres as a result. Centa's perspective on affordable workspace therefore was adjusted through its experience operating in the middle of a recession. Whereas previously affordable workspace policy might have offered a welcome route to securing premises for its tenants, the recession both created problems with this model and offered other alternatives.

4.3.3. Hackney Cooperative Developments

The final workspace provider considered in this category is Hackney Cooperative Developments (HCD), which was not a partner in any of the case studies, which is considered here to highlight some interesting issues with respect to operating affordable workspace. HCD provides workspace for over 50 local businesses, voluntary organisations and community groups across six premises in a northeast London neighbourhood, Dalston. Its premises include basic office/workshop units and shop units, plus 10 small kiosks. Priority is given to start-ups and black and minority ethnic businesses and voluntary sector organisations (Hackney Cooperative Developments, 2009).

HCD started in 1982 as a cooperative social enterprise built on a cooperative housing model. The Chief Executive of HCD explained how the way they acquire properties has changed significantly:

Through the 80s and some of the 90s, you could pick up commercial property very very cheap. And you could also get significant grant, either central government or later on European, to renovate these places. And then if you have a not-for-profit constitution like us, then you can rent out at the bottom of the market. But obviously that situation has changed now...because what we saw was a

massive increase in land and property prices in this area, basically chasing profits that could be made on the price of housing more than anything else. And secondly an attenuation on public sector capital grants.

These days, he explained, the model is to acquire low market-value premises, where possible, and finance the capital works through a mixture of public grant funding and private finance. Although private finance is becoming easier to access, HCD has estimated that they need to attract 70% public funding in order to be able to obtain a loan for the remainder. Since capital funding is now so rarely available, HCD is not currently acquiring new sites. But it is not necessarily attracted by the opportunity provided by affordable workspace policy. This is partly because it does not have ambitions to expand substantially beyond its current focus in Dalston, and partly because it does not believe in subsidising its workspace. Its interpretation of affordable workspace is to deliver space at the bottom of the market, generally between £7 and 9 psf. It achieves this by doing very basic fit-outs or providing very small units. However, the Chief Executive believes it is not in its tenants' interests to undercut the market since it makes it difficult for them to make the step up when they want to expand:

For most of the businesses, the policy has been to say that it would be a positively bad thing to actually really go way below market rent because there are two real arguments against that; one of which is that you create a relatively unrealistic situation for that business, which is that the moment it has to expand and has to move out, it suddenly finds that the world outside is an impossibly steep hill to climb and that they've been sort of coddled. That's one disadvantage. And the other is that actually if you're using public funding and you're trying to offer something of this sort to a wider population, then there does come a situation whereby if there's no move on or no through-put, then you've offered this great deal to a very few people, but after that... They're the lucky ones and then there's a justice and equality issue that comes into the picture.

HCD finds this is often a problem with the tenants of the ten small kiosks; they find the financial leap to acquiring standard sized premises on the High Street too high. As a result, the turnover of tenants is not as high as HCD would like, since they are only then able to offer this opportunity to a small number of start-up businesses.

Fundamentally, however, the Chief Executive emphasises that “there's one very obvious thing and that is simply that affordability does to a certain extent come from being run by organisations that are not extracting large amounts of profit. As a not-for-profit, you're not after extracting so much money out of it, so you can rent for less for that reason”. In addition to simply being not-for-profit, HCD emphasises the importance of commitment to its tenants, given the intensive management required. “There are a whole set of management issues associated with running affordability, just in the same way as if you're a social housing management group, you've got a whole lot of social issues to deal with and you're constrained not to throw people out immediately so you can't be as ruthless and as single minded as if you were in a private sector operation. I mean that's what we're about, so...”

Although HCD does not perceive affordable workspace policy as a significant opportunity for them, the Chief Executive believes there could be future merit in bringing together the housing and business models, possibly through the rise in popularity of Community Land Trusts, facilitated by the recession and new enabling legislation that has come into force. “That might return us in a fairly subtle way back to a situation more like the 1980s where land for affordable and social purposes – social enterprise purposes – could be obtained.” The property market crash specifically could be a blessing in disguise, he argued, allowing once again the acquisition of cheaper commercial premises.

4.4. Summary of findings and reflections

The overview of case studies in Section 2 showed that affordable workspace policy is enjoying limited success (defined by completed projects and appointment of workspace providers, as well as delivery of affordability). This section has allowed us to dig deeper and interrogate some of the reasons for this lack of success, from the perspective of the workspace provider. A summary of the findings is provided in Table 3. It allows us to reflect on the relationship between workspace providers' organisational and delivery models, their perspectives on policy, their interpretations of affordable workspace, their experiences of delivering it, and their target tenants.

First, this chapter has shown that there are clear differences in the perspectives on affordable workspace between workspace providers that partnered with developers in our case studies and other workspace providers that were not (at the time of writing) partners in 'affordable workspace' schemes delivered through

planning policy. Shoreditch Trust, Acme and Centa all saw affordable workspace policy as an opportunity to acquire workspace, through a new model, after experiencing difficulties with their traditional methods of property acquisition or sources of funding. However, they had a range of specific requirements if they were to become involved: (1) the lease should be as long as possible (in Acme's case, they require a long lease of 125 years); (2) the space offered should accommodate enough workspace to make it viable for the workspace provider; (3) the space specification should be tightly controlled and add-on costs to be met by the workspace provider minimised; (4) the workspace provider should be involved as early as possible in the development process; and (5) the local authority should assist in negotiating with the developer and demonstrating demand for workspace. Workspace Group, the only commercial provider in the case study schemes, had a more mixed view of affordable workspace policy. On the one hand, it provided an opportunity to justify the mixed-use redevelopment of one of its existing schemes in Wandsworth. In other locations, however, their existing schemes are being undercut by other schemes benefiting from affordable workspace policy and therefore they have found affordable workspace policy to be more of a threat.

The perspectives of other workspace providers who did not see affordable workspace policy as an opportunity help us to understand why developers are finding it difficult to appoint workspace provider partners. SPACE studios and GLE Properties had both explored the possibility of partnering with developers on affordable workspace schemes but to date had not done so, either because the leases offered were too short, or the space was unsuitable (too small or in the wrong place) and without the right facilities. The Ethical Property Company had little awareness of affordable workspace policy, but its requirements to invest 'ethically' could be difficult to achieve in partnership with a developer on a mixed-use scheme. HCD does not view affordable workspace policy as an opportunity. It is a local provider and does not have aspirations to expand its portfolio to other locations, also it does not believe subsidising space is in the best interests of its tenants.

Second, there was a clear difference between commercial and not-for-profit workspace providers in terms of their interpretations of affordable workspace, which has implications for the delivery of policy outcomes. Commercial providers are not able to offer subsidised rents as they need to generate profits for shareholders and expand their property portfolio.

Instead, they claim to provide affordability for their tenants by offering competitive market rents for 'no frills' flexible space, with flexible leases and terms. In contrast, we might assume that not-for-profit providers are in a better position to deliver affordability as they have no liabilities to shareholders and can recycle profit within the organisation. However, the research showed that this is not necessarily true and that the most important factor affecting the way not-for-profit workspace providers interpret and deliver affordable workspace is not whether they cater for artists or small businesses, but what their organisational objectives are, and how profit from rental income is used to meet them. Both artist studio providers interpret affordable workspace as 'subsidised'. However, only Acme aims to be "the cheapest of the cheap" and uses its subsidy to keep costs as low as possible for its tenants. The small business providers have a range of different interpretations of affordable workspace. HCD provides workspace at the bottom of the market and achieves affordability through its basic accommodation standards and providing small units. In contrast, the Shoreditch Trust aims to provide high quality space, but achieves relative affordability by investing in cheaper locations. Centa Business Services believes affordability is achieved by restricting the types of businesses that can occupy the space, in this case jewellery sector industries. Therefore, although Acme and HCD cater for different types of tenants, both their objectives are to provide workspace for users 'in need'. Income from the rental of the workspace is recycled to keep rental costs low. In contrast, for Shoreditch Trust, Centa and SPACE, their property management functions generate profits that are re-directed to meet their organisations' wider objectives, rather than subsidising the workspace itself. These workspace providers have little incentive to subsidise workspace or undercut the market and they operate more like commercial workspace providers. In other words there is no guarantee that an organisation will deliver affordability just because it is a not-for-profit.

Third, the findings reveal that the types of tenants benefiting from affordable workspace policy are either artists or more established creative industries. Of the workspace providers that were delivering affordable workspace through policy, the target tenants were all in the creative industries, ranging from artists (Acme), jewellery designers and manufacturers (Centa), to high-value creative industries (Shoreditch Trust and Workspace Group). All the workspace providers in the case studies targeting small businesses focus on established businesses rather than start-ups. For these organisations

Table 3
Summary of findings of workspace providers' perspectives.

Workspace Provider	Type	How is profit from rental income used?	Delivery model	Target tenants and criteria	Understanding of AW	Perspective on AW policy	Lessons for policy
Workspace Group	Commercial PLC (small businesses)	To expand property portfolio to meet shareholder's requirements.	Self-financing.	Small high-value creative or knowledge businesses (<20 employees) at 2nd stage of maturity. Proof of identity & 3 months deposit	Competitive market rents for 'no frills' flexible space, flexible leases, easy-in easy-out terms.	Mixed. Provided an opportunity in Wandsworth where Council did not insist on subsidising space. Elsewhere is a threat.	Need to consider potential negative impact on existing commercial workspace providers that are unable to subsidise workspace.
GLE Properties	Commercial (Ltd) (small businesses)	To expand portfolio and provide GLE's business support services.	Purchase of 25 year lease, LDA grant + loan	Small businesses at 2nd stage maturity, 3 months deposit	Competitive market rents for 2-star accommodation, flexible space & leases, easy-in-easy-out terms	Standard model is to acquire larger premises. Exploring opportunities through AW policy.	Assumptions should not be made about specific requirements of workspace provider – may require car parking, lift, space away from basement/ground floor. Specific requirements of workspace provider need to be taken into consideration early.
Ethical Property Company	Commercial PLC (voluntary, charities, social enterprises)	Deliver value for shareholders and invest in ethical projects	Self-financing through share issues	Voluntary sector, charities and social enterprises – deemed to be organisations delivering 'social change'	Providing value for money for high quality space, achieved through cost efficiencies and flexible space	Difficult to meet EPC's ethical objectives. Does not fit business model that requires economies of scale.	– Early involvement of workspace provider a pre-requisite – Build to a specific outcome, not speculatively – Pepper-potting workspace not attractive to workspace provider
Acme Studios	Not-for-profit (artist studios)	To subsidise workspace to meet charity's objectives.	No additional public subsidy required to fund fit-out of workspace through developer partnerships. Purchase of long-leases.	Visual artists 'in need'	Subsidised rents, approx. 50% market	Opportunity to secure good quality affordable studios on a permanent basis	– Build to a specific outcome, not speculatively – Pepper-potting workspace not attractive to workspace provider
SPACE studios	Not-for-profit (artist studios)	To subsidise workspace and SPACE's other charitable functions.	Grants + loan to acquire long-leases/freehold OR partnership working with public sector, other charities and developers.	Visual artists	Subsidised or bottom of the market, low-value locations	Opportunity to secure affordability for tenants, but short leases are a problem.	Mechanism required to ensure workspace providers do not lose out if developers sell on. Pepper-potting workspace not attractive to workspace provider

Shoreditch Trust	Not-for-profit (small businesses)	To meet stated aims of the charity, initially in line with its NDC status.	Additional public subsidy required to fund fit-out of workspace secured through developer partnerships.	High value creative industries – production of business plan & accounts	Market rent workspace for creative industries – affordable because it is in a cheaper location.	Opportunity to expand commercial property portfolio but practical problems with policy terms	Add-on costs to be met by workspace provider need to be considered
Centa Business Services	Not-for-profit Social Enterprise (small businesses)	To fund core business advice work, part of its remit as a Social Enterprise.	No additional public subsidy required for fit-out. Required that developer completes fit-out before handover.	Varies depending on building and area. Wide range of small businesses, mostly established.	Rental potential of workspace naturally limited by type of occupier dictated by S106 agreement.	Opportunity to expand property portfolio and fund business advice work.	Specification to be tightly controlled by section 106 and full fit-out costs met by developer. Local authority involvement in liaison with developer and in demonstrating demand for workspace.
Hackney Cooperative Developments (HCD)	Not-for-profit (small businesses)	Profits recycled to keep rents as low as possible for tenants.	Acquisition of low-value properties, refurbishment through 70% grant, 30% loan	Start-ups, black & minority ethnic enterprises, voluntary organisations	Bottom of the market. Achieved through basic fit-out and small size of units.	Does not view policy as an opportunity.	Effective delivery of AW requires intensive management

delivering affordable workspace through policy (apart from Acme), their interest was to generate income security by targeting established businesses and, where possible, higher rental income. Although some of the workspace providers not delivering workspace through affordable workspace policy also targeted artists and creative industries (i.e. SPACE, GLE Properties), it was notable that HCD was not delivering workspace under the policy, and it targeted start-ups, black and minority ethnic businesses and voluntary organisations. These findings question to what extent affordable workspace policy is contributing to local economic development.

The findings also reveal the problem of establishing criteria for businesses ‘in need’ of affordable workspace. Of the two organisations claiming to provide workspace for either artists ‘in need’ (Acme) or businesses ‘in need’ (HCD), both acknowledge the difficulty of formally assessing potential tenants. Acme’s Director indicated that they do not means-test their potential tenants but state in their terms of reference that they should be visual artists deemed to be in need of charitable support. As such, they are excluding commercial artists, such as graphic designers. In HCD’s case, it acknowledges the difficulty of establishing what businesses are in need of charitable support and therefore it limits its workspace to start-ups, black and minority ethnic businesses and voluntary organisations. HCD’s Director acknowledged the problem of potentially subsidising uncompetitive businesses and therefore HCD encourages a high turnover of businesses, in order to ensure as many as possible are able to benefit from the support. In Centa’s case, the Council restricted the category of tenant that it was able to target through its S106 agreement, therefore it was the Council that determined the businesses ‘in need’.

Finally, affordable workspace policy has arisen in a climate when grant funding available to workspace providers to finance capital building works is scarcely available and it has offered an alternative model to bridge the funding gap. However, the findings indicate that affordable workspace policy is not effectively or consistently replacing the need for grant funding. Although an organisation such as Acme, has effectively managed to take advantage of affordable workspace policy and deliver schemes without additional grant funding, this has only been made possible due to its size and the property assets it has accumulated over time, which allow it to borrow money against existing property. Smaller charitable organisations do not have that flexibility, and the experience of HCD has shown that it is not able to take advantage of affordable

workspace policy, plus its size and lack of property assets means it is difficult to secure loans and it still relies on grant funding. Therefore it is the smaller organisations that are least likely to be able to take advantage of affordable workspace policy, and they are the ones most likely to suffer from the lack of grant funding. The other point to make is that grant funding it is not always being used to deliver more affordable workspace for tenants. For example, the Shoreditch Trust used additional public subsidy to fund a higher-quality fit-out, in order to attract more high-value tenants capable of paying higher rents.

5. Conclusions and implications for policy

This research critically evaluates the contemporary planning policy solution to tackling the problem of affordable workspace adopted in London, from the perspectives of the developers and workspace providers delivering new mixed use schemes with affordable workspace. It provides an insight into the working practices of both actors, and their attitudes and approaches towards the delivery of affordable workspace through planning policy. It allows us to make judgements about the way policy is working in practice, and why. It also allows reflection on the outcomes of schemes on the ground, particularly in terms of what this means for future policy, not only in London but in large cities of the developed world, where the public sector increasingly relies on development by the private sector to deliver much infrastructure and services.

5.1. Developers’ and workspace providers’ perspectives: Implications for success in practice

The overview of case studies in Section 2 (see [Table 1](#)) demonstrated that affordable workspace policy is enjoying mixed success, according to the basic measures of completion and occupation, and appointment of a workspace provider. The findings of this research have shown that, where affordable workspace policy fails, this can be explained by (1) the cooperation and attitude of the developer, (2) the lack of partnership between the developer and workspace provider, and (3) flaws with the S106 system. Each is considered in more detail.

5.1.1. The critical perspective of developers

Section 3 showed that the cooperation and initiative of the developer is critical to the success of the scheme. In several cases, affordable workspace was not delivered in the spirit of the policy, or the developer

did not express interest in delivering affordable workspace. In these cases, developers had one of two perspectives: Either they saw affordable workspace as a ‘tool’ to obtain planning permission, but did not deliver subsidised workspace in the final scheme; or they saw it as a burden and found ways not to deliver. Their perspectives could be explained in different ways: (i) The developer could be described as ‘sceptical’ in character (Payne, 2009); (ii) the developer is inexperienced; and (iii) the requirement to deliver affordable workspace either emerged late in negotiations with the planning authority, or was inherited through existing planning permission on the site. Either way, the process by which affordable workspace emerged in the proposals made it difficult for them to accommodate it.

In contrast, where schemes were successful, developers either saw affordable workspace as a genuine opportunity or they saw the opportunity in terms of obtaining planning permission, but over time they came to see the wider benefits of affordable workspace in their scheme. Their perception of it as an opportunity could be explained in a number of ways: (i) the developer was a ‘pioneer’ (Payne, 2009), and initiated the proposals themselves, as well as the partnership with workspace providers, (ii) the developer had previous experience of delivering workspace for small businesses and perceived the policy as an opportunity for their business, (iii) the proposals originated with the developer or emerged through early discussions with the local authority, where it was clear that affordable workspace would help them to obtain planning permission.

The success of affordable workspace policy is thus clearly influenced by the developer’s perspective. However, the factors influencing their perspectives are varied. In some cases, it can be put down to the inherent character of the developer. In others, to their previous experience. Most influential, however, was the process by which the proposal emerged. Although there were some commonalities between commercial-led developers with expertise in the small business market in terms of their perspectives on affordable workspace, further conclusions cannot be drawn from this research about the relationship between the type of developer (e.g. local vs. national, residential vs. commercial or young vs. mature business) and their perspective. This does not mean, however, that differences between developers are not important. In fact, it may mean that the differences between developers are so great and varied, that it is difficult to draw conclusions about a ‘typical’ developer and its attitudes to planning policy. This echoes the assertion that “since the development industry is both varied and specialised, there may be no

single development culture, but rather a constantly changing spectrum of cultures as market, policy and site constraints play out differently across time and space.” (Adams et al., 2012: 7)

This research also supports Adams et al’s (2012) claim that there is no basis for the public sector to see developers as ‘partners of the state’. Developers of mixed use schemes were shown to be motivated by common concerns – obtaining planning permission, development viability, the sale of private housing in their scheme, and their reputation with the local authority. Thus they may be motivated to ‘work with’ the local authority to achieve these goals, but they are only likely to cooperate if they can meet these underlying objectives. Developers who do embrace affordable workspace policy do so partly because they believe that signals of creativity can generate rent and revenues. In this context, they perceive arts organisations or workspace providers as valued ‘coalition partners’ in simply ‘making more money’ (Logan & Molotch, 2007: xx) and the type of occupier (i.e. creative industries or artists) is critical to this perception.

5.1.2. Partnering with workspace providers

Establishing effective partnerships with workspace providers was critical to success, but has nonetheless proved challenging in the majority of the case studies. Developers spoke about the apparent lack of workspace providers interested in partnering on mixed-use schemes. The findings presented in Section 4 demonstrate the varying perspectives on affordable workspace held by workspace providers and suggest that there could be two reasons for this. Either the workspace provided was not considered ‘suitable’ by workspace providers for occupation by their target tenants. Or there were reasons why workspace providers might not see affordable workspace policy as an opportunity for them at all.

For some charitable workspace providers, the introduction of affordable workspace policy has provided a welcome opportunity in a situation where they are no longer able to access cheap properties to refurbish in the way that they used to, due to cuts to grant funding for capital works, rising land values, competition from residential developers and tighter legislation on refurbishment and building controls. It has provided them with an opportunity to secure modern, fit-for-purpose workspace at a subsidised rate. However, they only saw policy as an opportunity if they were able to influence the outcome of the scheme from the design-stage and be an integral and early partner in its delivery. Contracts are usually not specific enough to

tie developers into delivering the required outcome and specification. Workspace is built speculatively and delivered only to very basic ‘shell and core’ standards, which workspace providers struggle to afford to bring up to standard for small businesses. Residential-led developers (who form the majority) tended to provide the workspace element in the parts of the development that are the least profitable or viable for residential use; often on the ground floor or basement, with both security problems and lack of natural light. For these workspace providers, therefore, they have specific requirements that must be met if they are to partner with developers on affordable workspace schemes – requirements that are most easily met if they are involved early in the scheme design and planning process and seen as valued ‘partners’ by developers. For all these providers, the type of workspace they took on, the price they paid for it and the price they marketed it at to their tenants, was dictated by their own organisational models and objectives. In other words, they had to know what was in it for them in order to be involved. They are not simply ‘agents of the state’, but operate entirely independently and on their own terms.

On the other hand, there are many workspace providers who do not consider affordable workspace policy to have effectively met the gap left by the withdrawal of grant funding. This is either because they are small and local in nature, and unable to take advantage of policy across multiple sites. Or, it is because they see problems with the way policy operates. For example they require larger buildings, where they can achieve economies of scale, or do not believe in undercutting the market as it acts as a hindrance to establishing successful businesses in the long run. Commercial providers, in particular, have an entirely different perspective on affordable workspace policy, largely because they have never relied on grant funding. They are self-financing and their standard business model is to acquire larger premises and offer networking opportunities for businesses; and they do not accept policy requirements to subsidise space. Although there are examples of commercial providers using affordable workspace policy to their advantage, in other instances they perceive affordable workspace as a threat, as their not-for-profit competitors are able to subsidise workspace and undercut the market.

5.1.3. Problems delivering affordable workspace through planning gain

There are flaws with using the S106 system to deliver affordable workspace, even in economically stable times, which are exacerbated during a recession. First,

the system is overburdened and affordable workspace competes with other priorities such as affordable housing, transport and climate change for the same pot of money. The evidence from this research is that there are tensions between these priorities, with developers keen to negotiate other S106 concessions if they agree to deliver affordable workspace. These tensions are likely to be exacerbated during a recession. Second, there is a long time lag between the signing of the S106 agreement and the delivery of the development. Much can change in this time, including the economic climate, the property market and the individual circumstances of the developer. Thus, what seemed feasible at the time of signing the agreement might not be so when the scheme is to be delivered, and there was evidence during the recession that developers were returning to renegotiate the terms of the S106 (Marrs, 2011). Third, the cooperation of developers is critical, something that cannot be controlled through S106 and the research provides evidence that developers who view policy as a burden may take advantage of ‘opt out’ clauses in S106 agreements, a tendency that is again likely to be exacerbated in a recession scenario. Fourth, the S106 contracts in these case studies were not generally useful tools for the local authority to guarantee affordability, in that they generally stipulated only short lease terms and the cost to the workspace provider not to the end tenant. Fifth, the S106 contract is a passive tool and evidence from the perspectives of developers suggests it will not achieve results without additional input and resources from the local authority, unless developers are driving the inclusion of affordable workspace in their schemes. Finally, the use of the S106 system to deliver affordable workspace currently ties workspace providers into partnerships with developers and the mixed-use model, which might not be their preferred *modus operandi*. This research provides evidence that workspace providers are open to a range of alternative models and that property downturns could present opportunities to achieve more permanent solutions. Section 5.3 discusses the implications of these findings for future policy.

5.2. Is policy producing the desired outcomes?

The research considered two outcomes, to further evaluate the success and impact of affordable workspace policy. First, it considered whether or not schemes delivered through affordable workspace policy can be considered to deliver ‘affordability’. Second, it considered who is ultimately benefiting from affordable workspace policy. The final section (5.2.3) then reflects

on these findings with reference to their impact on economic development.

5.2.1. Affordability

The overview of case studies in [Table 1](#) showed that there was a significant variation in the actual rent charged to end tenants, ranging from £10 psf to over £20 psf. However, not all the schemes had been implemented and occupied, and they were in different locations, built to different specifications, making it hard to compare and draw concrete conclusions. It is important to note here that the concept of affordability is relative, i.e. what is considered affordable to one business would not be affordable to another. Also, an ‘affordable’ rent in a high value area may be considered affordable only because it is cheaper than similar spaces in the same area. However, it may still cost more than comparable spaces in low-value areas let at market rent.

Another way to assess whether or not policy is delivering ‘affordable’ workspace is to compare what is created in the new development with what was originally there. It was shown in the Wandsworth case study that the redevelopment including affordable workspace directly displaced existing tenants benefiting from much lower rents, and the goal of redevelopment was to increase the potential rental income stream from the commercial element. In this case, a comparison could be made as the original business village was still mostly occupied at the time of the fieldwork. In other cases where the redevelopment had not yet commenced, it was not possible to compare since the existing scheme was often vacant or partially vacant, with speculation that the landowners might have allowed the site to become vacant or fall into disrepair in order to increase their chances of securing planning permission for a change of use. In completed schemes, it was not possible to obtain information on the rents paid in the previous scheme on the same site.

This research has enabled further reflection on this question by looking at the perspectives of the delivery partners. It has shown that neither the developer nor the workspace provider takes direct responsibility for ensuring an affordable outcome for tenants. The developer signs a S106 contract with the local authority, which stipulates the rate at which the space can be let to a third party (usually) for a fixed period of time. The developer has little interest in what is charged to the end tenant. It is left to the workspace provider to decide their pricing strategy, as long as they can afford the rent agreed in the S106 agreement. There is therefore no control over the rate charged to the end tenant and it is somewhat assumed that the workspace provider will

deliver ‘affordable’ workspace. There are problems with this model and these assumptions.

Developers are often reluctant to accept S106 contracts that stipulate long lease terms for affordable workspace. In this case, affordability can only be secured in the short-term and workspace providers often turn down opportunities to acquire subsidised workspace as it is not always financially viable for them to invest in the fit-out of workspace for the term of a short lease. It was also revealed that there is potential for developers to exploit the concept of affordable workspace – which evokes creativity and an urban ‘buzz’ – for marketing purposes without actually delivering it. A closer analysis of workspace providers also revealed problems. First, there is a lack of understanding from local authorities of the on-costs that fall to workspace providers, to make ‘shell and core’ space fit for rental. Leasing the space to a workspace provider for £1 psf sounds affordable, but it might not be, depending on the additional costs that they need to meet. Second, workspace providers are a broad category including both not-for-profit and commercial workspace providers. They differ greatly in their interpretation of affordable workspace. Commercial providers interpret affordable workspace as ‘no frills’ flexible space with flexible leases. Even within the category of not-for-profit providers, there is much variation in definition, including ‘subsidised’, basic – or even small – workspace at the bottom end of the market, providing workspace in cheap locations, or simply ‘value for money’. In some cases, affordable workspace is discussed more as though it were a typology of space targeted at creative businesses than anything to do with cost. Although local authorities tend to express a preference for not-for-profit workspace providers, the analysis shows that they fall into two broad categories, defined by their organisational model: those whose charitable aims are to provide workspace as cheaply as possible or at the bottom end of the market for certain categories of businesses (or artists) deemed to be in need; and those who recycle the profits from letting out workspace at more or less commercial rates to meet their other charitable aims. These not-for-profit providers who recycle their profits have been shown to behave more like commercial providers, seeking market rents but claiming to provide affordability by offering flexible space and lease terms, allowing businesses to enter the market easily and adapt according to their means.

5.2.2. Winners and losers

High land values in the inner city are only a problem for businesses that have limited potential to maximise productivity; otherwise the benefits of agglomeration in

terms of increased productivity outweigh the costs. Businesses that are limited in their potential to maximise productivity include start-ups, low-value manufacturers, small family-run retail and service businesses, artists, and young small businesses whose value to the economy have not yet reached their full potential. Is policy benefiting these businesses? The research has shown that the outcome of affordable workspace policy is mostly benefiting artists and higher-value creative industries that are at least in their second stage of development. It is not benefiting low-value manufacturers or small family-run retail and service businesses, nor is it generally benefiting start-ups.

A focus on the higher-value creative industries is an outcome of the delivery of affordable workspace policy through partnerships between developers and workspace providers. Developers have an interest in choosing a workspace provider that targets the types of tenants that are likely to complement the image of the development, help market the residential component and be compatible with housing on an operational basis. They are therefore more likely to partner with a workspace provider that targets ‘clean and quiet’ creative industry tenants. Other types of workspace providers are unlikely to be preferred partners. It is therefore only a very narrow sector of small businesses that are benefiting from affordable workspace policies. The lower-value, lower-skilled enterprises including manufacturing businesses are losing out, as well as voluntary sector organisations; they are either displaced directly or their accommodation choices are becoming ever more restricted. Mixed-use schemes with affordable workspace are therefore resulting in rather homogenous developments, with a limited range of tenants and types of uses.

The fact that policy is not generally benefiting start-ups can be explained by the business models of most workspace providers. Unless a workspace provider is focused specifically on start-ups as a niche, there is no incentive or requirement for them to cater for these businesses that, by their nature, offer a much less secure income stream. This is naturally the case for commercial workspace providers, but where not-for-profit workspace providers depend on income from rental of workspace to subsidise other charitable or social enterprise aims, the emphasis is understandably also on attracting financially secure tenants and maximising the possible rental income from the asset.

The fact that affordable workspace policy is mostly benefiting artists and higher-value established creative industries, rather than start-ups, low-value manufacturers or small family-run retail and service businesses,

has implications for its impact on economic development objectives, which will be considered in the next section.

5.2.3. Implications for economic development

The emergence of affordable workspace policies in the UK took place at a time when the impact of public sector subsidy of managed workspaces on economic development was being questioned. An important aim of this research was therefore to establish whether or not this new mode of production of affordable workspaces through the planning system is delivering economic benefits.

First, the fact that affordable workspace policy is generally not benefiting start-ups has important implications for its potential contribution to economic growth, and specifically undermines its ability to promote entrepreneurship, ‘new ideas’ and innovation. Instead, providers of workspace for businesses within affordable workspace schemes are targeting more established businesses in inner as well as central London, which means that policy is essentially ‘luring’ tenants away from more established clusters with the attraction of cheaper rents. This may generate greater economic activity in the new location, but it will be ‘zero-sum’ (see [Cheshire & Gordon, 1998](#)) from a wider perspective, i.e. it is unlikely to result in economic growth at the regional, London scale. It may even undermine existing clusters that are still thriving naturally, potentially harming London’s broader strength as a creative industry hub.

Intervention in peripheral locations may also not be sufficient to create the critical mass required to transform a location or create a cluster that will have a natural life. Using affordable workspace policy to encourage the location of new businesses to one area over another is a challenge. The necessary time lag between the formation and implementation of policy means that it struggles to keep up with the pace of reality, a problem that is exacerbated when dealing with entrepreneurs and creative businesses that by their very nature seek to be ‘ahead of the game’. It also assumes that the cost of workspace is a key factor in a business’ choice of location and does not take into account the other ingredients that are needed in addition to the provision of physical workspace to influence the growth of a cluster. In other words, it takes a ‘physical-determinist’ approach to economic development. This research was unable to investigate these issues due to the infancy of the case studies – even those that had been completed had had little chance to become embedded in the local economy. Given the nature of the case studies

as isolated schemes, they would only be acting as catalysts in the formation of new clusters, which by their nature would take time to establish. Despite the unknown longer-term impact of affordable workspace policies on clusters, the lack of benefits for start-ups means we can conclude that the impact of affordable workspace policies on economic development is limited and we can speculate that it may in fact be counter-productive.

Second, by supporting mostly creative industries and generally the higher-value over the lower-value enterprises, policy is not supporting greater economic diversity. Rather it is resulting in an approach of ‘picking the winners’ on the basis that the creative industries are growing in importance to London’s economy (GLA, 2008). In doing so, it prioritises economic growth over economic progress and dismisses the benefits that lower-value businesses bring to an economy and its people. The fact that affordable workspace policy is not benefiting lower-value businesses means that it is not helping to prevent the loss of these uses, and the jobs that they provide. One could argue that mixed use redevelopment of employment land is happening anyway, and the role of affordable workspace policy is therefore to ensure that some of the commercial space that is re-provided is targeted at other small businesses or artists, rather than larger commercial occupiers, such as Tesco. This argument might hold if it were not for the evidence in this research that existing lower-value occupiers are being displaced by commercial workspace providers to make way for higher-value creative industry tenants that create greater revenue, and that affordable workspace policy is being used as a tool to achieve this. Furthermore, the creative industry sector does not generate significant employment, particularly for unemployed residents in the more deprived areas of London (Evans, 2006, 2009; Hutton, 2009; Pratt, 2009). This means that the policy is not helping to provide opportunities for residents who face barriers to conventional employment. Finally, there is the risk that artists and creative industry tenants who occupy these schemes will act as catalysts for further waves of gentrification (Indergaard, 2009; Kunzmann, 2004). Thus the presence of creatives facilitated through affordable workspace policy may in fact speed up the process of displacement by higher-value uses, rather than slow it down. Although this so-called industrial gentrification might be welcomed by proponents of economic growth, the displacement of lower-skilled with higher-skilled jobs could have negative social consequences.

This approach of ‘picking the winners’ is consistent with the general trend in economic development policy

away from supporting inter-regional spatial equity towards increasing the competitiveness of already successful centres. It is an approach that needs to be questioned in light of the late 2000s recession that had its roots in the failure of the financial sector, upon which London so heavily relies. However, there is evidence in the post recession era that the UK Government is continuing to pursue this approach rather than promoting greater economic diversity. Although the coalition government has pledged to create a more balanced economy where we are not so dependent on a narrow range of economic sectors, government support in the form of subsidies and bank bailouts represents a continued emphasis on the financial sector and the City of London as the economic powerhouse of the UK, from which economic benefits will trickle down (see *Raco & Street, 2011*). To what extent confidence will continue to be placed in the post-recession era on the creative industries as a driver of economic growth in London and other world cities remains to be seen.

In summary, policy is enjoying limited success in terms of the number of schemes completed and occupied as envisaged. Where policy does lead to tenanted schemes, these are having limited impact on the goal of economic development, even though there might be other positive aspects to the schemes and benefits for workspace providers and their tenants. This undermines the justification for requiring developers to subsidise workspace, especially in the light of evidence that developers are using the provision of affordable workspace to exact concessions from local authorities and negotiate lower S106 contributions elsewhere. It also questions more critically the broad trend in economic development approaches to focus on the collective provision of infrastructure and services in successful economic centres. Importantly, these approaches tend to ignore the issue of scale – the fact that policies tend to operate at the very local level, in a context where even local authorities within a city act in competition. Thus where policies might appear to have a positive impact at the neighbourhood level, in fact their impact at the city scale is negligible or even counterproductive. Furthermore, a relentless focus on increasing competitiveness means that other social objectives are ignored.

5.3. Implications for planning policy

This research has demonstrated that affordable workspace policy is achieving limited success and will not replace naturally occurring affordable workspace on designated employment land that is being lost through

on-going mixed use redevelopment. Either in quantity or quality. Where it is being delivered, it is targeting only a very narrow type of business and is not meeting economic development objectives. These outcomes are even more worrying in the context of policy changes as a result of the publication of the National Planning Policy Framework (DCLG, 2012) and the Government's subsequent introduction of permitted development rights for conversion from offices to residential. There are two key implications of these changes. First, that the only other tool available to planning authorities to promote affordable workspace – namely the protection of employment land and uses – is being further undermined. Second, the introduction of permitted development rights removes the opportunity for planners to require the provision of affordable workspace in new developments, as developers will not be required to apply for planning permission when seeking to convert a commercial building to residential. At present, the permitted development rights apply only to offices (B1a) uses, not other commercial and industrial uses, however the NPPF's emphasis on both housing delivery and the 'regeneration' that could occur as a result of these relaxations suggests that this is a policy turn that might well be extended in the future.

So what can be done? What is certain is that affordable workspace policy cannot meet the gap left by changes to employment land guidance. A much broader approach is required, using a range of policy, legislative and financial tools available, looking beyond the narrow category of creative industries. It is not to say that affordable workspace policy does not have a place and certainly there are lessons to be learned from this research which would improve its implementation in order to extend its reach to those who really can usefully benefit from it, for example artists. However, more traditional ways of protecting employment land from rising residential land values need to be able to operate alongside such policy, acknowledging that they often target very different types of businesses. In addition, ways need to be found of supporting a much wider range of small businesses, non-spatial solutions need to be considered.

Existing policy could be improved to specifically provide studios for artists and creative businesses, although more work needs to be done by or for local authorities on the benefits of supporting artists and creative businesses through property subsidies, and the fuzzy language of 'affordable workspace' should be replaced by a more specific description of the typology of space and who it is intended for. But if affordable workspace policy is to have an impact on land values,

which could act as a subsidy to workspace providers in the same way as affordable housing policy works, then there needs to be policy guidance and legislation at the national level. If not, it will remain an ad hoc policy applied inconsistently across local authorities, limiting its overall impact.

The research has provided a better insight into how developers and workspace providers work, what their priorities and motivations are. The fact that developers of mixed use are more likely to embrace affordable workspace policy if the tenants are creative businesses can now be acknowledged explicitly. But local authorities must recognise the limited expertise of residential-led developers and provide the support required in order to establish partnerships with workspace providers. Similarly, they need to acknowledge the existing expertise and business models of commercial workspace providers, working with them to deliver flexible workspace according to their established models, rather than requiring subsidised workspace to be delivered. Efforts could turn to encouraging effective and early partnerships between developers and workspace providers. Workspace providers themselves are best placed and motivated to instigate positive relationships with developers, following the example of Acme Studios, who have focused effort on promotional and educational work with local authorities and developers. Workspace providers should take the lead on deciding 'what works' for them and selling that concept to developers as part of a positive proposal for development, rather than being reactive and waiting to be approached by developers or relying on local authorities to 'get their policies right'.

This research has also revealed the importance of starting to differentiate between different types of businesses at different stages of maturity, when considering policy. In a sense, neither affordable workspace policy or more traditional approaches to the protection of employment land, provide targeted support to particular types of businesses that are known to need support through the planning system. For example, this research has revealed that affordable workspace is not generally benefiting start-ups. Rather, there needs to be more targeted support through the planning system for incubator organisations – who provide targeted business support services for start-ups – if our goal is economic development. There are also other types of businesses that are not benefiting from affordable workspace policy. Of course, not all types of businesses face problems accessing workspace and therefore this is not a problem for them. However, the research that has been done in London (Roger Tym &

Partners, 2006) indicates that the small to medium enterprises (fewer than 250 employees) that were most affected by accommodation problems were catering businesses, followed by shops, then factories and workshops, warehouses and finally offices. Given that affordable workspace policy focuses only on the provision of B1 space, i.e. offices or studios, it is clearly addressing only a very small part of the problem.

The limitations of the S106 system as a mechanism for delivery have been discussed. From a financial perspective, the S106 mechanism leads to limited benefits for affordable workspace. This is partly due to the pecking order of priorities in relation to S106 spending, and partly due to an inherent problem with the S106 mechanism itself, which is that it depends on a healthy development climate to deliver. The key limitation of the S106 system is that it taxes the developer at the point of development, when profits have not yet been realised. A better system would involve imposing a property tax later in the development cycle, when the development has reaped its profits. The problem is that alternative forms of infrastructure financing being implemented or piloted in the UK – namely the Community Infrastructure Levy and Tax Increment Financing – both also depend on a healthy development climate to deliver benefits. An even braver step would be the acquisition of (or equity shares in) long-term land assets by the public or community sectors, who would then be able to use the increase in property values for public benefit (Edwards, 2008). This would be in line with original recommendations in Hackney's evidence based studies to transfer the ownership of the workspace in mixed-use developments to workspace providers or to a local development trust (Atkins, 2006; Ancer Spa, 2006). It should be remembered that the now renowned clusters of creative industries on the city fringe of London arose in times of recession when resourceful entrepreneurs were able to take advantage of low demand from other commercial interests and cheap property (London Residential Research, 2005). Efforts could usefully concentrate on taking advantage of economic cycles to support businesses and grassroots organisations in the acquisition of cheap commercial properties on long leases or freeholds, when opportunities naturally arise. Recent survey evidence from Brighton & Hove on the south coast of England revealed that 90% of creative businesses viewed the (sole or co-operative) ownership of their workspace as the solution to the issues facing their acquisition of suitable property (Hackett & Massie, 2008). In acknowledging that one of the key limitations of the S106 model is that it only impacts on

new stock, more efforts could be made by public bodies to refurbish old stock, or make capital funds available to enable others to do so.

The problem is that (as we have discussed) old stock is often situated on employment land, which is increasingly less protected from redevelopment. This means that, not only are we impacting on the availability of old stock on employment land for refurbishment and reuse by creative industries, we are also reducing the amount of naturally-available affordable workspace for a much wider range of businesses and industries. If we are to move beyond supporting artists and creative industries, we need to reinvigorate our support for more traditional ways of protecting employment land from rising residential land values. The continuing trend by the national government through the NPPF and subsequent legislative changes to undermine local authorities' ability to protect employment land and commercial uses through the planning system needs to be fundamentally questioned.

This paper has focused on spatial solutions to the problem. However, other non-spatial solutions may be more effective. For example, if businesses can be supported to help them generate greater profits, through perhaps coordinated efforts to help them access international export markets, or expanding access to micro-credit loans, the increased profits could then be used to cover accommodation costs and help them to locate in the most suitable and profitable location for their business operations. The direct provision of subsidised premises not only runs the risk of supporting uncompetitive businesses, it also limits support to businesses that use those types of premises provided in mixed-use developments and it limits businesses' potential location choices, which in itself could undermine their success. Much could no doubt be learnt from the ways other countries and cities are tackling the problem, particularly European countries that have a long history of supporting small businesses. So, although this paper hopefully provides some useful lessons from the UK's experience to the international community, we need to look outwards again for alternative solutions.

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