

TACKLING AFFORDABILITY IN SHOREDITCH

RELEVANT AAP OBJECTIVES:

- e) To address the affordability of workspace in Shoreditch and maintain the rich mix of creative, tech industries, small businesses and starts-ups which help define the area's appeal.
- f) To deliver new homes and address the issue of affordability through the provision of a range of dwelling types, sizes and tenures to sustain mixed and balanced communities in Shoreditch.

Tackling the affordability of workspace and housing in Shoreditch is a key objective of this Plan. The scale of economic growth in Shoreditch and increase in working and resident population in the area places significant stress on land values and rents. Ensuring a sufficient supply of space suitable for these businesses along with maximising the delivery of genuinely affordable homes is a key priority to deliver sustainable communities in Shoreditch.

AFFORDABLE HOUSING

KEY FACTS

- To meet the Council's housing need, 1,750 homes need to be built in Hackney each year between now and 2033.
- Residential property values in Hackney have consistently tracked 10-20% above the London average over the last year.
- The average price of a home in Hackney is around £550,000. The average house price is 15 times the average earning of a household.
- Prices in the EC2A postcode area, which best aligns with the core Shoreditch area, have been consistently higher than the wider Shoreditch area.
- The average cost of Share Ownership in Hoxton West ward and Hoxton East and Shoreditch Ward is £701,123 and £658,856 respectively.
- The cost of renting in Hackney has increased by 44% since 2012.
- Given the high values in Shoreditch, the cost of private housing, private renting and some intermediate tenures (particularly larger bedrooms) is increasingly unaffordable to those on lower and medium incomes.

WHAT YOU TOLD US

- Support for more genuinely affordable housing.
- Housing availability, quality and suitability, and a lack of affordable places to rent is a concern.
- Questions raised about what the term 'genuinely affordable housing' means in reality.
- On-site affordable housing provision is key.
- High cost of living in Shoreditch means that communities are being broken up. The younger generation cannot afford to live/stay and only 'newcomers' can afford to live there.

AFFORDABLE WORKSPACE

KEY FACTS

- Shoreditch is a key focal point for this small business activity. Shoreditch accommodates a significant proportion of micro and small businesses:
- Of the 4,035 businesses located in Shoreditch 82 % are micro businesses (0-9), dominated particularly by those which are 0-4, and 14 % are small businesses (10-49). However, the average business in Shoreditch is decidedly larger than in benchmark areas, with a higher proportion of the business structure consisting of those with 5 employees or more (31 % compared to 18 % for Hackney, 19 % for London, and 22 % for England) and a large band sized between 5 to 49 (27 %).
- Shoreditch is the home of start-ups within the tech sector in particular. Some of the strong sectors include media creation, and computer programming and IT consultancy.
- Self-employment is particularly strong in Shoreditch, comprising 18.1 % of economic activity compared to 12.4 % in Hackney borough and 11.7 % in London. This demonstrates the culture of entrepreneurship in Shoreditch and can be considered a proxy for SMEs.
- However retention of this character is threatened. Research by UHY suggests that the Shoreditch/ Old Street area has seen a major decrease in business start-ups, reducing by c.70 % between March 2015 and March 2016, falling from first to sixth in UK rankings of business start-up activity.
- Shoreditch was announced in 2004 as one of London's original Opportunity Areas. This placed the area amongst 10 others in Inner London which were being targeted for significant housing and/or employment growth. Of these 10 Opportunity Areas, Shoreditch has had the highest change in office values, with a 182 % increase since it was announced in 2004. Office values are now the second highest of the Opportunity Areas in Inner London (around £57/ sqft).
- Although office rents in Shoreditch have increased significantly, they still lag behind office rents in the prime City of London market, currently around £60/sqft. This is despite the gap closing in recent years.
- Demand for large floor plate and smaller office/ SME workspace. In recent years managed workspace providers have increased their presence in Shoreditch.
- The market is providing a range of large, office spaces that is attracting larger businesses, it is apparent that to both retain existing levels of activity and the diversity of businesses, as well as to continue to grow job opportunities, a broad range of workspace needs to be provided, with a particular need for more affordable, small, flexible spaces that cater for start-up businesses and creatives in particular.

WHAT YOU TOLD US

- Loss of creative organisations, lack of affordable workspace and the impact of restriction to the night time economy is a concern.
- Small, creative and independent businesses are leaving as the cost of workspace increases. These organisations that contribute most to the unique character of Shoreditch.
- Mixed views on whether affordable workspace should be mandatory or not in new development.
- Consideration should be given to involving end users in the design of affordable workspace.



Figure 32. Hackney House, Curtain Road

POLICY FS03

PROVIDING AFFORDABLE PLACES OF WORK

- a) New major employment/mixed used development within the Shoreditch and Wenlock Priority Office Area should provide affordable workspace or low cost workspace, equating to a minimum of 10% of gross new employment floorspace in accordance with Local Plan Policy LP29.
- b) Where development requires the provision of low cost or affordable workspace, applicants should:
 - i) Engage with workspace operators early in the application process to inform/support delivery of appropriate space of sizes and flexibility;
 - ii) Deliver a range of workspace typologies where appropriate to meet the needs of businesses in Shoreditch; and
 - iii) Provide an Affordable Workspace Statement which defines the parameters on how the affordable workspace will be secured and operated.



Figure 33. The Trampery, Old Street

Hackney Local Plan (2033) policy cross reference:

Policy LP29 Affordable workspace and Low Cost Employment Floorspace.

WHY WE ARE DOING THIS

Tens of thousands of people work in Shoreditch every day, the heart of Hackney's economy and an international destination. Home to Tech City, it contains a large concentration of tech and creative businesses, as well as having a rich cultural heritage and bustling nightlife. However with land prices having risen so sharply in recent decades, issues associated with affordability in Shoreditch are particularly acute making it increasingly difficult for start-ups and smaller businesses, artists and cultural uses to work and thrive in the area. These uses continue to play a fundamental role in defining the character of the area. Shoreditch risks losing its unique character and activity if these uses cannot continue to operate in this location.

The borough's employment evidence suggests that there is a need to provide affordable and low cost floorspace within the borough to support the needs of start-ups, SMEs and cultural and creative enterprises such as artists' studios and designer-maker spaces, as well as charities and social enterprises. Local Plan Policy 29 sets out that the Council will seek either the inclusion of a proportion of affordable workspace, or the re-provision of low cost floorspace, within major commercial development schemes, and within major mixed-use schemes in the borough's designated employment areas, CAZ and town centres. This policy is triggered in schemes that provide over 1000sqm of gross employment floorspace. Within a mixed-use scheme, affordable or low cost workspace would only be required if the scheme incorporates over 1000sqm of gross employment floorspace.

Low cost workspace is employment floorspace which may be secondary or tertiary in nature, of a lower quality or specification, with cheaper rents or leases, often providing space for start-ups, creative or light industrial occupiers such as artists or makers' spaces. In line with Local Plan Policy 29, any major proposal in Shoreditch which involves the redevelopment of existing low cost floorspace must re-provide the maximum economically feasible quantity of low cost floorspace as part of the scheme. This

low cost floorspace should be provided within an equivalent B use class in perpetuity. Existing occupants should be re-housed within the development where possible.

If the low cost employment floorspace equates to less than 10% of gross new employment floorspace or there is no low cost workspace to be re-provided as part of a major development scheme, new affordable workspace should be provided at no more than 40% of the locality's market rent in perpetuity, subject to affordability.

The Council's first preference is for the affordable workspace to be secured through a legal agreement with a Council approved workspace provider. Applicants should engage with workspace operators early to ensure that all new employment space meets a range of business/sector needs and support future business growth (from start-ups through small, medium and large commercial businesses).

All development which provides affordable or low cost workspace will be required to submit an Affordable Workspace Statement to the Council for approval. The statement must set out how the affordable or low cost workspace will be delivered and operated in accordance with the Council's employment and affordable workspace policies and demonstrate how the affordability is secured for the end user. Engaging with a workspace provider at an early stage will help applicants gain approval of the workspace statement. If the applicant is seeking to operate and manage the affordable workspace element themselves or through a subsidiary or associated entity the discount will be applied to the end users. Further guidance on the format and content of the Affordable Workspace Statement can be requested.

POLICY FS04

DELIVERING NEW GENUINELY AFFORDABLE HOMES

- a) The Council will seek the maximum reasonable amount of affordable housing, subject to viability and site context in line with Local Plan Policy P13.
- b) For schemes of 10 units or more:
 - i) A minimum 50 % of housing units will be sought as on-site affordable housing, subject to the requirements set out in a) above.
 - ii) Conventional C3 housing schemes will need to deliver affordable housing in accordance with the following tenure split:

Affordable Housing Tenures	Type of Affordable Housing	Proportion Required
Social Rent/London Affordable Rent	Social	60 %
Hackney/London Living Rent or London Shared Ownership or other genuinely affordable products that the Council considers appropriate	Intermediate	40 %

- c) The Council will seek types of genuinely affordable housing and prioritise the delivery of Social Rent alongside Living Rent in line with Local Plan Policy LP13, having regard to average house prices, private rents and wages in Shoreditch.

- e) Affordable housing contributions are required on schemes of 1-9 units in line with Local Plan Policy LP13.
- f) Affordable housing is also sought from alternative housing products and development such as Build to Rent developments, student accommodation and other forms of specialist housing in line with Local Plan housing policies.
- g) All proposals should provide a good mix of unit sizes in line with the following dwelling mix priorities:

Housing Tenure	1 bed	2 bed	3 bed +
Social Rent/London Affordable Rent	high	high	high
Hackney/London Living Rent or London Shared Ownership or other genuinely affordable products that the Council considers appropriate	higher than 3 bed +	higher than 3 bed +	low
Market	higher than 3 bed +	higher than 3 bed +	low

Hackney Local Plan (2033) policy cross reference:

Chapter 7. Meeting Hackney's Housing Need

LP12 Housing Supply

LP13 Affordable Housing

LP14 Dwelling Size Mix

LP15 Build to Rent

LP16 Self/Custom-Build Housing

LP17 Housing Design

LP18 Housing Older and Vulnerable People

LP19 Residential Conversions

LP20 Student Housing

LP21 Large Scale Purpose-Built Shared Housing

LP22 Houses in Multiple Occupation (HMO)

LP23 Gypsy and Traveller Accommodation

LP24 Preventing the Loss of Housing

LP25 Visitor Accommodation

WHY WE ARE DOING THIS

Shoreditch is a highly desirable place to live and as such purchase and rental prices are continuing to climb. This is a London-wide problem though certain aspects may be more pronounced in Shoreditch including affordable housing and dwelling size.

To further maximise the delivery of genuinely affordable housing in Shoreditch we need to make sure that the type of housing delivered on larger sites of 10 units or more, is affordable to Hackney residents having regard to average house prices, private rents and wages in different parts of Hackney. This means that different affordable housing tenure products will be appropriate for different parts of the Borough. Given the high land values in Shoreditch, the cost of private housing, private renting and some intermediate tenures is increasingly unaffordable to those on lower and medium incomes.

Policy FS04 therefore prioritises the delivery of genuinely affordable housing products in Shoreditch including Social Rent and Living Rent which could help address this element of housing need in Shoreditch. Shared ownership may also be an acceptable intermediate tenure depending on the size of units, and where the total monthly costs including the rental element are demonstrably affordable. The rental element will be secured at an affordable level through legal agreement.

In order to better meet our housing need, small sites (1-9 units) will also be required to contribute towards affordable housing delivery either through on-site provision or off-set monetary contributions which could then fund Council-led projects to deliver genuinely affordable housing in line with Local Plan Policy . Affordable housing will also be sought on alternative forms of housing in Shoreditch such as Build to Rent, Student Accommodation, Specialist Housing (e.g housing older and vulnerable people) and large-scale purpose-built shared housing in line with Local Plan policies.

There is a diverse population in Hackney, with an equally diverse range of housing needs and requirements across the borough; this means ensuring that a good selection of housing types and tenures are built. The Council recognises that there is a need for all types of dwellings sizes and tenures in new development however given the acute housing affordability issues in Shoreditch, there is a need to prioritise the delivery of smaller one and two bed units within shared ownership and intermediate rented tenures.

It may also be more acceptable to deliver a lower proportion of family-sized private units within a scheme where this can be demonstrated to deliver a greater proportion of genuinely affordable units on site. It is important to continue to prioritise the delivery of all unit sizes within the social rented tenure in line with Local Plan Policy LP14 Dwelling Size Mix to reflect Hackney's greatest housing need and to ensure mixed and balanced communities in Shoreditch.