

## **Prior Approval for Change of Use from Office to Residential**

### **Briefing Note 9: January 2016**

*Produced by Regeneration, Planning & Enterprise*

## **PRIOR APPROVAL FOR CHANGE OF USE FROM OFFICE TO RESIDENTIAL**

On 30<sup>th</sup> May 2013 a new amendment to the General Permitted Development Order (GPDO) came into force, for a temporary period of three years, which changed Permitted Development (PD) rights to allow changes of use from Class B1(a) office to Class C3 residential without the need for planning permission. However, prior to making any change of use, developers must apply to the local planning authority to determine whether the prior approval of the authority will be required as to:

- transport and highways impacts of the development;
- contamination risks on the site; and
- flooding risks on the site

Where prior approval is required, development shall be carried out in accordance with details approved by the local planning authority.

Prior Approvals do not require the proposed residential development to meet any design standards or space standards and do not often provide any financial support towards the local infrastructure. Other aspects of development which may be associated with a change of use, such as alterations to facades, extensions etc. will continue to require planning permission.

In April 2014 a further change to the PD legislation allowed the change of use of A1 (shops) and A2 (financial and professional services) to C3 (residential) without the need for planning permission. For the purposes of this briefing note the A2 use class is considered to be office.

When first introduced all changes of use to new homes permitted via the Prior Approval route had to be completed and occupied by 30<sup>th</sup> May 2016. However, in October 2015 the Government announced changes to the legislation to make these permitted development rights permanent and to extend them to include the demolition of existing offices and re-building for residential dwellings (rather than just the conversion of the existing building).

### **Harrow**

Harrow is one of London's most attractive suburban areas and is primarily a dormitory suburban area. With a population of 246,000 and growing (up by 2,600 compared to the previous year), only a relatively small amount of land and buildings are devoted to employment and industrial activity compared to other Outer London and West London boroughs. Harrow covers an area of approximately 50 sq. km and over a quarter of the borough (more than 1,300 hectares) consists of open space, much of which is designated Green Belt or Metropolitan Open Land.

Prior to the change to the GPDO coming into effect, the council had sought an exemption for the Harrow and Wealdstone Intensification Area on the basis of economic harm. Unfortunately this was not granted.

An Action Area Plan for the Harrow and Wealdstone Intensification Area was adopted in July 2013. A change to the designation from an Intensification Area to an Opportunity Area was made in the Further Alterations to the London Plan (FALP) in March 2015.

In Harrow there have been 137 applications submitted for change of use from Class A2 financial and professional services or B1(a) office to Class C3 residential taking advantage of the changes to PD rights. As at the end of December 2015, 111 of these applications have had a decision and of these 85 were granted, for one application prior approval was not required and 24 others were refused. Three applications still await a decision while 10 other applications were withdrawn by the applicant. One further application was categorised as having no objections, as this was for the change of use of premises that had already been permitted, this application along with 13 superseded applications has not been included in the analysis to avoid duplication (Table 1).

85 of the 137 Prior Approval applications are for office floorspace within the Opportunity Area. To date, 46 have been granted and one application did not require prior approval, six have been withdrawn and two await a decision. One further application was categorised as having no objections (Table 1).

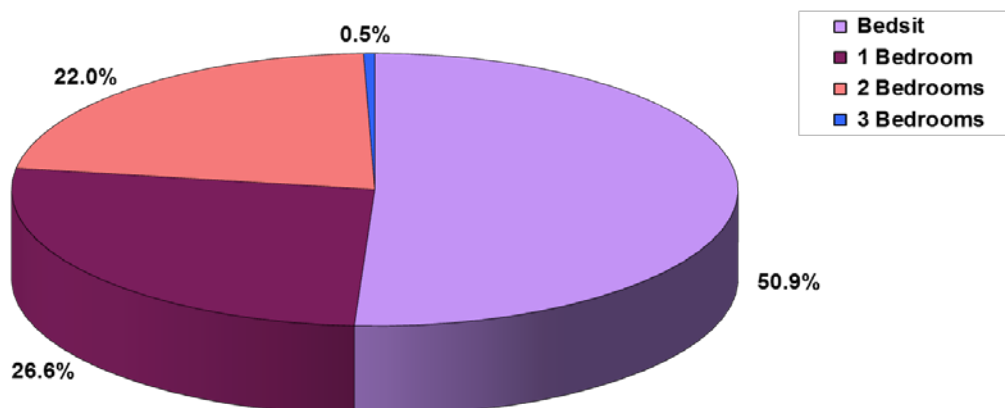
**Table 1: Applications for Prior Approval for COU from A2/B1(a) to C3**

	Number of apps.	Decisions	Granted	Prior Approval not required	No objections	Refused	Withdrawn	No decision
<b>Harrow</b>	137	111	85	1	1	24	10	3
<b>Opportunity Area</b>	85	66	46	1	1	18	6	2

Note: 13 planning applications have been superseded, of these 11 are in the Opportunity Area

The 85 granted applications, plus the application where prior approval was not required, would result in 1,702 new dwellings in the borough if they were all implemented and would result in a loss of 88,162 m<sup>2</sup> of office floorspace (Table 2).

**Figure 1: Proportion of Schemes by Number of Bedrooms**



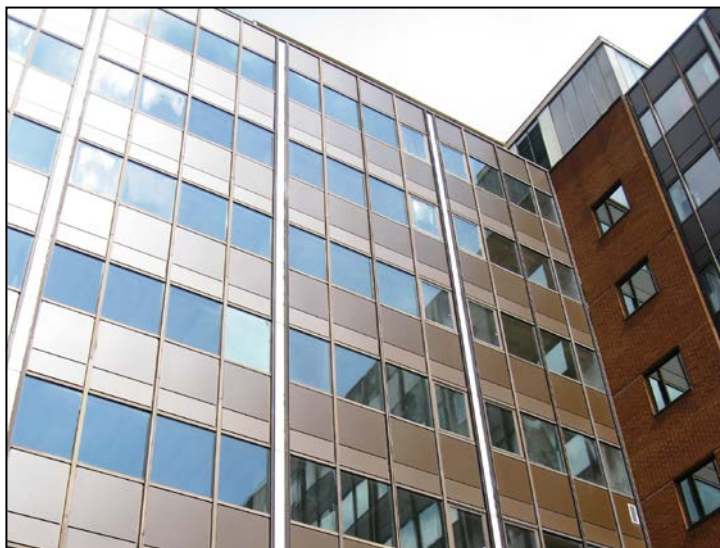
Source: Regeneration, Planning & Enterprise

Of the 1,702 proposed new dwellings, 866 (50.9%) are bedsits, 454 (26.6%) have one bedroom, 374 (22%) have two bedrooms and eight (0.5%) have three bedrooms (Figure 1).

None of the Prior Approval schemes for change of use from office to residential granted permission up to the end of December 2015 include an affordable housing element.

Outside of the Opportunity Area, the largest scheme granted permission, so far, is for 101 self-contained flats at Bovis House, 142 Northolt Road, South Harrow, followed by schemes for 75 flats at Talbot House, Imperial Drive, Rayners Lane, 67 flats at Jubilee House, Merrion Avenue, Stanmore, and 53 flats at 152-158 Northolt Road, South Harrow. These four schemes will result in the loss of 7,580 m<sup>2</sup>, 4,163 m<sup>2</sup>, 5,760 m<sup>2</sup>, and 2,028 m<sup>2</sup> of office space respectively.

Within the Opportunity Area, the largest schemes granted permission to date are for 262 studio flats at Kings House and 200 studio flats at Queens House, both in Kymberley Road, Harrow, 78 flats at First National House, College Road, Harrow and 73 flats at Research Services House, Elmgrove Road, Harrow. These four schemes will result in the loss of 7,866 m<sup>2</sup>, 5,378 m<sup>2</sup>, 4,961 m<sup>2</sup> and 2,263 m<sup>2</sup> of office floorspace respectively.



Queens House, Kymberley Road, Harrow

In total, 86 Prior Approval applications for change of use from office to residential have been granted in Harrow, of these 47 (54.7%) are within the Opportunity Area and would result in the provision of 1,189 (69.9%) residential units and a loss of 53,324 m<sup>2</sup> (60.5%) of office space should they all be completed (Table 2).

**Table 2: Permissions for Prior Approval for COU from A2/B1(a) to C3**

	Permissions	Site area (ha)	A2/B1(a) office floorspace lost (m <sup>2</sup> )	Proposed units
<b>Harrow</b>	86	5.21	88,162	1,702
<b>Opportunity Area</b>	47	2.56	53,324	1,189
<b>Proportion in the Opportunity Area</b>	54.7%	49.1%	60.5%	69.9%

### Permissions relating to Occupied Office Floorspace

At the time Prior Approval is granted, it is necessary for the council to confirm whether the applicable floorspace was in occupation for at least six months out of the last three years, for the purposes of determining Mayoral and Harrow Community Infrastructure Levy (CIL) liabilities. Of the 86 granted applications, 51 were for occupied office floorspace. The level of occupied office floorspace amounts to 50,366 m<sup>2</sup>.

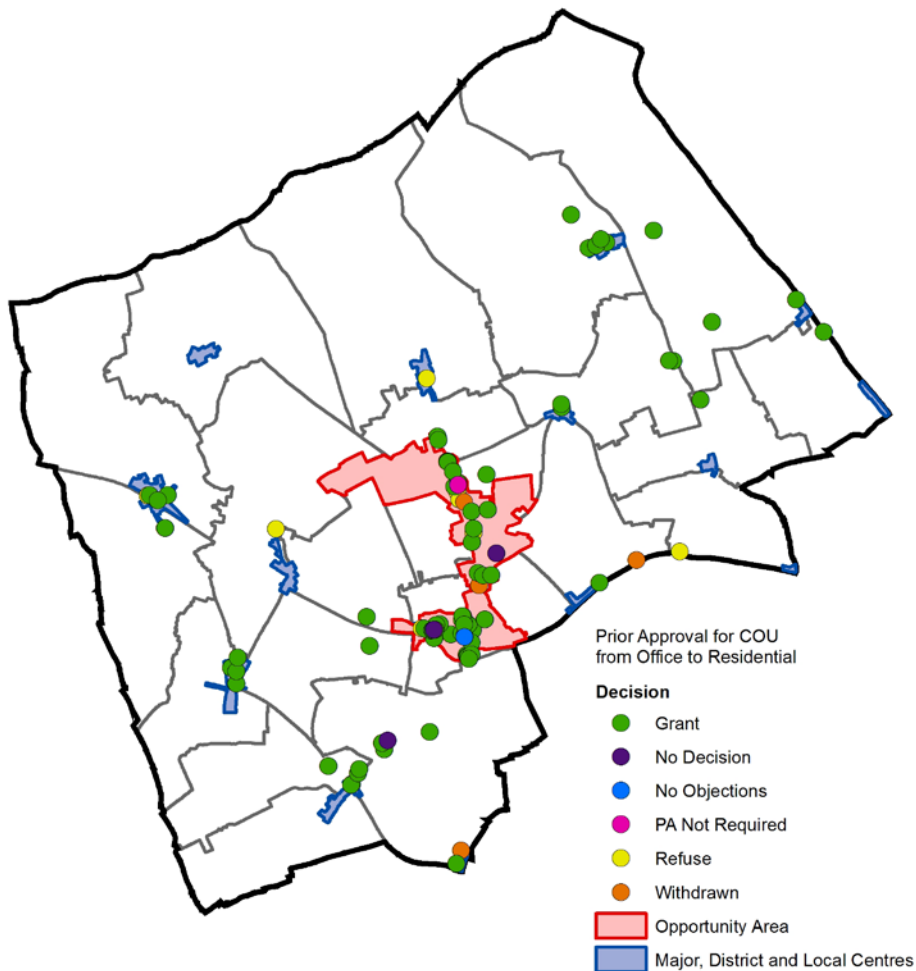
## Correlation between the Office Floorspace Lost and Potential Job Losses

Having regard to the amount of occupied office floorspace that will be lost to residential use via Prior Approval applications, and applying a conservative ratio of 1 employee per 20.6 metres squared<sup>(1)</sup>, the total corresponding job losses is circa 2,465 jobs - or a loss of circa £67m from the local economy. Overall, the office floorspace (both occupied and vacant) subject to the grant of Prior Approval to date corresponds to a lost opportunity for provision of circa 4,280 jobs across the borough.

## Distribution of Prior Approval Schemes

It can be seen that over half of all proposals for change of use from office to residential, following the Prior Approval route, are within the Harrow and Wealdstone Opportunity Area. However, there are a few proposed schemes located in and around some of the other major, district and local centres in the borough, noticeably Pinner, Rayners Lane and Stanmore, as well as Belmont, Edgware, Kenton and South Harrow (Figure 2).

**Figure 2: Prior Approvals for Change of Use from Office to Residential**



Source: Regeneration, Planning & Enterprise  
London Borough of Harrow LA 100019206 2016

<sup>1</sup> Based on the London Office Policy Review lower density for Outer London offices

The concentration of proposals around Harrow, Wealdstone, Rayners Lane, Stanmore and Pinner is consistent with Council's analysis of the disparity between office and residential land values whereas, those around Edgware, Northolt Road and Kenton can be attributed more to unsuitable or redundant office supply.

### **Loss of Affordable Housing Provision**

Harrow's Core Strategy seeks the maximum viable amount of affordable housing to be delivered on all major residential developments, with a Borough wide target of 40% over the plan period. Prior Approval applications, by virtue of being a form of Permitted Development, are not required to meet the affordable housing requirement (or indeed any other planning obligation or standard) specified in the Local Plan. If all the approved schemes had been Policy compliant i.e. provided 40% affordable housing, they would have delivered 613 affordable units.

### **Empty Property Grants**

One of the tools the council uses to help bring empty properties back into use is by offering empty property grants. This is financial help offered by the council to owners as an incentive to cover part of the repair and renovation costs of their properties. In return the council secures nomination rights to the council for a period of three to five years and the council uses the properties to accommodate families with housing needs. There are five Prior Approval schemes in Harrow where an empty property grant has been approved:

- 125-129 High Street, Edgware, first and second floors in a three storey building converted into 10 self-contained flats. The council processed a grant application to assist towards development works and to secure a five year nomination. This project is now completed and the units have been leased via Help2Let for a period of five years. All the units are now occupied and are managed by Help2Let.
- 1 Admiral House, Cardinal Way, Wealdstone is a small three storey office unit converted into three self-contained flats. The council approved a grant application for £45,000. The project is now completed and leases have been signed for a period of five years. All the units are now occupied and are managed by Help2Let.
- 10 Peterborough Road, Harrow, first and second floors in a three storey building with planning permission for four self-contained flats. The council approved a grant application for £58,000. The project is now completed and leases have been signed for a period of five years. All units are now occupied and are managed by Help2Let.
- 2 Admiral House, Cardinal Way, Wealdstone is a small three storey office unit with plans to convert it to three self-contained flats. A grant application has been approved and works are anticipated to be completed in February 2016.
- 4 Admiral House, Cardinal Way, Wealdstone is a small three storey office unit with plans to convert it to three self-contained flats. A grant application has been approved and works are anticipated to be completed in February 2016.

At 125-129 High Street, Edgware an application for an empty property grant was approved for a further two flats in the roof space (not a Prior Approval application) for £34,000. The project is now completed and leases have been signed for a period of five years. The two units are now occupied and managed by Help2Let.

It would appear that these newly created flats should be counted as affordable housing as they will be providing accommodation for families on low income, claiming benefits or with housing needs. However, this is not the case as affordable housing should be provided in ‘perpetuity’, meaning that receipts from any sale are recycled to provide other affordable housing. The Department for Communities and Local Government (DCLG) states that “*affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision*”.

It cannot be said that the properties will remain at an affordable price for future households as after five years the private landlord could revert to renting the property on the open market, not at an affordable rent. The subsidy that the council puts into these properties by way of empty property grants is not recycled. It is only repayable if the landlord breaks the terms of his deal with the council. If the landlord sells the property after the nomination period expires, the council does not ask for the subsidy back for recycling into another grant.

## Starts

At the end of December 2015 there were 26 Prior Approval schemes in progress across the borough providing 583 self-contained flats with 10 of these schemes in the Harrow and Wealdstone Opportunity Area providing 437 self-contained flats (Table 3). This shows that a high proportion of units (75%) are currently being implemented inside the Opportunity Area compared to outside. The largest of these schemes, which will provide 200 new flats, is at Queens House, Kymberley Road, Harrow.



Talbot House, 204-226 Imperial Drive, Rayners Lane



First National House, 53-61 College Road, Harrow

Other large schemes currently in progress within the Opportunity Area are at First National House, 53-61 College Road, Harrow (two schemes providing a total of 78 flats), 116 College Road, Harrow (48 flats), Kirkfield House, 118 Station Road, Harrow (47 flats) and Orion House, 171-177 High Street, Wealdstone (22 flats). The largest schemes currently being implemented outside the Opportunity Area are at Evans House, 107 Marsh Road, Pinner (28 flats), Brent House, 214 Kenton Road, Harrow (25 flats) and Talbot House, 204-226 Imperial Drive, Rayners Lane (21 flats).

**Table 3: Started Schemes**

	Started schemes	Site area (ha)	A2/B1(a) office floorspace lost (m <sup>2</sup> )	Started units
<b>Harrow</b>	26	1.339	27,496	583
<b>Opportunity Area</b>	10	0.624	17,282	437

## Completions

19 Prior Approval schemes have so far been completed in the borough. The largest of these, providing 101 new flats and resulting in a loss of 7,580 m<sup>2</sup> of Class B1(a) office space, is at Bovis House, 142 Northolt Road, South Harrow. Eight of the completed schemes are within the Opportunity Area, the largest being at Carnegie House, Peterborough Road, Harrow providing 48 new flats with a loss of 1,341 m<sup>2</sup> of Class B1(a) office space and at Baldwin House, 2 Gayton Road, Harrow (36 new flats with a loss of 2,234 m<sup>2</sup> of office space).



**Bovis House, 142 Northolt Road, South Harrow**



**Baldwin House, 2 Gayton Road, Harrow**

The largest of the remaining completed schemes outside the Opportunity Area are at Grosvenor House, High Street, Edgware creating 25 new flats with a loss of 1,341 m<sup>2</sup> of Class B1(a) office space, at Sherbourne House, Northolt Road, South Harrow (12 new flats and a loss of 732 m<sup>2</sup> of office space)<sup>(2)</sup> and at Trinominis House, 125-129 High Street, Edgware (10 new flats and a loss of 595 m<sup>2</sup> of office space). All of the 13 remaining completed schemes are small (less than five units each), four of these are in Peterborough Road, Harrow providing a total of 12 new flats with a loss of 652 m<sup>2</sup> of office space.

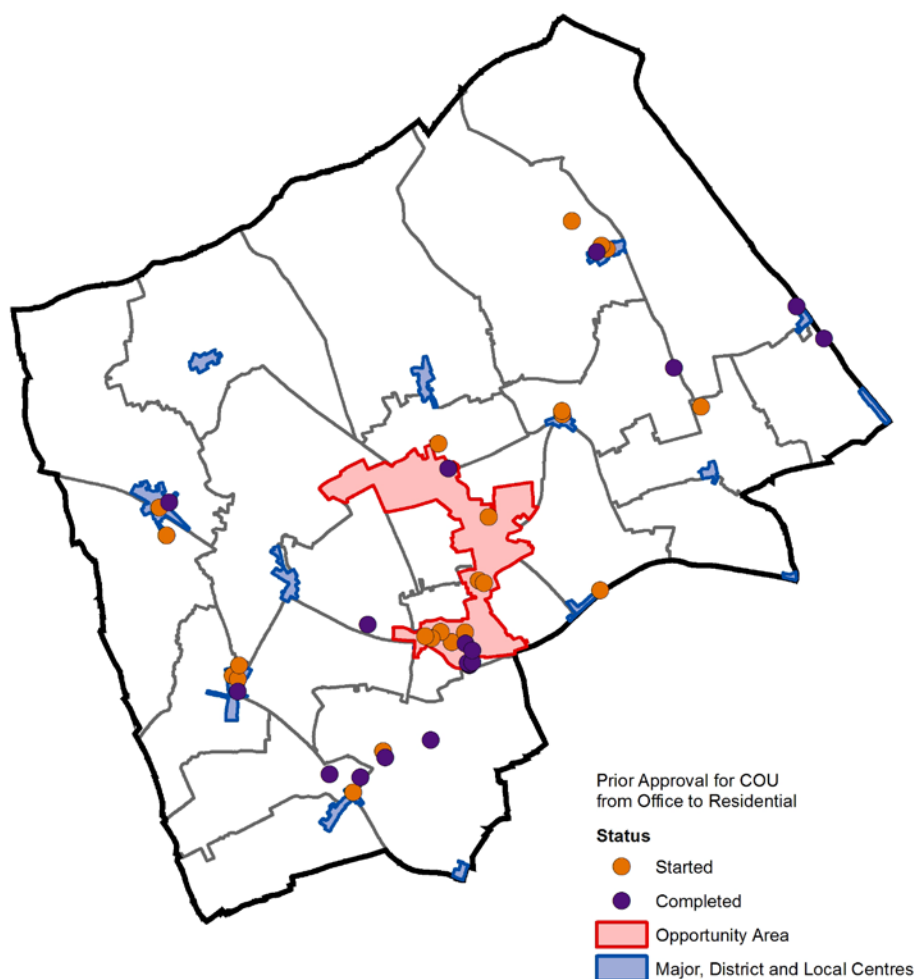
<sup>2</sup> Permission was granted for 16 flats with a loss of 995 m<sup>2</sup> of office space, but the ground floor part of the scheme has been superseded by a planning permission for retail use

**Table 4: Completed Schemes**

	Completed schemes	Site area (ha)	A2/B1(a) office floorspace lost (m <sup>2</sup> )	Completed units
<b>Harrow</b>	19	1.178	16,988	261
<b>Opportunity Area</b>	8	0.349	5,885	100

In total, by the end of December 2015, there were 261 units completed in the borough resulting in a loss of 16,988 m<sup>2</sup> of office space. Of these, 100 units are in the Harrow and Wealdstone Opportunity Area resulting in a loss of 5,885 m<sup>2</sup> of office space as a direct result of the changes to Permitted Development (PD) rights allowing the change of use from office to residential without the need for planning permission (Table 4). These figures are the same as at the end of the previous quarter (based on the latest survey carried out in September 2015). In order to update this information a full survey of all the permitted schemes will be carried out at the end of March 2016.

**Figure 3: Prior Approvals for COU from Office to Residential - Starts & Completions**



Source: Regeneration, Planning & Enterprise  
London Borough of Harrow LA 100019206 2016



## Sales Price Analysis

The council has recently undertaken some comparison of the sales value of new flats provided under PD rights (to allow changes of use from office to residential) with those of new build/conversions provided via a conventional planning permission. One outcome of these comparisons is to determine whether this change in regulations does help to provide relatively 'low cost housing'.

Some direct comparisons are possible as a few Prior Approval schemes are now being marketed. For example at Bovis House, 142 Northolt Road, South Harrow one bedroom flats have been sold for £265,200 to £395,000 and two bedroom flats from £367,200 to £407,949. This compares to £259,950 to £290,950 for one bedroom flats and £324,950 for two bedroom flats at Rooks Corner, Roxeth Green Avenue, South Harrow, a scheme granted permission via the conventional planning route. At Riverside Place, 107 Marsh Road, Pinner (a Prior Approval scheme) the price for a one bedroom flat is in the region of £305,000 and for a two bedroom flat, £429,500. This compares to around £265,000 for a one bedroom flat and £355,000 for a two bedroom flat at Charter Court, Bridge Street, Pinner (a conventional planning permission scheme).

The location of the Prior Approval schemes and the level of car parking provision will affect the price that can be achieved from the sale of these 'new' flats. Many of the Prior Approval schemes already have car parking from when the building was previously used as an office. On the other hand, newly built housing developments generally have very limited car parking, sometimes just a few spaces for blue badge holders. Properties located close to rail and underground stations, bus routes and other amenities will have a higher value and as a high proportion of the now converted offices were originally constructed in these prime locations, the newly converted properties, by default, tend to be located here.

Evidence suggests that a number of the completed developments have sold as buy to let investments, for example, Grosvenor House, High Street, Edgware and Sherbourne House, Northolt Road, South Harrow. The 12 flats at Sherbourne House were sold for between £192,500 and £325,000, although it is not known how many were bought to let and how many were bought for owner occupation.

It would appear that, as a result of the new legislation, not only do we get some poor quality housing, with no affordable housing provision or CIL receipts, the flats are still selling at a high cost providing a strong profit margin to the developer.

## Permanent Change to Permitted Development

On 13<sup>th</sup> October 2015, the Housing and Planning Minister announced that the permitted development rights to allow changes of use from office to residential without the need for planning permission will now be made permanent. In addition those who already have permission will have three years in which to complete the change of use.

To further support the delivery of new homes, the PD rights will in future allow the demolition of office buildings and the construction of new buildings in their place for residential use. How this will work in practice will be known when more information is forthcoming.

## Conclusions

Although introduced as a means of providing residential dwellings through conversion of redundant and surplus office floorspace, in Harrow, the reality will be the loss of often occupied and prime office space primarily in town centres and the associated loss of jobs and long-term economic sustainability. It remains unclear what the impact of Prior Approvals will be on office supply and on the office market within Harrow and whether there will be flow-on impacts in terms of reductions in total business numbers, business start-ups rates or town centre vitality. As such, it also remains unclear what the impact will be on the local plan policies which were effectively suspended, in particular, those relating to office renewal and the promotion of mixed use comprehensive redevelopment of Harrow town centre sites.

Whilst Prior Approvals may potentially deliver 1,702 new residential dwellings, this pales in comparison with what might have been achieved through redevelopment of these town centre sites. Furthermore, the inability to seek CIL or financial contributions on these schemes will have a significant impact on the character of the place and demand for services in these areas, which will now fall to the public purse to make good.

In 2014/15, the total number of permissions for new homes permitted via the Prior Approval route was 32, this was 23.9% of the total number of permissions for new homes (134). The total number of units permitted via the Prior Approval route was 682, 64.6% of the net total number of units permitted (1,055) and 60.4% of the gross total number of units permitted (1,130). For Prior Approval permissions the net and gross totals for the number of units are the same.

The overall conclusion of Council officers remains that, in the majority of instances, these conversions will result in the provision of low quality housing with very few amenities, foregone opportunities in terms of jobs and housing capacity, and will significantly undermine attempts to bring about the regeneration of Harrow's town centres and high streets.

## Further Information

Transport for London (TfL) guidance on Transport Impacts:

<http://www.tfl.gov.uk/>

Environment Agency Guidance on Flood Risk and Contamination:

<http://www.environment-agency.gov.uk/>

**Contact Officer:** Marc Mason, Regeneration, Planning & Enterprise  
020 8736 6087 (internal x6087)  
e-mail: [marc.mason@harrow.gov.uk](mailto:marc.mason@harrow.gov.uk)

January 2016

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