

**For:**  
**Tunbridge Wells Borough Council**

**Local Plan Viability Assessment  
Stage 2**

**(Including review of Strategic &  
Mixed-Use Site Allocation proposals)**

**Final Report**

February 2021

DSP18534



# Final Report

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## Executive Summary

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### Introduction

1. This summary aims to provide a brief overview of the full report that follows (Tunbridge Wells Borough Council Local Plan Viability Assessment Stage 2). The overview set out here is not a substitute for the full detail that should be referred to in the report.
2. Tunbridge Wells Borough Council (TWBC) appointed Dixon Searle Partnership (DSP) to prepare the viability assessment as part of the wider evidence base informing the development of the council's new Local Plan. The Plan will cover the period 2020 to 2038. Once adopted, the new Local Plan will direct the strategy for growth in the borough on the basis of key objectives including securing high quality sustainable development that is supported by suitable infrastructure and meeting affordable housing need. These objectives are amongst the focus areas of the viability assessment.
3. The TWBC viability assessment has been produced over two Stages, with this second stage building on the first (Stage 1 as reported August 2019). This stage adds a review of the strategic scale development proposals for Paddock Wood and Tudeley. Also included is a review of the viability of a sample of the council's 'mixed-use' allocation sites (proposals that will bring forward community facilities, financially enabled by the development of small to medium scale housing developments) and an update of the Stage 1 scenario ('typologies') testing with latest policy costs and assumptions applied.
4. 'Viability' in the sense of this study refers to the financial "health" of development. This means that the assessment looks at the likely strength of the relationship between development values and costs. It considers how this could vary and therefore support the Local Plan policies and other development costs across a range of potential sites and scheme types.
5. In this way, the study approach and findings enable a review of how much financial scope there is likely to be for developments in the borough to support planning obligations (such as for the provision of affordable housing), development standards (such as relating to housing standards and sustainability) and infrastructure. The housing standards included within the assumptions scope for this Stage 2 include an increased proportion of accessible and adaptable homes (to the enhanced Building Regulations standard Part M4(2)) compared with that allowed for within the base testing at Stage 1.

6. In terms of infrastructure to support the Development Plan, TWBC does not have in place a Community Infrastructure Levy (CIL). Instead, the council uses and proposes to continue using section 106 planning agreements (s.106) to secure the necessary infrastructure. The council may review this approach dependent on national policy developments (subject to the outcome of Government consultations that have been taking place on the planning system and CIL at the same time as this assessment and other factors). The Stage 1 viability work provided information on the potential scope for CIL charging in the borough at that time. At this second Stage, therefore, those indications have informed an assumption to include infrastructure cost equivalent to a £100/sq. m CIL on new housing development, together with s.106 contingency allowances as part of the estimated total ('cumulative') costs of development. In the case of the strategic site proposals, more specific current stage estimates of costs have been assumed as informed by master planning and infrastructure work carried out for the council.
7. This backdrop and the study approach, conducted by experienced consultants, is consistent with the relevant national policy and accompanying guidance – as updated 2018-19.
8. The National Planning Policy Framework (NPPF) para 34 on 'Development contributions' states: *'Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the deliverability of the plan.'*
9. The Planning Practice Guidance (PPG) on 'Viability', published alongside the updated NPPF in July 2018 and most recently updated on 1st September 2019, provides more comprehensive information on considering viability in plan making.
10. The PPG on Viability follows the above noted NPPF theme and states: *'These policy requirements should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106. Policy requirements should be clear so that they can be accurately accounted for in the price paid for land. To provide this certainty, affordable housing requirements should be expressed as a single figure rather than a range. Different requirements may be set for different types of site or types of*

*development... Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan’.*

### **Assessment approach (principles and methodology)**

11. Responding to the above, the well-established approach involves a method known as ‘residual valuation’. This deducts estimated costs (using assumptions that reflect the usual costs of development e.g. build costs, contingencies, fees, finance, marketing and sale costs and developer’s profit) from the expected end value on sale of a scheme (often known as the gross development value or ‘GDV’). The approach produces a surplus, hence a ‘residual’ or (in some cases where viability is indicated to be potentially challenging when using particular assumptions) deficit that points to the amount that could be paid for the development land (the site or premises to be developed).
12. A large number of these appraisals are undertaken across test scenarios (‘typologies’) broadly reflecting anticipated development in the area. This approach allows varying potential levels of affordable housing, other planning policy and infrastructure costs to be tested for viability – collectively (or ‘cumulatively’), as above.
13. The resulting ‘residual land value’ (RLV) levels are compared with a series of benchmark land values (BLVs) as part of assessing the likely prospects of various policy levels being supportable (viable), and developments of a relevant nature locally therefore being deliverable all in support of the Local Plan. The use of BLVs, again a part of the established assessment approach, helps ensure that the RLV results are viewed in terms that should provide an appropriate level of return to landowners. This is based on the principle, as set out in the PPG, of ‘Existing Use Value Plus’ (EUV+). This reflects the value of land in current use as the basis, with a level of uplift or premium then also considered, as may be appropriate to secure the timely release of a site for development – to take it out of its current use.
14. As above, this assessment was carried out over two stages to both inform the development of key policies and to support the final approach leading towards submission of the new Local Plan for Tunbridge Wells Borough. Overall, the review process both informed and was guided by the council’s consideration of the findings at each stage - a two-way relationship between the continued testing and the final development of key policies for the new Local Plan.

15. The following Stage 2 Report and Appendices set out the details of the approach to this further review and its findings, building on the base assessment – Stage 1. This includes more on the principles, the assumptions used and their source, the results and review leading to the findings. A brief overview of the key further findings from this Stage follows. The Stage 1 assessment report provides and should be referred to for the detail on the methodology.

## **Findings – overview**

### **Tunbridge Wells Borough - new Local Plan and viability**

16. Viewed as a whole, the emerging Local Plan proposals are considered to have reasonable prospects of viability and should therefore be able to meet the criteria of the NPPF and be consistent with the national guidance within the PPG in viability terms.
17. With a functioning property and development market in place, the policy area that has most impact on development viability is that of affordable housing (AH). This is almost always the case and not just a feature in Tunbridge Wells Borough, owing to the lower level of development value that it provides whilst costing a similar amount as the market sale homes to develop.
18. Viewed as part of the development cost alongside the other emerging policies, this Stage 2 assessment finds overall that the Stage 1 recommended affordable housing policy parameters 30-40% remain appropriate to the range of development and site types that are planned to come forward; headlines of 30% AH on previously developed land (PDL – i.e. brownfield or some mixed sites) and 40% on greenfield.
19. A range of the most needed rented affordable homes and those for “intermediate” tenure (forms of affordable home ownership such as shared ownership) are to be provided and have been assumed. Also related to this, it is relevant to consider that affordable housing tenure models change over time. For example, at the time of finalising this assessment, it appears that the Government is going to be confirming the requirement for ‘First Homes’ to be included within the overall affordable housing mix as another form of affordable home ownership. At this stage, our view is that First Homes may well support a similar level of viability to that currently assumed for the main existing ‘affordable home ownership’ route - in the form of shared ownership. Viability may not improve as a result

of the inclusion of First Homes, therefore, but also appears unlikely to be significantly negatively affected by that proposed new model.

20. The assessment also presents information on the relative influences of other policy areas, for example in respect of enhanced accessibility and sustainability standards. As part of the council's wider evidence base, the two stages of this assessment overall have informed and then supported the setting of those policy levels and this report builds on Stage 1 in outlining this process. Since preparing Stage 1, the Council has increased the proportion of new homes to be provided to meet enhanced Building Regulations Part M4(2). The Stage 2 assumptions reflect the updated policy approach to provide for all new dwellings to meet this, except for a small proportion within the affordable housing that are to be sought to meet the higher M4(3) standard. The policy basis is considered viable.
21. In summary, this assessment has further reviewed the overall viability of the proposed Local Plan policies for Tunbridge Borough that affect housing development and concludes, building on Stage 1, that these should support suitable prospects of delivery in the terms of the NPPF. The new Local Plan policy approach is not considered to unduly impact on the potential for developments to come forward viably, with the review having appropriately represented relevant forms of development. This has been through a mix of typologies based and more specific testing. The scope of this includes review of the proposed large strategic sites (developments at Paddock Wood and Tudeley, following garden settlement principles) and reflecting on the new Local Plan proposals for the allocation of 'mixed-use' sites that will accommodate small to medium scale housing proposals to also secure the enabling of local community facilities provision (for example village hall, community car parking, land set-aside for new or extended community facilities or similar).
22. The Local Plan and its evidence will inform and support the delivery of the development strategy and policies. The strategic sites will likely require ongoing development and review of a wide range of matters leading up to their delivery as the detail on the proposals builds, including potential further consideration of viability. The same may apply in other scenarios. This will always need to be underpinned by realistic expectations on land values and other ingredients in accordance with the PPG; and as part of achieving sustainable development that supports rather than constrains the policy-led affordable housing, infrastructure and other objectives to the fullest extent possible - within an

overall balance consistent with the Plan as well as with the national policy (NPPF) and guidance (PPG).

### **Additional general context**

23. This assessment has been worked up and is being reported at a time when more than typical levels of uncertainty may influence matters moving forward.
24. An overview and judgments are always necessary at this strategic level, and indeed are appropriate.
25. However, at this stage both the current COVID-19 pandemic (adding economic uncertainty to that related to the UK's exit from the EU) and other external influences such the Government's White Paper proposals on planning reform and other initiatives (as well as potential temporary adjustments to affordable housing thresholds for example) present a range of extended unknowns.
26. DSP will be happy to assist and input further, working with TWBC and advising additionally if required as the council's Local Plan proposals progress.

**Executive summary ends**

**Final Report  
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# 1. Introduction

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## 1.1 Background to Stage 2 of the Viability Assessment

- 1.1.1 Tunbridge Wells Borough Council (TWBC) is in the process of preparing a new Local Plan that will guide future development in the borough to 2038. The plan will set out a vision and framework including for housing, the economy, community facilities and infrastructure and will address matters including design, climate change and environmental protection.
- 1.1.2 The Council commissioned Dixon Searle Partnership (DSP) to produce a viability assessment across two stages in order to inform and assist the drawing up a strategic development strategy for the borough. The resulting assessment work and reports were therefore undertaken with the purpose of informing the viability and therefore deliverability prospects of the proposed development management policies and allocations as part of the preparation of the new Local Plan.
- 1.1.3 Stage 1 tested policies and standards both in the emerging Local Plan and nationally that may have cost implications for development. Key elements of this included affordable housing proportion and thresholds; and the viability scope to support a Community Infrastructure Levy (CIL). That stage provided a high-level viability appraisal of site types (typologies) likely to be representative of the progression of development within the new Local Plan generally. The resulting report was published in August 2019 and details the outcomes of the appraisal modelling to ensure that potential developments would not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened.
- 1.1.4 Stage 2 of the commission (leading to this current reporting stage) looks specifically at the viability prospects of those strategic site allocations considered to be key to the overall delivery ambitions of the Plan. This stage also considers the viability prospects associated with the proposed 'mixed-use' allocation' sites (on a sample testing i.e. more specific typologies basis) whilst also addressing where necessary any implications of changes within the viability picture since the publication of the Stage 1 report. The latter more general updating point has been addressed by revisiting a sample of the Stage 1 typologies, within this Stage 2 assessment. In looking at each of these elements of Stage 2, the Council's proposed Regulation 19 stage policies have been reflected, with

assumptions updated as appropriate from Stage 1. For example, as noted within the detail here, the approach now tested on accessible and adaptable homes requirements reflects the increased proportion of dwellings assumed to be provided to meet M4(2) standards. This is now assumed as being relevant to all new homes except for the small proportion in which M4(3) provision will be sought. At Stage 1, although sensitivity testing was carried out, the base assumption was that the M4(2) provision would be aligned to the affordable housing element of schemes and so this was assumed to apply to a smaller proportion of compliant homes overall.

- 1.1.5 The approach reflects the Planning Practice Guidance (PPG) that states: *‘Assessing the viability of plans does not require individual testing of every site or assurance that individual sites are viable. Plan makers can use site typologies to determine viability at the plan making stage’*<sup>1</sup>. The PPG goes on to state: *‘Assessment of samples of sites may be helpful to support evidence. In some circumstances more detailed assessment may be necessary for particular areas or key sites on which the delivery of the plan relies’*. Further, the guidance notes: *‘It is important to consider the specific circumstances of strategic sites. Plan makers can undertake site specific viability assessment for sites that are critical to delivering the strategic priorities of the plan. This could include, for example, large sites, sites that provide a significant proportion of planned supply, sites that enable or unlock other development sites or sites within priority regeneration areas’*<sup>2</sup>.
- 1.1.6 The Stage 1 report covered the detail of the methodology for producing strategic viability studies and the scope of specific research and assumptions needed to inform and complete the study. The same broad processes are included in the further assessment leading to this Stage 2 report and as such the general background (including details of the Tunbridge Wells planning context), methodology (including details of the appraisal principles and approach), wider policy framework within which these assessments are set and general caveats are not repeated again here. It is therefore important to read this Stage 2 report in the context of the Stage 1 published report; please refer to the Stage 1 report for those details.
- 1.1.7 This Stage 2 report does however include details of the strategic and other site allocations reviewed and appraised - including any site-specific assumptions. It also

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<sup>1</sup> <https://www.gov.uk/guidance/viability#viability-and-plan-making> – Paragraph: 003 Reference ID: 10-003-20180724

<sup>2</sup> <https://www.gov.uk/guidance/viability#viability-and-plan-making> – Paragraph: 005 Reference ID: 10-005-20180724



provides commentary on any changes to economic conditions and policies that have been found to vary from those considered through the Stage 1 assessment and reporting. Accordingly, the review scope and matters considered include any changes introduced as a consequence of national policy developments; for example including the proposed requirement for all developments to show a 10% improvement in biodiversity net gain and introduction of a 'First Homes' policy.

- 1.1.8 Affordable housing tenure models change over time. For example, at the time of this writing this report, it appears that the Government is going to be confirming the requirement for 'First Homes' to be included within the overall affordable housing mix as another form of affordable home ownership. At this stage, our view is that First Homes may well support a similar level of viability to that currently assumed for the existing 'affordable home ownership' route - in the form of shared ownership. Viability may not be seen to improve as a result of the inclusion of First Homes, therefore, but also appears unlikely to be significantly negatively affected by that proposed new model.
- 1.1.9 More generally, this assessment has been worked up and is being reported at a time when more than typical levels of uncertainty may influence matters moving forward. An overview and judgments are always necessary, and indeed are appropriate. However, at this stage both the current COVID-19 pandemic (adding economic uncertainty to that related to the UK's exit from the EU) and the Government's White Paper proposals on planning reform (as well as potential temporary adjustments to affordable housing thresholds for example) present a range of extended unknowns.
- 1.1.10 This work and review necessarily remains high-level as per Stage 1, again conducted as it is with available information at the time of assessment. Many assumptions need to be made. However, this is necessary and is both typical and appropriate. A suitable, proportionate approach has been taken overall to building this picture at this early stage in terms of actual delivery level detail that is not yet known. This is consistent with both the approach in national policy and guidance and DSP's extensive experience of informing and supporting the development of LP policies and allocations. The approach has enabled a continual dialogue whereby the findings have both informed the Council's emerging Plan considerations and the assessment has also adapted as far as practically possible to reflect policy developments and other known information.
- 1.1.11 At this stage, we understand that the Council is not actively pursuing its further consideration of a potential CIL for the borough. Therefore, this Stage 2 assessment

focuses on the emerging Plan. This does not rule out a CIL being considered or introduced. It means, however, that rather than providing any further detailed review or re-checking of the local scope to support CIL here, we are using assumptions on its Stage 1 reported potential level as level of community infrastructure cost (e.g. as may instead be provided via s.106). As detailed with this report and its Appendices, the assumptions on this are therefore carried over from Stage 1 as a broad level of infrastructure cost/contributions for use when continuing to review the potential effects of the cumulative costs of development, at this this second stage.



## 2 Strategic Sites, Site Allocations & Typologies Update

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### 2.1 Introduction & Instructions

- 2.1.1 The new Local Plan proposes the provision of the significant expansion of Paddock Wood including east Capel as well as a standalone new garden village at Tudeley (referred to as 'Paddock Wood and Tudeley' or 'PW & T' in this report and its Appendices).
- 2.1.2 The Council appointed David Lock Associates (DLA) to undertake master planning services for the sites and subsequently asked DSP to work with DLA on the viability element of the master planning to ensure a consistent approach and that each of these workstreams was informed by the other. This has been relevant to the Stage 2 viability work in respect of PW & T.
- 2.1.3 As with the wider viability testing, the aim was to inform the policy context for the proposed allocation of the sites. This involved assessing, as far as is possible at this stage of the development process, the infrastructure and social needs generated by the proposals and to test, at a high level, the impact of that need on their viability and deliverability (including the potential to meet the proposed affordable housing policy requirements).
- 2.1.4 Alongside the detailed testing of the Paddock Wood & Tudeley allocations the Council also requested that a number of other proposed site allocations be considered within the Stage 2 assessment ('mixed-use allocations'). Those propose the release of sites for housing as a particular policy initiative on the basis that specific local community facilities would be provided by their development (without which the sites could not come forward). That element was to be conducted by considering how closely the viability of that type and scale of development (typology) was already represented within the Stage 1 work; and potentially carrying out additional typologies review or more specific or modelling on a sample of those sites where considered appropriate to further inform and test the Local Plan.
- 2.1.5 The sites included within this Stage 2 work either through more specific modelling via bespoke development appraisals or through alignment with typologies already tested are shown in Figures 1 to 3 below.

- 2.1.6 Figure 1 relates to specific testing using tailored assumptions, as does Figure 2 (although in both cases the review remains high-level based on available information).
- 2.1.7 In the case of Figure 2, the added tests are essentially a hybrid of a typologies and a more specific approach, so with a view to more directed appraisals than were run at Stage 1, given the knowledge now of the nature of the various mixed-use allocation proposals. On discussion with TWBC, it was decided to appraise one each of the smallest and largest such sites proposed, and which would also come with specific community infrastructure (works provision and/or contributions) most representative of the range likely to be applicable to those allocations.
- 2.1.8 In addition, a sample of site typologies from the Stage 1 work have also been re-tested as part of this Stage 2 (as per Figure 3 below). Those incorporate sensitivity testing to include reflecting policy areas that have developed within the Pre-Submission Local Plan (Cabinet Version January 2021) since undertaking Stage 1.

**Figure 1: Strategic Sites tested**

Site	PSLP policy no.	No. dwellings	Other use(s)/ requirements
Paddock Wood	STR/SS1	3,490 – 3,590	Employment use, and associated education, leisure, retail, and health facilities.
Tudeley Village	STR/SS3	2,800	Village centre, neighbourhood parades, employment use, education and leisure

**Figure 2: Other Mixed-Use Site Allocations considered**

Site	PSLP policy no.	No. dwellings	Other use(s)/ requirements
Land south of The Street, Sissinghurst	CRS6	20 (houses and flats)	Replacement community hall
Land to the east of Horsmonden	HO3	115 -165 (houses and flats)	Land for: a) Primary school expansion b) Health centre

**Figure 3: Stage 1 Typologies re-tested**

Typology
15 Houses
50 mixed dwellings (flats/houses)
250 mixed dwellings (flats/houses)

(DSP 2021)



## **2.2 Paddock Wood (Including land to the East of Capel) & Tudeley Village**

- 2.2.1 As part of the stage 2 assessment DSP were asked to consider the potential viability and therefore deliverability of two large-scale strategic site proposals: STR/SS1 – Paddock Wood Including Land to the East of Capel and STR/SS3 – Tudeley Village.
- 2.2.2 We noted above that the Council appointed DLA to undertake Masterplan services for the subject sites, with DSP subsequently asked to work with DLA on the viability element. In particular this was to ensure a consistent approach to infrastructure costs assumptions (early stage estimates on site works and infrastructure, s106/278) and therefore complimentary workstreams that would further inform and support the emerging Local Plan development.
- 2.2.3 DLA provided detailed information in relation to the currently available estimates of infrastructure requirements and their broad timings associated with development at the PW & T sites; information that was incorporated into the DSP development appraisal iterations alongside assumptions on other planning requirements and development costs as well overall delivery trajectories provided by TWBC and reflected in the provisional infrastructure schedules. In our experience, this information has been as comprehensive as we have been able to use in any of these current stage LP development phases and associated strategic level viability assessments, and indeed more comprehensive than we have been able to use to inform development appraisal assumptions (inputs) in many cases. As with the wider viability testing, the aim has been to inform the policy context for the allocation of the sites (as part of the wider LP) and to assess, as far as is possible at this stage of the development process, the infrastructure and social need generated by the proposals and to test, at a high level, the impact of that need on the viability of development at these sites. This then informs a view on their deliverability prospects, including the potential to meet affordable housing (a key priority of TWBC) and other emerging (new Local Plan) policy requirements.
- 2.2.4 Working with the Council and their master-planning consultants, using Argus Developer appraisal software (an industry standard for the purpose and assessment context) DSP produced a series of development appraisals that considered the viability of proposals at PW & T. As with the infrastructure cost estimating work, these have developed over a considerable number of iterations in all and developed into a series of what are essentially current stage “what-if” tests that review the potential effects of variables on

sales values (development revenue), profit and land value alongside the current stage estimates of the cumulative development and policy related costs. Generally, it must be acknowledged that this is likely to represent the start of a long and dynamic process where matters are likely to remain under review and more information will inform further iterations over time.

- 2.2.5 However, it is worth noting that following DSP's first appraisal runs, there was dialogue with TWBC and DLA on the infrastructure costs estimates. This was because it was felt that the initial version infrastructure costs schedules looked likely to lead to too great a cost burden overall, and potentially too much pressure on viability therefore, when viewed alongside the prospects of delivery of the priority objective of contributing as far as possible towards meeting the need for affordable homes.
- 2.2.6 The testing approach taken is consistent with the Council's Local Plan headline of 40% AH (on greenfield developments). In the context of the aspiration to deliver these strategic sites on garden settlement principles, however, it is recognised that the site works and infrastructure costs will be significant. Accordingly, there will need to be an approach of finding the right balance to both ensure the provision of the necessary infrastructure to support the growth, and secure affordable housing delivery in accordance with policy to the fullest extent possible. This is reflected in the approach of testing a range of scenarios at this stage, to verify that the policy headlines have the potential to be achieved, whilst also recognising that development management stage viability testing may be undertaken.
- 2.2.7 Earlier sensitivity tests also included various iterations on development quantum (estimated dwelling numbers) and overall affordable housing tenure mix. In essence, materially smaller numbers of dwellings were found unlikely to be viable in balance with the infrastructure and affordable housing ingredients envisaged.
- 2.2.8 Having refined the current stage estimates of infrastructure and other cost items, a summary of the results of these final iterations (for the purposes of this Stage 2 work) is included below within part 3 of this report as well as at the beginning of Appendix IIa. Appendix IIa then also provides the printed summaries of the Argus Developer appraisals in corresponding order (appraisal iteration 1 – 8 for each site). Those show the breakdown of assumed infrastructure costs alongside the development values and costs input that go into building the development appraisal model. The indicative timings provided by the Council and DLA for Paddock Wood and Tudeley relating to

infrastructure provision and estimated overall development programme are set out in Appendix I (sheets 2 and 3 of 4 included within the assumptions overview there). These are not set out again here.

## **2.3 Other Site Allocations & Typologies Update**

- 2.3.1 As part of this Stage 2 update, TWBC also requested that consideration be given to what are referred to as ‘mixed-use allocation’ sites where a number of small and medium sized sites are proposed to be allocated through the Plan and expected to contribute to various items of community infrastructure (for example new / replacement village halls, land for school or surgery provision, or similar). Six sites were identified by TWBC (see Figure 4 below) of which DSP were asked to sample test two in order to consider the viability of this type of development.
- 2.3.2 At this stage of review, a wide range of assumptions need to be made. The range of potential dwelling capacities of such sites is considered to be approximately 11 to 165 overall. Looking at the potential scale of housing and how that might balance with the additional development costs associated with the community facilities provision, it was considered likely to be most informative to appraise (necessarily at a high-level) one of the smaller sites that also needs to make significant community provision (e.g. new village hall). At the other end of the scale on these site types, the largest planned housing development of this nature needs to facilitate the set-aside of significant land areas for the provision of new school development and other facilities (e.g. health centre). Accordingly, DSP appraised the potential viability of Land South of The Street, Sissinghurst (CRS6) and Land East of Horsmonden (HO3) on the basis that these represented the range of site sizes and dwelling capacities (shown in bold at Figure 4 below and extracted in Figure 2 above) as well as a range of community facilities provision / related contributions. The scenarios have been appraised assuming 20 and 150 dwellings, respectively.
- 2.3.3 For both of the mixed-use allocations tested, a similar approach was taken to the site typology testing and the assumptions on the development parameters (unit numbers, mix, values and costs) are included in the appendices to this assessment and are not set out again here. As above, this is as part of what is effectively a hybrid of a pure typologies and specific sites testing approach.

- 2.3.4 The key community requirement for Land South of the Street, Sissinghurst is assumed as the inclusion of a new village hall as part of the development, the costs of which were estimated to be in the region of £450,000.
- 2.3.5 For Land to the East of Horsmonden, a requirement exists for provision of land for primary school expansion and a health centre. In this case we have assumed that the land for the school expansion and health centre (6.18ha) is required to be purchased and serviced at the same time and rate as the residential land. Additional land beyond the serviced residential / school / health centre land (i.e. land for residential and concurrent or future community facilities development) is assumed to require purchase at a nominal / amenity value (reflecting a much lower level of uplift to EUV, with a premium of +50%, compared to the c. 1,000% uplift to the greenfield land EUV in the case of the potential development area).
- 2.3.6 A table of the results of the sample mixed-use allocation proposal sites exercise is included below for ease of reference, within report part 3 below. That summary is also at Appendix IIb, followed again by the corresponding appraisal summaries (Argus Developer Summary report prints of iteration 1 to 8 for each of the sample tested sites).



**Figure 4: Mixed-Use allocation proposals**

	Site	PSLP policy	Gross area	Net devt. area - residential	No. dwellings	Other use(s)/ requirements	Area of other community use(s)	Other contributing developments
1. <b>(Appraised @ 20 dwellings)</b>	Land south of The Street, Sissinghurst	CRS6	0.58 ha	0.58 ha	20 (houses and flats)	Replacement community hall	c. 0.15ha.	N/A
2.	Land at Maidstone Road, Matfield, (Brenchley and Matfield)	BM2	1.65 ha	1.4 ha	11 - 15	Village Hall car park and equipped play area	c. 0.25 ha	N/A
3.	Land south of Brenchley Road and west of Fromandez Drive, Horsmonden	HO2	3.48 ha	1.71 ha	80 - 100	New village hall	c. 0.5 ha	HO3 (see below)
4. <b>(Appraised @ 150 dwellings)</b>	Land to the east of Horsmonden	HO3	19 ha	7.74 ha	115 – 165 (houses and flats)	Land for: - Primary school expansion - Health centre	c. 6.18 ha	HO2 (see above)
5.	Land r/o High Street and west of Chalket Lane, Pembury	PE1	6.67 ha	3.62 ha	50 - 60	Extension to village hall car park	c. 0.1 ha	PE2, PE3 (80 dwellings), PE4 (25 dwellings)
6.	Land at Hubbles Farm and south of Hastings Road, Pembury	PE2	5.45 ha	3.4 ha	80	Land for cemetery extension	c. 0.69ha	N/A

(DSP 2021)

- 2.3.7 As a further part of the Stage 2 update, DSP has also undertaken further sensitivity testing on a selection of the site typologies considered as part of the Stage 1 assessment. These are set out at Figure 3 above but again were chosen as suitable representative typologies to review, in order to again reflect a range of site sizes and development capacities as well as ensuring any policies that vary by dwelling threshold were also considered.
- 2.3.8 Following the above format and also the display approach used at Stage 1, again the results are tabled within the Appendices (Appendix IIc to this report). With many appraisals run for this part of the Stage 2 exercise, a selection (only) of appraisal summaries is included to the rear of Appendix IIc – to illustrate the calculations structure and content.

## 2.4 Updated Policy Review

- 2.4.1 As part of providing the Stage 2 report, primarily in order to consider the viability and deliverability of strategic site allocations, the Council also requested that the assessment consider any changes to policy development that had taken place through the Pre-Submission Local Plan (Cabinet Version January 2021) as compared to the Regulation 18 Draft Local Plan and assumptions made in the DSP Stage 1 reporting (August 2019). The following sets out the key changes and where applicable, the approach taken through this stage 2 assessment to address those changes. This enabled the updated approach and review assumptions also to be reflected in the other Stage 2 assessment elements as described above – mixed-use allocation sites and updated typologies reviews.

### Affordable Housing

- 2.4.2 Under the Regulation 18 Draft Local Plan, the policy on Affordable Housing (Policy H5) required a financial contribution towards the provision of affordable housing based on 20% of the gross number of residential units from sites of between 1-9 units. The Pre-Submission Local Plan (Cabinet Version January 2021) has adjusted that requirement within Policy H3 (affordable Housing) to the following: *'Sites within the High Weald Area of Outstanding Natural Beauty delivering six to nine dwellings will be expected to provide a financial contribution towards the provision of off-site affordable housing (land and build costs) based on 20 percent of the gross number of residential units to be provided on sites comprising mostly greenfield land, and 15 percent of the gross number of residential units to be provided on sites comprising over half brownfield*

*land. Where a financial contribution for off-site provision of affordable housing is payable, this shall be payable upon commencement of development, or as otherwise agreed with the local planning authority'. We understand that this was on the advice of the Planning Inspectorate during earlier stage progress meetings.*

- 2.4.3 Within the 2019 study, allowance was made for the provision of 20% affordable housing on sites below the national minimum threshold of 10 units and deemed to be viable, leading to the recommendation within the Regulation 18 Draft Local Plan. The new policy requires the same or lower proportion on a much narrower geographic area and as such the findings of the Stage 1 assessment remain valid.

Access to and Use of Buildings (Part M4(2) and Part M4(3) of the Building Regulations)

- 2.4.4 Within the Stage 1 study, DSP tested the Council's direction of travel at the time with regard to optional accessibility standards (Parts M4(2) and M4(3) of the Building Regulations) which was to request dwellings constructed to Part M4(2) standards on affordable housing only and a small proportion built to Part M4(3) standards where applicable, but again within the affordable housing delivery only. This policy was included within the Regulation 18 Draft Local Plan.
- 2.4.5 Sensitivity testing was also carried out as part of the stage 1 work investigating the impact of requiring 95% of all housing to be constructed to Part M4(2) standards and 5% to be constructed to Part M4(3). Both approaches were considered within the Stage 1 work to be broadly viable, but with a recommendation that the approach be re-tested as TWBC further developed its policies on progressing the Plan, to ensure the overall cumulative impact of policy would not render schemes unviable.
- 2.4.6 The Pre-Submission Local Plan (Cabinet Version January 2021) has altered the access standards related policies (requirements within scope of Policies H3 and H6) so that all new build housing will be expected to meet the optional technical standard M4(2) for accessible and adaptable dwellings. In addition, the policy also required that on sites of 20 or more units at least five per cent of the affordable dwellings will be expected to meet the optional technical standard M4(3) for wheelchair user dwellings (where a need has been identified in the parish or ward by the Housing Authority).
- 2.4.7 As part of this Stage 2 assessment, all appraisals include an allowance to cover the updated requirements although it should be noted that Part M4(2) and Part M4(3) are mutually exclusive in that both standards cannot apply to the same property. As such

our appraisals slightly over-allow for the costs of meeting the relevant parts of Policies H3 and H6.

#### Biodiversity Net Gain (BNG)

- 2.4.8 We understand from TWBC that the Council, through policy EN9 of the Pre-Submission Local Plan (Cabinet Version January 2021), is intending to adopt the minimum standards likely to be set out by Government. In summary this requires development to show a measurable long-term net gain for biodiversity (minimum of 10%).
- 2.4.9 At the time of carrying out the Stage 1 assessment, BNG was not a policy requirement fixed at a minimum of 10% at either local or national level although a proposed requirement for net gains for nature was contained within the Regulation 18 Draft Local Plan consulted on after the publication of DSP's Stage 1 assessment.
- 2.4.10 For the purposes of this stage 2 study, DSP has carried out a range of sensitivity testing incorporating contingency allowances for BNG within the overall contingency allowance for climate change related policies (see below and as set out in Appendix I). At Paddock Wood and Tudeley it is expected that the developments will be capable of meeting their BNG and other green and blue infrastructure requirements on-site within the comprehensively planned place-making approach overall, although the development specifics are yet to be worked up and these would no doubt be amongst the many matters needing to undergo detailed consideration.

#### Climate Change

- 2.4.11 Climate change and sustainability related policies are contained across a number of policies within the Pre-Submission Local Plan (Cabinet Version January 2021).
- 2.4.12 Policies EN2 and EN3 in particular set out encouragement or requirements to meet certain standards in residential and non-residential developments. Policy EN2 encourages the achievement of the Home Quality Mark 3\* or 4\* depending on timeframe and scale of development. Policy EN3 supports proposals for zero carbon and low emission development whilst also requiring new buildings to incorporate design features that help deliver reductions in greenhouse gas emissions. The policies will be achieved through a combination of reducing CO<sub>2</sub> emissions by at least 10% below the Target Emission Rate (TER) as set out in the Building Regulations (2013) as well as reducing operational CO<sub>2</sub> emissions by 15% using renewable energy-generating technology.



2.4.13 The Stage 1 assessment assumed a 4% uplift to base build costs to meet the requirements of policy and in our view this remains a valid approach. The cost is broadly equivalent to meeting the Government's Future Homes Standard Option 2 (equivalent to a 31% reduction in CO<sub>2</sub>).

2.4.14 In order to incorporate an element of sensitivity testing on potentially higher standards over time and to allow for potential BNG costs, further testing in this Stage 2 assessment has been undertaken at 4%, 5% and 7% uplift over base costs.

#### Infrastructure Contributions

2.4.15 The Stage 1 assessment was required by TWBC to inform and support the emerging Local Plan policies and standards whilst also advising on the potential (in terms of development viability scope) for the Council to introduce a Community Infrastructure Levy (CIL). The results of that process lead to a recommendation of between £100 - £150/m<sup>2</sup> CIL rate on residential development being potentially viability in general across the Borough; together with a suggested differential approach including a potential nil rate (£0/ m<sup>2</sup> charge) for larger strategic scale development. A similar level of CIL was recommended as likely to be viable for large scale retail development (for foodstore/supermarket or retail warehousing use) but with a nil-rated approach found most likely to be suitable on all other forms of development, based on the viability evidence prepared.

2.4.16 In addition to the CIL trial testing, a contingency allowance of £3,000 per dwelling (all dwellings) was assumed to cover any non-CIL site-specific development mitigation works or contributions / s.278 works. On an average sized market home of, say, 90m<sup>2</sup> this would equate to between £12,000 and £16,500 per dwelling (noting that affordable housing would not pay the CIL) as a total allowance for s.106 / other planning obligation requirements (excluding affordable housing which is included separately).

2.4.17 The Council, at this stage, has not progressed with plans to introduce a CIL and we are informed that it is unlikely to introduce a CIL ahead of any Government clarification of the national approach to CIL.

2.4.18 For the mixed-use allocations and updated typology sensitivity testing, the same approach has been taken; with infrastructure costs at a rate of £100/m<sup>2</sup> (market dwellings) included within the appraisals as a proxy for planning obligation requirements. For the typologies updated modelling (Appendix IIc results), the

additional £3,000 per unit s.106 / s.278 contingency has also been included. For the mixed-use allocations testing, the s.106 contingency allowance has been removed on the assumption that the provision of a village hall / school land / health land will represent the main component part of the overall s106 requirement / infrastructure obligations.

2.4.19 In the case of the specific approach taken to the Paddock Wood and Tudeley appraisals, no CIL / planning obligations contingency / tariff charge has been assumed as specific cost allowances (current stage estimates as per the DLA master planning work) for infrastructure and s.106 works / contributions costs are included in the development appraisal modelling.

#### Build to Rent (BTR)

2.4.20 A further element of the Stage 2 testing included high-level modelling of a potential viability of build-to-rent typology; particularly market-led provision and the ability to secure affordable housing from such a development.

2.4.21 Reflecting the differing housing and investment model, the assumptions made representative of a Build to Rent development type differ from those applied to the assessment of typical apartments for market sale. We have used a bespoke housing mix for an assumed 200-unit BTR typology based on our experience of BTR schemes to date (it should also be noted that the dwelling size assumptions differ slightly from our standard market housing flatted typologies); and also with reference to Government guidance within the PPG which states that: *'20% is generally a suitable benchmark for the level of affordable private rent homes to be provided (and maintained in perpetuity) in any Build to Rent scheme'*. The assumptions made for the make-up of the BTR typology considered are as follows (Figure 5, below):

**Figure 5: BTR – assumed scheme typology make-up**

200-unit Build to Rent typology - TWBC			
Unit Type	Number of bedrooms	Number of units	NIA (m <sup>2</sup> )
BTR market rental unit	1 Bed	55	50
BTR market rental unit	2 Bed	75	70
BTR market rental unit	3 Bed	30	79
Affordable Private Rent at 80% of market rent	1 Bed (Affordable)	17	50
Affordable Private Rent at 80% of market rent	2 Bed (Affordable)	19	70
Affordable Private Rent at 80% of market rent	3 Bed (Affordable)	4	86
Total		<b>200</b>	<b>12894</b>

(DSP 2021)

- 2.4.22 Build to Rent values are based on a cashflow appraisal of rental values, less maintenance, management, letting and void costs. The assumed rental levels are based on reviewing information on local market rents, adjusted for typical assumed BTR characteristics (taking into account that typically BTR rent levels would be set towards the upper end of the rental values range generally seen for the area, reflecting the new build and the quality of provision including additional services (for example concierge, wi-fi, communal facilities). The assumptions used in this high-level review of potential BTR viability, based on this format of scheme, are set out in Appendix I.
- 2.4.23 In the case of Build to Rent, affordable housing is assumed to be provided in the form of 'Affordable Private Rent' ('APR') at 80% of the market rent for comparably sized BTR units (viewed primarily by number of bedrooms).
- 2.4.24 The BTR typology review uses bespoke assumptions, which are set out within Appendix I (sheet 4 of 4) to this Stage 2 report.

### 3 Stage 2 results and findings

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#### 3.1 Paddock Wood and Tudeley Appraisals review

- 3.1.1 The results of this part of the exercise are set out at Appendix IIa and also overviewed within the text below for ease of reference.
- 3.1.2 The Local Plan policy references 3,490 – 3,590 new dwellings at Paddock Wood. Of these, about 3,450 are proposed to be provided on greenfield land on the periphery of the existing settlement, with 40 – 140 new dwellings proposed through the redevelopment of previously developed land to the north of the centre. Accordingly, the development scope appraised in this assessment reflects the proposals to deliver on greenfield land c. 3,450 new homes (at Paddock Wood – ‘PW’) and c. 2,800 (at Tudeley – ‘T’). This is planned over a considerable development period running to and likely to continue after the end of the emerging Local Plan period (so to 2038 and beyond), with development at Tudeley expected to run on beyond that at Paddock Wood. Both prior to and during this period, a range of economic and other circumstances (and therefore viability and deliverability influences) could or most likely will be experienced.
- 3.1.3 This work necessarily remains high-level as per Stage 1, again conducted as it is with available information at the time of assessment. There are no preliminary scheme designs etc., so that the potential broad overall nature of the proposals for the sites only can inform the current stage review of the viability prospects. Many assumptions need to be made within an appropriate approach to building this picture at what is an early stage in terms of actual delivery level detail that is not yet known; and may not be for some time. In the usual way, it can be expected that the many variables involved in considering assumptions will move around. This is the case in respect of simpler, smaller developments and particularly needs to be acknowledged on considering potential schemes such as those appraised here. This leads to considering a series of “what-if” type scenarios. These circumstances together with both the approach and nature of assumptions are consistent with DSP’s extensive experience of informing and supporting the development of Local Plan policies and site allocations, however. The approach taken is reflective of national policy and guidance which requires an informed review of viability at plan making stage, as part of the appropriate available evidence.



- 3.1.4 Whilst developed through various iterations and a refinement process as far as possible by DLA and the Council to date (with the earlier viability iterations feeding back into its development), the schedule of infrastructure requirements that translated to appraisal inputs necessarily remains a set of current stage estimates. The assumptions form part of the master planning work that is being undertaken for the Council.
- 3.1.5 The assumptions on site-wide works and infrastructure have been considered based on 2 main sets of costs, being development costs and s.106/s.278 (works and/or contributions), with both sets considered and split out with reference to categories or broad areas of infrastructure provision under the headings of Highways, Sustainable Transport, Education, Health, Water (waste water), Utilities (new connections and diversions / abnormals), Green, Grey and Blue Infrastructure, Cultural and Other (including climate response measures).
- 3.1.6 This all leads to and reflects the approach of needing to form a view as to whether the proposed sites have a reasonable prospect of coming forward viably – being delivered. This is at the level that is appropriate to consider in the terms of the NPPF and PPG and can therefore be considered to support the emerging Local Plan overall, rather than be unduly challenging to deliver in the LP and wider context.
- 3.1.7 Having refined some matters we are now appraising on the basis of a 60/40 AH tenure mix in favour of rented tenure consistent with the LP headline approach (compared with an earlier 70/30 test assumption) and the iterations extend to considering potential variation (or any scope for) enhanced land value over the £250,000/ha level that DSP's LP viability experience points to being appropriate (reflecting approx. a 10-fold of EUV on the EUV+ principles within the PPG). Development profit levels at the mid to upper end of the PPG plan making range 15-20% GDV are also considered as one of the potential variables ("what-ifs"), consistent again with DSP's experience (including experience of the decision making stage of viability in planning).
- 3.1.8 The appraisal process deducts all estimated costs from the (again sensitivity tested) estimates of gross development value (GDV i.e., sales revenue) having also taken into account finance costs within the cashflow model. The BLV levels considered in calculating any available surpluses are also expressed in £ per hectare (£/ha) terms, based on the gross (overall) land-take area assumptions included within the Council's (DLA) emerging master planning work.

### **3.2 Paddock Wood and Tudeley - Results Summary**

- 3.2.1 The Figure 6 results (see below and also included as Table 1 at the beginning of Appendix IIa) are expressed as residual surplus amounts – in £ total and £/dwelling terms. These are the indicative sums remaining (if any) to support any costs beyond those estimated and included at this stage once land value at the stated BLV (benchmark land value) and development profit have been accounted for at the stated “what-if” levels, alongside all the currently estimated costs of development (including infrastructure and affordable housing).
- 3.2.3 As explained through the Stage 1 report, the BLV is the level of land value considered appropriate as required to bring forward a site for development. The appropriate reference point is existing use value (EUV) with a suitable landowner’s premium considered additionally (in order to secure the release of land from its current use at a timely point, to enable development).
- 3.2.4 In considering the results we have assumed a base BLV level of £250,000/ha applied to the gross (whole) assumed site area in each case as our main and suitable plan making stage viability assumption, representing circa 10x EUV (i.e., @ c. 1,000% premium / uplift compared with the up to 20 - 30% premium that we might expect to see in the case of PDL hosted development scenarios). As the results overview Table shows for both the PW & T sites, this has also been tested at a higher level of BLV – as further “what-if” tests enabling us to consider the potential capacity of the viability to support higher land values – increased for this purpose to a test level of £370,000/ha, again based on the assumed gross (total) site area. This is because while there needs to be a view on suitable level of land value and this will need to be suitable in the context of viability in planning (informing and supporting sustainable development rather than constraining it), there will inevitably be varying requirements and interpretations that may be relevant to consider in due course.
- 3.2.5 Land value expectations will need to be realistic. The purpose of this exercise is not to set exact limits on the returns (for landowners and developers) where the viability can support a different view, however. Rather it is to guide and to aim to ensure that expectations on this or other matters that are too high are not a reason for the policies of the Plan (such as on sustainable development, infrastructure provision and affordable housing) not being delivered.

3.2.6 The results of the latest iterations are set out briefly below (Figure 6):

**Figure 6: Paddock Wood & Tudeley Appraisal Results – Current stage iterations**

Paddock Wood - 3,450 Residential Units - 40% Affordable Housing								
Site Area (Gross Ha)	Average Market Value (£/m2)	BLV (£/ha)	BLV (£)	Developer Return (%)	Surplus / Deficit over BLV (£)	Surplus / Deficit as % of GDV	Surplus / Deficit over BLV (£/ dwelling))	Appraisal No.
239.25	£4,500	£250,000	£59,812,500	17.5%	£57,933,773	5.61%	£16,792	1
				20.0%	£37,394,198	3.62%	£10,839	2
		£370,000	£88,522,500	17.5%	-£8,915,776	-0.86%	-£2,584	3
				20.0%	-£29,455,351	-2.85%	-£8,538	4
	£4,300	£250,000	£59,812,500	17.5%	£17,036,187	1.71%	£4,938	5
				20.0%	-£2,590,518	-0.26%	-£751	6
		£370,000	£88,522,500	17.5%	-£53,003,126	-5.32%	-£15,363	7
				20.0%	-£72,629,831	-7.28%	-£21,052	8
Tudeley - 2,800 Residential Units - 40% Affordable Housing								
Site Area (Gross Ha)	Average Market Value (£/m2)	BLV (£/ha)	BLV (£)	Developer Return (%)	Surplus / Deficit over BLV (£)	Surplus / Deficit as % of GDV	Surplus / Deficit over BLV (£/ dwelling))	Appraisal No.
151.1	£4,500	£250,000	£37,775,000	17.5%	£26,752,744	3.19%	£7,754	1
				20.0%	£10,082,944	1.20%	£2,923	2
		£370,000	£55,907,000	17.5%	-£24,018,812	-2.86%	-£6,962	3
				20.0%	-£40,688,612	-4.85%	-£11,794	4
	£4,300	£250,000	£37,775,000	17.5%	-£10,091,602	-1.25%	-£2,925	5
				20.0%	-£26,020,522	-3.22%	-£7,542	6
		£370,000	£55,907,000	17.5%	-£64,539,888	-7.98%	-£18,707	7
				20.0%	-£80,468,808	-9.94%	-£23,324	8

(DSP 2021)



- 3.2.7 The current stage viability indications and prospects are in-line with our wider experience. Here there is considered to be a strong local market and an attractive, convenient location available to support the prospects - alongside a not untypically high level of works and infrastructure costs associated with this scale of development (and noting again the proposed delivery on garden settlement principles).
- 3.2.8 The scenarios that we consider to represent the most relevant “what-if” scenarios when applying viability in planning principles as per the PPG for the plan making stage, indicate there to be surplus or significant surplus outcomes with a land value assumed at £250,000/ha (iterations 1, 2, 5 and 6 for PW; 1 and 2 for T). This dips away to a level of deficit outcome indicated with the lower sales values tests in the case of Tudeley (T site appraisal iterations 5 and 6).
- 3.2.9 There are other results indicating support of the delivery potential too, considering the wider picture and the variables that will ultimately influence viability in ways that cannot be predicted as such. The overall figures representing the estimated scheme value and development costs viewed at the point of appraisal are very large. With the levels of accuracy / estimates tolerances and sensitivity to small looking adjustments in assumptions that are inherent within plan making stage strategic sites review, it is also relevant to consider other current stage review “what-if” scenarios. The wider results are informative and also appropriate to consider in this overall context. Those indicating current stage potential deficits at not more than around £10,000/dwelling (guide only – not a boundary or cut-off) are certainly not outside the bounds of the extent to which the findings can move, as the variation shows. The appraisal outcomes for iterations 3 and 4 are also relevant to look in each case, for example – i.e. with land value (BLV used as fixed appraisal cost input) tested at £370,000/ha based on total site area rather than at DSP’s £250,000/ha base assumption.
- 3.2.10 We envisage strong place-making potential here which should reflect positively in the values generated and further support the prospects for viable development overall in these locations.
- 3.2.11 Overall, the results point to reasonable prospects of delivery based on the Council’s emerging LP policies, with no values growth (and cost inflation) or other / additional external funding or grant assumptions currently used.

3.2.12 Therefore, our conclusion from the perspective of the viability assessment work is that we consider the criteria of the NPPF can be met with these two strategic development allocation scenarios included as part of the new Local Plan.

### **Additional results context**

3.2.13 Consistent with the LP viability work in general, these assumptions or outcomes are not intended to limit the levels at which land value or indeed other ingredients may be supportable. The indications are however that a suitable base level of land value, i.e. in accordance with our experience and particularly at this stage of review, should be supportable. Indeed, the iterations based appraisals review suggests that there may be scope to support some additional costs over the current base assumptions. Within this scenario, it may be possible to see land value and other matters supported at higher cost levels moving ahead, should the overall viability permit - with the necessary community and social infrastructure and development mitigation in place and accommodated within the appraisals (as it is now and will need to be within any future appraisal updates and other iterations).

3.2.14 The outcomes are sensitive to change, with many potential variables having an influence. Enabling the wider consideration of the potential influence on viability of moving costs and values, at the end of each of the PW & T appraisal summaries (within Appendix IIa) a 'sensitivity analysis report' is included. Each of these grids shows within each box the tested BLV level of land value (the lower figure shown - included as a fixed cost) how the level of reported surplus (or deficit) varies as the assumed market sales revenue levels and construction costs increase or decrease. These potential effects can be viewed individually or together in varying combinations, with the influence of (sensitivity to) values having been looked at in £100/sq. m steps (to £700/sq. m above and below the base test assumption in each case) and build costs increasing or reducing in 2% steps, to 14% each way from base. The base test result in each case is seen towards the right side, halfway down the first sensitivity analysis report sheet in each case; where a '0.00 /m<sup>2</sup>' change in 'sales rate' and 0.000%' change in construction rate are seen in combination.

### 3.3 Mixed-use allocation proposal sites – Appraisals review

3.3.1 The results of this part of the exercise are set out at Appendix IIb and, again, also overviewed within the text below for ease of reference.

3.3.2 Referring also to Figure 2 above and Appendix I, it was decided that a sample appraisal approach to this element of the Stage 2 LP viability would address the following (Figure 7):

**Figure 7: Mixed-use allocation tests**

Stage 2: Sensitivity Testing Update - Mixed Use Allocations				
Site Appraised	No. of residential dwellings	Site type	AH % Test	Gross Land Area (ha)
Land South of the Street, Sissinghurst (AL/CRS6)	20	Greenfield	40%	0.73
Land East of Horsmonden (HO3)	150	Greenfield	40%	19

(DSP 2021)

3.3.3 The results table at the beginning of Appendix IIb displays the outcomes on the same basis as used for the strategic sites, as considered above. For ease of reference this is repeated below, at Figure 8.

3.3.4 This again means that we are viewing the potential surpluses i.e. surplus profits (or in some cases deficits, where negative outcomes are seen) when taking account of all assumed development and LP policy costs together with the tested land value (BLV) and profit levels. All considered using the same principles as above, and here in the context of small to medium scale developments on greenfield land that we understand may only progress on the basis of the various requirements for local community facilities being met (see Figure 4 above).

3.3.5 In these cases the higher BLV test (“what-if”) is pitched at an illustrative £500,000/ha, which we consider to be an upper-end greenfield land value, considered additionally because these are relatively small scale releases for development in a village/edge of village context where it may be appropriate to also consider the value of paddock/grazing land rather than amenity/playing field or the context of a larger scale (“bulk”) release of agricultural land. With amenity land in mind, in our view the lower end of the range considered here (£250,000/ha on the necessary EUV+ basis)

- 3.3.6 The mixed-use site appraisal summaries (again covering the review of 8 iterations each for the selected Sissinghurst and Horsmonden sites) are also provided within Appendix IIb. Those also contain sensitivity analysis reports to the rear, based on viewing the potential influence on the outcomes (extent of surplus 'profit' or otherwise) of the same sales value and build cost adjustments as described at 3.2.14 above (sales at +/- £100/ m<sup>2</sup> steps and construction at +/- 2% steps).
- 3.3.7 The results are as follows – Figure 8, below:

**Figure 8: Mixed-use allocation proposal sites results**

Land South of The Street, Sissinghurst - 20 Residential Units - 40% Affordable Housing								
Site Area (Gross Ha)	Average Market Value (£/m2)	BLV (£/ha)	BLV (£)	Developer Return (%)	Surplus / Deficit over BLV (£)	Surplus / Deficit as % of GDV	Surplus / Deficit over BLV (£/ dwelling))	Appraisal No.
0.73	£4,300	£250,000	£182,500	17.5%	£966,720	15.31%	£48,336	1
				20.0%	£843,009	13.35%	£42,150	2
		£500,000	£365,000	17.5%	£752,182	11.91%	£37,609	3
				20.0%	£628,471	9.95%	£31,424	4
	£4,100	£250,000	£182,500	17.5%	£720,180	11.96%	£36,009	5
				20.0%	£602,223	10.00%	£30,111	6
		£500,000	£365,000	17.5%	£505,149	8.39%	£25,257	7
				20.0%	£387,192	6.43%	£19,360	8
Land to the East of Horsmonden - 165 Residential Units - 40% Affordable Housing								
Site Area (Gross Ha)	Average Market Value (£/m2)	BLV (£/ha)	BLV (£)	Developer Return (%)	Surplus / Deficit over BLV (£)	Surplus / Deficit as % of GDV	Surplus / Deficit over BLV (£/ dwelling))	Appraisal No.
13.92	£4,500	£250,000	£3,480,000	17.5%	£3,528,635	7.82%	£23,524	1
				20.0%	£2,635,610	5.84%	£17,571	2
		£500,000	£6,960,000	17.5%	-£983,250	-2.18%	-£6,555	3
				20.0%	-£1,876,275	-4.16%	-£12,509	4
	£4,300	£250,000	£3,480,000	17.5%	£1,790,602	4.15%	£11,937	5
				20.0%	£937,267	2.17%	£6,248	6
		£500,000	£6,960,000	17.5%	-£2,741,296	-6.35%	-£18,275	7
				20.0%	-£3,594,631	-8.33%	-£23,964	8

(DSP 2021)



- 3.3.8 Although at the lower sales values tested we see some notable potential deficits currently indicated, overall a good range of positive outcomes is seen from these iterations as currently appraised.
- 3.3.9 However, the results also show the sensitivity of the outcomes to changes in the values that are supported by schemes (viability indications reducing with lower values), or the costs involved in progressing them (viability reducing with higher costs than currently assumed). This could be particularly relevant to consider in the case of a smaller site that carries relatively significant community development costs for its scale, such as tested at Sissinghurst. While the headline outcomes are all positive looking, we can also see that the scale of residual surplus reported at this stage as associated with a relatively small scale of housing development could potentially quite quickly come under pressure with lower values achievable and/or higher than assumed costs needing to be supported.
- 3.3.10 Given the nature of the requirements envisaged as part of the various site proposals and the assumptions made to represent those at this level of review, in our view the other mixed-use allocation sites should prove to be no less viable overall than the two appraised here.
- 3.3.11 With sites in low value existing use such as these, it should be possible to support mixed housing development including the Council's required affordable housing and that also provides the noted new or improved village community facilities.
- 3.3.12 Viewed overall, these results also point to reasonable prospects of delivery based on the Council's emerging LP policies. As above, this is again with no values growth (and cost inflation) or other / additional external funding or grant assumptions currently used.
- 3.3.13 Therefore, likewise, our conclusion is that from the perspective of the Stage 2 viability assessment work we consider the criteria of the NPPF can again be met with these 'mixed-use' allocation proposals included within the new Local Plan.

### **3.4 Updated review (re-test) of sample development typologies**

3.4.1 This was conducted as an additional part of the exercise, using updated BCIS sourced build costs and other policy cost related assumptions as set out within Appendix I to this report (sheet 1 of 4 there); and as noted above.

3.4.2 The many results available within the Appendix IIc tables are not repeated here.

3.4.3 This element of the current results display differs from the above and follows the approach used at Stage 1, whereby the appraisal RLV (residual land value) outputs are “filtered” against the full range range of BLVs. These represent comparisons with greenfield and a potential range of PDL site values, as were considered at Stage 1 based on the same EUV+ principles as have been noted above and consistent with the PPG.

3.4.4 The updated tests are seen to accommodate the assumed development and policy costs (including on M4(2) as noted at 1.1.4 above) when taken into account cumulatively and considered alongside a relevant range of BLVs; proposals with reasonable prospects of viability based on the LP approach.

3.4.5 Therefore, these additional findings continue the generally supportive overview from Stage 1 in respect of the viability of the policies, considered further as now updated for Regulation 19 stage.

3.4.6 This further supports the nature of the above findings. There has not been a deterioration in the general typology RLV indications as far as have been re-tested, and if anything the pointers are now that (assuming market conditions continuing to support development) the viability prospects may have improved to some extent since conducting the Stage 1 assessment.

### **3.5 Build to rent (BTR) development typology**

3.5.1 Reflecting the scope of guidance within the PPG and the expansion of housing alternatives, as a final element of this Stage 2 we have also given some high level consideration to the viability potential that could be associated with build to rent

apartments (e.g. envisaging the potential for such development to come forward within the centre of Tunbridge Wells or another well-connected location).

- 3.5.2 Following the approach noted at 2.4.20 – 2.4.24 above display, we produced RLV results as indicated below (Figure 9). The RLVs are indicated on a £ and £/ha equivalent basis, when applying the stated assumptions.

**Figure 9: Stage 2 addition of Build to rent typology – Results**

Development Scenario	200				
	Flats (6+ Storey) BTR				
Typical Site Type	PDL				
Net Land Area (ha)	1.00				
Gross Land Area (ha)	1.30				
Site Density (dph)	200				
CIL Rate	£100.00				
<b>200 Flats (6+ Storey)</b>	<b>Affordable Private Rent (APR) with rents at 80% of market rent where included</b>				
CIL	Proportion of APR (%)	Contingency allowance	Sustainable Design Allowance	Residual Land Value (£)	
CIL at £100/m <sup>2</sup> on market units	20%	5%	5%	£1,603,703	
CIL at £100/m <sup>2</sup> on market units	0% - Sensitivity test with nil AH	5%	5%	£3,204,710	

  

CIL	Proportion of APR (%)	Contingency allowance	Sustainable Design Allowance	Residual Land Value (£/Ha)	
CIL at £100/m <sup>2</sup> on market units	20%	5%	5%	£1,233,618	
CIL at £100/m <sup>2</sup> on market units	0% - Sensitivity test with nil AH	5%	5%	£2,465,162	

EUV+ £/ha	BLV Notes (Viability tests – as per Stage 1)
<b>£250,000</b>	Greenfield Enhancement
<b>£500,000</b>	Greenfield Enhancement (Upper)
<b>£850,000</b>	Industrial (Lower)
<b>£1,500,000</b>	Industrial (Upper)
<b>£1,800,000</b>	PDL - Commercial (Lower)
<b>£2,250,000</b>	PDL - Commercial (Upper)
<b>£3,500,000</b>	PDL - Residential

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- 3.5.3 Provided for TWBC's information, these further results at show that with 20% AH included (in this case in form of 'affordable private rent' (APR) i.e. rents discounted to 80% market levels) when appraised with a £100/sq. m CIL (or equivalent infrastructure obligations cost) a RLV of circa £1.2m/Ha is generated, with our base contingency and sustainable design allowances applied.
- 3.5.4 This outcome (with 20% APR) could be supportable on land in relatively low value existing use, such as former industrial or similar, but appears unlikely to be workable on higher value commercial land – perhaps the more likely relevant circumstances. BTR schemes are typically proposed in town centre locations, near to rail links, and therefore the relevant site type BLVs are likely to exceed our lower benchmarks.
- 3.5.5 Currently our understanding is that this is not seen as a likely key component of local housing supply moving forward in the short term, however.
- 3.5.6 The results indicate that BTR development of this nature would likely represent quite a challenging scenario even with a 20% affordable housing (APR) content (compared with the new Local Plan headline of 30% on PDL). Whereas BTR schemes in central London or key commuter locations, for example, can command very high rents due to the price of nearby alternatives and the attraction/convenience of their location and amenities, at this stage we expect that potential BTR rents in Tunbridge Wells will be lower relative to build costs; in particular for 1-bed flats, since there appears to be a good supply of relatively low cost rented 1-bed accommodation close to the town centre and there may well be a limit to the additional amount that a potential tenant would pay for a rented flat, even one with the superior specification and facilities that in our experience are typically part of the BTR offer.
- 3.5.7 As seen at Figure 9 above, we have also sensitivity tested a BTR development with nil affordable housing, again applying a CIL equivalent infrastructure cost £100/m<sup>2</sup>. In this test scenario the results indicate positive viability at the upper commercial benchmark (£2.25m+/ha).
- 3.5.8 Overall, we consider a 20% APR requirement (the level suggested within national guidance on BTR development considerations) to represent a potentially ambitious target for any local BTR schemes. This is a typical finding from most of our provincially based review work on this model to date; not unique to this borough. The results indicate that BTR is less viable viewed in planning in viability terms and is unlikely to



achieve the level of affordable housing indicated by our study to be supportable by typical market sale housing development.

3.5.9 We note also that affordable housing in BTR schemes is likely to be achieved only on the basis of APR at 80% of market rent. This amounts to more of an ‘intermediate’ level affordable housing tenure which would be affordable to a relatively small proportion of applicants on the Council’s housing register. Owing to its likely frequency of occurrence in the foreseeable circumstances here and the variability of scheme specifics (as has been noted above in respect of other forms of more specialist housing/models) BTR probably does not warrant a bespoke policy approach. However, if differentiation is to be set out for BTR, a 20% AH (as APR) level would be consistent with national policy and guidance principles and expectations at this stage.

3.5.10 With this in mind, the Planning Practice Guidance (PPG) on build to rent states at Paragraph: 002 Reference ID: 60-002-20180913 (Revision Date: 13 09 2018):

*‘What provision of affordable housing is a build to rent development expected to provide?’*

*The National Planning Policy Framework states that affordable housing on build to rent schemes should be provided by default in the form of affordable private rent, a class of affordable housing specifically designed for build to rent. Affordable private rent and private market rent units within a development should be managed collectively by a single build to rent landlord.*

*20% is generally a suitable benchmark for the level of affordable private rent homes to be provided (and maintained in perpetuity) in any build to rent scheme. If local authorities wish to set a different proportion, they should justify this using the evidence emerging from their local housing need assessment, and set the policy out in their local plan. Similarly, the guidance on viability permits developers, in exception, the opportunity to make a case seeking to differ from this benchmark.*

*National affordable housing policy also requires a minimum rent discount of 20% for affordable private rent homes relative to local market rents. The discount should be calculated when a discounted home is rented out, or when the tenancy is renewed. The rent on the discounted homes should increase on*

*the same basis as rent increases for longer-term (market) tenancies within the development.'*

### 3.6 Closing points

- 3.6.1 We have noted that this assessment has been worked up and is being reported at a time when more than typical levels of uncertainty may influence matters moving forward. At this stage both the current COVID-19 pandemic (adding economic uncertainty to that related to the UK's exit from the EU) and the Government's White Paper proposals on planning reform (as well as potential temporary adjustments to affordable housing thresholds for example) present a range of extended unknowns.
- 3.6.2 During the course of carrying out this assessment the Government consulted on both short term and longer-term major reforms to the planning system in England and Wales. The White Paper: *Planning for the Future* consultation (August 2020) seeks views on wholesale reforms to the planning system so that in some respects it would be nearly unrecognisable from the system under which this assessment and the Local Plan are being produced. The second consultation – '*Changes to the current planning system*' looks at shorter term objectives including the introduction of a First Homes policy<sup>3</sup> and temporary increase in the national affordable housing threshold<sup>4</sup>. The results of both consultations were unknown at the time of writing and although the assessment overall consider development based on a wide range of scheme type and size typologies that should assist the Council to consider affordable housing and thresholds as may be affected as part of the '*Changes to the current planning system*' consultation, no other specific allowances are made in that regard within this assessment.
- 3.6.3 However, an overview and balanced judgments are always necessary as part of preparing this information that contributes to the Council's appropriate available evidence base.
- 3.6.4 DSP will be happy to assist and input further, working with TWBC and advising additionally if required as its Local Plan proposals progress.

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<sup>3</sup> Potential for a policy that requires policy that a minimum of 25 per cent of all affordable housing units secured through developer contributions to be First Homes with a minimum discount of 30% of market value.

<sup>4</sup> The government is consulting on whether to increase the current affordable housing threshold (where affordable housing may be sought from developments of 10 dwellings or more) to 40 or 50 dwellings for a temporary period of up to 18 months.

## Notes and Limitations

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- i. The purpose of the assessment reported in this document is to further evaluate the viability of the policies and allocations proposed as part of the new Local Plan for Tunbridge Wells Borough to approximately 2037.
- ii. This report sets out the scope of and findings from the additional review carried out to inform the Council's consideration of its new (emerging) Local Plan policies from a viability perspective whilst taking into account national policies that may impact on development viability.
- iii. This has been a desk-top exercise based on information provided by Tunbridge Wells Borough Council (TWBC) supplemented with information gathered by and assumptions made by DSP appropriate to the current stage of Local Plan development ('plan making').
- iv. This review has been carried out using well recognised residual valuation techniques by consultants highly experienced in the preparation of strategic viability assessments for local authority policy development including whole plan viability, affordable housing and CIL economic viability as well as providing site-specific viability reviews and advice. In order to carry out this type of assessment many assumptions are required alongside the consideration of a range of a large quantity of information which rarely fits all eventualities.
- v. It should be noted that every scheme is different, and no review of this nature can reflect the variances seen in site specific cases. Accordingly, this assessment (as with similar studies of its type) is not intended to prescribe land values or other assumptions. Specific assumptions and values applied for our test scenarios are unlikely to be appropriate for all developments. A degree of professional judgment is required. We are confident, however, that our assumptions are reasonable in terms of making this viability overview and further informing and supporting the Council's approach to and proposals for a robust and viable Local Plan overall.
- vi. As is usual when assessing the potential viability of sites at this stage, and especially at large scale as in the case of strategic sites reviewing, the assumptions and appraisals as well as the numbers they produce can all appear rather precise. Effectively there is a false level of accuracy implied by such figures when looking at results that are set out to a single pound level.

- vii. The results reported here remain high-level indications only and are based on the current particular assumptions made in this assessment, including on infrastructure. The timescales over which the delivery of large scale sites are expected to take place, allied to the number of variables, means that the end result cannot possibly be known at this stage.
- viii. The results of any viability process at this stage can only indicate a likelihood of delivery rather than anything more specific. As discussed above, a small change in one assumption can have a relatively large impact on the outcome / result. The extent to which figures are seen to vary (i.e. to be potentially sensitive to assumptions made) such as are included within the further sensitivity testing grids (sensitivity analysis reports) to the rear of each of the appraisal summaries highlights this.
- ix. Small changes in assumptions can have a significant individual or cumulative effect on the residual land value (RLV) or other surplus / deficit output generated – the indicative surpluses (or other outcomes) generated by the development appraisals for this review will not necessarily reflect site specific circumstances. Therefore, this assessment (as with similar studies of its type) is not intended to prescribe land values or other assumptions or otherwise substitute for the usual considerations and discussions that will continue to be needed as particular developments with varying characteristics come forward. Nevertheless, the assumptions used within this study inform and then reflect the policy requirements and strategy of the Council and therefore take into account the cumulative cost effects of policies.
- x. The research, review work and reporting for this assessment has been assembled at a time when there remain economic uncertainties associated with Brexit and at a time when the Global COVID-19 (Coronavirus) pandemic situation has been dominating all aspects of the news and economy for around a year now.
- xi. This may run through into many potential areas affecting viability or deliverability, particularly in the short term. However, there could be a range of influences and effects, not necessarily all negative in their impact on viability. It is of course only possible to work with available information at the point of carrying out the assessment. At this stage it appears that it will be for Local Authorities and others to consider how this picture may change – monitor it as best possible and consider any necessary updating of the evidence and local response in due course.
- xii. This is consistent with the approach that typically is taken already when either a significant amount of time passes, or other circumstances change during the period of Plan

preparation/review. In the meantime, this work contains information on the impact of varied assumptions. Additionally, in considering the assessment we have also sought to provide wide sensitivity testing to inform the Council's consideration of development viability in the wider plan delivery context.

- xiii. This document has been prepared for the stated objective and should not be used for any other purpose without the prior written authority of Dixon Searle Partnership Ltd (DSP); we accept no responsibility or liability for the consequences of this document being used for a purpose other than for which it was commissioned.
- xiv. To the extent that the document is based on information supplied by others, DSP accepts no liability for any loss or damage suffered by the client or others who choose to rely on it.
- xv. In no way does this study provide formal valuation advice; it provides an overview not intended for other purposes nor to over-ride particular site considerations as the Council's policies will be applied from case to case.
- xvi. DSP conducts its work only for Local Authorities and selected other public organisations. We do not act on behalf of any development interests. We also undertake site specific viability assessments on behalf of Tunbridge Borough Council from time to time, on an ad hoc basis and subject to specific instructions.
- xvii. In any event we can confirm that no conflict of interests exists, nor is likely to arise given our approach and client base. Our fees are all quoted in advance and agreed with clients on a fixed or capped basis, with no element whatsoever of incentive/performance related payment. Our project costs are simply built-up in advance, based on hourly/day rates and estimates of involved time.

**Final Report ends**  
**(v3)**  
**February 2021**