For:

Tunbridge Wells Borough Council

Local Plan & Community Infrastructure Levy Stage 1 Viability Assessment

Final Report (DSP v4)

August 2019

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Dixon Searle Partnership
Elm House, Tanshire Park
Shackleford Road, Elstead GU8 6LB
www.dixonsearle.co.uk

DixonSearle Partnership

Final Report (v4)

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Non-Technical Summary

Need and context for the viability assessment

1. This summary aims to provide a brief non-technical overview of the full report that follows - it is not a substitute for the full detail that should be referred to in that.

2. The report describes the viability assessment that Tunbridge Wells Borough Council (TWBC) commissioned experienced consultancy Dixon Searle Partnership (DSP) to undertake. It sets out the assessment context and purpose (Chapter 1), Methodology (i.e. how it has been approached – Chapter 2) and its Findings (at Chapter 3). Further detail (made up an overview of the assumptions (within Appendix I), the results (tables within Appendices IIa and IIb) and values related research (at Appendix III). The figures and details are not repeated in this summary.

3. This workstream has been undertaken because Tunbridge Wells Borough Council (TWBC) is in the process of preparing a new development plan – Local Plan. Through an overall strategy and set of policies relating to the provision of new housing, employment and other needs, the new Local Plan will guide development in the borough area in the period to 2036.

4. As a next step in the development of this, TWBC is set to consult on its emerging Local Plan proposals in September – October 2019 (so called 'Regulation 18' stage), with this and a wide range of other information and assessments informing and supporting that process.

5. At the same time, the Council is also considering bringing in, for the first time, a Community Infrastructure Levy (CIL) for the borough. A CIL is a fixed cost charge that may be raised on new developments, at levels set individually by local authorities (the charging authorities) but only in accordance with the approach set out in national regulations. Once in place, it applies to a category or categories of development and the cost of it is not negotiable on individual schemes.

6. A CIL may be used alongside the existing method of securing developer contributions, i.e. 'section 106' (s.106) planning obligations. For Stage 1, a £3,000 per dwelling s.106 contingency (possible cost) has been allowed for in all cases alongside the trial CIL rates

tested at up to £300 per square metre (£300/sq. m) using £25/sq. m intervals. Section 2.12 of the report and Appendix I set this out. The Appendix IIa and IIb tables also show the range of CIL trial rates testing.

7. Funds secured through CIL must be used to support the infrastructure requirements associated only with the new development delivery set out in the Local Plan. The local level or levels of CIL should be informed by viability evidence, and may be varied by development type, scale and location. Overall, the key test is that the charging authority needs to strike an appropriate balance between the desirability of funding infrastructure and the impact on the viability of development.

8. The National Planning Policy Framework – NPPF - (as renewed July 2018 – February 2019) is the key source of national policy on both plan-making and decision-making in planning. Paragraph 34 of the NPPF 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 NPPF is the driver for this viability assessment, with the Government's on-line national Planning Practice Guidance (PPG, as updated to May 2019) then setting out how the NPPF policies should be taken account of by the local authorities and others involved together in planning and providing new development. Along with other sources of guidance, as referred to in the full report, the PPG is our main reference point. The previously established principles and good practice on viability assessment are carried through this assessment. They have continued to be reflected appropriately in an approach that is also consistent with the new guidance.

10. Planned developments should remain able to come forward viably, with the Local Plan policies and other costs and requirements in place.

11. The purpose of the viability assessment is therefore to review the likely impact of the development costs associated with the Council's emerging policies alongside national policies and typical costs of development.

12. This is all considered in the context of the local area characteristics (types of places, sites and developments etc.) and market (mainly in relation to the level of property values

available to support viability), in order to inform any further development and final positioning of the Local Plan policies.

Viability assessment approach

13. 'Viability' in this sense means the financial "health" of development– i.e. whether it can support financially a suitable mix of land value, development profit and community infrastructure and other provision (e.g. affordable housing). It is the strength of the relationship between the development values (the completed scheme sales values) and the various costs of development (including policy related costs) that determines this. The basis of the study is the review of this, and how it varies by development type, location and value, is.

14. For this current assessment phase, Stage 1, this varying strength of viability is assessed using a range of 'development typologies'. This is not an exhaustive process – an overview is appropriate. These typologies are assumed development schemes, considered by the Council and DSP to be representative of a range of developments coming forward in the borough. They are appraised using a series of assumptions set following a consultation exercise with a range of locally active development industry stakeholders and close discussion with the Council. 14 residential typologies have been appraised (comprising 1 to 250 dwellings at this stage) – 2.2 of the report and Appendix I refers). 10 commercial / non-residential typologies have been appraised (covering retail (various types), business development (offices, industrial/warehousing), hotel and care home uses – details at 2.3 of the report and Appendix I. Other development types have considered too (Figure 10 and the end of report section 3.5 provides the detail).

15. The appraisal process run for each typology uses the well-established method of 'residual valuation'. This approach consistently underpins all such assessments and involves deducting the assumed costs of development (including the potential policy related costs) from the development value to see whether a positive relationship exists (hence the term 'residual', referring to the balance of this calculation). This is viewed as a 'residual land value' (RLV) – in other words an amount left over for potential site purchase. The estimated development costs allowed along with the policy costs include site purchase costs, build costs, design and other fees, profit, finance and the costs of sale (marketing/ agent's and legal fees). Section 2.1 and Figure 1 of the report provide more on this, and section 2 goes on to set out the assumptions in detail, which are also overviewed in Appendix I.

16. The RLV outcomes are then compared with estimated levels of land value that may need to be met in order to secure the sale of sites for development by landowners. However, these comparative land value levels (which are known as 'benchmark land values' (BLVs) or similar as set out in the Appendices IIa and IIb results tables) are not simply market based or open-ended. They are considered by reference to the likely existing use value (EUV) of various site types, plus an allowance for a sale incentive (level of uplift) to the landowner. This is all as referred to in the Planning Practice Guidance. Section 2.13 of the report and Appendix III provide more on this.

17. The range of BLVs considered is £250,000 - £3,500,000 per hectare (£0.25 – 3.5m/ha). The mid-range of these levels are considered most likely to be relevant to this stage 1 overview (e.g. sites in or formerly in a range of commercial/industrial uses) – mainly previously developed land (PDL) i.e. 'brownfield' sites. However greenfield land based scenarios have also been considered and it is expected that the lower end of this range will become more relevant as some larger sites are reviewed at Stage 2 (EUV for agricultural land at not more than £25,000/ha with a substantial uplift). The Appendix IIa and IIb results tables show the range of BLVs (viability tests) - in the footnote tables.

18. In any event, landowners' expectations must be realistic in allowing for the nature of sites and the assessment process, to make sure that this factor alone does not have the effect of squeezing out the scope to support community planning obligations.

19. As well as being applied to explore residential development viability, the testing also includes the appropriate high-level review of commercial/non-residential scheme typologies

20. A very large number of individual appraisals have been run. The results of all of these have been reported (tables within Appendices IIa and IIb to the full report). The process overall enables the influence of varying values, affordable housing and other policy/development costs (at varying levels), varying CIL costs and other matters all to be tested.

21. The results show the trends that are seen as these ingredients vary, and also how the various costs and influences vary in significance and interact with each other. This is important as it is always the case in our experience that some trade-offs and compromises need to be considered in finding a suitable balance overall, as above.

22. A Stage 2 of this assessment is intended and will use these same principles to consider the viability of particular larger/strategic development sites that are key to the new Tunbridge Wells Local Plan overall. That is likely to be undertaken on a more specific basis, using information such is available on those sites or a representative sample of them. That further work will use and where appropriate revisit and check or refine the Stage 1 findings on the new Local Plan policies.

Findings - Overview

23. These summary points have been taken from Chapter 3 of the report, including the final overview section at 3.7 and table within Figure 11.

24. Although local property prices vary, most locations in the borough support strong values in general. References to 'lower' values or similar are relative. This means that whilst a range of positive viability outcomes are seen across many of the test sets, the Council will need to continue to emphasise the need for affordable housing provision, because affordability is very challenging.

25. Broadly, the most relevant values (house prices) for this overview fall mainly in the range approximately £4,000 – 5,000/sq. m equivalent, meaning for our assumed dwelling types (range 1-bedroom flat to 4-bedroom house) new-build sales prices ranging from approximately £200,000 to £650,000. Sections 2.4, 3.1 and Appendix III to the report provide the detail – values research and assumptions.

26. From the Stage 1 assessment work we have found overall that, having discussed emerging findings outcomes with TWBC and particularly on potential affordable housing (AH) policy variation, the proposed approach appears capable of supporting a suitable balance between the acknowledged drivers of development (commercial side - i.e. land value and profit for risk reward), development quality and the residents' and wider community needs (both through a potential CIL charging schedule and continued use of s.106).

27. In all respects the Council will need to continue to weigh-up the difficult balance between viability and the affordable housing needs, other policy drivers and the desirability of funding infrastructure.

28. Based on viability, the Local Plan policy and provisional CIL setting findings that have been put forward for TWBC's consideration in progressing to this next (Regulation 18

consultation) stage and onwards include the following (headlines provided here – as with all the detail, the report provides further information):

Affordable Housing (AH)
-Threshold (policy triggers) and proportion (%)

a. An approach which seeks as a headline on-site AH on schemes providing 10+ dwellings.

b. However, which also seeks not more than 20% AH/equivalent contribution on sites providing fewer than 10 dwellings, should any of those be included within the final policy scope (e.g. AONB vs general national policy threshold (NPPF) at 10 dwellings);

c. 40% AH on greenfield developments of 10+ dwellings (and for further review/testing basis at stage 2)

d. A reduced (30%) AH on PDL (previously developed i.e. brownfield) developments of 10+ dwellings;

-Affordable housing tenure

e. The starting point for this should be nil-grant (so the developer subsidy is relied on - no external funding availability assumed). An AH tenure mix including all rented affordable homes (60% of the AH) as social rent – as per the tested base assumption - is most likely going to be challenging for viability without grant.

f. The affordable housing and other delivery details are usually site and specific scheme level considerations that need to be addressed in any event (they are variable by site). Therefore we have offered comments that the AH tenure aspect could be an area in which any necessary and appropriate adjustment is looked at. The delivery stage details could offer the necessary scope to balance viability where considered necessary and appropriate. We suggest that some flexibility and varying tenure mix could be an important response and tool for the Council to consider. Therefore we have looked at alternative sensitivity tests (samples to date) to help inform this - to include affordable rented homes.

g. The reduced affordability issues associated with moving away from social rent are acknowledged, and those are vital too. However, the sensitivity test findings indicated that a more balanced AH tenure mix with less social rent focus could enable a wider combination of other policy/development costs to be supported. For example this could apply to the scope for enhanced accessibility or sustainable construction measures, or similar, and to the potential future CIL funding scope - without unduly affecting the ability of developments to remain viable overall.

h. However, the assessment has found that as well as securing affordable rented homes, it could be possible in some cases to provide a blend that includes at least some social rent. The Council's approach could leave flexibility for this more affordable form of tenure. This is also where a role for any other funding could be relevant.

Other Local Plan policies and costs
- Optional enhanced standards - (Building Regulations) M4(2) & (3)

i. The assessment assumptions incorporate the currently estimated costs associated with a range of building design/specification matters, including relating to the proposed local adoption of enhanced standards to provide more accessible/adaptable homes, potential standards on dwelling sizes, energy and water usage efficiency and the like. The report sets out the detail, and considers the Council's policy proposals which are not considered be excessive or unusual in their aims, and broadly supported in viability terms.

j. The inclusion of all AH units (or an equivalent quantum of dwellings overall) to M4(2) standard has been assumed across all tests and is supportable when looking at viability.

k. As an individual impact, 95% M4(2) plus 5% M4(3) has also been appraised through sensitivity testing (sample to date). This has also been found likely to be supportable. As with other policy cost impacts, we suggest that this is subject to likely re-checking the overview of cumulative costs associated with the final TWBC preferred policy selections in due course.

l. We recommend that TWBC continues to consider, monitor and keep under review the potential cumulative impact and rigidity of expectations related to policy costs and obligations, however, alongside the AH policies and bearing in mind the wide range of influences on viability and on the other aspects of delivery – e.g. varying market, locations, sites and schemes.

Community Infrastructure levy (CIL) – Potential charging scope

m. Again the report provides the detail. A wide range of testing has been carried out. This has been informed by DSP's experience of working on numerous CIL viability assessments through examination, and also by previous work with TWBC as well as in other areas in the region. As noted in the report, however, the following are provisional – likely to be subject to further review subsequently (including as regards application or any potential differential approach to or options around the approach to larger / strategic sites as reviewed at proposed stage 2).

CIL – residential

n. At this stage, our findings are that the residential charging scope is likely to be mainly within the range £100-150/sq. m. We consider that some level of differentiation is likely to be either necessary or at least an option. This is on the basis of a relatively simple borough-wide approach to AH policies and other matters, and so with the potential CIL responding to and reflecting viability variations with the policies in place.

o. For the larger/strategic sites, s.106 can provide a more direct and timely mode for securing site-specific infrastructure works especially, and also bespoke development mitigation contributions. From experience elsewhere, we may find that such sites need a differential /zoned approach to CIL – for further review.

CIL – commercial/non-residential (retail and other development uses)

p. Our findings here are that the strong viability related to any larger format developments (retail warehousing and also foodstores) that may come forward will be likely to support CIL charging at a similar level to the likely residential rate parameters (at £100- 150/sq. m as above). However, overall, across the tested retail typologies, we also found mixed results and have offered observations accordingly.

q. In summary, the overall Plan relevance of various development types will probably be key to this. A differential approach is likely to be recommended for consideration by TWBC on further review for the CIL proposals. This is likely to include some elements charged at lower rate(s) - potentially including town centre development as well as other retail developments.

r. Commentary has been provided on the likely wide applicability of a nil £0/sq. m or at most nominal type rate on all other uses as well. The types of considerations thought to be involved in that aspect of a CIL charging schedule have been set out. At this stage, all other development uses, including employment (Offices / industrial / warehousing – B1 – B8), Hotels (C1), Care Homes (C2) together with D uses and others are expected to show no clear CIL charging scope from a viability point of view alone.

28. A range of other information is provided, the above being a very brief summary only. We confirm again that DSP will be happy to input and advise further, should the Council wish.

Non-technical summary ends - Final Report (DSP v4) August 2019

1. Introduction

1.1 Background to the Viability Assessment

1.1.1 Tunbridge Wells Borough Council is preparing a new Local Plan that will guide future development in the borough up to 2036. The plan will set out a vision and framework including for housing, the economy, community facilities and infrastructure and will address design, climate change and environmental protection.

1.1.2 Various evidence studies have been completed to support the plan making process, including assessments to help identify how much new housing and employment floor space is needed in the borough to meet the needs over the next 20 years. The evidence base includes a Strategic Housing Market Assessment (SHMA) undertaken in 2015 and updated in 2017, Strategic Housing and Economic Land Availability Assessment (SHELAA) (2017) and Economic Needs Study (2016) amongst others.

1.1.3 At the same time as preparing the Local Plan, the Council is also considering the potential introduction of a Community Infrastructure Levy (CIL) Charging Schedule in order to begin charging CIL in the borough.

1.1.4 Following an Issues and Options draft strategy consultation in June 2017, the Council's latest Local Development Scheme (LDS) indicates consultation on the draft Local Plan taking place in September to October 2019, consultation on the final Local Plan between August and October 2020, submission towards the end of 2020 and the Local Plan examination due to take place in the spring / summer of 2021.

1.1.5 In order to assist the Council in drawing up a strategic development strategy for the borough as well as detailed allocations and development management policies as part of the preparation of the new Local Plan, the Council has commissioned this assessment (as part of its wider evidence base).

1.1.6 DSP was engaged to produce the viability assessment to inform the development of the Local Plan in two stages. Stage 1 (this report) tests policies and standards both in the Local Plan and nationally that may have cost implications including affordable housing proportion and thresholds; and CIL. It provides high level viability appraisal of sites, using representative typologies, likely to come forward through the Local Plan. This report details the outcome 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.

1.1.7 Stage 1 supports the Draft Local Plan, to be published for consultation in shortly. It should be noted that at the time of writing, final policy numbers were not available and so any referred to in this document may be subject to change.

1.1.8 Stage 2 of this commission will address (through subsequent review and reporting) any changes required to policy alongside site specific assessment (where appropriate) of key strategic site allocations in order to inform and support the final version Local Plan.

1.1.9 It is in the interests of the Council, local communities, developers and all other stakeholders to ensure that the proposed policies, sites and the scale of development identified in the plan are deliverable as a whole - to ensure a sound Plan through the examination process. This is equally true of the level(s) of CIL that may be required across the borough.

1.1.10 The Local Plan must be prepared in accordance with the requirements set out in National Planning Policy Framework (NPPF)[1] and the accompanying Planning Practice Guidance (PPG)[2]. Viability testing is an important part of the plan-making process. The NPPF introduces a clear requirement to assess viability of the delivery of Local Plans and the impact on development of policies contained within them. In addition, further guidance on this requirement is covered by the national Planning Practice Guidance and other publications.

1.1.11 Dixon Searle Partnership (DSP) has worked with Tunbridge Wells Borough Council over a number of years – on an early review of the potential CIL viability scope, site allocations viability evidence and site specific viability reviews.

1.1.12 For this study we have taken a fresh look at the development economics in the borough including key development assumptions on values, costs and potential proposed polices through the emerging draft Local Plan. Our current work has necessarily needed to adapt to and reflect costs and policies known at the time of running the development appraisals that inform this overall Stage 1 viability process, prior to the publication of the draft Local Plan. This is necessarily a high level view at

[1] MHCLG: National Planning Policy Framework (February 2019)
2 MHCLG: https://www.gov.uk/government/collections/planning-practice-guidance

this stage. Policies and infrastructure costs estimates will evolve as the Plan moves forward to its final stages and DSP expects that there may be a need to revisit key assumptions through the two stage viability assessment process.

1.2 Background to the CIL

1.2.1 The Community Infrastructure Levy (CIL) came into force in April 2010 and has been revised on a number of occasions since. It allows local authorities in England and Wales to raise funds from developers undertaking new developments in their area.

1.2.2 Tunbridge Wells Borough Council does not currently have a CIL in place and continues for the time being to rely on s.106 for securing planning obligations to provide infrastructure to mitigate the effects of and support new development.

1.2.3 Alongside the evidence required to support the preparation of the Local Plan, the Council decided therefore to also review the potential for introducing a Community Infrastructure Levy for the borough. If implemented, Tunbridge Wells Borough Council would be the CIL charging authority for the area.

1.2.4 CIL takes the form of a charge that may be payable on 'development which creates net additional floor space'[3]. The majority of developments providing an addition of less than 100 sq. m in gross internal floor area will not pay. For example, a small extension to a house or to a commercial / non-residential property; or a non-residential new-build of less than 100 sq. m will not be subject to the charge. Additionally, the Community Infrastructure (Amendment) Regulations 2014 allows for a mandatory exemption for residential annexes and extensions regardless of size. However, development that involves the creation of a new residential unit (such as a house or a flat) will pay the charge, even if the new dwelling has a gross internal floor area of less than 100 sq. m.[4]

1.2.5 The funds raised are to be allocated towards infrastructure needed to support new development in the charging authority's area.

[3] https://www.gov.uk/guidance/community-infrastructure-levy (Paragraph: 002 Reference ID: 25-002-20180222 Revision date: 22 02 2018

[4] Subject to the changes introduced in The Community Infrastructure Levy (Amendment) Regulations 2014 that provide a mandatory exemption for self-build housing, including communal housing.

1.2.6 The CIL regulations require charging authorities to allocate a 'meaningful proportion' of the levy revenue raised in each neighbourhood back to those local areas. Where there is a neighbourhood development plan in place, the neighbourhood will be able receive 25% of the revenues from the CIL arising from the development that they have chosen to accept. Under the Regulations the money would be paid directly to the neighbourhood planning bodies and could be used for community projects. The Planning Practice Guidance (PPG) provides further information on spending of Levy receipts including distribution to local neighbourhoods[5].

1.2.7 Typically, neighbourhoods without a neighbourhood development plan but where a CIL is still charged will receive a capped share of 15% of the levy revenue arising from development in their area.

1.2.8 Under the Government's regulations, affordable housing and development by charities will not be liable for CIL charging. This means that within mixed tenure housing schemes, it is the market dwellings only that will be liable for the payments at the rate(s) set by the charging authority.

1.2.9 The Council continues to work with infrastructure providers and agencies in considering and estimating the costs of the local requirements associated with supporting the anticipated Local Plan level of growth to be accommodated across the plan area as a whole through the development of a draft Infrastructure Delivery Plan (IDP). This will ensure that new development is served by necessary infrastructure in a predictable, timely and effective fashion. It sets out key infrastructure and facility requirements for new development, taking account of existing provision and cumulative impact.

1.2.10 Infrastructure is taken to mean any service or facility that supports the Tunbridge Wells Borough Council area and its population and includes (but is not limited to) facilities for transport, education, health, social infrastructure, green infrastructure, public services, utilities and flood defences. In the case of the current scope of the CIL, affordable housing is assumed to be outside that and dealt with in the established way through site specific planning (s.106) agreements.

[5] https://www.gov.uk/guidance/community-infrastructure-levy (Paragraph: 072 Reference ID: 25-072-20140612 Revision date: 12 06 2014)

1.2.11 Within this study, an allowance has been made for the cost to developers of providing affordable housing and other costs of policy compliance in addition to testing a range of potential ('trial') CIL charging rates. In this sense, the collective planning obligations (including affordable housing, other requirements and CIL, together with any continued use of s.106) cannot be separated. The level of each will play a role in determining the potential for development to bear this collective cost. Each of these cost factors influences the available scope for supporting the others. It follows that the extent to which s.106 will have an on-going role also needs to be considered in determining suitable CIL charging rates, bearing in mind that CIL is non-negotiable.

1.2.12 In most cases, where adopted, CIL replaces s.106 as the mechanism for securing developer contributions towards required infrastructure. Indeed, Government guidance on CIL states that it expects LPAs to work proactively with developers to ensure they are clear about infrastructure needs so that there is no actual or perceived "double dipping" – i.e. charging for infrastructure both through CIL and s.106. Therefore s.106 should be scaled back to those matters that are directly related to a specific site and are not set out in a Regulation 123 list (a list of infrastructure projects that the local planning authority intends to fund through the Levy). This could be a significant consideration, for example, in respect of large scale development associated with on-site provision of infrastructure, high site works costs and particularly where these characteristics may coincide with lower value areas.

1.2.13 At the time of writing, the Government had recently set out its intention[6] on revisions to the operation of CIL including (but not limited to):

- Regulations will allow authorities to use funds from both section 106 planning obligations and the Levy to pay for the same piece of infrastructure, regardless of how many planning obligations have already contributed towards an item of infrastructure;

- To improve transparency and accountability around the spending of the Levy and section 106 planning obligations, the Government proposes to remove all restrictions on section 106 planning obligations in regulation 123. Regulation 123

[6] MHCLG: Government response to reforming developer contributions: A summary of responses to the technical consultation on draft regulations and the Government's view on the way forward (June 2019)

lists, which set out the infrastructure projects and types of infrastructure that a local authority intends to fund through the Levy, will be replaced with an annual infrastructure funding statement. However, the existing restrictions that apply to infrastructure included on regulation 123 lists would not apply to infrastructure identified in the funding statements.

1.2.14 In a parallel with ensuring that the Local plan Policies do not unduly affect the ability of development to come forward viably, the CIL rate or rates should be set at a level that ensures development within the authority's area (as a whole, based on the plan provision) is not put at serious risk.

1.2.15 A key requirement of CIL and setting the charging rates is that an appropriate balance should be struck between the desirability of funding infrastructure from the levy and the potential effects that imposing the levy may have upon the economic viability of development (development viability).

'The levy is expected to have a positive economic effect on development across a local plan area. When deciding the levy rates, an appropriate balance must be struck between additional investment to support development and the potential effect on the viability of developments.

This balance is at the centre of the charge-setting process. In meeting the regulatory requirements (see regulation 14(1), as amended by the 2014 Regulations), charging authorities should be able to show and explain how their proposed levy rate (or rates) will contribute towards the implementation of their relevant plan and support development across their area.'[7]

1.2.16 Later amendments to the CIL Regulations introduced:

- new mandatory exemptions for self-build housing, and for residential annexes and extensions;

[7] https://www.gov.uk/guidance/community-infrastructure-levy (Paragraph: 009 Reference ID: 25-009-20190315 Revision date: 15 03 2019

- a change to allow charging authorities to set differential rates by the size of development (i.e. floorspace, units);

- the option for charging authorities to accept payments in kind through the provision of infrastructure either on-site or off-site for the whole or part of the levy payable on a development;

- a new 'vacancy test' - buildings must have been in use for six continuous months out of the last three years for the levy to apply only to the net addition of floorspace (previously a building to be in continuous lawful use for at least six of the previous 12 months);

- a requirement on the charging authority to strike an appropriate balance between the desirability of funding infrastructure from the levy and the potential effects of the levy on the economic viability of development across the area. Previously a charging authority had to 'aim to strike the appropriate balance';

- provisions for phasing of levy payments to all types of planning permission to deal fairly with more complex developments.

1.2.17 The CIL Regulations (Amendment) have been taken into account in the preparation of this report and in our opinion the preparation of this study meets the requirements of all appropriate Guidance.

1.2.18 As noted above, the Council will be aware that the Government has published its response to its own consultation on reforming developer contributions (June 2019). The proposed changes have not yet been brought forward through new or amended legislation. A majority of this study had been completed prior to the Government announcement but in any event it is our view that the changes, when brought in, will not affect the conclusions or outputs from this study.

1.3 Tunbridge Wells Borough Profile

1.3.1 Tunbridge Wells Borough lies in the south west of Kent, bordering East Sussex. It covers an area of 326 km^2 with 22% of the borough being within the designated Metropolitan Green Belt and approximately 70% within the High Weald Area of Outstanding Natural Beauty. The borough borders the authorities of Sevenoaks, Tonbridge & Malling, Maidstone and Ashford in Kent; and Rother and Wealden in East Sussex.

1.3.2 The settlement of Royal Tunbridge Wells forms the majority of the main urban area and provides a large proportion of the social, cultural and economic opportunities available in the borough. In addition to being the borough's principal retail centre, the town provides a wide variety of services, including primary and secondary schools, sports and community facilities and train stations.

1.3.3 Southborough also lies within the main urban area with Royal Tunbridge Wells, but has a separate smaller town centre and local 'Neighbourhood Centre' at High Brooms within its parish.

1.3.4 According to the TWBC Local Plan Issues & Options document, both Royal Tunbridge Wells and Southborough lie within the western part of the borough that is designated as Metropolitan Green Belt and/or the High Weald Area of Outstanding Natural Beauty (AONB).

1.3.5 Other settlements include Paddock Wood, Cranbrook located within the High Weald AONB and Hawkhurst, also located within the High Weald AONB.

1.3.6 The borough is also home to a variety of village settlements, each with its own character. Most villages are in the High Weald AONB and some in the western part of the borough are also in the Green Belt.

1.3.7 Median house prices are consistently above the average for the South East and along with population increases (estimated to rise to 128,800 by the end of the Local Plan period), there is significant pressure on housing in the borough. A marked increase in the number and proportion of older residents will also put further pressure on specific types of housing.

1.3.8 Tunbridge Wells Borough has generally high house prices. That, along with the constrained housing supply leads to increasing unaffordability of homes in the borough which in turn has significant impacts on those living and working in the area. The draft Local Plan suggests an overall Objectively Assessed Need of 678 dwellings per over the Plan period.

1.3.9 The draft Local Plan also plans for between 11 and 15 hectares of new employment land to address a lack of available land and premises, as well as an ageing stock of employment floorspace.

1.4 Policy & Guidance

1.4.1 During the course of carrying out this assessment a revised NPPF (July 2018 and again in February 2019) was published alongside updated Planning Practice Guidance (in particular in relation to Viability both at plan making and decision taking stage of the planning process).

1.4.2 Previously the NPPF (2012) set out the overall approach to the preparation of Development Plans. It provided specific guidance on ensuring viability and deliverability. In particular, paragraphs 173-174 stated:

'*Pursuing sustainable development requires careful attention to viability and costs in plan-making and decision-taking. Plans should be deliverable. Therefore, the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for Affordable Housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing landowner and willing developer to enable the development to be deliverable.*

Local planning authorities should set out their policy on local standards in the Local Plan, including requirements for Affordable Housing. They should assess the likely cumulative impacts on development in their area of all existing and proposed local standards, supplementary planning documents and policies that support the development plan, when added to nationally required standards. In order to be appropriate, the cumulative impact of these standards and policies should not put implementation of the plan at serious risk, and should facilitate development throughout the economic cycle'.

1.4.3 The requirement to consider viability now stems from the National Planning Policy Framework (NPPF) 2019 which says on *'Preparing and reviewing plans' at para 31: 'The preparation and review of all policies should be underpinned by relevant and up-to-*

date evidence. This should be adequate and proportionate, focused tightly on supporting and justifying the policies concerned, and take into account relevant market signals.'

1.4.4 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.'*

1.4.5 The updated national Planning Practice Guidance (PPG) also published in July 2018 and further revised in March and May 2019 on 'Viability' provides more comprehensive information on considering viability in plan making, with CIL viability assessment following the same principles. The new Planning Practice Guidance on Viability 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).

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'.

1.4.6 In addition, relevant information is contained in the publication 'Viability Testing Local Plans – Advice for planning practitioners' published in June 2012 by the Local Housing Delivery Group chaired by Sir John Harman (known as the 'Harman' report). That sets out a stepped approach as to how best to build viability and deliverability into the plan preparation process and offers guidance on how to assess the cumulative impact of policies within a Local Plan, requirements of SPDs and national policy. It provides useful practical advice on viability in plan-making and its contents should be taken into account in the Plan making process.

1.4.7 This viability assessment has therefore been produced in the context of and with regard to the NPPF, Planning Practice Guidance, CIL Regulations, CIL Guidance and other Guidance applicable to studies of this nature.

1.5 Purpose of this Report

1.5.1 Viability testing is an important part of the plan-making process. In order to meet the requirements of the NPPF, as noted Tunbridge Wells Borough Council commissioned Dixon Searle Partnership (DSP) to carry out a two-stage viability assessment. This was with an objective to determine the impact on development viability of including the various relevant policy requirements of the emerging Local Plan (including recommendations on affordable housing targets and potential options for the introduction of a Community Infrastructure Levy). This first stage looks only at the potential viability of policies within the emerging Local Plan by reference to testing site typologies representative of likely development coming forward across the Borough. It also considers alongside these the likely level or levels of CIL that may be viable in the case of various development uses across the Borough. Stage two will incorporate any changes to policy as the Local Plan process progresses whilst also reviewing the potential viability of a range of specific potential site allocations. Together the two stages will provide the evidence base for the viability of the Local Plan sites and policies, informing and supporting the deliverability of the plan overall.

1.5.2 This approach does not require a detailed viability appraisal of every site anticipated to come forward over the plan period but rather the testing of a range of appropriate site typologies reflecting the potential mix of sites likely to come forward. Neither does it require an appraisal of every likely policy but rather potential policies that are likely to have a close bearing on development costs. In our experience this means a focus on the viability prospects and potential policies associated with housing development, because the scope of this or other Council's influence – i.e. through local policy positions - over the viability of other forms of development (non-residential/employment/commercial) is much more limited.

1.5.3 To this end, the study requires the policies and proposals in the Local Plan to be brought together to consider their cumulative impact on development viability including the potential scope for setting an appropriate CIL within Tunbridge Wells Borough.

1.5.4 The assessment approach applies sensitivity testing to policy costs including a range of affordable housing proportions, tested at different thresholds and combined with allowances for meeting the requirements for other optional housing standards - including relating to the access to and use of buildings, water efficiency and space standards. These can be further tested as appropriate - as the Council refines its approach and policies moving forward.

1.5.5 In practice, within any given scheme there are many variations and details that can influence the specific viability outcome. Whilst acknowledging that, this work provides a high level, area-wide overview that cannot fully reflect a wide range of highly variable site specifics.

1.5.6 The approach used to inform the study applies the well-recognised methodology of residual land valuation. 'Viability' in the sense of this assessment means the financial health of development, so that the assessment centres around the strength of the relationship that is available between the completed development (sale) value and the development costs; and how the strength of this relationship varies across a range of development types, host site types and locations. The review is undertaken bearing in mind the types of sites and schemes expected to come forward here to support the emerging Local Plan overall, and the local characteristics.

1.5.7 The residual valuation technique has been used to run appraisals on sample scheme typologies representing development scenarios that are likely to come forward across the borough. As discussed above, Stage 2 will carry out more specific high-level appraisals of strategic site allocations promoted through the Plan.

1.5.8 The study process produces a large range of results relating to the exploration of a range of potential affordable housing percentage targets as well as other variables. As with all such studies using these principles, an overview of the results and the trends seen across them is required - so that judgments can be made to inform the policy setting process.

1.5.9 A key element of the viability overview process is the comparison of the RLV results generated by the development appraisals and the potential level of land value that may need to be reached to ensure that development sites continue to come forward - so that development across the area is not put at risk owing to unrealistic policy burdens in combination with other development cost factors. These comparisons are necessarily indicative but are usually linked to an appropriate site value or benchmark. The results sets have been tabulated in summary form and those are included in Appendix IIa (residential general typologies and IIb (commercial/non-residential scenario tests).

1.5.10 In considering the relationship between the RLV created by a scenario and some comparative level that might need to be reached, we have to acknowledge that in practice this is a dynamic one – land value levels and comparisons will be highly variable in practice. It is acknowledged in a range of similar studies, technical papers and guidance notes on the topic of considering and assessing development viability that this is not an exact science. Therefore, to inform our judgments in making this overview, our practice is to look at a range of potential land value levels that might need to be reached allied to the various scenarios tested.

1.5.11 This report then sets out findings and recommendations on the viability of the Plan as a whole whilst also providing advice on the potential local implementation of a CIL in the borough.

2 Methodology

2.1 Residual valuation principles

2.1.1 This assessment has been carried out in the context of the NPPF (2018 - 2019) as well as the PPG viability guidance as available at the time of undertaking a majority of this assessment (i.e. prior to May 2019 updates). The NPPF as now updated remains very high level in regard to viability directly, but retains the well-established principle on 'development contributions' that: '*Such policies should not undermine the deliverability of the plan*.' The PPG provides useful guidance on plan preparation in regard to viability and contributions. Although this guidance is relatively new and has changed over the course of the assessment process as described above, DSP considers that its approach to and experience of LP and other strategic viability assessments remains appropriate – this project has been approached consistently with this new guidance, aided by checking and continually considering the detail and news developments / any other guidance or emerging decisions etc. as work has progressed.

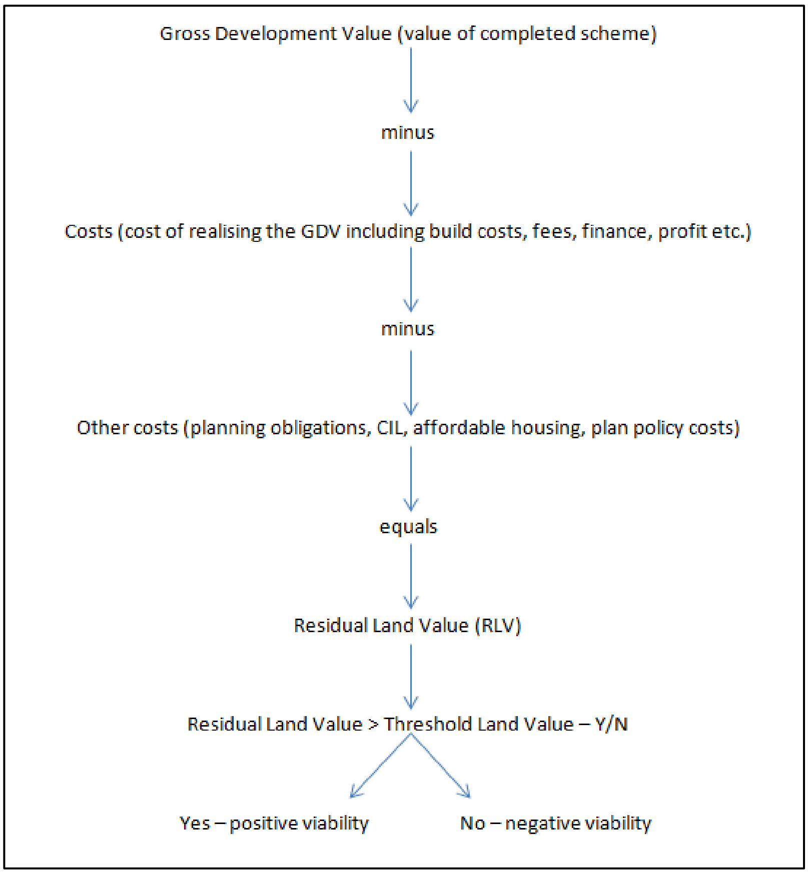
2.1.2 Collectively this study investigates the potential viability and, therefore, deliverability of the Local Plan and its policies - including the affordable housing requirements and potential for appropriate CIL charging across the borough.

2.1.3 There will be a number of policies that may have an impact on the viability of development. In running this study, we have had regard to typical policy costs and adapted and updated development appraisals as those policies have evolved. This study process considers how the costs of these potential obligations interact and therefore estimates the collective impact on viability of a range of policy positions. In this context, a development generally provides a fixed amount of value (the gross development value – GDV) from which to meet all necessary costs and obligations.

2.1.4 Prior to fixing assumptions, necessarily at a point in time, and running appraisals (as outlined in the following paragraphs) we have undertaken an extensive information review, property market research and a development industry stakeholders' survey. As a part of this, a review of the potential policy proposals enabled us to assess which are considered likely to have a particular development cost impact, or additional cost implications over and above typical costs (for example utilising the costs information from established sources such as the Building Cost Information Service of the RICS (BCIS)). Appendix I to this document also provides a quick reference guide to the assumptions used and includes a policy review schedule indicating the view taken with respect to the potential policies so far as those were known at the time of this assessment.

2.1.5 The most established and accepted route for studying development viability at a strategic level, including for whole plan viability, affordable housing viability, CIL, and also for site-specific viability assessments, is Residual Valuation. This is as also recommended by the "Harman Report" on viability testing local plans; further guidance that we have also taken account of in the last few years of conducting these assessments. Figure 1 below sets out the residual valuation principles in simplified form.

Figure 1: Simplified Residual Land Valuation Principles



2.1.6 Having allowed for the costs of acquisition, development, finance, profit and sale, the resulting figure indicates the sum that is potentially available to pay for the land – i.e. the residual land value (RLV).

2.1.7 In order to guide on a range of likely viability outcomes the assessment process also requires a benchmark against which to compare the resulting residual value. The RICS[8] and Harman[9] report differ on the approach to a Benchmark Land Value. Our latest work (both on strategic projects and DM stage viability) has for some time reflected the move towards a clearer "EUV plus" based approach to the all-important consideration of land values – for the assessment 'benchmark land values'.

2.1.8 Undertaken as it has been, this assessment is also consistent with the new NPPF and accompanying PPG on Viability, with the NPPF no longer containing any reference to competitive returns to a willing land owner and willing developer. The emphasis has moved away from a market value approach that may have been used in the past. The latest Planning Practice Guidance on Viability makes it clear this benchmark land value (BLV) should be based on Existing Use Value (EUV) and states:

'To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called 'existing use value plus' (EUV+)'.

2.1.9 The NPPF and associated PPG on Viability indicate that a balance will be required between the role of strategic level viability work such as this assessment and the application decision making (development management) stage. The national requirements have moved more towards a general acknowledgement that the main role of viability should be at the plan making stage.

2.1.10 However, it appears that there is still a role for planning application stage / site-specific viability reviews but that it is '*up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage*'[10]. An illustrative list of those circumstances where viability should be assessed

[8] RICS: Financial Viability in Planning (2012)
[9] Local Housing Delivery Group – "Viability Testing Local Plans" (June 2012)
[10] https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment (Paragraph: 006 Reference ID: 10-006-20190509 Revision date: 09 05 2019

in decision taking is also included in the PPG. These include: *'for example where development is proposed on unallocated sites of a wholly different type to those used in viability assessment that informed the plan; where further information on infrastructure or site costs is required; where particular types of development are proposed which may significantly vary from standard models of development for sale (for example build to rent or housing for older people); or where a recession or similar significant economic changes have occurred since the plan was brought into force'.*[11]. There is the potential for the development of some sites identified by the Council (and to be reviewed via later Stage two reporting) to need to overcome abnormal issues and support added costs when further master planning is undertaken. A number of the strategic sites are expected to be influenced to some extent by such factors. The NPPF recognises that within this picture there could be sound reasons for site-specific viability evidence to be brought forward at the delivery stage in such circumstances; as a part of ultimately settling the development details and exact degree of support that can be maintained for planning obligations to secure infrastructure.

2.1.11 The range of assumptions that go into the RLV appraisals process is set out in more detail in this chapter. Further information is also available at Appendices I and III. They reflect the local markets through research on local values, costs and types of provision, etc. At various project stages both DSP and the Council's officers sought soundings as far as were available from a range of local development industry stakeholders as we considered our assumptions. This included engagement with a range of locally active industry parties in order to provide feedback on study assumptions and to provide the opportunity for the provision of information to help inform the assessment. On the whole, the process is informed as far as practically possible by the review of available information and making an overview from that. This approach reflects the expectations of the guidance.

2.2 Scheme Development Scenarios (Typologies)

Residential Development Scenarios

2.2.1 The site typologies modelled as part of this assessment reflect a range of different types of development that are thought likely to be brought forward through the planning process across the plan area. This enabled viability to be tested with

[11] https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment (Paragraph: 007 Reference ID: 10-006-20190509 Revision date: 09 05 2019

reference to the potential housing supply characteristics based on experience of development to date and to inform the residential CIL setting process.

2.2.2 Each of the development typologies have been tested over a range of value levels (VLs) representing varying residential values as seen at the time of review across the borough by scheme location / type. This approach also allows us to consider the impact on development viability of changing market conditions over time (i.e. as could be seen through falling or rising values dependent on market conditions) and by type or scale of development.

2.2.3 The assumed scheme mixes are by their nature hypothetical, and are not exhaustive. Many other types and variations may be seen, including larger or smaller dwelling types in different combinations, according to particular site characteristics, local markets and requirements etc.

2.2.4 The dwelling mix assumptions are based on the range of information reviewed, including taking into account the recommendations contained within the Council's SHMA[12].

2.2.5 In all cases it should be noted that a "best fit" of affordable housing numbers and tenure assumptions has to be made, given the effects of numbers rounding and also the limited flexibility within small scheme numbers particularly. The affordable housing numbers (content) assumed within each scheme scenario can be seen at Appendix I – Assumptions overview spreadsheet.

2.2.6 A summary of the scheme typologies is shown below (Figure 2) and the Affordable Housing numbers (content), dwelling mixes and further details assumed within each scheme scenario can be seen at Appendix I.

[12] GL Hearn: Tunbridge Wells SHMA Update Draft Report (January 2017)

Figure 2: Site typologies summary

Scheme Size Appraised	Type
1	House
3	Houses
5	Houses
6	Houses
10	Houses
15	Flats
15	Houses
30	Mixed (houses and flats)
30	Flats (Sheltered)
50	Mixed
60	Flats (Extra Care)
75	Flats
100	Mixed
250	Mixed

2.2.7 The dwelling sizes assumed for the purposes of this study are as follows (see figure 3 below):

Figure 3: Residential Unit Sizes

Dwelling type	Dwelling size assumption (sq. m)*	
	Affordable	Private (market)
1-bed flat	50	50
2-bed flat	70	70
2-bed house	79	79
3-bed house	93	100
4-bed house	112	130 – 175**

**based on nationally described space standard

**larger units tested on 1-unit scheme only

2.2.8 As with many other assumptions there will be a variety of dwelling sizes coming forward in practice, varying by scheme and location.

2.2.9 Since there is a relationship between dwelling size, value and build costs, it is the levels of those that are most important for the purposes of this study (i.e. expressed in £/sq. m terms); rather than the specific dwelling sizes to which those levels of costs and values are applied in each case. With this approach, the indicative 'Values Levels'

(‘VL’s) used in the study can then be applied to varying (alternative) dwelling sizes, as can other assumptions. The approach to focus on values and costs per sq. m also fits with the way developers tend to assess, compare and price schemes. It provides a more relevant context for considering the potential viability scope, which is also consistent with how a CIL is charged (prescribed under the regulations).

2.2.10 The dwelling sizes indicated are expressed in terms of gross internal floor areas (GIAs) for houses; net internal areas for flats (for the latter we have assumed an 85% net:gross ratio except for sheltered housing where a lower ratio is assumed). They are reasonably representative of the type of units coming forward within the scheme types likely to be seen most frequently providing on-site integrated affordable housing. All will vary, and from scheme to scheme. However, our research suggests that the values (£ sales values) applicable to larger house types would generally exceed those produced by our dwelling size assumptions but usually would be similarly priced in terms of the relevant analysis – i.e. looking at the range of £ per sq. m ‘Value levels’ basis. In summary on this point, it is always necessary to consider the size of new build accommodation in looking at its price; rather than its price alone.

2.2.11 At this level of strategic overview, we do not differentiate between the value per sq. m for flats and houses although in reality there tends to be an inverse relationship between the size of the property and its value when expressed in terms of a rate per unit area. The range of prices expressed in £s per square metre (i.e. £/sq. m or £/m^2) therefore the key measure used in considering the research, working up the range of value levels for testing, and in reviewing the results.

2.3 Commercial / Non-Residential Development Scenarios

2.3.1 In the same way, the commercial scheme scenarios reviewed through this assessment process were developed through the review of information supplied by, and through consultation with, the Council. This was supplemented with and checked against wider information including the local commercial market offer – existing development and any new schemes / proposals. Figure 4 below sets out the various scheme types modelled for this study, covering a range of development uses in order to test the impact on viability of requiring CIL contributions from different types of commercial development considered potentially relevant across the borough.

2.3.2 In essence, the commercial / non-residential aspects of this study consider the relationship between values and costs associated with different scheme types. Figure 4 below summarises the scenarios appraised through a full residual land value approach; again, Appendix I provides more information.

Figure 4: Commercial / Non-residential Development Types Reviewed – Overview

Development Type	Example Scheme Type(s) and potential occurrence	GIA (m^2)	Site Coverage	Site Size (Ha)
Large Retail	Large Supermarket - out of town	2500	35%	0.71
Large Retail	Retail warehouse	1000	40%	0.25
Town Centre Retail	Comparison shops (general/non shopping centre)	300	75%	0.04
Small Retail	Convenience Store - various locations	300	60%	0.05
Business - Offices - Town Centre	Office Building	500	60%	0.08
Business - Offices - Out of town centre /Business Park	Office Building	1000	40%	0.25
Business - Industrial / Warehousing	Smaller / Move-on type industrial unit including offices - industrial estate	500	40%	0.13
Business - Industrial / Warehousing	Larger industrial / warehousing unit including offices - industrial estate	2000	40%	0.50
Hotel (budget - 120 Beds)***	Hotel - edge of town centre / edge of town	3000	50%	0.60
C2 - Residential Institution	Nursing Home	1230	60%	0.21

*Note: 300 sq. m retail ('small retail') scenarios representative of smaller shop types also permitting Sunday Trading Act related trading hours (see also subsequent information in this report).

2.3.3 As in respect of the assumptions for the residential scenarios, a variety of sources were researched and considered for guides or examples in support of our assumptions making process; including on values, land values and other development appraisal assumptions. DSP used information sourced from CoStar Commercial Real Estate Intelligence, the VOA Rating List and other web-based review as well as feedback from consultation. Additional information included articles and development industry features sourced from a variety of construction related publications; and in some cases, property marketing details. Collectively, our research enabled us to apply a level of "sense check" to our proposed assumptions, whilst necessarily acknowledging that this is high level work and that a great deal of variance is seen in practice from scheme to scheme. Further information is provided within Appendix III to this report.

2.3.4 In addition to testing the commercial uses of key relevance above, further consideration was given to other development forms that may potentially come forward locally. These include for example non-commercially driven facilities (community halls, medical facilities, schools, etc.) and other commercial uses such as motor sales / garages, depots, workshops, surgeries / similar, health / fitness, leisure uses (e.g. cinemas / bowling) and day nurseries.

2.3.5 Clearly there is potentially a very wide range of such schemes that could be developed over the life of a CIL charging schedule. Alongside their viability, it is also relevant for the Council to consider the likely frequency and distribution of these; and their role in the delivery of the development plan overall. For these scheme types, as a first step it was possible to review (in basic terms) the key relationship between their completed value per square metre and the cost of building. We say more about this in Chapter 3.

2.3.6 Where it can be quickly seen that the build cost (even before all other costs such as finance, fees, profits, purchase and sale, etc. are allowed for) outweighs or is close to the completed value, it becomes clear that a scenario is not financially viable in the usual development sense being reviewed here and therefore also related to the realistic level of CIL contributions scope. We are also able to consider these value / cost relationships alongside the range of main appraisal assumptions and the results that those provide (e.g. related to business development). This is an iterative process in addition to the main appraisals, whereby a further deteriorating relationship between values and costs provides a clear picture of further reducing prospects of viable schemes. This starts to indicate schemes that require other support rather than being able to produce a surplus capable of some level of contribution to CIL.

2.3.7 Through this process we were able to determine whether there were any further scenarios that warranted additional viability appraisals.

2.4 Gross Development Value (Scheme Value)

Market housing (sale) values

2.4.1 In order to determine likely values for development across the borough, a range of information sources have been considered. It is always preferable to consider information from a range of sources to inform the assumptions setting and review of results stages. Therefore, we also considered existing information contained within previous research documents including previous viability studies (and viability work carried out by DSP previously for both CIL and site allocations viability on behalf of the Council); from sources such as the Land Registry, Valuation Office Agency (VOA) and a range of property websites. Our practice is to consider all available sources to inform our independent overview, not just historic data or particular scheme comparables.

2.4.2 A framework needs to be established for gathering and reviewing property values data. An extensive residential market review of a number of information sources has been carried out to properly reflect the variation in residential property values occurring across the borough. This data was collected by settlement and Ward area and analysed by both sold and asking prices for new-build and re-sale property. It must be acknowledged that the scope of the data varies through time and by location. In some instances, data samples are small (e.g. relating to a particular period and geography) and there is nothing unusual in this. All of the indications need to be reviewed together in forming views.

2.4.3 This framework (our means of describing and considering the values as they vary across the Borough) provided the following basis of settlements:

- Main Urban Area:
    - Royal Tunbridge Wells (also split for the purposes of data collection into its 8 constituent Wards).
    - Southborough (also split for the purposes of data collection into its 2 constituent Wards).

- Small Rural Towns:
    - Cranbrook
    - Hawkhurst
    - Paddock Wood

- Villages:
    - Benenden, Bidborough, Brenchley, Five Oak Green, Frittenden, Goudhurst, The Moor (Hawkhurst), Iden Green, Kilndown, Lamberhurst, Langton Green, Matfield, Pembury, Sandhurst, Sissinghurst and Speldhurst.

2.4.4 This process provides comprehensive research and analysis of both datasets (new build and sold data currently available) for the borough, together with Zoopla current area statistics. This data has been gathered for an overview of the value patterns seen across the borough in order to inform assumption setting prior to the appraisal modelling phase. It was particularly important to collect the residential values data by settlement areas as the strength of values varies by location across the borough.

2.4.5 Generally the new build data for the Borough (where available) indicates a relatively narrow range of values (when expressed on a £ per sq. m basis) as can be seen in the Figure 5 tables below:

Figure 5a: New Build Data (by Settlement Only) – September 2018 research

Settlements	Sample Size	Updated Values in Line with UK HPI (£)	Updated Values in Line with UK HPI (£/m^2)
Royal Tunbridge Wells	192	£593,958	£5,052
Horsmonden	1	£488,899	£4,527
Sissinghurst	7	£516,599	£4,394

February 2019 updated research

Settlements	Sample Size	Updated Values in Line with UK HPI (£)	Updated Values in Line with UK HPI (£/m^2)
Tunbridge Wells	57	£618,087	£5,163
Goudhurst	2	£781,121	£5,089
Sissinghurst	4	£565,564	£4,301
Hawkhurst	22	£541,290	£4,031

Figure 5b: New Build Data (Royal Tunbridge Wells & Southborough urban areas wards only) - September 2018 research

Tunbridge Wells & Southborough Wards	Sample Size	Updated Values in Line with UK HPI (£)	Updated Values in Line with UK HPI (£/m^2)
St John's	1	£304,887	£5,978
Culverden	49	£940,544	£5,825
Broadwater	6	£350,009	£5,676
Park	12	£300,454	£4,872
Sherwood	108	£449,204	£4,707
Southborough North	2	£521,218	£4,633
Pantiles and St Mark's	14	£884,736	£4,176

February 2019 updated research

Tunbridge Wells Wards	Sample Size	Updated Values in Line with UK HPI (£)	Updated Values in Line with UK HPI (£/m^2)
Pantiles and St Mark's	4	£570,841	£6,450
Culverden	25	£835,926	£5,461
Broadwater	1	£772,421	£4,983
Sherwood	27	£417,668	£4,533

2.4.6 New build data is limited by the available level of development at any given time. Overall market data has therefore also been examined as shown in Figure 6 below:

Figure 6a: Re-sales data (by settlement only) - September 2018 research

Settlements	Sample Size	Updated Values in Line with UK HPI (£)	Updated Values in Line with UK HPI (£/m2)
Frittenden	1	£717,760	£5,835
Brenchley	5	£684,409	£5,108
Langton Green	17	£837,429	£5,074
Bidborough	4	£807,043	£4,811
Speldhurst	8	£705,746	£4,693
Five Oak Green	3	£367,736	£4,655
Tunbridge Wells	302	£461,983	£4,628
Sissinghurst	3	£524,539	£4,185

Lamberhurst	4	£568,215	£4,117
Benenden	1	£382,805	£4,116
Paddock Wood	30	£366,070	£4,078
Southborough (including High Brooms)	30	£387,203	£4,052
Iden Green	2	£471,391	£4,046
Pembury	11	£388,512	£3,998
Goudhurst	5	£514,946	£3,979
Horsmonden	9	£575,510	£3,930
Cranbrook	14	£418,339	£3,928
Sandhurst	8	£427,210	£3,879
Matfield	3	£678,575	£3,827
Rusthall	4	£394,657	£3,697
Hawkhurst	18	£341,851	£3,426

February 2019 updated research

Settlements	Sample Size	Updated Values in Line with UK HPI (£)	Updated Values in Line with UK HPI (£/m^2)
Benenden	3	£925,994	£5,363
Speldhurst	3	£584,906	£4,985
Kilndown	1	£196,355	£4,909
Five Oak Green	1	£347,935	£4,900
Langton Green	11	£706,406	£4,718
Matfield	8	£567,251	£4,552
Tunbridge Wells	291	£440,410	£4,464
Bidborough	5	£643,464	£4,425
Goudhurst	8	£605,280	£4,362
Horsmonden	12	£497,824	£4,255
Paddock Wood	39	£337,153	£4,073
Pembury	18	£477,447	£3,986
Southborough (including High Brooms)	30	£330,145	£3,979
Rusthall	5	£331,444	£3,936
Cranbrook	14	£412,133	£3,880
Lamberhurst	2	£424,232	£3,874
Sandhurst	3	£325,733	£3,758
Hawkhurst	22	£390,182	£3,514
Sissinghurst	2	£535,386	£3,454

Figure 6b: Re-sales data (Royal Tunbridge Wells & Southborough urban areas wards only) - September 2018 research

Tunbridge Wells and Southborough Wards	Sample Size	Updated Values in Line with UK HPI (£)	Updated Values in Line with UK HPI (£/m^2)
Pantiles & St Mark's	44	£576,034	£5,176
Park	37	£517,657	£4,794
St John's	44	£517,686	£4,749
Broadwater	29	£410,234	£4,570
Culverden	37	£457,286	£4,455
Southborough North	24	£551,699	£4,376
Southborough & High Brooms	31	£357,422	£4,303
St James'	45	£310,380	£4,201
Sherwood	26	£447,928	£4,198

February 2019 updated research

Tunbridge Wells and Southborough Wards	Sample Size	Updated Values in Line with UK HPI (£)	Updated Values in Line with UK HPI (£/m^2)
Pantiles & St Mark's	46	£636,442	£4,622
Park	42	£429,016	£4,615
St John's	28	£437,742	£4,523
Culverden	65	£356,969	£4,512
St James'	40	£418,256	£4,460
Southborough North	17	£450,528	£4,437
Broadwater	14	£428,316	£4,364
Southborough & High Brooms	31	£362,967	£4,077
Sherwood	26	£339,268	£4,043

2.4.7 For the residential scheme types modelled in this study, and based on the research undertaken, a range of (sales) value levels (VLs) have been applied to each development scenario. This is in order to test the sensitivity of scheme viability to geographical values variations and / or with changing values as may be seen with further market variations. We consider the VLs covered typical residential market values (average prices across a scheme) over the range £3,000/m^2 to £6,500/m^2 overall Again, Appendix III provides a more detailed analysis of the values patterns seen across the study area.

2.4.8 Values patterns can often be indistinct and especially at a very local level. However, in this study context we need to consider whether there are any clear variations between settlements or other areas where significant development may be occurring in the context of the future development strategy and the impact on the CIL charge setting process.

2.4.9 It should also be noted that house price data is highly dependent on specific timing in terms of the number and type of properties within the data-set for a given location at the point of gathering the information. Again, in some cases, small numbers of properties in particular data samples (limited house price information) can produce inconsistent results. This is not specific to Tunbridge Wells Borough. However, these factors do not affect the scope to get a clear overview of how values vary typically, or otherwise, between the settlements and localities, given the varying characteristics of the borough; as set out in these sections and as is suitable for the consideration of Local Plan viability and deliverability.

Affordable housing

2.4.10 Importantly, in addition to the market housing, the development appraisals also assume a requirement for affordable housing.

2.4.11 The updated NPPF at para. 63 states:

'*Provision of affordable housing should not be sought for residential developments that are not major developments, other than in designated rural areas (where policies may set out a lower threshold of 5 units or fewer). To support the re-use of brownfield land, where vacant buildings are being reused or redeveloped, any affordable housing contribution due should be reduced by a proportionate amount'*

2.4.12 As this study seeks to test the viability of potential Local Plan policies holistically, we have tested and reviewed a range of potential affordable housing policy targets from 0% to 40% depending on site size.

2.4.13 More detail on the affordable housing assumptions is provided below and at Appendix I.

2.4.14 For the affordable housing, we have assumed that approximately 60% of the affordable housing is in the form of social rented provision and approximately 40% (of the affordable housing) is in the form of intermediate provision including 10% affordable home ownership where possible (although again it should be noted that this tenure mix was accommodated as far as best fits the overall scheme mixes and affordable housing (AH) proportion in each scenario).

2.4.15 In reality, over time and through the life of the Plan, tenure will normally be decided based on an up to date housing market assessment ensuring that properties meet local needs at the time of the application. In practice many tenure mix variations could be possible; as well as many differing rent levels derived from the affordable / social rented tenure approach - as affected by local markets and by affordability. The same applies to the intermediate (currently assumed as shared ownership) affordable housing element in that the setting of the initial purchase share percentage, the rental level charged on the Registered Provider's (RP's - i.e. Housing Association or similar) or other affordable housing provider's retained equity, and the interaction of these two, would usually be scheme specific considerations.

2.4.16 For the on-site affordable housing, the revenue that is assumed to be received by a developer is based only on the capitalised value of the net rental stream (social / affordable rent) or capitalised net rental stream and capital value of retained equity (in the case of shared ownership tenure). Currently Homes England (HE) expects affordable housing of either tenure on s.106 sites to be delivered with nil grant or equivalent subsidy input unless additionality can be proven. At the very least this should be the starting assumption pending any review of viability and later funding support for specific scenarios/programmes. We have therefore made no allowance for grant or other public subsidy/equivalent.

2.4.17 The value of the affordable housing (level of revenue received for it by the developer) is variable by its very nature. This may be described as the 'payment to developer', 'Registered Provider (RP) payment price', 'transfer payment' or similar. These revenue assumptions were reviewed based on our extensive experience in dealing with affordable housing policy development and site-specific viability issues (including specific work on SPDs, affordable rents, financial contributions and other aspects for other authorities). The affordable housing revenue assumptions were also underpinned by RP type financial appraisals – looking at the capitalised value of the estimated net rental flows (value of rental income after deduction for management and maintenance costs, voids allowances and the like).

2.4.18 The transfer values assumed for the study are shown in Appendix I. Social rent levels were provided by TWBC. Where affordable rented tenure is included we introduced a revenue level cap by assuming that the Local Housing Allowance (LHA) acts as an upper level above which rents will not be set – i.e. where the percentage of market rent exceeds the Local Housing Allowance (LHA) rate. The LHA rate for the High Weald Broad Rental Market Area (BRMA) that covers a majority of the study area for the varying unit types was used as our cap for the affordable rental level assumptions.

2.4.19 In practice, as above, the affordable housing revenues generated would be dependent on property size and other factors including the provider's (e.g. RP's) own development strategies, and therefore could well vary significantly from case to case when looking at site specifics. The RP may have access to other sources of funding, such as related to its own business plan, external funding resources, cross-subsidy from sales / other tenure forms, recycled capital grant from stair-casing receipts, for example, but such additional funding cannot be regarded as the norm for the purposes of setting viability study assumptions – it is highly scheme dependent and variable and so has not been factored in here.

2.5 Gross Development Value – Commercial / Non-residential

2.5.1 The value (GDV) generated by a commercial or other non-residential scheme varies enormously by specific type of development and location. In order to consider the viability of various commercial development types, a range of assumptions are needed. Typically, these are made with regard to the rental values and yields that would drive the value of completed schemes within each commercial scheme appraisal. The strength of the relationship between the GDV and the development costs was then considered. This was either through residual valuation techniques very similar to those used in the residential appraisals (in the case of the main development types to be considered) or a simpler value vs. cost comparison (where it became clear that a poor relationship between the two existed so that clear viability would not be shown - making full appraisals unnecessary for a wider range of trial scenarios).

2.5.2 Broadly the commercial appraisals process follows that carried out for the residential scenarios, with a range of different information sources informing the values (revenue) related inputs. Data on yields and rental values (as far as available) was collated from a range of sources including the CoStar property intelligence database, Valuation Office Agency (VOA) and a range of development industry publications, features and web-sites. As with the residential information, Appendix III sets out more detail on the assumptions background for the commercial schemes.

2.5.3 Figure 7 below shows the range of annual rental values assumed for each scheme type. These were then capitalised based on associated yield assumptions to provide a GDV for each scheme dependent on the combination of yield and rental values applied.

2.5.4 The rental values were tested at three levels representative of low, medium and high values relevant to each commercial / non-residential scheme type across the study area. This enables us to assess the sensitivity of the viability findings to varying values. They are necessarily estimates and based on the assumption of new build development rather than older stock. This is consistent with the nature of the CIL regulations in that refurbishments / conversions / straight reuse of existing property will not attract CIL contributions (unless floor-space in excess of 100 sq. m is being added to an existing building; and providing that certain criteria on the recent use of the premises are met).

2.5.5 The amount and depth of available information varies considerably by development type. Once again, this is not a factor that is specific to Tunbridge Wells Borough Council; it does not detract from the necessary viability overview process that is appropriate for this type of study.

2.5.6 These varying rental levels were capitalised by applying yields of between 5.0% and 7.0% (varying dependent on scheme type). As with the rents range, varying the yields enabled us to explore the sensitivity of the results given that in practice a wide variety of rentals and yields could be seen. Taking this approach also means that it is possible to consider what changes would be needed to rents or yields to sufficiently improve the viability of non-viable schemes or, conversely, the degree to which viable scheme assumptions and results could deteriorate whilst still supporting the collective costs, including CIL.

2.5.7 It is important to note here that small variations can have a significant impact on the GDV that is available to support the development costs (and thus the viability of a scheme) together with any potential CIL funding scope. We consider this very important bearing in mind the balance that must be found between infrastructure funding needs and viability. Using overly optimistic assumptions in the local context (but envisaging new development and appropriate lease covenants etc. rather than older stock), could well act against finding that balance.

2.5.8 This approach enabled us to consider the sensitivity of the results to changes in the capital value of schemes and allowed us then to consider the most relevant results in determining the parameters for setting non-residential CIL rates across the study area. As with other study elements, particular assumptions used will not necessarily match scheme specifics and therefore we need to look instead at whether / how frequently local scenarios are likely to fall within the potentially viable areas of the results (including as values vary). This area of the assessment is considered further in Chapter 3.

Figure 7: Assumed rental value for commercial/non-residential schemes

Development Type		Value Level (Annual Rental Indication £/sq. m)		
		Low	Medium	High
Large Retail	Large Supermarket - out of town	£240	£270	£300
Large Retail	Retail warehouse	£225	£250	£275
Town Centre Retail	Comparison shops (general/non shopping centre)	£150	£250	£350
Small Retail*	Convenience Store - various locations	£125	£150	£175
Business - Offices - Town Centre	Office Building	£175	£200	£250
Business - Offices - Out of town centre /Business Park	Office Building	£175	£200	£250
Business - Industrial / Warehousing	Smaller / Move-on type industrial unit including offices - industrial estate	£80	£100	£120
Business - Industrial / Warehousing	Larger industrial / warehousing unit including offices - industrial estate	£60	£75	£90
120 bed hotel (budget)	Hotel - edge of town centre / edge of town	£160	£200	£240
C2 - Residential Institution	Nursing Home	£180	£240	£300

*Note: 300 sq. m retail ('small retail') scenarios representative of smaller shop types also permitting Sunday Trading Act related trading hours.

2.5.9 As with residential development, consideration was given as to whether there should be any varying approach to CIL charging levels for commercial and other developments locally. On review, it was considered that variations in values and viability outcomes would be more likely to be the result of detailed site and scheme specific characteristics, and not necessarily driven by distinctions between general location (area) within the study area so far as the likely location of such development is concerned. This was borne out on review of the commercial values data and results.

2.5.10 Overall, we found that in the event of identifying scope to charge a CIL on commercial or non-residential development in viability terms, there is no clearly justifiable or readily definable approach to varying that through viability findings based on location / geography within the borough. Whilst certain specific scheme types could create more value in one location compared with another across Tunbridge Wells Borough, typically there was felt to be no clear or useful pattern which might be described for that. It must be accepted that there will always be variations and imperfections in any level of overview approach; with or without area based differentiation. Such is the nature of a CIL and its rates setting.

2.6 Development Costs – General

2.6.1 Total development costs can vary significantly from one site or scheme to another. For these strategic overview purposes, however, assumptions have to be fixed to enable the comparison of results and outcomes in a way which is not unduly affected by how variable site-specific cases can be. As with the scheme scenario building, an overview of the various available data sources is required.

2.6.2 Each area of the development cost assumptions is informed by data - from sources such as the RICS (Royal Institution of Chartered Surveyors) Building Cost Information Service (BCIS), any locally available soundings and scheme examples, professional experience and other research.

2.6.3 For this overview, we have not allowed for abnormal costs that may be associated with particular sites - these are highly specific and can distort comparisons at this level of review. Stage 2 of this process may be able to reflect particular issues with particular sites depending on the level of information available at that time.

2.6.4 This is another factor that should be kept in mind in setting policy and CIL charging rates and ensuring those are not set to the 'limits' of viability. In some circumstances and over time, overall costs could rise from current / assumed levels. The interaction between values and costs is important and whilst any costs rise may be accompanied by increased values from the currently assumed levels, this cannot be relied upon. Contingency allowances have, however, been made within all appraisals.

2.7 Development Costs – Build Costs

2.7.1 The base build cost levels shown below are taken from the BCIS. In each case the figure has been rebased using a locally appropriate location factor (an adjustment of the base figure indexed for study area). Costs assumed for each development type are provided in Appendix I. For the purposes of this exercise we have added an allowance for housing schemes of 10 units or less and made a deduction for flatted schemes of 10 units or less based on advice provided by the RICS BCIS within a report commissioned by the Federation of Small Businesses (FSB)[13]. Figure 8 below summarises the base build costs assumptions:

Figure 8: Build Cost Data (BCIS Median)

Development Type		BCIS Build Cost (£/sq. m)*
Residential C3	Build Costs Mixed Developments - generally (£/sq. m)	£1,366
	Build Costs Estate Housing - generally (£/sq. m)	£1,338
	Build Costs Flats - generally (£/sq. m)	£1,558
	Build Costs (Supported Housing - Generally) (£/sq. m)	£1,644
Large Retail	Large Supermarket - out of town	£1,601
Large Retail	Retail warehouse	£938
Town Centre Retail	Comparison shops (general/non shopping centre)	£1,181
Small Retail	Convenience Store - various locations	£1,181
Business - Offices - Town Centre	Office Building	£2,006
Business - Offices - Out of town centre /Business Park	Office Building	£1,915
Business - Industrial / Warehousing	Smaller / Move-on type industrial unit including offices - industrial estate	£1,613
Business - Industrial / Warehousing	Larger industrial / warehousing unit including offices - industrial estate	£1,108
Hotel (budget)*	Hotel - edge of town centre / edge of town	£2,190
C2 - Residential Institution	Care Home	£1,878

*The above costs exclude external works, contingencies and any FSB cost allowance on small sites (these are added to the above base build costs).

[13] RICS BCIS Report for The Federation of Small Businesses – Housing development: the economies of small sites - the effect of project size on the cost of housing construction (August 2015)

2.7.2 Unless stated, the above build cost levels do not include for external works / site costs, contingencies or professional fees (added separately). An allowance for plot and site works has been allowed for on a variable basis within the appraisal depending on the scheme type (typically between 5% and 20% of base build cost). These are based on a range of information sources and cost models and generally pitched at a level above standard levels in order to ensure sufficient allowance for the potentially variable nature of site works. Site works and infrastructure costs of £300,000/ha for the current site typologies tests are also added, with more specific, higher £/dwelling equivalent allowances expected to be made in the case of the appraisals of strategic scale development to be undertaken at Stage 2..

2.7.3 For this broad test of viability, it is not possible to test all potential variations to additional costs. There will always be a range of data and opinions on, and methods of describing, build costs. In our view, we have made reasonable assumptions which lie within the range of figures we generally see for typical new build schemes (rather than high specification or particularly complex schemes which might require particular construction techniques or materials). As with many aspects there is no single appropriate figure in reality, so judgments on these assumptions (as with others) are necessary. As with any appraisal input of course, in practice this will be highly site specific. In the same way that we have mentioned the potential to see increased costs in some cases, it is just as likely that we could also see cases where base costs, externals costs or other elements will be lower than those assumed. Once again, in accordance with considering balance and the prospect of scheme specifics varying in practice, we aim to pitch assumptions which are appropriate and realistic through not looking as favourably as possible (for viability) at all assumptions areas.

2.7.4 In all cases for the housing further allowances have been added to the total build cost in respect of meeting optional technical housing standards as discussed later in this chapter.

2.7.5 An allowance of 5% of build cost has also been added in all cases, to cover contingencies (i.e. unforeseen variations in build costs compared with appraisal or initial stage estimates). This is a relatively standard allowance in our recent experience, although we see some assumptions at lower levels. We have seen variations, again, either side of this level in practice, with higher levels usually relevant only for some types of conversions.

2.7.6 The interaction of costs and values levels will need to be considered again at future reviews of CIL and the Local Plan. In this context it is important to bear in mind that the base build cost levels may vary over time.

2.7.7 At the time of reporting the latest available BCIS briefing (April 2019) stated on build cost trends:

The BCIS All-in Tender Price Index (TPI) for 4th quarter 2018 has been revised upwards to 322 from 321, the figure published in the March 2019 BCIS Quarterly briefing of building costs and tender prices (BCIS QB). The quarterly increase stands at 0.6%, with the annual change at a fall of 1.5%.

The General Building Cost Index for 4th quarter 2018 has been revised downwards to 354 from 355, and now shows costs rising by 0.3% compared with the previous quarter and by 3.5% compared with a year earlier.

According to the Office for National Statistics (ONS), the total volume of construction orders in 4th quarter 2018 fell by 2% compared with 3rd quarter 2018 and by 11% on an annual basis.

Following the agreement to delay the UK's exit from the EU until the end of October 2019, the BCIS central forecast has been revised accordingly.

The BCIS new work output forecast for the central scenario has been revised a little.

The following table shows the BCIS assumptions about the forecast of new work output.[14]

[14] BCIS Quarterly Briefing - Five Year Forecast of Building Costs and Tender Prices (September 2018)

BCIS All-in TPI – Annual Percentage Change

Table 4. Summary of forecasts – central scenario

	Percentage change				
	4Q2018 to 4Q2019	4Q2019 to 4Q2020	4Q2020 to 4Q2021	4Q2021 to 4Q2022	4Q2022 to 4Q2023
Central scenario					
TPI	+3.1	+3.9	+4.6	+6.4	+6.5
GBCI	+2.8	+3.3	+3.5	+5.1	+4.2
New work output*	+0.9 (2019)	+2.8 (2020)	+5.9 (2021)	+5.5 (2022)	+6.0 (2023)

*Year on year (4Q2018 to 4Q2019 = 2018 to 2019), constant prices 2016

The upside and downside scenarios have not been revised, but will be examined in the next edition of the BCIS QB.

Source: BCIS

2.7.8 Therefore, at the point of reporting we cannot be sure how the European scenario or other external influences will play out either short or longer term on the economics potentially affecting development viability. The influences on the property market from the perspective of sales values and rates of sales seems likely to be at least as great as that on construction and build costs particularly given the continuing uncertainty over Brexit and the future Government and economic scenario in general.

2.8 Key Policy Areas for Testing - Summary

2.8.1 A number of policies have an impact on development viability although the ability for Local Authorities to set local standards has diminished through a series of Government interventions. The following discusses key areas and Appendix I provides an overall policy summary.

Nationally Described Space Standard

2.8.2 The Government's Technical Housing Standards have introduced national space standards for housing which can be used in a Local Plan policy if there is sufficient evidence of need and viability.

2.8.3 Although we understand that there is no specific policy on meeting the Nationally Described Space Standard expected to be introduced through the emerging draft Local plan, compliance with dwelling sizes meeting the nationally described space standard has been assumed in the modelling for this viability assessment as a standard assumption. See Appendix I for detail.

Access to and use of Buildings

2.8.4 The Government's Housing Standards Review has also resulted in changes being made with reference to Lifetime Homes and the Wheelchair Housing Design Standard. Accessibility is now incorporated into Part M of Building Regulations, applied by Local Planning Authorities as conditions and checked for implementation through the Building Control process.

2.8.5 The 2015 edition of Approved Document M – Access to and use of buildings: Volume 1 – Dwellings introduces three categories of dwellings (details tabled below):

Category 1	Visitable dwellings	M4(1)	This is mandatory for all new dwellings and is not optional. This means that reasonable provision should be made for people to gain access to and use the dwelling and its facilities. This should include most people, including wheelchair users.
Category 2	Accessible and adaptable dwellings	M4(2)	This optional standard is broadly equivalent to Lifetime Homes standards. This requires that provision is made within new dwellings to meet the needs of occupants with differing needs including some older and disabled people and *allow for the adaptation of the dwelling* to meet changing needs of occupants over time. This means that features are provided to enable common adaptations to be carried out in the future to increase the accessibility and functionality of the building.
Category 3	Wheelchair user dwellings	M4(3)	An optional standard with two sub-categories: M4(3)(2)(a): wheelchair adaptable: a dwelling constructed with the potential to be adapted for occupation by a wheelchair user e.g. providing space for the future installation of a lift; or
			M4(3)(2)(b): wheelchair accessible: a dwelling constructed to be suitable for immediate occupation by a wheelchair user e.g. by installing a lift.

2.8.6 Again, as with residential space standards, there needs to be evidence addressing both need and viability.

2.8.7 As part of the viability testing process the Council requested that testing be carried out to look at the likely viability impact of including policies on the access to and use of buildings. We set out below the likely additional costs for including policies that meet the optional Category 2 and/or 3 requirements of Part M4 of the Building Regulations.

It should be noted that enhanced requirements (where implemented) are independent of each other so that a dwelling may only be provided to meet either standard. At earlier stages of this process the Council requested that an allowance for meeting Part M4(2) on 100% of affordable units. In finalising this Stage 1 report, the Council also asked DSP to consider the viability impact of including a requirement for *all* dwellings to meet Part M4(2) and up to 5% of dwellings to meet Part M4(3) but noting the caveat above regarding the fact that a single dwelling cannot comply with both standards. This testing has been carried out as sensitivity testing for the purposes of this assessment.

2.8.8 As part of the Government's Housing Standards Review consultation, cost analysis was produced by EC Harris (and subsequently updated) relating to areas that included Access. Within the 2014 update to that review document, approximate costs of complying with the optional Category 2 requirements of Part M4 were included. This indicates various costs for different types of dwelling and on different forms of development. For the purposes of this report, the average extra over access cost per dwelling is approximately total of £2,447 for houses and £1,646 for flats for meeting Part M4 (2) standards. This is based on an average extra over access cost per dwelling (£682/dwelling) alongside the average access related space cost per dwelling but without allowing for cost recovery (£1,444/ dwelling).

2.8.9 For Part M4 (3) the same report indicates average extra over (E/O) costs to be £15,691 for flats and £26,816 for houses.

2.8.10 Within this viability assessment, the assumption is that for non-specialist housing the above allowances have been included. For specialist housing for older persons (retirement/sheltered and extra care) it is assumed that the general building specification and costs for that category include provision that would meet the necessary standards.

2.8.11 Again it should be noted however that Part M4(2) and Part M4(3) would not be required on the same individual unit; in respect of individual dwellings the standards are on an "either or" basis.

Energy & Water

2.8.12 As a result of the Housing Standards Review, local authorities will need to ensure that any specific policy in regard of water consumption is set at no more than 110 litres/person/day. This base assumption has been used in all appraisals.

2.8.13 This study also assumes that the Sustainable Design / Construction Standards are based on meeting the requirements of the building regulations in terms of energy use due to the Government's withdrawal of the Code for Sustainable Homes. There has been a significant amount of confusion created by the WMS, the Deregulation Act 2015 and the potential changes to the Planning and Energy Act 2008.

2.8.14 Our understanding has been that until the adoption of the new NPPF, although local planning authorities could set energy efficiency targets that were higher than the building regulations current at the time, those could not exceed the equivalent of Code Level 4 of the previous Code for Sustainable Homes standards. As noted by others[15]: '*The Secretary of State can amend section 1 of the 2008 Act by bringing into force the provisions in the Deregulation Act 2015. These would remove the right for local authorities to add energy efficiency policies to their local plans which exceed the requirements of Building Regulations in relation to dwellings…It is noticeable that over the course of the last three years no government has brought into force the amendments to the 2008 Act which would have stopped local authorities from adopting energy efficiency standards above the requirements of Building Regulations'.*

2.8.15 Accompanying the publication of the NPPF 2018, was the Government's response to the NPPF consultation exercise. In response to concerns from local planning authorities, the Government stated: *'To clarify, the Framework does not prevent local authorities from using their existing powers under the Planning and Energy Act 2008 or other legislation where applicable to set higher ambition. In particular, local authorities are not restricted in their ability to require energy efficiency standards above Building Regulations. The Government remains committed to delivering the clean growth mission to halve the energy usage of new buildings by 2030'.*

2.8.16 This in itself does not contradict the general view above that LPAs have the ability to set higher targets than Building Regulations but equally also does not state that LPAs can go beyond the equivalent of the former CfSH Level standards. Further advice is now included within the Planning Practice Guidance that states:

[15] https://www.burges-salmon.com/news-and-insight/legal-updates/can-local-authorities-adopt-energy-efficiency-standards-that-exceed-building-regulations/

'*Different rules apply to residential and non-residential premises. In their development plan policies, local planning authorities*:

- *Can set energy performance standards for new housing or the adaptation of buildings to provide dwellings, that are higher than the building regulations, but only up to the equivalent of Level 4 of the Code for Sustainable Homes.*

- *Are not restricted or limited in setting energy performance standards above the building regulations for non-housing developments.*

The Planning and Energy Act 2008 allows local planning authorities to set energy efficiency standards in their development plan policies that exceed the energy efficiency requirements of the building regulations. Such policies must not be inconsistent with relevant national policies for England. Section 43 of the Deregulation Act 2015 would amend this provision, but is not yet in force.

The Written Ministerial Statement on Plan Making dated 25 March 2015 clarified the use of plan policies and conditions on energy performance standards for new housing developments. The statement sets out the government's expectation that such policies should not be used to set conditions on planning permissions with requirements above the equivalent of the energy requirement of Level 4 of the Code for Sustainable Homes (this is approximately 20% above current Building Regulations across the build mix).

Provisions in the Planning and Energy Act 2008 also allow development plan policies to impose reasonable requirements for a proportion of energy used in development in their area to be energy from renewable sources and/or to be low carbon energy from sources in the locality of the development'[16].

2.8.17 For the purposes of this study we have based all modelling on a baseline that assumes increased energy efficient over Building Regulations up to an equivalent of former CfSH Level 4. Appendix I provides the detail but data taken from the DCLG Housing Standards Review Impact Assessment (average £ per dwelling extra-over (E/O) cost) for meeting the energy requirements for former CfSH Level 4 equivalent has been used

[16] MHCLG: https://www.gov.uk/guidance/climate-change#what-are-governments-national-standards-for-a-buildings-sustainability-and-for-zero-carbon-buildings Paragraph: 012 Reference ID: 6-012-20190315 Revision date: 15 03 2019

as a proxy (assumption at 1.5% over base build costs). An additional allowance placed at 2.5% of base build costs has also been included to cover costs associated with potential further energy mitigation.

<u>Affordable Home Ownership, Custom & Self-Build</u>

2.8.18 The Housing and Planning Act 2016 introduced a requirement for Local Planning Authorities in England to promote the supply of Starter Homes. The exact proportion is not set out in the Act, but previous consultation suggested that it would be in the region of 20% of new homes on all new developments (with certain exceptions). The publication of the NPPF 2019 indicates a change of position leading to a requirement for 10% of new homes to be provided as 'affordable home ownership' products. It states:

'*Where major development involving the provision of housing is proposed, planning policies and decisions should expect at least 10% of the homes to be available for affordable home ownership [as part of the overall affordable housing contribution from the site], unless this would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups'*.

2.8.19 Emerging policy indicates that up to 40% of the affordable housing on a site should be in the form of intermediate tenures - for the purpose of this assessment shared ownership (a form of affordable home ownership).

2.8.20 From DSP's experience of considering custom / self-build to date (albeit limited to early stages exploratory work on viability) we consider that the provision of plots (serviced and ready for development) for custom-build has the potential to be a sufficiently profitable activity so as not to prove a significant drag on overall site viability. Broadly, from review work undertaken so far, we would expect it to be at least neutral in viability terms, with the exact outcomes dependent on site-specific details, as with other aspects of the development process. This can be further developed through Stage 2 of this process, if or as appropriate.

2.9 Development Costs – Fees, Finance & Profit

2.9.1 The following costs have been assumed for the purposes of this study alongside those noted within section above and vary slightly depending on the scale and type of development. Other key development cost allowances for residential scenarios are as follows - _for the purposes of this assessment only_ (Note: Appendix I also provides a summary):

Professional fees:	_Total of 8-10% of build cost_
Site Acquisition Fees:	_1.5% agent's fees_ _0.75% legal fees_ _Standard rate (HMRC scale) for Stamp Duty Land Tax (SDLT)._
Finance:	6-7% p.a. interest rate _(assumes scheme is debt funded and includes all ancillary fees)_
Marketing costs:	_1-3% sales agent & marketing fees_ _£750 per unit legal fees_
Developer Profit:	_Open Market Housing – 15% - 20% GDV_ _Affordable Housing – 6% of GDV (affordable housing revenue)._

2.10 Development Costs – Fees, Finance & Profit (Commercial)

2.10.1 Other development cost allowances for the commercial development scenarios are as follows:

BREEAM:	_5% of build cost_
Professional and other fees:	_8-10% of build cost_
Site Acquisition Fees:	_1.5% agent's fees_ _0.75% legal fees_ _Standard rate (HMRC scale) for Stamp Duty Land Tax (SDLT)_
Finance:	_6-7% p.a. interest rate ((assumes scheme is debt funded and includes all ancillary fees)_

Marketing / other costs:	*(Cost allowances – scheme circumstances will vary)* *1% promotion / other costs (% of annual income)* *10% letting / management / other fees (% of assumed annual rental income)* *5.75% purchasers' costs – where applicable*
Developer Profit:	*15% - 20% of GDV*

2.11 Build Period

2.11.1 The build period assumed for each development scenario has been based on BCIS data (using its Construction Duration calculator - by entering the specific scheme types modelled in this study) alongside professional experience and informed by examples where available. The build periods are for the build only; lead-in and extended sales periods have also been allowed-for on a variable basis according to scheme type and size, having the effect of increasing the periods over which finance costs are applied. Appendix I provides the detail.

2.12 Community Infrastructure Levy (CIL) & Other Planning Obligations

2.12.1 As noted above, Tunbridge Wells Borough Council does not currently have a Community Infrastructure Levy in place. Part of the purpose of this assessment is to provide initial advice on the potential viability of development across the Plan area and the level of CIL that may be chargeable from different forms of development.

2.12.2 Although on non-strategic development it is expected that CIL will replace a majority of s106, the appraisals do include a notional sum of £3,000 per dwelling (for all dwellings – including affordable - and all schemes) purely for the purposes of this study and in the context of seeking to allow for a range of potential scenarios and requirements – effectively as an additional contingency in respect of any residual s.106 requirements, acting alongside the CIL payments in terms of the collective development costs to be considered.

2.12.3 Through Stage 2 testing, the strategic/sites allocations representative assessment will provide results derived from our appraisals run with an estimate of costs of known s106 requirements specific to each site (based on formation as far as available) with the outcome in each case shown as a resultant surplus/deficit. Those will therefore provide an indication of the sums potentially available to support any further additional infrastructure (e.g. through s.106 obligations) and/or other unidentified/abnormal costs after other usual development costs are allowed for.

2.13 Indicative land value comparisons and related discussion

2.13.1 Land value in any given situation should reflect the specifics on existing use, planning potential and status / risk, development potential (usually subject to planning) and constraints, site conditions and necessary works, costs and obligations. It follows that the planning policies and obligations, including any site specific s106 requirements, will also have a bearing on land value, as has been recognised by Local Plan and CIL Examiners as well as Planning Inspectors.

2.13.2 As discussed previously, in order to consider the likely viability of any development scheme relevant to the emerging Local Plan and its policies, the outturn results of the development appraisals (the RLVs viewed in £/ha terms) need to be somehow measured against a comparative level of land value. This is a key part of the context for reviewing the strength of the results as those change across the range of assumptions on sales values (GDVs) and crucially including the effect of affordable housing policy targets (%s).

2.13.3 This comparison process is, as with much of strategic level viability assessment, not an exact science. It involves judgements and the well-established acknowledgements that, as with other appraisal aspects, values associated with land will, in practice, vary from scheme to scheme.

2.13.4 The levels of land values selected for this comparison context are often known as 'benchmark land values' (BLVs) or similar. They are not fixed in terms of creating definite cut-offs or steps in viability but, in our experience, they serve well by adding a filter to the results to enable the review of those. They help to highlight the changing strength of relationship between the values (GDVs) and development costs as the appraisal inputs (assumptions) change, with the key relevant assumptions (variables) in this case being the GDV level (value level – VL) and affordable housing proportion (%).

2.13.5 Our practice is to compare the wide scope of appraisal residual land value results with a range of potential benchmark land values based on the principles of 'existing use value plus' (EUV+). This allows us to consider a wide range of potential scenarios and outcomes, and the viability trends across those. The coloured shading within the Appendix II results tables is a graded effect intended only to show the general transition of results through the range clearly viable (most positive – boldest green coloured) to likely less viable and non-viable based on the assumptions used (least positive - RLVs low or showing a deficit against the BLVs – palest green shading and then white/non-shaded areas of results).

2.13.6 Viewing the scale of the difference between the RLV and EUV (i.e. surplus after all costs (including policy costs), profit and likely land value expectations have been met) in any particular example, and as that changes between scenarios, allows us to judge the potential scope across the various development circumstances to meet the tested policy costs / requirements. It follows that, in the event of little or no surplus or a negative outcome (deficit), we can see a poor viability relationship, and vice versa.

2.13.7 The land value comparison levels are not fixed or even guides for use on scheme specifics; they are purely for this assessment purpose. In our experience, sites will obviously come forward based on very site-specific circumstances, including in some cases beneath the levels assumed for this purpose. Many results also show a clear capacity to accommodate increased cumulative costs, which may include a higher land value where that is appropriate and justified.

2.13.8 As discussed above, the recently updated PPG on Viability is very clear that BLVs should be based on the principle of existing use value plus a premium to incentivise the release of a site for development (EUV+).

2.13.9 The PPG[17] states the following:

'To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The

[17] https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment Paragraph: 013 Reference ID: 10-013-20180724 Revision date: 24 07 2018

premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to comply with policy requirements. This approach is often called 'existing use value plus' (EUV+)…

Benchmark land value should:

- *be based upon existing use value*
- *allow for a premium to landowners (including equity resulting from those building their own homes)*
- *reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees and*
- *be informed by market evidence including current uses, costs and values wherever possible. Where recent market evidence is used to inform assessment of benchmark land value this evidence should be based on developments which are compliant with policies, including for affordable housing. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.*

In plan making, the landowner premium should be tested and balanced against emerging policies. In decision making, the cost implications of all relevant policy requirements, including planning obligations and, where relevant, any Community Infrastructure Levy (CIL) charge should be taken into account.

Existing use value (EUV) is the first component of calculating benchmark land value. EUV is the value of the land in its existing use together with the right to implement any development for which there are policy compliant extant planning consents, including realistic deemed consents, but without regard to alternative uses. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types. EUV can be established in collaboration between plan makers, developers and landowners by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield. Sources of data can include (but are not limited to): land registry records of transactions; real estate licensed software packages; real estate market *reports; real estate research; estate agent websites; property auction results; valuation office agency data; public sector estate/property teams' locally held evidence…*

The premium (or the 'plus' in EUV+) is the second component of benchmark land value. It is the amount above existing use value (EUV) that goes to the landowner. The premium should provide a reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to comply with policy requirements.

Plan makers should establish a reasonable premium to the landowner for the purpose of assessing the viability of their plan. This will be an iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. For any viability assessment data sources to inform the establishment the landowner premium should include market evidence and can include benchmark land values from other viability assessments. Any data used should reasonably identify any adjustments necessary to reflect the cost of policy compliance (including for affordable housing), or differences in the quality of land, site scale, market performance of different building use types and reasonable expectations of local landowners. Local authorities can request data on the price paid for land (or the price expected to be paid through an option agreement).'

2.13.10 In order to inform the BLVs for use here, we have reviewed existing evidence, typical existing use values for various property typologies, previous viability studies, site-specific viability assessments and in particular have had regard to published Government sources on land values for policy application[18].

2.13.11 The Government data contains '*land value estimates for policy appraisal, with residential land value estimates by local authority and average industrial and agricultural values for England. This includes an estimate of a 'typical' residential site in each of England's local authorities, along with an average industrial and agricultural land value for England'*. Although the MHCLG make it clear that the report does not present estimates of market value, it does imply that the data can be used for policy appraisal and we note its use within Housing Infrastructure Funding tools. In our opinion the data is a legitimate source of land value estimates for the purposes of plan (policy) making where a high level view is appropriate.

[18] MHCLG: Land value estimates for policy appraisal 2017 (May 2018 report issue)

2.13.12 The data provides industrial, office, residential and agricultural land value estimates for the local sub-region including Tunbridge Wells Borough; but not all areas are covered. Where there are no direct land value indications, we have made use of our own experience in order to inform a "best fit" EUV from the available data. This data is shown in Appendix III and in the footnotes to the results tables. The residential land value estimates in particular require adjustment for the purposes of strategic viability testing due to the fact that a different assumptions basis is used in our study compared to the truncated valuation model used for the residential land value estimate. This (and other) viability assessments, assume all development costs are accounted for as inputs to the RLV appraisal, rather than those being reflected within a much higher, "serviced" i.e. "ready to develop" level of land value.

2.13.13 The MHCLG truncated valuation model provides a much higher level of land value as it assumes all land and planning related costs are discharged, assumes that there is a nil affordable housing requirement (whereas in practice the Affordable Housing requirement can impact land value by around 50% on a 0.5 ha site with 40% AH) with no CIL or other planning obligations allowance. That level of land value would also assume that full planning consent is in place, whereas the risk associated with obtaining planning consent can equate to as much as a 75% deduction when adjusting a consented site value to an unconsented land value starting point. Lower quartile build costs and a 17% developer's profit are additional assumptions that lead to a view of land value well above that used for comparison (benchmark purposes) in viability assessments such as this. So, the assessment approach (as relates to all land values) assumes all deductions from the GDV are covered by the development costs assumptions applied within the appraisals. In our view this would lead to a significantly reduced residential land value benchmark when taking into account all of those factors.

2.13.14 The figure that we consider representing the minimum land value likely to incentivise release for development under any circumstances in the Tunbridge Wells Borough context is around £100,000/acre (i.e. approximately £250,000/ha), based on gross site area. In our experience of dealing with site specific viability, prior to the new guidance on viability in the PPG, greenfield land values have tended to be expected or assumed at indicative minimum option to purchase price agreement levels, or similar. These have been typically quoted at around £100,000 and not exceeding £150,000 per gross acre (i.e. approx. £250,000 to maximum £370,000 per gross hectare). Depending on scale and circumstances, land values at up to those levels could be relevant to development on greenfield land (such as agricultural land or in cases of enhancement to amenity land value). We have "filtered" our results against a base greenfield BLVs at £250,000 per gross hectare (£/ha) for the Council's information. This base level noted here, is the key level for this site type – our base assumption in respect of bulk greenfield land purchase on the EUV+ basis. This is an assumption that we have used in a number of recent assessments and that has been through examination as part of our established approach. The 'upper' level of greenfield land value enhancement/other lower value existing uses is potentially reflective of smaller greenfield sites – for example paddock or other amenity land.

2.13.15 These represent enhancement (sale incentive uplift) to greenfield land values (with agricultural land reported by the VOA and a range of other sources to be valued at circa £20,000 - £25,000/ha in existing use, and its EUV varying mainly through land quality or type of agricultural holding rather than varying significantly according to location e.g. area/region). A number of years ago, the former HCA (which became Homes England) issued a transparent assumptions document which referred to guide parameters of an uplift of 10 to 20 times agricultural land value. This sort of level of land value could also be relevant to a range of less attractive locations or land for improvement. As noted above, the basis of EUV+ is now clearly in national policy and it is also recognised that land value should reflect development requirements. For example, the costs of relevant planning policies and any CIL will be reflected in appropriate land values; it is not appropriate to consider land values in a way that disregard these factors. This is not to say that land value expectations in such scenarios would not go beyond these levels either – they could well do in a range of circumstances.

2.13.16 The EUV+ BLVs used within the study therefore range overall between £100,000/ha (for bulk greenfield land including a significant uplift from existing agricultural values, as above) to approximately £2.25m/ha for higher value commercial land. A further "filter" has been included to cover land in existing residential use at up to £3.5m/ha. The appendices to this report set out the BLVs range used in considering the strength of the RLV £/Ha results for each test scenario – as a series of 'Viability Tests' used to filter the results.

2.13.17 Once again, it is important to note that all RLV results indicate the receipts available to landowners after allowing, within the appraisals, for all development costs. This is to ensure no potential overlapping / double counting of development costs that might flow from assuming land values at levels associated with serviced / ready for development land with planning permission, etc. The RLVs and the indicative comparison levels (BLVs or 'viability tests') represent a "raw material" view of land value, with all development costs falling to the prospective developer (usually the site purchaser).

2.13.18 Matters such as realistic site selection for the particular proposals, allied to realistic land owner expectations on site value, will continue to be vitally important. Even moving away from a 'market value' led approach, site value needs to be proportionate to realistic development scope and site constraints, ensuring that the available headroom for supporting necessary planning obligations (securing AH and other provision) is not overly squeezed beneath the levels that should be achieved.

3 Findings

3.1 General context for results review

3.1.1 The following report sections consider both groups of appraisal results carried out to inform this assessment to date – current Stage 1. As noted above, a further phase of viability assessment is expected to follow; Stage 2, which is currently anticipated to focus on or largely on the Council's most significant site allocations proposals (as regards relevance overall to the delivery of the emerging Local Plan.

3.1.2 The 2 groups are:

(1) **Residential scheme typologies – representing developments of 1 to 250 dwellings** (houses flats and mixed typologies)**. Results set out at Appendix IIa**. Appraised as above across a wide range of value levels (VLs) and trial CIL charging rates as part of a matrix type approach that also explores alongside these variables the impact of a wide range of affordable housing tests. The AH tests have been run at 0% (nil AH), 20%, 30/35% and 35/40% depending on likely relevance and best fit after consider numbers rounding (although expressed differently, 2 different percentages amount to the same AH content in some combinations). The wide exploration of potential CIL charging scope (using a range of trail rates), subject to review of cumulative costs of development, reflects the context that TWBC has no CIL in place currently.

(2) **Typology based tests of commercial/non-residential developments. Results included at Appendix IIb.** Undertaken across a range of rental value and investment yield assumptions, and again tested across a wide range of trial CIL rates.

3.1.3 The findings considered here relate to the information provided in each of these Appendices as follows:

(1) <u>Appendix IIa</u> (Tables 1a to 1pii) - appraisal RLV results from the general residential test typologies (as per Figure 3 above) base sets and additional sensitivity tests. For each typology in excess of 1 dwelling, there are multiple sets of results (each set shown in a table or section of a table). In the case of

each results set, labelled according to the key assumptions used within that set, the upper (non-shaded) table section shows the RLVs (£s) and in the lower section the RLVs (£/Ha) overlaid with colour shading linked to the BLVs ('viability tests' that are met by each RLV £/ha result). The boldness of the green colouring highlights the trends within the results and shows increasing confidence in these as viability is maintained while a wider range of BLVs ('viability tests') are met. The RLVs are seen to increase and meet higher BLVs with increasing value level (VL) assumed. They reduce gradually with each increase in the trial CIL rate applied, and reduce much more significantly with increasing AH % included.

(2) Appendix IIb (Tables 2a to 2e) - commercial development tests results, equivalent to Appendix IIa in general format. The £RLV results are seen on the left side of each of these tables, with the part green shaded sections to the right being those same results expressed in RLV £/Ha terms and filtered against the range of BLVs. The table formatting again uses the varying boldness of green shading to illustrate the changing strength of results according to the assumptions combination used. The results deteriorate from the most positive set, Table 2a, which shows the 5% yield tests through to those in Table 2e (based on a 7% yield, and therefore a significantly lower rental capitalisation rate). They also reduce gradually with increasing trial CIL rate increment (moving left to right). However, the results are seen to step up as increasing annual rental assumptions are used (L > M > H), and particularly in the case of the more positive, lower yield % tests.

Appendix IIa Residential typologies results tables – review context

3.1.4 First, we consider residential development. In common with other similar projects, this is the main assessment focus here, owing to the importance of new housing delivery to the Borough and the new Local Plan; and also because this is the area in which local authority policy has by far the most influence on development viability (most significantly in relation to affordable housing). The same cannot be said of a Council's level of influence over the viability of commercial / non-residential development; that is much more limited (as a typical layer of context, not just in TWBC's case).

3.1.5 Secondly, invariably the scale of residential development (quantum of new accommodation to come forward) is such that the source of potential CIL income is going to be largely weighted towards residential. This would be the case across Tunbridge Wells Borough.

3.1.6 The testing of the viability scope available to support AH requirements is a key element of such an assessment. This is because the inclusion of AH has the largest single cost impact – far greater than that from other policies, because the affordable homes cost approximately the same to build as the market sale ones but support a much lower level of revenue, as noted. These requirements always have a significant impact on the development finances; a consistent finding from our work across a large number of studies.

3.1.7 The cumulative effect of affordable housing and other emerging/potential policy positions plus allowances reflecting potential CIL charging (which could also be viewed as s.106 monies) is the reporting focus – consideration of these in combination is needed to make sure that developments will be able to come forward viably under the Local Plan policy set once established, as above.

3.1.8 The results presented each have an appraisal behind them, based on the assumptions approach and assumptions set out above and in Appendix I. This means that the review of the TWBC proposed policy positions on matters that add further development cost, such as the likely enhanced accessibility (M4(2) and (3) standards), open space requirements and other matters, together with the stated affordable housing (AH) levels, is reflected within the range of results set out.

3.1.9 Additional sensitivity tests using the 50 mixed dwellings typology have been carried out to provide TWBC with further information in respect of the potential direction of travel in policy development to include increased requirements on M4(2) and (3) – see the further results at Appendix IIa Tables 1pi and 1pii. Those additional results added following latest policy development discussions with the Council may be compared with those that include a lower proportion of dwellings assumed to enhanced M4 requirements - at Table 1j (which base results are also included in the first section of Tables 1pi and 1Pii). Table 1pi shows the results at VL3 (sales values assumed at £4,000/sq. m) and VL7 (£5,000/sq. m). At our Stage 1 draft report issue point, the range of additional sensitivity tests undertaken on this 50 mixed dwellings typology was extended further and now includes results from:

- Sensitivity test 1 (ST1) – as base but with 95% dwellings (all dwellings) to M4(2) and 5% to M4(3);
- ST2 - as base but with 5% sustainability related cost uplift (contingency) in place of base 4%;
- ST3 – as base but with 60% of the AH as affordable rent in place of the base 60% social rent;
- ST4 – as base but with a 30% each of affordable rent and social rent in place of the base 60% social rent;
- ST5 – as ST1 but with 5% sustainability contingency (in combination);
- ST6 – as ST1 but with 60% affordable rent;
- ST7 – as ST1 but with 30% affordable rent and 30% social rent;
- ST8 – as ST5 but also with 60% affordable rent;
- ST9 – as ST5 but with 30% affordable rent and 30% social rent;
- ST10 – as ST2 but with 60% affordable rent;
- ST11 - as ST2 but with 30% affordable rent and 30% social rent.

3.1.10 Those additional results should help the Council to consider the additional impact contributing to the cumulative policy effects as currently viewed, as some trade-offs and prioritising may be required within the overall picture. This may well depend on how the development strategy settles – i.e. mix and types of sites that are going to be the most relevant at a whole plan level – but without getting too complex in terms of differentiation within policy overall. We suggest, therefore, that some further refinement and checking/back-testing of policy combinations could be appropriate at assessment Stage 2 in due course, whilst looking at or in conjunction with the assessment of key site allocations proposals once the TWBC policy and wider evidence development has progressed further and outcomes of the forthcoming regulation 18 stage consultations are considered.

3.1.11 As is always the case, there is not limitless scope for the carrying of increased development and policy costs and the balance between the needs/community provision and commercial returns to drive the development activity will need to continue to be considered. The results show that these considerations will be more in focus on PDL located developments (compared with greenfield) and particularly where we see lower than typical overall values relevant in urban area developments. This theme is quite normal in our experience – certainly not a TWBC only point. The assessment both informs these considerations and develops as more of the Council's approach settles – a 2-way process.

3.1.12 Affordable housing has been tested both beneath and above the national policy (NPPF) threshold at 10 dwellings, enabling the Council to consider the viability of such schemes with the emerging (but still developing) policy set as well as the affordable housing need and the extent to which such sites contribute to the overall supply – plan-wide picture.

3.1.13 A further key aspect of the results review context is the values levels (VLs) i.e. new build housing sales value estimates used as assumptions across the wide range of testing. Section 2.4 above considered these, based on data viewed at this stage, and Appendix III provides more detail. This will remain under review and, depending on the assessment Stage 2 timing, may be revisited at that point.

3.1.14 The tables at Figures 5a to 6b taken from section 2.4 above have been repeated below for ease of reference – as Figures 5c, 5d, 6c and 6d. Here we have added an additional column to each, showing for the data sets the relevant/closest representative VL from within our overall testing range £3,000/sq. m to £6,500/sq. m (VL 1-11).

Figure 5c: New Build Data (by settlement only) – with indicative VLs

(September 2018 research)

Settlements	Sample Size	Updated Values in Line with UK HPI (£)	Updated Values in Line with UK HPI (£/m^2)	Indicative VL
Royal Tunbridge Wells	192	£593,958	£5,052	VL7
Horsmonden	1	£488,899	£4,527	VL5
Sissinghurst	7	£516,599	£4,394	VL5

(February 2019 updated research)

Settlements	Sample Size	Updated Values in Line with UK HPI (£)	Updated Values in Line with UK HPI (£/m^2)	Indicative VL
Tunbridge Wells	57	£618,087	£5,163	VL7-8
Goudhurst	2	£781,121	£5,089	VL7
Sissinghurst	4	£565,564	£4,301	VL4
Hawkhurst	22	£541,290	£4,031	VL3

Figure 5d: New Build Data (Royal Tunbridge Wells & Southborough urban areas wards only) – with indicative VLs

(September 2018 research)

Tunbridge Wells & Southborough Wards	Sample Size	Updated Values in Line with UK HPI (£)	Updated Values in Line with UK HPI (£/m^2)	Indicative VL
St John's	1	£304,887	£5,978	VL10
Culverden	49	£940,544	£5,825	VL9-10
Broadwater	6	£350,009	£5,676	VL9-10
Park	12	£300,454	£4,872	VL6-7
Sherwood	108	£449,204	£4,707	VL6
Southborough North	2	£521,218	£4,633	VL5-6
Pantiles and St Mark's	14	£884,736	£4,176	VL3-4

(February 2019 updated research)

Tunbridge Wells Wards	Sample Size	Updated Values in Line with UK HPI (£)	Updated Values in Line with UK HPI (£/m^2)	Indicative VL
Pantiles and St Mark's	4	£570,841	£6,450	VL11
Culverden	25	£835,926	£5,461	VL9
Broadwater	1	£772,421	£4,983	VL6-7
Sherwood	27	£417,668	£4,533	VL5

Figure 6c: Re-sales data (by settlement only) – with indicative VLs

(September 2018 research)

Settlements	Sample Size	Updated Values in Line with UK HPI (£)	Updated Values in Line with UK HPI (£/m2)	Indicative VL
Frittenden	1	£717,760	£5,835	VL10
Brenchley	5	£684,409	£5,108	VL7-8
Langton Green	17	£837,429	£5,074	VL7-8
Bidborough	4	£807,043	£4,811	VL6
Speldhurst	8	£705,746	£4,693	VL6
Five Oak Green	3	£367,736	£4,655	VL5-6
Tunbridge Wells	302	£461,983	£4,628	VL5-6
Sissinghurst	3	£524,539	£4,185	VL3-4
Lamberhurst	4	£568,215	£4,117	VL3-4
Benenden	1	£382,805	£4,116	VL3-4
Paddock Wood	30	£366,070	£4,078	VL3-4
Southborough (including High Brooms)	30	£387,203	£4,052	VL3
Iden Green	2	£471,391	£4,046	VL3
Pembury	11	£388,512	£3,998	VL3
Goudhurst	5	£514,946	£3,979	VL3
Horsmonden	9	£575,510	£3,930	VL3
Cranbrook	14	£418,339	£3,928	VL3
Sandhurst	8	£427,210	£3,879	VL2-3
Matfield	3	£678,575	£3,827	VL2-3
Rusthall	4	£394,657	£3,697	VL2-3
Hawkhurst	18	£341,851	£3,426	VL2

(February 2019 updated research)

Settlements	Sample Size	Updated Values in Line with UK HPI (£)	Updated Values in Line with UK HPI (£/m^2)	Indicative VL
Benenden	3	£925,994	£5,363	VL8-9
Speldhurst	3	£584,906	£4,985	VL7
Kilndown	1	£196,355	£4,909	VL7
Five Oak Green	1	£347,935	£4,900	VL7
Langton Green	11	£706,406	£4,718	VL6
Matfield	8	£567,251	£4,552	VL5
Tunbridge Wells	291	£440,410	£4,464	VL5
Bidborough	5	£643,464	£4,425	VL5
Goudhurst	8	£605,280	£4,362	VL4-5
Horsmonden	12	£497,824	£4,255	VL4
Paddock Wood	39	£337,153	£4,073	VL3
Pembury	18	£477,447	£3,986	VL3
Southborough (including High Brooms)	30	£330,145	£3,979	VL3
Rusthall	5	£331,444	£3,936	VL3
Cranbrook	14	£412,133	£3,880	VL2-3
Lamberhurst	2	£424,232	£3,874	VL2-3
Sandhurst	3	£325,733	£3,758	VL2
Hawkhurst	22	£390,182	£3,514	VL1
Sissinghurst	2	£535,386	£3,454	VL1

Figure 6d: Re-sales data (Royal Tunbridge Wells & Southborough urban areas wards only) – with indicative VLs

(September 2018 research)

Tunbridge Wells and Southborough Wards	Sample Size	Updated Values in Line with UK HPI (£)	Updated Values in Line with UK HPI (£/m²)	Indicative VL
Pantiles & St Mark's	44	£576,034	£5,176	VL7-8
Park	37	£517,657	£4,794	VL6
St John's	44	£517,686	£4,749	VL6
Broadwater	29	£410,234	£4,570	VL5
Culverden	37	£457,286	£4,455	VL5
Southborough North	24	£551,699	£4,376	VL4-5
Southborough & High Brooms	31	£357,422	£4,303	VL4
St James'	45	£310,380	£4,201	VL4
Sherwood	26	£447,928	£4,198	VL4

(February 2019 updated research)

Tunbridge Wells and Southborough Wards	Sample Size	Updated Values in Line with UK HPI (£)	Updated Values in Line with UK HPI (£/m²)	Indicative VL
Pantiles & St Mark's	46	£636,442	£4,622	VL5-6
Park	42	£429,016	£4,615	VL5-6
St John's	28	£437,742	£4,523	VL5
Culverden	65	£356,969	£4,512	VL5
St James'	40	£418,256	£4,460	VL5
Southborough North	17	£450,528	£4,437	VL5
Broadwater	14	£428,316	£4,364	VL4-5
Southborough & High Brooms	31	£362,967	£4,077	VL3
Sherwood	26	£339,268	£4,043	VL3

3.1.15 Overall, at this point, for current testing purposes we consider the most relevant area of the values range is VLs 3 to 7 at £4,000 to £5,000/sq. m (approx. £372/sq. ft. to £465/sq. ft. equivalent). In our view, based on the information available to review to date, the majority of new builds relevant to the emerging plan overall will achieve values within this range. This means a reasonably prudent view at a point where the housing market is generally not rising and avoiding reliance on the higher-end values that will continue to be seen but not across all areas. Values falling outside this range will be seen, and their potential relevance should also be kept in mind.

3.1.16 Therefore, in order to continue informing the Tunbridge Wells local plan policy development, at this stage we will report primarily using the results in this VL3 to 7 range. In practice, whilst there will most likely be a continuation of the general values patterns seen, so that there will tend to be lower value areas (relatively), it looks as though most of the variation may be down to specific location and scheme type. There is evidence that the typically lower values areas can also support higher than general values in those areas, and this may also been seen with "place-making" type effects associated with new development. Likewise, some schemes in the higher value areas (where the values often supported are beyond VL7) may support lower than typical values.

3.1.17 Subject to potential further review in due course, the average of the new build sales data collected for the settlement of Tunbridge Wells was approximately £5,086/sq. m (as updated using Land Registry HPI) – approx. £473/sq. ft. For all new build data (although otherwise including only very small samples) this was slightly lower at £5,031/sq. m (i.e. approx. £467/sq. ft.) – all areas.

3.1.18 Owing to the varying and often small samples of new build sales data, an overview of the overall i.e. predominantly resales based market provides an average sale figure, across all areas where data was collected, of approx. £4,451/sq. m (i.e. approx. £414/sq. ft.)

3.1.19 Overall, the movement to some extent of settlement/ward based review data within the hierarchies (as shown in the above tables at Figures 5 - 6) between different points in time shows that the actual values achieved on schemes will be likely to move around and potentially quite significantly from one to another, dependent on the specific details. This is an effect that we usually see in such assessments as the figures are dependent on the types and mix of schemes and properties included within each data set at a point in time.

3.1.20 A CIL takes a fixed, non-negotiable top-slice from the development revenue. If other policy related costs are applied too extensively and too rigidly, those will tend to have the same effect.

3.1.21 Consistent with supporting the growth associated with the up to date Local Plan, and not related to any other existing deficits in infrastructure provision, if implemented CIL will be a high-level Borough-wide response, set strategically. It is not possible for CIL to reflect and respond to all levels of local variation in values or in other matters. How it overlays with the planned site supply is most important, even if that means some level of misfit in areas not supplying a significant level of development in the overall planned terms. The CIL principles are such that the charging schedule should ideally be as simple as possible, accepting that usually values and other characteristics do not actually respect any particular boundaries in more than a general way. All sites are different, and varying values will be seen even within sites.

3.1.22 The Council need not follow these report findings exactly. Rather, it needs to be able to show how the evidence has informed its approach. Overall, this is about considering the evidence collectively and progressing with policies that will respond to an appropriate balance between the needs side (e.g. for affordable housing and the desirability of funding infrastructure) and viability. The guidance recognises that it will not be necessary to consider all potential scenarios, and that a pragmatic approach may be taken to CIL setting for example.

3.1.23 Also included below is a grid (see Figure 9) showing indicatively how the range of trial CIL charging rates tested appears when expressed as percentages of sales values i.e. trial CIL rate as a percentage of GDV. DSP has used this sort of guide as background information for clients it advises on CIL viability.

3.1.24 This additional information does not represent additional viability testing, but in our view may be useful in purely a general health-check type way to help make sure that CIL charging rates are not set too high. DSP's view over several years of CIL viability and rates setting experience has been that, as a guide, realistic CIL charging rates should not exceed a range approximately 3% GDV to 5% GDV as a maximum - back-up check only. After considering buffering, in this type of area we tend to see that appropriate levels of CIL charging that will remain suitable as the development values and costs inevitably move around, and the plan policy requirements impact, will probably be nearer to 2 to 3% GDV equivalent; perhaps not more. Viewed on this basis and applied to VLs 3 to 7 and with a likely full LP policy set applied, this background guide would begin to point to CIL charging scope probably based around the range approximately £80 – 150/sq. m – simply to have in mind as a general feel for the potential, but of course subject to the viability testing at this and any subsequent stage of review of relevant developments/development types. In reviewing our results (see the following sections) we will see how the viability tested outcomes compare with this feel for the likely realistic CIL parameters overall.

Figure 9 – Potential rates context - Residential CIL (trial charging rates) as %GDV

	VL3	VL4	VL5	VL6	VL7	VL8	VL9	VL10
CIL trial rate £/sq. m ↓	£4,000	£4,250	£4,500	£4,750	£5,000	£5,250	£5,500	£6,000
50	1.25%	1.18%	1.11%	1.05%	1.00%	0.95%	0.91%	0.83%
75	1.88%	1.76%	1.67%	1.58%	1.50%	1.43%	1.36%	1.25%
100	2.50%	2.35%	2.22%	2.11%	2.00%	1.90%	1.82%	1.67%
125	3.13%	2.94%	2.78%	2.63%	2.50%	2.38%	2.27%	2.08%
150	3.75%	3.53%	3.33%	3.16%	3.00%	2.86%	2.73%	2.50%
175	4.38%	4.12%	3.89%	3.68%	3.50%	3.33%	3.18%	2.92%
200	5.00%	4.71%	4.44%	4.21%	4.00%	3.81%	3.64%	3.33%
225	5.63%	5.29%	5.00%	4.74%	4.50%	4.29%	4.09%	3.75%
250	6.25%	5.88%	5.56%	5.26%	5.00%	4.76%	4.55%	4.17%
275	6.88%	6.47%	6.11%	5.79%	5.50%	5.24%	5.00%	4.58%
300	7.50%	7.06%	6.67%	6.32%	6.00%	5.71%	5.45%	5.00%

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3.1.25 Sample appraisal summaries are included as a second part to Appendix IIa. The appraisals are too numerous to include all summaries, or even a wide range of them. The aim of including the examples is to further illustrate the structure of the residual calculations, and summary content.

3.2 Appendix IIb tables - Commercial / non-residential development – Review context

3.2.1 As noted above, at this first stage of the assessment supporting the emerging local plan policies development, we have undertaken a typical range of commercial/non-residential typology based appraisals. This is principally to begin informing the potential to charge CIL across a range of other development types, by putting in place the basis of review for that purpose, and also provides information for TWBC on viability in the context of its local plan work.

3.2.2 In both of these respects, we consider that further review of this information and/or additional assessment may be appropriate at Stage 2 and/or perhaps subsequently for CIL purposes, depending on the relationship between the plan and its progression (should the Council decide to ultimately implement a CIL). At least some of the larger/strategic sites may require particular treatment (potential differentiation) when finalising proposed CIL charging rates, and employment development and other uses may also need to be further considered within the scope of the Stage 2 appraisals for the local plan viability.

3.2.3 Appendix IIb includes the results within Tables 2a – 2e, all as previously described. The range of scenario tests are shown top to bottom - by development use type. Each one of those has been tested at 3 trial value levels i.e. rent levels (L - lower, M - mid/medium and H - higher) simply to explore the sensitivity of the RLV outcomes to that assumption varying in combination with a yield % test ranging from most positive (at 5% - Table 2a) to least positive for the study purposes (at 7% - Table 2e RLV indications). It can be seen that the viable scenarios range reduces very significantly by the time we use a 7% test yield to inform the capitalisation of the assumed rental values – across L, M and H levels as above.

3.2.4 This deterioration in results with increasing yield % reflects a progressively less positive view in relation to the capitalisation rate applied to the rental assumptions, indicating a less secure, higher risk income stream assumed for the commercial property investor as the yield % increases.

3.2.5 After considering the residential findings and potential implications / recommendations (including for the strategic sites), we will go on to round up our review of the likely variable viability of commercial development locally – more on that follows (primarily in respect of our review of the potential CIL charging scope, based on viability).

3.2.6 Relevant policy impacts on the viability of commercial/non-residential developments are likely to be limited in scope based on the emerging draft local plan development to date. This appears unlikely to be affected by later policy developments. Therefore, largely this element of the assessment (test sets leading to Appendix IIb results) is expected to remain unchanged unless subsequently available information supports different assumptions on development values. To reiterate, the emphasis on the purpose of this element of the assessment is the review of CIL charging potential – current stage view.

3.2.7 The approach to this aspect is consistent with the typical scope required in our experience, and with assumptions informed by our research and experience, so as to be representative of local circumstances – again, based on a high-level overview approach rather than site-specific level detail.

3.2.8 As will be seen, using assumptions appropriate for the assessment purpose and ensuring no reliance on pushing to the margins of viability in order to support CIL charging, this proportional approach requires only a much smaller number of appraisals for the commercial typologies testing. These were developed as sets to the point where viability in each case falls away to a negative RLV - 'indicative non-viability' positions or similar as shown in the Appendix IIb tables. Once a very low, nil or negative outcome is reached, it is not necessary to explore further.

3.2.9 Unlike in the case of residential development (and in particular the role in setting policy as affects affordable housing impacts), there is little scope for a Council (whether TWBC or any another authority) to influence the viability of commercial and non-residential development provided it does not add, through unnecessary policy, to the development costs usually associated with such development.

3.2.10 DSP also has considerable wider experience of commercial and non-residential development viability for CIL setting and Local Plan policy purposes. From this, together with review of the market and updated information gathering (information as at Appendix III and subject to further consideration of any readily available new data or pointers as the assessment concludes), we are of the view that at this point we would not expect to see materially expanded viability scope to support additional policy related costs compared with that seen at the assessment stage. These and other matters will be considered below.

3.2.11 As with residential, the strength of the market and therefore of the strength of relationship between development values and costs is key; the most significant factor. However, there are considered to be no significant instances of TWBC local emerging policy influence that will have a direct development cost and therefore a clear negative viability impact compared with a typical approach that we see.

3.2.12 Although key information will be contained within other assessments and data also contributing to the evidence base, we have some general points to offer as the Council considers the employment and other commercial/non-residential development aspects of its plan-making process. These will be picked up briefly in later sections below.

3.2.13 From this part of the exercise, using this review process we note the following themes:

- Where they come forward, those scenario types/development uses likely to be consistently viable on a sufficient basis to support a full level of CIL charging are retail development, and especially certain forms of that - larger formats such as retail warehousing, supermarkets/foodstores).

- It is necessary to consider the extent to which more positive assumptions are required and may or may not be realistic in the short term (next few years, as applicable to any newly implemented CIL here) for those potential development uses that currently appear unable to support any significant level of CIL charging (i.e. a nil or potentially a nominal only charging rate). This covers a wide range of uses, most likely within an "all other development uses" type approach that the Council should in our view consider.

3.2.14 We have taken the view that overall the same range of comparison/benchmark land values (as used for the other study elements) are applicable. In most cases, broadly it is considered that unless development are on greenfield land, meeting or exceeding the £1.5 – 1.8m/Ha BLV tests should prove sufficient in most circumstances for these scheme types, since they will be unlikely to come forward on land in the highest existing use values, such as sites with established residential use.

3.2.15 On the other hand, commercial/non-residential proposals could also come forward on land in lower value or relatively low value existing uses. Developments within strategic scale development areas may be examples of the likely relevance of this, where the additional viability scope related to lower land buy-in costs – for example based on uplift to existing greenfield land values (i.e. from no more than £25,000/ha EUV to say £250,000/ha) - could have a positive effect if demand for the space drives sufficiently positive values for schemes to be progressed. Our results (within Appendix IIb) show how this could influence matters. Development of offices taking this form may have some potential for relatively marginal viability as far as we can see, and the Plan will be delivered through a long period during which the wider economic backdrop, broader and local property markets, policy climate and other matters are likely to all vary.

3.2.16 As with all results (appraisal RLV indications) and the reporting around them, many of the results for the relevant more valuable development types (predominantly retail of certain types) do indicate that higher land values could be or could need to be supported.

3.2.17 Our round-up of findings for the Commercial / non-residential scenarios is included in later sections below, following the further residential findings commentary that we set out next.

3.3 FINDINGS REVIEW – Residential scenarios (Appendix IIa)

3.3.1 We place significant emphasis on the affordable housing (AH) content tested in reporting the following. This is because, as above, consistently it has the most significant impact on viability as its development costs are essentially the same as for market dwellings, but it produces a much lower level of revenue (usually no more than around half of market sale revenue overall, based on mixed AH tenure). As the new local plan policies are considered further moving ahead, it will be important to consider the role and impact of AH tenure further. This is why the additional sensitivity tests have been added on this element alongside others looking at other areas in which policy adjustments/combinations and final positions could make a notable difference to the viability levels that will be supported.

3.3.2 Viewed overall, and bearing in mind the typical strength of values in the borough, the results are seen to be quite strong – generally very positive with the above noted sales values assumptions used.

3.3.3 However, a mixed picture emerges as the generally positive outcomes are also seen to be quite sensitive to lower values, which will be seen in some instances and could combine with PDL sites (including higher EUVs) to result in some more challenging viability situations, as will be noted in this section. Broadly speaking, at around VL4 there appears to be something of a potential cusp of viability, whereby sites supporting lower values are much more likely to only present clear viability whilst carrying significant AH levels and other obligations in a greenfield site context.

3.3.4 In reviewing the results to inform a potential new Charging Schedule, whilst prudent assumptions have been used throughout as part of ensuring that viability is not taken to the margins when CIL charging and policy costs are being considered, we also give consideration to "buffering", following on from the principles noted above. This means stepping back from the CIL charging rates indicated to be possible in theory from each assumptions combination as per the tabled results; those show the maximum CIL charging rates that can be supported by that particular assumptions set on the basis of meeting or beating a particular land value comparison – the results "filtering" ('Viability Tests).

3.3.5 A 'buffer' factor is essentially arbitrary, and is intended only as a guide aimed at keeping well within the margins of viability – it need not be adhered to rigidly as it is still quite hypothetical and the viability work does not have to be followed precisely in any event. Again, as with other Local Plan and CIL evidence, the Council should be able to show how the assessment has informed its overall approach.

3.3.6 Nevertheless, reviewing in this way helps to focus in on certain most relevant areas of the results. We have tested the graduated effect of a potential CIL using a fine-grained review approach at £25/sq. m increments from £0 (nil CIL) up to £300/sq. m. This testing of trial rates goes to approximately twice the levels of CIL noted in the wider background discussion at 3.1.22 – 3.1.23 (and Figure 9) above and means that we can consider a substantial buffering allowance at this early stage of the Council's review of the potential CIL scope alongside the emerging LP policy costs. At this stage in a general feasibility type way, we will explore the scope for CIL to be supported by each typology when buffered back by approximately 50% (roughly halved) from the apparent maximum levels that are accommodated by the reported RLVs. Once again, this may be revisited in due course.

<u>Small scheme scenarios (<10 dwellings)</u>

3.3.7 Some of the single unit developments (or parts of developments of 2 or 3 units) are likely to be self-builds in some form, potentially attracting CIL exemption.

3.3.8 The "default" national policy threshold for AH has been reconfirmed at 10 dwellings (within the NPPF). However, a high proportion of the borough area (approximately 70% of the land area) lies with the High Weald AONB. Subject also to the further review of its local evidence of affordable housing needs combined with an ongoing housing supply contributed to by the smallest sites and particularly in the smaller settlements/rural areas, the Council is considering the drivers for and the potential for developments providing fewer than 10 dwellings to contribute towards meeting affordable housing needs. With regard to the AONB, subject to the Council's wider evidence, a potential AH threshold at 6 dwellings could be considered consistent with national policy (i.e. implemented of sites providing 6-9 dwellings in that area).

3.3.9 Typically, we find there can be a range of practical challenges involved in securing on-site provision of affordable homes within the smallest schemes unless the local development market and affordable housing providers become adjusted to this owing to the typical nature of site supply. There can be issues with design integration, management and affordability.

3.3.10 As we understand it, there is currently no calculation approach or guide provided locally for AH payments in lieu (financial contributions) where, exceptionally, that route is agreed. The full detail of this would not normally be included within local plan policy as such, and needs to be updateable. Although further advice could be provided to TWBC in due course as part of its policy development, as noted above at this stage we have used an appropriate proxy of on-site affordable housing. This involves a best fit type approach. At this stage it means that the dwelling mix and AH content assumptions made within the typology tests to this point are as follows (with, in some cases, a worse case appraised for viability than would be found to impact using a financial contribution approach at a level targeted to be equivalent to not more than 20% AH):

- 1 House – 1x 4BH currently @ 0% AH only

- 3 Houses @ 20% AH = 1 x 2BH (AH as SR); 1 x 3BH (Market); 1 x 4BH (Market) (equivalent 33.3% AH)

- 5 Houses @ 20% AH = 1 x 2BH (AH as SR); 1 x 2BH (Market); 2 x 3BH (Market) / 1 x 4BH (Market) (= 20% AH)

- 5 Houses @ 30% AH = 1 x 2BH (SO); 1 x 3BH (SR); 1 x 2BH (Market); 1 x 3BH (Market); 1 x 4BH (Market) (equivalent 40% AH). *(Note: The assumed SR home here switches to a 3BH so as to include SO as a more affordable a 2-bed home. Same mix as 35% and 40% AH due to numbers rounding.)*

- 6 Houses @ 20% AH = 1 x 2BH (Market) / 1 x 2BH (SR) / 3 x 3BH (Market); 1 x 4BH (Market) (equivalent 16.67% AH).

- 6 Houses @ 30% AH = 1 x 2BH (Market) / 1 x 2BH (SO) / 1 x 3BH (SR) / 2 x 3BH (Market) / 1 x 4BH (Market) (equivalent 33.3% AH). *(Note: as above re assumed SR home. Same mix at both 35% and 40% AH due to numbers rounding).*

3.3.11 Regardless of the final policy positions progressed, the sub-national threshold testing of smaller developments informs the review of likely parameters for potential CIL testing purposes and general information. However, it should be noted that the level of CIL charging ultimately supportable on such schemes will also be dependent on the setting of these policy requirements.

3.3.12 From experience there is no general evidence, however, to suggest that viability is necessarily significantly worse on smaller compared with larger schemes and the results here bear this out. The build cost rate assumed is higher for the smaller housing schemes though, which has an impact, and how this works through with the other assumptions, including on CIL, will need to be considered in setting out the detail and level of contributions that would ultimately be sought from smaller sites.

3.3.13 On review of the current base results set (and see below re comparison with alternative AH tenure mix sensitivity tests) the AH tenure mix assumed to contain all rented homes in the form of social rent (60% social rent; 40% shared ownership) is seen to have a significant viability impact. This applies in all tests, across all typologies as are considered below. Effectively a likely worst case type scenario for viability in regard to AH tenure has been assumed across all base tests.

3.3.14 Such a focus on social rent provision is necessarily the Council's current starting point owing to the needs and significantly greater affordability levels that supports. We offer a general comment that, as this an aspect that is likely to need to be considered at a site-specific level in any event, there may be the potential to balance this with viability as well as with the practical delivery and sustainable AH management principles. This will often be a site-specific matter, and it may be particularly relevant to consider on some smaller developments. (Note: Although we consider this to be a general point for the Council to consider in terms of policy implementation, again we will not repeat this theme in reviewing the further typologies outcomes as below).

3.3.15 The varying assumed dwelling types within the mixes applied moving between typologies (based on applying the TWBC evidence and approach as closely as possible on the “best fit” basis) also has an influence on overall viability.

1 house (Table 1a)

3.3.16 Although in theory this scenario appears viable on greenfield land at VL3 with CIL at say £75/sq. m after our buffering approach, in practice this and other small scheme types are most likely to come forward on PDL.

3.3.17 While a PDL based EUV at the above noted £1.5-1.8m/ha is met at VL5 with up to around £60/sq. m CIL, in our view the smallest more individual developments will tend to support higher values. At VL6 there appears scope to be looking at a CIL of up to approximately £150/sq. m; potentially more with higher values assumed.

3.3.18 Were this scheme type required to make a contribution towards affordable housing needs, it can be seen the above noted CIL scope would be likely to reduce significantly.

3.3.19 Overall we suggest that as the Council’s currently proposed policies are not likely to have a significant impact at this level of development in terms of development cost influences (unless AH contributions were to be required), the application of CIL to such schemes should be considered as part of the wider approach should the council decide to implement the levy.

3, 5 and 6 houses (Tables 1b, 1c and 1d)

3.3.20 With reduced build costs applied relative to those assumed for the smaller typologies as above, these results essentially show very similar outcomes for viability overall as Table 1a (single dwelling, as above). The lower to mid-level values based results improve slightly with increasing scheme size in this range, with reducing build costs having an influence on these.

3.3.21 While the results show again that the supporting of collective costs may be more challenging or marginal on some PDL sites, again developments should be selected and planned accordingly and we suggest that in due course that the CIL rate(s) setting could be considered accordingly, whilst considering also the overall relevance of such schemes to the site supply and Local Plan.

3.3.22 As an additional comment, a significant deterioration in results is seen for the 5 and 6 dwellings typologies on moving from an assumed 20% AH content (1 x AH unit) to 35/40% (2 x AH units of the 5 or 6 total); this is the first point at which different AH proportions are tested as this becomes possible given numbers rounding.

3.3.23 With the BCIS assumed build costs reducing at 10+ dwellings, the results suggest that although there will as always be a balance between policy costs and CIL (those need to be considered together), before further considering the potential CIL detail in due course, these smaller schemes may well need some AH policy differentiation (if they are to be within the final AH policy scope).

3.3.24 At this stage, we suggest that on sites of fewer than 10 dwellings, if relevant bearing in mind the above, an AH policy aligned to a lower % provision/contribution level not exceeding 20% would be more suitable in viability terms than seeking say 30-40% on a flat-rate policy development impacting all scheme sizes.

10 houses (Table 1e)

3.3.25 On applying lower BCIS sourced build costs assumptions, at this point we see an improvement in the results overall compared with those from the smaller typologies tests as noted above.

3.3.26 Only with the low-end values tested (principally sensitivity testing beneath typical new build values for the borough) do we see a limited range of likely non-viable scenarios.

3.3.27 With 3 AH dwellings included (40% AH), the viability at VL3 supports development on greenfield land with at least £150/sq. m CIL tested (maximum CIL potential beyond the tested £300/sq. m before buffering back).

3.3.28 Considered in a PDL context, however, it appears likely that unless in combination with modest PDL based EUVs, the viability would regularly struggle to support this level of AH.

3.3.29 With 30% AH the greenfield based viability improves further of course, but the RLVs fall just short of the main area considered relevant for the BLVs (viability tests) before CIL is considered (with nil CIL).

3.3.30 However, with assumed sales values increased to VL6, the RLVs are sufficient to support PDL development with 30% AH and CIL in the range £100-150/sq. m (potentially more in some circumstances). The use of VL7+ values improves this picture further, although we need to bear in mind that at least some higher value developments will come forward on sites that support higher benchmark land values. We suggest, therefore, that although with the higher values (VLs), AH at more than 30% in combination with a typical CIL level for the area certainly looks likely to be difficult to achieve consistently. In our view a 30% AH position could amount to a relatively challenging one still, when considered across a range of PDL sites.

3.3.31 We understand that this is consistent with local experience of provision across highly variable sites and scenarios. Nevertheless, policy needs to create clarity and could become too complex with further differentiation considered and yet in any event unlikely to work fully in all scenarios – realistically, that could not be guaranteed even if set at a lower level, and the Council must also consider the needs side associated with the AH policies and other development mitigation/infrastructure requirements. Under the national guidance, local authorities are to strike an appropriate balance between the desirability of funding infrastructure and viability, for example.

3.3.32 These findings are consistent with our emerging findings stage discussions with TWBC, and continue to point to a suggested policy differential between AH requirements on greenfield sites (at 40%) and PDL developments (at not more than 30%).

3.3.33 We will go on to consider below whether these findings are reflected also in the review of the larger schemes typology outcomes.

15 Flats (Table 1f)

3.3.34 Typically we find in such assessments that the viability of flatted developments is more challenging than seen in the case of houses based and mixed type developments (i.e. of both houses and flats). This is the case here. We see this for TWBC too because often higher values, relatively, are needed to support the usually higher development costs.

3.3.35 Whilst in TWBC's case many apartments, and particularly in Tunbridge Wells, will command very high values, those levels of values will not be available consistently.

3.3.36 Overall, this flatted development typology points further to a need in our view for the Council to consider taking a differential AH policy approach as noted above in taking forward its firming–up of proposed positions; differentiating between AH requirements on PDL sites/redevelopments (many of which will contain at least a proportion of apartments) and for greenfield developments.

15 houses (Table 1g)

3.3.37 The outcomes from these tests indicate very much the same picture as informed by the 10 houses tests – see 3.3.24 – 3.3.32 above

30 – 50 mixed dwellings - houses and flats (Tables 1h and 1j)

3.3.38 These tests provide very similar outcomes to each other, as may be expected.

3.3.39 With an element of flats included, the results are generally reduced from those seen from the houses only typologies. However, this is not a greatly significant effect. It is also likely that in some cases at least, the development densities achieved would be greater than those assumed and in that case the RLVs would be higher when viewed in £/ha terms for considering against the viability tests (BLVs).

3.3.40 Using the 30 mixed dwellings outcomes, the VL3 outcome supports 40% AH and around £100/sq. m CIL on greenfield land, but is unlikely to support at least some land values associated with PDL based development.

3.3.41 VL7 values begin to support a range of PDL site values it appears, with 40% AH but then with no or very limited scope also for CIL cost.

3.3.42 On the same basis as above, reducing the tested AH to 30% suggests that this could be workable with CIL within the range £100-150/sq. m and probably at around £130/sq. m or similar to meet or clear the £1.5m/ha viability test.

30 apartments - retirement/sheltered (specialist housing) (Table 1i)

3.3.43 Tested using representative higher than general market sales values as new builds (at VLs 9 -11 at this stage), these outcomes are seen to be relatively strong.

3.3.44 It should be acknowledged that from experience these types of schemes will tend to be on PDL, and regularly on sites with relatively high EUVs. However, the outcomes overall show that after allowing for the particular assumptions relevant to this development type, the strength of the sales values has the likely capacity to balance out, or go a considerable way towards balancing out, the higher costs associated with the construction of larger communal areas and the other adjusted (added) costs assumptions made. The typically reduced extent of external works, relative to those on general occupancy schemes, may also contribute to this balancing effect.

3.3.45 Based on the results, at this stage we do not consider that policy or CIL differentials should be necessary for this element of the wide overall spectrum of market housing provision – all schemes vary in some way.

3.3.46 However, the comments offered around AH tenure mix and on-site provision vs financial contribution are in our experience likely to be relevant on a regular basis in the case of these developments.

3.3.47 The findings are consistent with our wide experience of site-specific viability assessments across a variety of local authority areas. Schemes of this type are regularly supporting CIL payments alongside making some level of contribution towards meeting local affordable housing needs, although with viability regularly discussed and a variety of PDL scenarios the norm. Our experience and general wider practice has been that financial contributions are typically the mode of provision from such schemes, although this need not affect the policy starting point or mean that the policy scope should be restricted to this, particularly as different forms of development and tenure formats could become a growing part of the overall picture in the coming period, with a greater national level emphasis on and need for housing for the elderly.

60 apartments – extra care (specialist housing) (Table 1k)

3.3.48 With further increased communal areas and other appraisal adjustments made over and above those for the retirement/sheltered tests, as may be expected (and beginning to be seen through some experience we have of site-specifics on these too), these results show viability levels beneath those schemes (i.e. compared with Table 1i).

3.3.49 Assuming a likelihood of C2 use rather than C3 being applicable in at least some, if not most, of these scenarios (with a minimum care package and other characteristics of C2 often involved for example) then we understand these would not be required to support the AH policy in the way that has been tested. They have been appraised with AH included at this stage, however, as such schemes may fall either side of the C2/C3 boundary subject to their specific nature and offer.

3.3.50 In this and a wider sense, we consider that CIL is likely to need at least some level of differentiation and therefore its levels could be adjusted accordingly as part of an appropriate overall approach. However at this stage we suggest, as above in other scenarios, that the CIL charging approach should be considered further once the policy directions settle.

75 flats (Table 1l)

3.3.51 These results reinforce the trends seen from reviewing the smaller flatted development typology. To begin to regularly support 35-40% AH on a range of PDL sites, and especially alongside anything other than a low level CIL charging rate (probably not exceeding £50-75/sq. m) of CIL, values at VL10 (£6,000/sq. m) or higher are needed.

3.3.52 With 30% AH, some VL 9 scenarios may be workable, although again with a low CIL level.

3.3.53 Comparing back with a greenfield land basis, although unlikely as a regular occurrence as a standalone scheme on that, again we can see the role that a differential policy could play; the results further demonstrate this. In such a scenario, lower values could support a higher AH expectation at 40%. VL7 values (£5,000/sq. m) – the upper end of the typical rage seen – could support a greenfield uplift based land value with 40% AH and up to around £80/sq. m CIL.

3.3.54 In regard to assumed density, a similar effect to that in the case of mixed dwellings (as noted above) is also worth noting - it is likely that in many instances, the development densities achieved would be greater than those assumed (75 dph) and with this in mind the RLVs could be considerably higher when viewed in £/ha terms against the viability tests (BLVs).

3.3.55 As an emerging and increasingly topical area now also gaining recognition in national policy development, in order to provide further information for the Council at this stage we also appraised the 75 flats typology assuming a **build to rent** (BTR) development using a range of changed assumptions (noted within Appendix I).

3.3.56 The results from these further tests are included at Appendix IIa Table m. We looked at a range of affordable housing scenarios so as to test which, if any, support a potentially suitable level of viability overall.

3.3.57 With 30% or more AH included and based on the Council's currently proposed social rented AH tenure mix focus (i.e. with all rented affordable homes assumed as social rent as appraised across all bases scenarios discussed in this section) there is no viability using the selected assumptions.

3.3.58 As a maximum traditional AH content (social rent focussed, as above), 20% AH appears supportable on an assumed greenfield site with a CIL charge of around £50-60/sq. m. However, with the strong likelihood that most of these would be PDL developments (e.g. in town /main centres or near transport hubs or similar) those scenarios (20% AH) would not be workable. On a PDL site, 0% AH (or close to that) in the usual form looks a more likely outcome at this time, although such a scheme could probably support a low CIL rate (perhaps £25-50/sq. m, viewed initially).

3.3.59 Owing to these results and from our emerging experience elsewhere, on following our iterative approach we also tested a 20% affordable home ownership content – further sensitivity tests assumed 20% of the flats to be let at approximately 75% market rent levels (i.e. on a form of affordable private rent type basis). This mix appears to have the potential to be viable on lower value PDL sites and certainly in any relevant greenfield scenarios (although with a low CIL again in the case of PDL).

100-250 mixed dwellings (Tables 1n and 1o)

3.3.60 The results from these appraisal sets are similar, and show similar trends to those observed from the smaller mixed dwellings tests, although viability is seen to be stronger than for the 50 mixed dwellings tests for example – generally higher RLVs. These may also be viewed in the context that a higher development density would further improve the view of the RLVs, were the current 40 dph assumption increased with a mix of houses and flats.

3.3.61 Reviewing the 100 mixed dwellings results, we see that 40% AH should be supported on greenfield land with values at VL2 upwards, and at that level alongside a CIL charge (or equivalent other form of obligations) at up to £100-150/sq. m (with the £3,000/dwelling s.106/additional costs contingency also allowed for).

3.3.62 Alongside any meaningful level of CIL, VL5+ values are needed to support viability potential on PDL sites at 40% AH. However, the clearer viability scope appears to be from using VL6+ values and especially when also including a CIL at more like £100-150/sq. m.

3.3.63 Going to the 30% AH results in comparison with the BLVs (viability tests) for PDL sites again shows wider prospects of viability and considerably more scope likely for CIL as well as the affordable housing (from VL4 with perhaps up to around £100/sq. m CIL or from VL5-6 potentially with more).

3.3.64 We note again that the viability tests used should not be regarded as specific figures or cut- offs; they are guides enabling the strength of the results to be considered and trends to be seen more clearly. Where a BLV is not reached, and especially marginally, this does not necessarily mean that a development would not happen, however. Equally, in many instances the results show RLVs at levels significantly exceeding the viability tests (BLVs).

3.3.65 On AH tenure, having reviewed the wide set of results, we confirm our observations that the high social rented AH content within the typology assumptions (60% of the AH) is having a notable impact on viability. A nil grant basis has been assumed, appropriately for this assessment purpose.

3.3.66 How the particular local needs are most appropriately met site-by-site will of course vary and need to be considered at an individual site level in any event. This may well also vary over time, with changing economic/wider and local property market conditions. Our findings suggest that AH tenure may need to be discussed in this way, and sometimes also from a viability point of view – bearing in mind the comments reiterated above around some sets of circumstances probably being challenging at 30 - 40% AH when including this high proportion of social rent (albeit with PDL scenarios at the more challenging end of this possibility). In our view, some flexibility may well be needed.

3.3.67 Site-specifics will, unavoidably, be variable and we should note that no reduced level of AH policy or affordability responsive AH tenure mix could be guaranteed to be met all the time in any event.

3.4 Other policy requirements influencing residential viability

3.4.1 As set out above and summarised at Appendix I, all appraisals as now updated include cost allowances for the other policy requirement matters that have been considered to have a direct cost and therefore viability impact. The reported findings include relevant allowances for these, along with the tested AH %s and trial CIL rate tests, collectively.

3.4.2 Allowed for in this way the policies have been tested cumulatively – they can be considered viable together, alongside the proposed CIL charging.

3.4.3 As well as testing throughout for the TWBC emerging draft policies on enhanced accessibility (all AH dwellings assumed to Building Regulations Part M4(2) standard), base build cost sustainable construction uplift (4%) and AH tenure mix (60% social rent with 40% affordable home (shared) ownership) the further outcomes from the additional sensitivity tests noted at 3.1.9 may be viewed for comparison purposes at the final two tables within Appendix IIa - Tables 1p(i) and 1p(ii). Those results show the outcomes of the stated further potential policy cost requirements individually (so that the relative impacts could be compared) – sensitivity tests (STs) 1-4 - and also in some combinations – STs 5-11). These have all been run at both VL3 and VL7.

3.4.4 There are many potential policy combinations and potential levels of cumulative impact when it comes to considering these potential “extras”. Therefore it is not possible to appraise all potential iterations, but if appropriate we suggest that this could be considered further at proposed stage 2 of this assessment, or subsequently. This could allow the final proposed policy combinations/any remaining options to be considered together in full and could also allow the larger/strategic sites appraisals to include assumptions reflecting the TWBC policy selections. In turn, this could lead to any necessary final adjusting, for viability reasons, of policy the proposals – in response to a further refined assessment stage or stages, and potentially leading also to the potential CIL charging scope being revisited.

3.4.5 **AH tenure – introducing affordable rent wholly or partly in place of social rent.** Of the additional sensitivity tests (STs) these have the only positive impact on viability – going from 60% of the AH as social rent (SR) to all of that or half of that being affordable rent (AR). The positive impact is significant and in our view this is an important finding.

3.4.6 We can see that switching at least half of the social rent into affordable rent (a 30/30 mix or 60% AR as tested) has the effect of notably improving the base results.

3.4.7 Likewise, this has the potential to outweigh any further negative impact from extended policy scope on M4(2)/(3), sustainable construction (energy efficiency/carbon reduction) should such matters be considered further by the Council. The ST results tables will give a feel for the relative impacts, which we will also note briefly below.

3.4.8 **Access to and use of buildings – enhanced accessibility.** The current emerging policy draft shared with DSP has been appraised throughout and we can confirm the viability of seeking all AH units (or an equivalent quantum of dwellings overall) to M4(2).

3.4.9 We offer a comment on this element in terms of implementation, which is that these standards are mutually exclusive – they are alternatives, so that on a particular home one or the other can be met; not both. On this basis, we also tested at TWBC's requested 95% dwellings to M4(2) with 5% to M4(3). It can be seen that relative to the base outcomes this has more of an impact, in isolation, than the 5% sustainable construction allowance in place of the base 4% uplift for that.

3.4.10 The **Nationally Described Space Standard** (assumed compliant dwelling sizes throughout all testing) and **Water usage efficiency** (assumed not to exceed 110 l/person/day) have been allowed for, although the direct costs associated with those are less significant. The former is considered to be principally an early design stage issue.

3.4.11 An **enhanced extra-over allowance** at 5% over base build costs does not in itself have a significant viability impact compared with the base 4%. Dependent on the nature of the requirements/measures envisaged, we would not rule out this level of cost being supported. However, we suggest that as per other policy elements this will need to be considered and checked as part of the final cumulative costs view.

3.4.12 **Self/custom-build.** We consider that it should be possible to viably accommodate an element of serviced, ready to develop, self-build plots as part of larger scale development – subject to monitoring of demand which we understand can be highly variable from area to another. From initial consideration of such potential policies, it appears likely to remain a profitable aspect of the overall development activity and have a broadly neutral effect on viability provided there are not too many restrictions on its workings. Specific thresholds or cut-offs are difficult to identify, however.

3.4.13 We are of the view that capacity and viability are more likely to vary in relation to particular sites, rather than follow general trends.

3.4.14 However, in our experience, in many areas the majority part of the active self-build sector effectively satisfies itself through the market, acquiring individual plots or existing dwellings / conversion opportunities for "one-off" type developments. It is usually not clear that a particular initiative or planning-led approach would necessarily satisfy a significant element of recorded demand, if indeed those records reflect the type of above noted self-builders' requirements or market activity on this. We consider that these characteristics are likely to be relevant in the borough.

3.4.15 Potential individual site viability influences relating to likely highly variable abnormal development costs and also to matters that will only impact in certain instances (such as **Flood Risk (FR) mitigation and/or Air Quality Management (AQM)** related requirements have not been specifically accounted for at this stage.

3.4.16 **Open space** related land area requirements have been allowed for throughout, estimated for the typologies using the TWBC formulaic approach (the Appendix I typologies assumptions detail includes the added land area allowances). Any related financial contributions have not been explicitly included, as these were unknowns. However, the assumptions include the above noted £3,000/dwelling s.106 contingency (all dwellings, market and AH) with a view to making a reasonable allowance for other potential site-specific mitigation alongside the CIL trial rates testing.

3.4.17 We have also discussed with TWBC the potential issue of any cost impacts relating to **Ashdown Forest SPA/SAC mitigation** measures that affect only the small westernmost tip of the Borough. As such, we think this best considered more specifically if there are any whole plan relevant proposals that are impacted and under review at proposed

Stage 2 – larger/strategic sites. This is expected only to impact minimally, viewed in the overall LP context. Particular estimated cost influences from these and the other matters mentioned here, such as on air quality and flood risk for example, may be considered more specifically in that way – review of likely impacts on particular sites that are of overall significance (additional appraisal assumptions where relevant). This is an appropriate approach in our experience.

3.4.18 We reiterate that there are no strategic sites appraisals undertaken and results to review at this stage – all as explained above, and a matter for the subsequent proposed review work (assessment Stage 2), to be undertaken with the benefit of further information on the relevant sites provided by TWBC.

3.5 FINDINGS REVIEW – Commercial/non-residential scenarios (Appendix IIb)

3.5.1 Our assessment work on the review of commercial and non-residential development has focused on our typical approach to CIL viability, again using an established mode of applying the same principles as used in the residential assessment aspects.

3.5.2 For this part of the assessment, the purpose of review has been primarily to inform the likely CIL charging scope – potential parameters for that. To recap, this is because typically for non-residential development a local authority's planning policy obligations have relatively little influence on development viability. There is usually no significant policy area that creates such an influence as is found in the case of residential (e.g. affordable housing). From a review of the local context and emerging draft policies, this is also likely to be the case for TWBC's new Local Plan.

3.5.3 Therefore, in the main this aspect of the assessment begins to provide additional background information in the context of informing and supporting the emerging LP, rather than being critical to understanding key policy impacts and to ensuring that developments are not unduly burdened with LP policy related costs.

3.5.4 As noted previously, the findings are highly varied and both this and the patterns/ relativities seen here are fairly typical of what we see more generally. In our wide experience of CIL viability, generally poor viability or at best mixed results tend to be seen from most test scenarios other than those representing certain forms of retail development. This has been seen in this assessment too.

3.5.5 Usually we find that this is especially the case for most or all of the B (business/employment) use class types. As noted, such outcomes do not necessarily mean that development will not be delivered through flexibility in development appraisal inputs and negotiations – factors that we cannot assume in prudently assessing viability for informing the Local Plan development and CIL setting purposes.

3.5.6 Prospective occupiers may have particular drivers for pursuing developments and/or may be able to work with different costs than those that we need to assume for this assessment purpose (bearing in mind CIL principles and ensuring that CIL is not set to the margins of viability by removing assumed cost from appraisals and/or relying on potentially excessive values assumptions, for example). Nevertheless, our review suggests a likely continued picture for the next few years of mainly low scale, mostly ad hoc commercial development delivery here, probably with limited speculative provision of new floorspace of a significant scale being likely as far as we can see.

3.5.7 Unfortunately, it continues to be necessary to restate our acknowledgment that, particularly when viewed in terms and using assumptions appropriate to this type of strategic level local authority viability assessment, the viability of many non-residential forms of development looks likely to remain challenging.

3.5.8 In respect of these other forms of development, many of which are unlikely to be brought forward speculatively, and especially in the current/short term uncertain wider economic circumstances, it appears more to be case of working with the market, being open, incentivising and engaging with development interests as far and productively as possible. This will involve aiming to review and promote or protect / select the most appropriately and accessible sites for relevant uses, seek necessary development that also meets other strategies and policies, and so on.

3.5.9 However, this does not necessarily mean that suitable schemes will not come forward; they will when their promoters deem them to be sufficiently viable. As an example of current activity, on completing this Stage 1 work we were aware that outline planning had been submitted very recently for substantial employment land use proposals (business, storage and distribution) on greenfield land east of Kingstanding Way, Tunbridge Wells.

3.5.10 Generally, our review and overview of wider information suggests though that the Council should look to continue proceeding in a way that presents to the market and requires the least controlling policy intervention and additional development cost measures over and above usual planning and design criteria, including national base standards. From what we can see, the emerging policy approach reflects this.

3.5.11 We expect that the Council will continue to work on the basis of promoting and encouraging suitable development focused on improvements to the offer presented by existing town centres as well as other borough and local centres that serve a more localised catchment through neighbourhood and village shopping etc. It is expected also that there could be some new localised provision of retail developments and other uses as part some larger scale housing development areas.

3.5.12 With a CIL in place, this does not necessarily mean a significant added impact on the viability of such schemes, however. The consequence is that the CIL would be chargeable at the stated rate(s) on any relevant developments that the market deems viable enough to bring forward while the schedule is in operation. If a development is considered sufficiently viable to proceed, the likelihood is that an appropriately set CIL will not unduly impact that viability. S.106 will usually be scaled-back with CIL implemented, although charging authorities do now have more flexibility in using s.106; including in conjunction with a CIL.

3.5.13 In re-considering the below, and CIL charging rate setting generally, it is worth noting that it is necessary only to describe clearly the form(s) of development that the charging level(s) are to apply to. These, and any differentiation, need not be by reference to Planning Use Class. Reference to that may be of assistance with some descriptions though – assisting the clarity of how a charging schedule is intended to apply.

3.5.14 It is not proportionate or necessary to appraise all forms of development. So, appraisals have been carried out for larger format retail (supermarkets/larger foodstores/retail warehousing), small shops (local shops/convenience stores/parades/potential farm shops etc.), offices (both in-town and out of town), industrial/warehousing (smaller and larger), hotels and care homes.

3.5.15 However, for a range of other highly variable forms of development that could also come forward on an ad hoc basis (community and assembly uses, health, education, leisure, rural areas related developments, etc.) it is sufficient and proven appropriate not to go beyond considering at a high-level the likely strength of the relationship between the development value (where applicable) and costs. Other than for certain types such as purpose built students' housing (which has not been appraised as it is not considered of key relevance in this borough at this stage) we usually find, and will expect the same here, that wider development is not viable in a commercial sense and/or may in some cases be regarded as a form of infrastructure anyway (e.g. health, education and other public/community services).

3.5.16 As noted, the Council (as prospective charging authority) needs to strike an appropriate balance between viability and the desirability of funding infrastructure; and does not have to precisely follow the viability evidence in doing so. The CIL guidance within the PPG recognises that a pragmatic approach may be taken.

Retail (A Use Classes)

3.5.17 Consistent with our typical findings, large format retail units (retail warehousing, foodstore/supermarkets) are, where brought forward, likely to be amongst the most clearly viable forms of development "on paper" as per this exercise, particularly in retail warehouse form (the strongest results), and are considered able to support CIL charging at similar levels to the more positive findings on CIL for residential development here, within the range say £100-150/sq. m. Should they be pursued, these developments would not be entirely speculative and they could expect to be underpinned by rental and yield combinations towards or at the more positive end of our assumptions (lower end yield within our range tested (5-6%); if not lower).

3.5.18 Potentially the same could apply to any town centre shopping development driven by high values – strong lease covenants supporting positive rent and yield combinations. As is well documented presently, however, in the current climate there may not be much of an appetite for this. CIL charges at the same level (say £100-150/sq. m) could therefore be viewed as potentially counter-productive in such cases. The degree of whole plan relevance may be considered. Therefore, in the event of the Council progressing to implement CIL as is intended, this may be more a case of such development being liable at the prevailing rate if it comes forward. If it does, then a suitable CIL charging rate (not exceeding the range £100-£150/sq. m) is unlikely to make a significant difference to the overall viability prospects. These findings are based on yield assumptions at the lower %s appraised – i.e. more positive value assumptions. It appears that with a higher than c. 6% yield, or with reducing rents/higher costs, the town centre type shopping viability scenario becomes a significantly weaker prospect.

3.5.19 At £100-150/sq. m, a charge for relevant types would be well within the trial testing range to £250/sq. m for non-residential development uses, pointing to such an approach allowing for a large buffer.

3.5.20 The extent to which such development (or indeed other forms of new shopping) is considered key to the LP delivery overall is likely to be relevant. Therefore, so is the extent to which this area of the CIL may need to be considered further by the Council in settling any final proposals adjustments, subject to the Local Plan progression as well. In general, it may be that any non-viability of particular schemes is not critical to the Plan overall in any event. This is an acceptable consequence of the of the CIL principles where relevant, and may also apply to other forms of development (see below). There is also the key element of the balance – the Council considering infrastructure needs as well as viability.

3.5.21 However, the results show that the outcomes for the foodstore/supermarket scenario are less strong than for the retail warehouse typology. This finding should be considered and so as not to overcomplicate matters or place some such forms of development at more risk than others, this could point to selecting a lower rate within the above range, and particularly if the same rate is also to apply to town centre type developments.

3.5.22 Development of individual and smaller shop units – e.g. either within existing settlements, new settlement areas / neighbourhood centres or individually, appear to have reasonable prospects of viability using the selected assumptions in some circumstances. However, although their build costs will often be lower, such schemes will typically attract more modest rents and higher yield %s will be relevant in at least some cases too (indicating, often, less secure investment prospects). This means that in practice, if these forms of development are going to be relevant to the Plan delivery overall, often we could expect to see a differential CIL charging approach considered, with a lower charging rate possibility looked at for smaller / local shops development and a suitable approach if this a key plan relevant, local economic factor.

3.5.23 As another potential factor to note at this stage, setting similar charging rates across the range of residential and retail developments (latter as far as they occur) may also be viewed as a practical and even-handed approach bearing in mind that these uses could be competing for sites or sites could be transferring from one of these uses to the other within redevelopments and some other scenarios.

3.5.24 In many cases (and as will be relevant also to other forms of development) new uses will be formed within existing or altered / extended premises and so CIL may have a reduced level of relevance and limited likely infrastructure funding receipts potential in any event. The assessment does not allow for the netting-off of any relevant existing floorspace as this will be such a variable and site-specific factor. In practice this means in some cases that an additional element of buffering will exist within the assumptions, as CIL may not be charged across the entire scheme floor areas.

3.5.25 Overall, we suggest that a rate up to or similar to the likely higher residential rate parameters at £100-150/sq. m should not be problematic for the larger format retail development types and some others, should schemes come forward. However it may be appropriate to further consider the implications (including any unintended consequences) of a simple, single rate approach – as above, in moving further towards CIL implementation if the intention to pursue this continues.

3.5.26 At a subsequent refining stage, it may be appropriate to set out further information in respect of CIL charging for retail, and in particular on potential definitions and a floor area threshold approach linked to the Sunday Trading provisions in the vent that a lower charging rate is likely to be considered suitable within a differential approach for retail. We have significant experience of these matters, having introduced these principles through early CIL charging schedule work with Wycombe BC and subsequently successfully with a range of other authorities. More detail can be supplied to the Council in further evidence if required.

<u>Employment (B Use Class) development – offices and industrial/warehousing</u>

3.5.27 With reference to Appendix IIc, we see that some positive RLVs are generated for our ‘out of town / business park’ offices typology, but using only the most positive (‘H’) rental assumptions combined with the most positive (5%) yield rate and when considered on a greenfield or lower value commercial sites (latter with nil CIL). The results fall away into negative territory immediately with a higher (less positive) yield or lower (‘M’ or ‘L’ level) rent.

3.5.28 Although this appears to represent some prospects for viable development of offices, and this may be encouraging in any mixed-use greenfield site development context that might be considered at Stage 2 (i.e. with such uses potentially having less of a downward influence on overall viability than might otherwise be expected), essentially in our view this points to a likely nil CIL charging scenario for all such developments – B uses.

3.5.29 With a poor relationship between development value and costs likely, and even the most positive assumptions tested not showing viability, the industrial and warehousing scenarios provide weaker still results.

3.5.30 Coming back to the overview, in looking at the overall balance to be struck it might be argued that a nominal CIL charging approach should be more positive for the plan overall than harmful, a nominal CIL level would in itself not make the difference between viability and non-viability. The viability issues are inherent in the relationship between the much larger figures involved in considering development values and costs. Potentially a theme also for a wider range of CIL assessment assumptions based non-viable scheme types, we acknowledged earlier that there is room for pragmatism; and that the viability evidence need not be exactly followed in the Council's approach (the CIL viability guidance within the PPG refers to this).

3.5.31 Overall, however, any approach to charge even a nominal level of CIL on B Use class developments would need to be carefully considered. We assume that the Council would in any event continue to consider any necessary development mitigation under s.106, should such schemes come forward and need to support planning obligations relating to infrastructure provision in order to be considered acceptable in overall planning terms.

<u>Hotels (C1) and Care Homes/similar (C2)</u>

3.5.32 In a parallel with some forms of office development, the budget hotel typology shows a level of viability when using the most positive assumptions and especially if a greenfield based land value scenario were to be relevant. Whilst this indicates a very limited breadth of viability based on the assumptions used, this again may be a relatively positive factor in considering any relevant mixed-use sites proposals.

3.5.33 In our view, however, with the viable indications relying on the more positive values assumptions and seen to be highly sensitive to those falling away, this is unlikely to point to positive CIL charging scope.

3.5.34 We noted above the potential relevance of a differential CIL charging approach for extra care type housing – for further review. In respect of care/nursing homes, at the more "institutional" end of a range of C2 uses, where full care provision is on-site and the accommodation may not be self-contained, our tests indicated non-viability throughout (tables 2a – 2e). On those again we are only able to reiterate the above commentary that might be considered alongside our findings.

3.5.35 Affordable sheltered housing (within C3) and nursing/care homes (C2 uses) will be exempt from CIL charging through the regulations.

3.5.36 We reiterate that, as in all cases, the above does not mean that all developments subject to CIL charging will be inherently viable; or that all development types ultimately subject to a nil CIL charge will not come forward at all.

3.5.37 In addition to continuing to ensure that the approach to planning obligations (including CIL) does not add unduly to the inherent viability pressures causing uncertainty to or frustrating potential investment, the Council could continue to consider the following types of areas and initiatives. (Outside the scope of this assessment, but put forward purely as practical indications in relation to the more general Local Plan delivery considerations on commercial/employment and other non-residential development uses where non-viability is currently indicated or that is at best marginal/relatively weak):

- Consideration of market cycles – plan delivery is usually about longer term growth as well as short term promotion and management of growth opportunities that will contribute to the bigger picture;

- Work with the market – be responsive etc. as suitable opportunities are identified;

- Regenerate / improve and protect key existing employment areas;

- Provide land where assessed to be most needed;

- A choice of sites and opportunities – working with the development industry to facilitate appropriate development and employment/economic improvement generating activity when the timing and market conditions are right;

- Consideration of how location is likely to influence market attractiveness and therefore the values available to support development viability. Alignment of growth planning with existing transport links and infrastructure, together with planned improvements to those. Considering higher value locations for particular development use types;

- Specific sites/locations and opportunities – for example in relation to the plan proposals and what each are most suitable for. Focus on the most accessible, best and most valuable locations for particular uses;

- Mixed-use development with potential for cross-subsidy for example from residential/retail to help support the viability of employment (business) or other development – balance the element(s) in deficit or with reduced viability;

- Scenarios for particular/specialist uses – e.g. the local knowledge based employment economy; or that may be non-viable as developments but are business-plan/economic activity led;

- Explore any local specialisms or particular industries/sectors from which economic advantage and stimulation of other activity can be made;

- As with residential, consideration of the planning obligations packages again including their timing (triggers) as well as their extent.

- A likely acceptance that business development overall is unlikely to be a significant regular contributor to general community infrastructure provision in the short-term at least.

- Seek other investment and consider incentive schemes.

Other development uses

3.5.38 The comments offered in these sub-sections reflect the general principles considered throughout on the varying strength of development costs: values relationships, but are for consideration in a wider context; also going beyond viability.

3.5.39 As a regular component of our CIL viability assessment work, we also consider a range of other development uses – their likely viability. These may also be considered relevant in the background to Local Plan viability, although the “whole plan” relevance and delivery is not considered dependent on these elements where, as with many other forms of non-residential development (noted above), planning authorities’ scope of policy influence as affects viability is limited.

3.5.40 So, in common with most of our other CIL studies, we have also carried out some initial high-level consideration of other development uses such as leisure (e.g. bowling/fitness/gym) or other D class elements such as health/clinics/nurseries etc.

3.5.41 Bearing in mind the key development value/cost relationship that we are examining here, we find that it is not necessary to carry out full appraisals of these because a simple comparison of the potential completed value with the build cost indications from BCIS (before consideration of other development costs) points to poor to (at best) marginal development viability. This one of the key reasons why these forms of development are generally not seen stand-alone, but tend to be provided as part of mixed use schemes that are financially driven by the residential and /or retail development for example.

3.5.42 Much the same applies to elements such as health/clinics and other similar, more community oriented development.

3.5.43 Following our extensive iterative review process, throughout this assessment we can see that once values fall to a certain level there is simply not enough development revenue to support the developments costs, even before CIL scope is considered (i.e. where adding CIL cost simply increases the nominal or negative numbers produced by the residual land value results – makes the RLVs, and therefore viability prospects, lower or moves them further into negative territory).

3.5.44 In such scenarios, a level of CIL charge or other similar degree of added cost in any form would not usually be the single cause of a lack of viability. Such scenarios are generally unviable in the sense we are studying here – as a starting point. This is because they have either a very low or no real commercial value and yet the development costs are often similar to equivalent types of commercial builds. We regularly see that even the build costs, and certainly the total costs, exceed levels that can be supported based on any usual view of development viability. These are often schemes that require financial support through some form of subsidy or through the particular business plans of the organisations promoting and using them. Indeed, as we have commented, some such developments may well be considered as infrastructure themselves.

3.5.45 As will be seen below, there are a wide range of potential development types which could come forward as new builds, but even collectively these are not likely to be significant in terms of "lost opportunity" as regards significant CIL funding receipts overall, even with anything more than a nominal or nil CIL rate in place. We consider that many of these uses would frequently occupy existing/refurbished/adapted premises.

3.5.46 A clear case in point will be community uses which generally either generate very low or sub-market level income streams from various community groups and as a general rule require very significant levels of subsidy to support their development cost; in the main they are likely to be a long way from regularly supporting anything other than a nil or nominal type CIL charge.

3.5.47 There are of course a range of other arguments in support of a distinct approach for such uses. For example, in themselves, such facilities are generally contributing to the wider availability of community infrastructure. They may even be the very types of facilities that the pooled CIL contributions will ultimately support to some degree. For all this, so far as we can see the guiding principle in considering the CIL regime as may be applied to these types of scenarios remains their viability as new build scenarios.

3.5.48 As a part of reviewing, in general terms only, the likely viability prospects associated with a range of other uses, considered at a high-level as developments, we compared their estimated typical values (or range of values) – with reference to values research from entries in VOA Rating Lists and with their likely build cost levels or ranges (base build costs before external works and fees) sourced from BCIS. As has been discussed above, where the relationship between these two key appraisal ingredients is not favourable (i.e. where costs exceed or are not sufficiently outweighed by values) then we can quickly see that we are not dealing with viable development scenarios in the usual sense considered by this assessment or referred to in guidance. The lack of positive relationship is often such that, even with low land costs assumed, schemes will not be viable as developments. Some of these types of new developments may in any event be promoted/owned by charitable organisations and thereby be exempt from CIL charging (as affordable housing is).

3.5.49 On this basis, Figure 10 below provides examples of this high-level review only of the general relationship between values and costs - in a range of these other scenarios. This is not an exhaustive list by any means, but it enables us to gain a clear picture of the extent of development types which (even if coming forward as new builds) would be unlikely to support anything more than a nil or nominal CIL charge. Otherwise, the added viability burden could be likely to delay or frustrate schemes, mean other compromises or add to funding requirements. The Council may also wish to consider the administrative aspects – CIL charging implementation. These points are not key to the viability assessment overall.

3.5.50 These types of value / cost relationships are not unique to Tunbridge Wells Borough. Very similar information is applicable and findings are seen in a wide range of locations in our experience, although across the area the Council may be able to consider the likely relevance of certain types of development uses and therefore the potential need to ensure that any essential delivery is not unduly undermined. (See Figure 10 below).

Figure 10: Other development uses - Broad consideration of viability prospects (indicative value/cost relationships (DSP 2019)

Example development use type	Indicative annual rental value (£/sq. m)	Indicative capital value (£/sq. m) before sale costs etc.*	Base build cost indications – BCIS**	Viability prospects and Notes
Cafés	£80 - £300 per sq. m.	£800 - £3,000 per sq. m.	Approx. £2,000 - £3,500	Insufficient viability to clearly and reliably outweigh the costs
Community Centres	£10 - £50/ per sq. m.	£100 - £500 per sq. m.	Approx. £1,800 - £3,000	Clear lack of development viability
Day Nurseries (Nursery School /Creches)	£80 - £150 per sq. m.	£800 - £1,500 per sq. m.	Approx. £1,700 - £2,500	Clear lack of development viability

Garages and Premises	£30 - £100 per sq.	£300 - £1,000 per sq. m.	Approx. £650 - £1,200	Low grade industrial (B uses) - costs generally exceed values
Halls - Community Halls	£10 - £50 per sq. m.	£100 - £500 per sq. m.	Approx. £1,800 - £3,000	Clear lack of development viability – subsidy needed
Leisure Centre - Health and Fitness (Sports Centres/ recreational centres) generally	£60 - £130 per sq. m.	£600 - £1,300 per sq. m.	Approx. £1,200 - £2,700	Likely marginal development viability at best - probably need to be supported within a mixed use scheme; or to occupy existing premises
Leisure Centre Other - Bowling / Cinema	No information available		Approx. £2,000 - £2,500	Likely marginal development viability at best - probably need to be supported within a mixed use scheme; or to occupy existing premises
Museums	No information available		Approx. £1,500 - £4,000	Likely clear lack of development viability – subsidy needed
Storage Depot and Premises	£10 - £100 per sq. m.	£100 - £1,000 per sq. m.	Approx. £400 - £1,300 (mixed storage types to purpose built warehouses)	Assumed (generally low grade) B type uses. Costs generally exceed values - no evidence in support of regular viability.
Surgeries	No information available		Approx. £2,200 - £3,500 (Health Centres, clinics, group practice surgeries)	Insufficient viability to clearly and reliably outweigh the costs based on other than high-end looking value assumptions.

Above: Figure 10 - continued (DSP 2019)

*£/sq. m rough guide prior to all cost allowance (based on assumed 10% yield for illustrative purposes - unless stated otherwise).
**Approximations excluding external works, fees, contingencies, sustainability additions etc.
(BCIS)

3.5.51 There are potentially a wide range of considerations here, as above, going beyond viability in the usual development sense. Our recommendation at this stage looks to be developing towards a nil (£0/sq. m) or at most nominal type CIL charging rate in respect of the range of other uses beyond those for which specific positive charging rates are likely to be appropriate (provisionally limited to residential and retail only). As in other respects, this could be reviewed in future - in response to monitoring information.

3.6 Rounding up - additional commentary

3.6.1 We consider that the above confirms the scope under the Local Plan for developments to come forward viably, with sites and schemes overall having reasonable viability prospects; and with an appropriate balance between this and affordable housing needs, other planning policy costs (including potential CIL) and objectives being achievable.

3.6.2 This is consistent with DSP's wide experience of successful Local Plan, CIL and Affordable Housing viability evidence and outcomes through to examination and on to adoption stages, as well as in the detail of affordable housing and other planning policies and viability factors in operation in practice (development management stage work).

3.6.3 In our view, at a strategic "Whole Plan" level, looking appropriately at the range of proposed development scenarios and policy areas supporting the Local Plan, these appear to be capable of meeting the requirements of the NPPF and being consistent with the related Planning Practice Guidance as well as good practice and other guidance as noted in this report. At this stage this review necessarily related to the typologies based Stage 1 assessment reported here, and this will need to be expanded subsequently to consider the viability of proposed strategic site allocations in particular. That will also afford a potential opportunity to further consider and if necessary refine final policy positions, informed by further viability testing as may be appropriate.

3.6.4 This is provided that TWBC implements the policies approach and any CIL in a practical way where that is necessary; and that landowners' expectations are also at realistic levels reflecting the requirements set out and constraints; as well as the opportunities side associated with the value uplift that development usually creates.

3.6.5 Any alternatives at reduced/lower targets for affordable housing, or other policy cost areas, could not guarantee that those positions would always be met in any event.

Specific full policy performance cannot be certain to be always achieved at any given policy level.

3.6.6 This viability evidence will need to continue to be considered in conjunction with the Council's wider evidence on housing needs and evolving site supply, developing picture on infrastructure needs and planning, employment land and so on.

3.6.7 As we have commented above, it is not necessary for local authorities to exactly follow their viability evidence, rather they should be able to show how the information (along with other sources and drivers) has informed its overall approach. Councils are able to take a pragmatic view, as the national guidance notes.

3.7 Brief summary – main observations – Local Plan to date (Stage 1 assessment) and provisionally on CIL viability

3.7.1 Following this comprehensive viability review and based on the findings and recommendations as discussed above, as a quick guide, the table below (Figure 11 – following pages) provides an overview of the key findings offered to TWBC at this stage. The full report text should be referred to for the explanations that inform this summarised overview.

Figure 11 – Brief Overview – Table of key policy development and CIL findings & observations

<table>
<tr><th colspan="2">LP policies, site supply and likely deliverability – "Whole Plan" overview</th></tr>
<tr><td colspan="2">Overall, the typologies based viability findings for TWBC are positive to this point (Stage 1) – We have found reasonable viability prospects available to support the Plan delivery across the mix of emerging policies and a variety of locally relevant characteristics, sites and locations; however, with proposed larger/strategic site allocations viability also to be considered through next (Stage 2) assessment work.

A confirmed picture whereby the policy set is such that developments should be able to come forward viably – in accordance with national policy and guidance. From a viability point of view, the strategy and policies appear capable of supporting the required mix of affordable housing and other policies, balanced with other objectives (including supporting infrastructure – through a potential CIL and complimentary continued use of s.106). The use of these modes of infrastructure provision is to be considered further at stage 2 – potential CIL charging rate(s) details and application to the larger allocated/strategic sites.</td></tr>
<tr><th colspan="2">Affordable Housing (AH) & Commentary</th></tr>
<tr><td>AH policy headlines</td><td>This key impact on viability has been tested across all typologies. The findings suggest that TWBC considers:
Not more than 20% AH/equivalent contribution on sites providing fewer than 10 dwellings, should any of those be included within the final policy scope (e.g. AONB vs general national policy threshold (NPPF) at 10 dwellings);
40% AH on greenfield developments of 10+ dwellings
A reduced (30%) AH on PDL developments of 10+ dwellings;</td></tr>
<tr><td>AH tenure mix</td><td>An AH tenure mix including all rented AH (60% of the AH) as social rent is going to be challenging for viability without grant, as the starting point for this needs to be.

As the affordable housing and other delivery details are usually site and specific scheme level</td></tr>
</table>

	considerations that need to be addressed in any event (variable by site), we have offered comments that this aspect could be an area in which any necessary and appropriate adjustment is considered. The delivery stage details could offer the necessary scope to balance viability where considered necessary and appropriate. We suggest that some flexibility and varying tenure mix could be an important response and tool for the Council to consider, and have looked at alternative sensitivity tests (samples to date) to include affordable rented homes. Although the reduced affordability issues associated with moving away from social rent are acknowledged, and those are vital too, the sensitivity test findings also indicated that a more balanced AH tenure mix with less social rent focus could enable a wider combination of other policy/development costs to be supported. This could apply to the scope for enhanced accessibility or sustainable construction measures, or similar, and to the potential future CIL scope, without unduly affecting the ability of developments to remain viable overall.
Enhanced accessibility	
Optional enhanced standards (Building Regulations) M4(2) & (3)	Included as per draft policy across all tests and found supportable in viability terms - i.e. all AH units (or an equivalent quantum of dwellings overall) to M4(2) standard. As an individual impact, 95% M4(2) plus 5% M4(3) has also been appraised through sensitivity testing (sample to date). This has also been found likely to be supportable, but as with other policy cost impacts, subject to potential re-checking the overview of cumulative costs associated with the final TWBC preferred policy selections in due course.

CIL	
Residential (all forms of C3, including for the elderly - retirement / sheltered)	Provisionally our assessment considers the residential charging scope parameters likely to be mainly within the range £100-150/sq. m. This will need further consideration related to the TWBC final policy selections as per the above, and we consider that some level of differentiation is likely to be either necessary or at least an option; on the basis of a relatively simple borough-wide approach to AH policies and other matters and so with the CIL responding to and reflecting viability variations with the policies in place. For the larger/strategic sites, s.106 can provide a more direct and timely mode for securing site-specific infrastructure works especially, and also bespoke development mitigation contributions. From experience elsewhere, we may find that such sites need a differential /zoned approach to CIL. This is proposed to be considered as part of the review of such sites to be undertaken at Stage 2 viability assessment.
Retail	Whilst from our findings the strong viability related to any larger format developments (retail warehousing and also foodstores) that may come forward will be likely to support CIL charging at a similar level to the likely residential rate parameters, overall across the tested retail typologies we also found mixed results and have offered observations accordingly. The overall Plan relevance of various development types will probably be key to this – a differential approach including some elements charged at lower rate(s) (potentially including town centre development) is likely to be recommended for consideration by TWBC on further review for the CIL proposals – as above.

All other development uses, including employment (Offices / industrial / warehousing – B1 – B8); Hotels (C1); Care Homes (C2) together with D uses and others.	Commentary has been provided on the likely wide applicability of a nil £0/sq. m or at most nominal type rate on all other uses, and the types of considerations thought to be involved in that aspect of a TWBC CIL charging schedule at this stage.

Notes and Limitations

1. The purpose of the assessment reported in this document is to inform and support the Council's work on progressing through further consultation the policies of the emerging Tunbridge Wells Local Plan 2036 and its work towards the currently intended introduction of a Community Infrastructure Levy (CIL) Charging Schedule for the borough (potential rather than conformed at this stage).

2. 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; we accept no responsibility or liability for the consequences of this document being used for a purpose other than for which it was commissioned.

3. To the extent that the document is based on information supplied by others, Dixon Searle Partnership Ltd accepts no liability for any loss or damage suffered by the client or others who choose to rely on it.

4. 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.

5. It should be noted that every scheme is different and no review of this nature can reflect the variances seen in or across a wide range of 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 policies.

6. Small changes in assumptions can have a significant individual or cumulative effect on the residual land value (RLV) or other surplus / deficit output generated, therefore the indicative surpluses (or other outcomes) generated by the development appraisals for this review will not necessarily reflect site specific circumstances. This is also true in respect of the long timescales in local plan development and implementation over which the economy and development climate (national and more local influences and impacts) are very likely to vary. Nevertheless, the assumptions used within this study reflect the policy and strategy direction of the Council as far as known at the time of carrying out this assessment and

therefore take into account the cumulative cost effects of policies where those are relevant to viability at this level of assessment.

7. Dixon Searle Partnership conducts its work only for Local Authorities and selected other public organisations. We do not act on behalf of any development interests. We are not involved in any other work within the Tunbridge Wells Borough area at the current time, nor have we been during the course of this assessment - with the exception of carrying out some site-specific (planning application stage) viability reviews on behalf of the Council from time to time.

8. 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.

Report ends — Final (v4)
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