Annex 2i

TONBRIDGE EAST OF HIGH STREET

Land East of High Street Viability Assessment

Tonbridge and Malling Borough Council

February 2024 v2.4

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EXECUTIVE SUMMARY

The East High Street site is a significant opportunity for Tonbridge to transform the town centre. To support Tonbridge and Malling Borough Council (TMBC) in better understanding and progressing this opportunity, Mace has developed four high level design options to explore and test possibilities for the site. The options are all housing-led with a mix of housing types and other commercial and community uses. Each of the options investigates different solutions for the ageing Angel Leisure Centre.

This report forms part of Mace's commission to undertake an options appraisal for the East of High Street site and should be read in conjunction with the High Street East, Tonbridge Phase 2 Design Report. We generated development appraisals to assess the viability of the four masterplan options. Considered options are as follows:

1. Mixed-use but residential-led with c. 350 new homes, rebuild the Leisure Centre in its current location, introduce a vibrant new town square, retain some of the existing parking with a new multi-storey car park.
2. Mixed-use but residential led with c. 305 new homes of a wide variety, refurbish the Leisure Centre, create a new vibrant look for Angel Lane, retain some of the existing parking with a new multi-storey car park.
3. Mixed-use but residential led with a higher density c. 450 new homes, rebuild the Leisure Centre with a new health facility in a new location, increased commercial and green space, parking in a new multi-storey car park.
4. Mixed-use but residential led with a higher density of c. 470 new homes, rebuild the Leisure Centre off site, introduce a vibrant town square, inclusion of healthcare facilities and later living, a podium solution for car parking in conjunction with a new multi-storey car park.

Details of how the designs for the options were inspired, developed and assessed in relation to placemaking, social value, environmental value and the Council's objectives for the town centre can be found in our Design report. This process helped to establish a suitable density and scale of development for the site that is aligned with the Council's feedback, objectives and policies. Where policy is yet to be defined, this will help inform its development as part of the new Local Plan.

Having established the options, this report sets out the results of the financial modelling and development appraisals undertaken to understand the viability impacts of these design choices and the respective constituent elements.

The expectation is not that any of these four options will be delivered in their current layout, but to inform which elements best balance placemaking, viability and achievement of the Council's objectives. At this early stage, when the project is design and placemaking led, it is not unusual for viability to be challenging, however this report establishes the foundation for a route to a viable scheme. A scheme that not only delivered on the Council's objectives for the Tonbridge town centre but would also be commercially attractive to the market.

RECOMMENDED MIX OF USES

The intent at the inception of this commission was to run development appraisals on the four design iterations and then to include this assessment of viability to revise the assessment of a future preferred option. Given the design led approach to test solutions for the ageing Angel Leisure Centre, establish what uses, the quantum and scale of development that the site could accommodate, and what placemaking opportunities may best uplift values the focus of the viability assessment is to understand each element and use from a commercial and placemaking perspective.

The macro-economic environment remains challenging: inflation has led to significant increases in construction costs over recent years and recent increased to interests rates are predicted to reduce residential values from their peak during the Covid-19 pandemic. These economic pressures and commercial challenges, along with the Council's prioritised objectives, have shaped a recommended mix of uses and that we believe define the roadmap to a viable and deliverable development of the Land East of High Street (LEHS). Table 1 sets out the initial key recommendations to follow this roadmap to a deliverable and viable scheme.

Table 1: Recommendations

Housing	• Housing led of c. 250 dwellings, achieving an average of £148k land value per unit (gross development value net of gross development costs) including family oriented solutions that align with Council objectives: o Low rise bias: townhouses, back-to-back housing, and stacked maisonettes with access from the street – optimising value and minimising construction costs. o Apartments restricted to 6 storeys to not compromise placemaking and achieve viability. o BTR only considered at later stage if there is suitably attractive opportunity. o Later living only considered at later stage if there is suitably attractive opportunity.
Parking and Public Realm	• The quantum of dwellings and other development on the site has a corresponding parking requirement and as such balancing the amount of development and parking is vital to achieving a viable scheme. • Balancing the amount of development to the provision of public space to manage costs while still delivering on placemaking ambitions is also vital to the viability of the scheme. A lower rise housing solution will support this.
Commercial	• A hotel included given it will support tourism, delivers placemaking benefits and is a revenue opportunity for the Council. • Flexible commercial should be included with ground floor retail space, which has shown to viable, prioritised to activate frontages and enhance public spaces. Office space has proved more challenging to deliver a commercial return and as such should only be included should a suitable complementary and attractive commercial opportunity arise.
Leisure Centre and Health Facilities	• Now that the decision to demolish the existing Angel Leisure Centre building has been confirmed, the council will need to decide whether to provide new leisure facilities: o On the LEHS site; OR o On another site within the town. • In addition, further analysis is required regarding the optimum mix of facilities, potentially split over more than one site or combined with existing leisure services.

NEXT STEPS

For the Council to progress and unlock the potential from the LEHS there are several interdependent next steps to take, below are the key workstreams:

- Completion of the updated Local Plan
- Engagement with Tonbridge residents and businesses
- Further engagement with commercial stakeholders
- Development of a masterplan and 5 case business case

As a team, we would like to offer our gratitude to all the stakeholders for their time and enthusiastic engagement in the design and appraisal of the options for the East of High Street site. There is no doubt that the Council has a passion for the future of Tonbridge and, as Members and officers, are committed to utilising the resources and tools available to build on the town's success and nurture its further growth into a thriving, resilient and sustainable place.

Annex 2i

1

VIABILITY STUDY

OVERVIEW

This document should be read in conjunction with the Masterplan Options Design Report for the East of High Street site.

It is important to recognise the purpose of the early-stage design options for the East of High Street site, the subsequent high-level financial appraisals and the limitations of both. Our objective was primarily to understand the following:

APPROACH

A staged approach was taken to the appraisal of the development options for the Land East of High Street (LEHS) site:

MASTERPLAN
- Site Analysis
- Market Insight
- Develop design of 4 options

REVIEW
- Stakeholder feedback workshop
- Score options against TMBC objectives
- Update masterplans

COST
- Infrastructure costs
- Construction costs
- Development Costs
- Create schedule

MODEL
- Valuations
- Development appraisals
- Financial Modelling
- Delivery model assumptions
- Sensitivity

ROAD MAP
- Viability per asset type
- TMBC viability levers
- Identify route to viable scheme.

STAGE 1: MASTERPLAN

Considered options:

1. Mixed-use but residential-led with c. 350 new homes, rebuild the Leisure Centre in its current location, introduce a vibrant new town square, retain some of the existing parking with a new multi-storey car park.
2. Mixed-use but residential led with c. 305 new homes of a wide variety, refurbish the Leisure Centre, create a new vibrant look for Angel Lane, retain some of the existing parking with a new multi-storey car park.
3. Mixed-use but residential led with a higher density c. 450 new homes, rebuild the Leisure Centre with a new health facility in a new location, increased commercial and green space, parking in a new multi-storey car park.
4. Mixed-use but residential led with a higher density of c. 470 new homes, rebuild the Leisure Centre off, introduce a vibrant town square, inclusion of healthcare facilities and later living, a podium solution for car parking in conjunction with a new multi-storey car park.

Figure 1: 4 Design options for the LEHS (see Design Report for more detail)

Market Analysis

Local Tonbridge chartered surveyors and estate agents Bracketts have provided insight into the Tonbridge property market (report available on request) with current values for selected asset types and an assessment of demand. The following assets are covered and select key information from the Bracketts used to inform the viability study:

Commercial

- Retail
- Food & Beverage
- Hotel
- Leisure
- Healthcare

Residential

- Private Residential
- Affordable Housing
- Private Rented Sector (PRS) / Build to Rent (BTR)
- Retirement / Later Living

Residential

Bracketts have established local indicative sales and rental values for both private and affordable homes as described in the following table.

Table 2: Residential sales and rental values

Residential Sales			Sales Value
Private sales (Market Value)	Flat	1 Bed	£275,000
		2 Bed	£350,000
		3 Bed	£400,000
	House	2 Bed	£495,000
		3 Bed	£575,000
		4 Bed	£650,000
Affordable Shared Ownership (75% MV)	Flat	1 Bed	£206,250
		2 Bed	£262,500
		3 Bed	£300,000

Residential Rental			PCM Rent
Private (Market Rent)	Flat	Studio	£750
		1 Bed	£900
		2 Bed	£1,200
		3 Bed	£1,450
Social / Affordable (40% / 80% of MR)	Flat	Studio	£300 / £600
		1 Bed	£360 / £720
		2 Bed	£480 / £960
		3 Bed	£580 / £1160

Build to Rent

- In terms of the investment market, demand for Build-to-Rent across both the multifamily and single-family sector is anticipated to remain strong.
- Yields are projected to soften given the broader interest rate backdrop. However, this will be limited to an extent by strong rental growth.
- Despite the strong growth of rental values, BTR developers will continue to face development challenges until the cost of construction and borrowing stabilises.
- There are very limited market comparable yields for Tonbridge, as the majority of BTR developments have been constructed in London and larger regional centres such as Manchester. Generally, BTR yields are calculated between 4 - 5% dependent upon town, location, and the number of funds that have an appetite for the product.

Retirement Living

- There are a number of retirement living developments currently planned for Tonbridge.
- Retirement Living demand would be led by market saturation, once the planned new developments are completed.
- Developments of 50+ units

Parking

As a general rule, a parking space adds approximately £20,000 to the sale value of a dwelling, as long as the space is in close proximity to the dwelling.

Commercial

Several commercial uses have been considered, below is select key information highlighted in the Bracketts report.

Table 3: Summary of commercial elements values considered.

	Area sq.ft.	Rental (PCM)	Capital Value	Gross Yield	Comment
Retail*	15,000+	£36 psf		8%	Tonbridge appears unlike national trend. Whilst the retail core is situated around a more condensed trading centre compared to locations with similar populations nationally, retail availability has remained significantly low with opportunities for new retailers or existing operators looking to relocate to new premises being few and far between.
Food and Beverage*	8,000+	£25 psf		9%	Despite local operators being faced with challenges of increased operational costs coupled with the struggle of economic uncertainty, the local leisure / F&B sectors appear to be fairly resilient and Tonbridge has only seen one bar led operation close its doors over the last year.
Supermarket	19,000		£2.2m		Preference for stand-alone store however may consider mixed use given the scarcity of suitable local sites.
Cinema*	15,000	£15 psf		10%	There is limited demand from cinema operators. The anticipated capital contribution required from TMBC to a cinema operator is £2m - £3m.
Indoor sport and recreation*	30,000	£10		10%	Numbers based on indoor trampoline centre
Hotel*	19,000 to 30,000	£460 to £500 per room		6%	Demand from budget hotel operator. Hotel operator likely to enter 25-year unbroken lease, with 5 yearly upward rent reviews, and an option for a further 25 years at term expiry.
Medical Services	15,000		£3m		The operator would wish to acquire a FH or Long Leasehold building to shell & core specification.
Offices	10,000 to 15,000	£25 to £35 psf		8% to 8.5%	Market demand / volume of new office lettings in 2022 at historical low levels. 2023 has seen an increase in activity and new office requirements in the Tonbridge
F1 Learning and non-residential institutions*	15,000 to 30,000	£20 psf		7%	Some specialist education operators have shown interest in Tonbridge
Creche, day nursery or day centre	3,500 to 7,500	£15 psf		5.5%	Confirmed local demand.

*Lack of current direct comparable sales evidence

Data and research provided by Bracketts along with internal Mace benchmarks have been used to build a forward-looking view most appropriate for the East of High Street site.

STAGE 2: REVIEW

In a first phase of work, Mace investigated potential development opportunities in Tonbridge with a focus on TMBC's sites and assets. As part of the commission, Mace held several workshops throughout this phase, engaging with stakeholders. A key outcome of the workshop was to agree and prioritise strategic programme objectives.

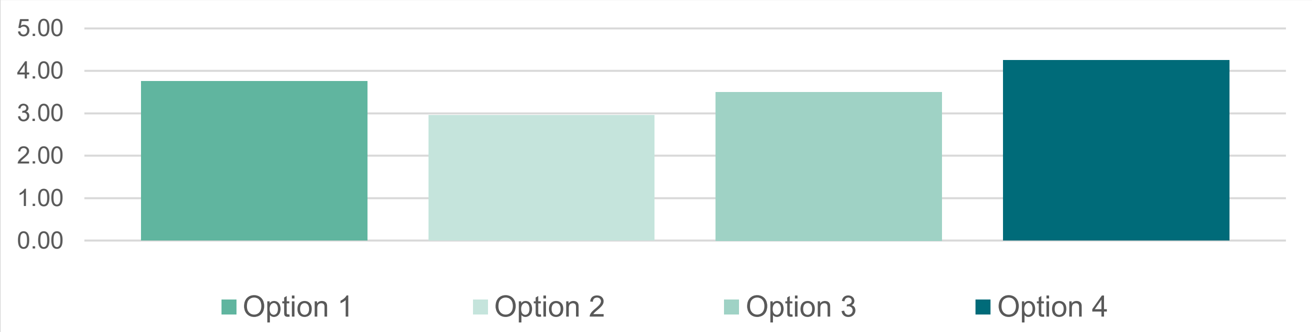
Building on the Phase 1 work, Phase 2 has included further workshops to shape and evaluate the design options against the prioritised objectives. Furthermore, a weighting and scoring framework was established to support the Council in evaluating any of the programme's projects and activity.

Table 4 provides an example of how the Town Centre Priorities were used to help assess the relative success of different iterations of the masterplan as the design evolved.

Table 4: Weighted evaluation of masterplan options

		Iteration 1		Iteration 2		Iteration 3		Iteration 4	
	Weighting	Score (1-5)	Weighted score	Score (1-5)	Weighted score	Score (1-5)	Weighted score	Score (1-5)	Weighted score
01 Wider availability of housing typologies	20%	4	0.8	4	0.8	4	0.8	5	1
02 Connection of existing assets	15%	3	0.45	3	0.45	3	0.45	4	0.6
03 Healthy lifestyle	15%	3	0.45	3	0.45	4	0.6	4	0.6
04 Facility alignment	10%	4	0.4	3	0.3	4	0.4	4	0.4
05 Strengthening the town brand	10%	4	0.4	2	0.2	3	0.3	5	0.5
06 A diverse economy	10%	5	0.5	3	0.3	4	0.4	4	0.4
07 Revenue stream creation	5%	3	0.15	4	0.2	3	0.15	4	0.2
08 Visitors and tourism	5%	5	0.25	2	0.1	2	0.1	5	0.25
09 Attract different groups	5%	4	0.2	2	0.1	3	0.15	4	0.2
10 Exceeding net zero by 2030	5%	3	0.15	1	0.05	3	0.15	2	0.1
	100.0%		**3.75**		**2.95**		**3.5**		**4.25**

Figure 2: Weighted Score for respective options



Mace held an interactive workshop session where cabinet members and officers from the council were asked to identify the council's priority objectives for developments. Initially, stakeholders identified three baseline assumptions that they identified as essential considerations for any development; Net Zero by 2030, ensure a sustainable positive revenue baseline and meet affordable housing policy.

The expectation is not that any of these four options will be delivered in their current own right, but to inform which elements best balance placemaking, viability and the Council's objectives. Given our approach at this stage is design and placemaking led, we did not expect the options holistically to be optimal from a viability perspective but rather understand which uses could be the best route to a viable scheme. A scheme that not only delivered on the Council's objectives for the Tonbridge town centre but also commercially attractive to the market.

STAGE 3: COST

Utilising area schedules and other outputs from the masterplans, Mace's Quantity Surveyors built up cost models for each plot within all four site options. The cost model has been directly informed by recent tender returns on other projects, adjusted for inflation, location and assumed specification. As would be expected at this conceptual stage, the cost estimates are heavily reliant on assumptions, that will need to be tested and reviewed once a preferred option is identified and the design is progressed.

Table 5: Estimated construction costs of each option

	Option 1	Option 2	Option 3	Option 4
Gross Construction Cost Estimate (Q1 2023)†	£155m	£120m	£185m	£239m

† Includes cost of leisure facilities

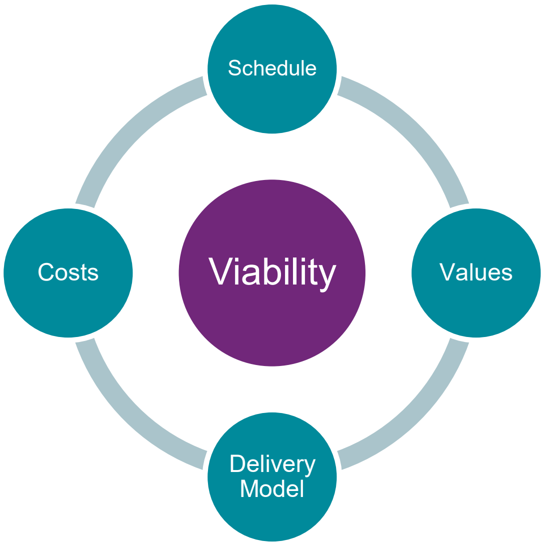
The cost estimates assume a Part L compliant solution in terms of energy performance – this is contrary to the Council's objective for any development to achieve net zero carbon, however we have used compliance as a starting point as it is a realistic assumption given the viability challenges, and costing a net zero carbon scheme requires more detailed design work. If a net zero carbon, or Passivhaus, specification increase is required, then we would expect construction costs to increase by a minimum of 10%.

Energy infrastructure – the cost estimates exclude any upgrading of power infrastructure (e.g. substations) as the existing capacity if not known. Subsequent iterations of the cost model should be refined following feedback from the Distribution Network Operator. Alternatively, the Council could partner with an Independent Distribution Network Operators (IDNO) that would design, build, fund and operate above ground energy assets (including renewables) with the capital investment recovered through future savings on energy bills.

STAGE 4: MODEL

The costs of development only provide one aspect of viability. A model was created to run development appraisals that included the key other variables:

- Schedule – assumed high level programme to measure the impact of time (e.g. to inform cash flow and hence borrowing costs).
- Value (financial) – valuations of the asset types were provide by Bracketts to reflect current sales, rents and yields.
- Delivery model – assumed approach to deliver each plot and asset type informed metric such as developer's return, yields, interest rates, operational costs and contingency.



The modelled development appraisals identified if there was an excess of Gross Development Value (GDV) after accounting for all development costs – this is known as the Residual Land Value, and if positive, demonstrates a viable scheme.

Development Appraisal Assumptions

The appraisals included development costs in addition to the gross construction cost estimates, assumed to be:

Table 6: Development appraisal assumptions

Development Cost	Assumption
Marketing	0.75% of Construction Costs (in addition to commercial tenant incentives, generally 12 months rent free)
Sales agency fees	1.25% of Construction Costs
Legal fees	0.3% of Construction Costs
Professional fees	11.0% of Construction Costs
S106 / CIL	1.0% of Construction Costs
Development contingency	5.0% of Construction Costs (generally) This is in addition to the 5% construction contingency, generally 5.0% but assumed to reduce where TMBC acting as developer, or where no demand risk.
Borrowing cost	Interest applied to outstanding balance in each period, say 6%. Assumed 5% where TMBC providing funding. Sensitive to speed of delivery and disposal of assets, where relevant.
Developer's Profit	Percentage of development costs, varies with asset type: 0% - TMBC direct delivery (e.g. leisure centre, parking) 5% - infrastructure delivered by developer

	8% - forward-funded BTR 10% - pre-let commercial or health (e.g. GP, hotel) 15% - blended return for housing assuming 60% private speculative for sale and 40% affordable housing..

All modelling is based on costs and values at Q1 2023. No cost inflation has been included on the assumption that costs and values will rise at an equal rate between today and the date at which they will be incurred. To mitigate the risk of unequal inflation of costs and values, the development appraisals should be revisited at key governance gateways. In theory, it could be argued that the scale of this development could stimulate a 'placemaking uplift' that would see a greater rise in asset values over and above the general market, however this has not been included to avoid an optimism bias.

Alternative financial modelling approaches were taken for the assessment of the options for the leisure facilities, comparing the relative costs and benefits over a 25-year loan period, expressed as a net present value (or cost). The Leisure section below provides more information about this process.

Delivery Model Assumptions

In general, the modelling assumed that the Council will dispose of a long leasehold, in phases under Development Agreements, such that private sector developers or affordable housing providers would pay a capital receipt (equal to the residual land value) for a long leasehold (250+ years) once both parties had successfully achieved defined conditions precedent. The developers would fund and manage the procurement of consultants, design development, planning permission, debt sourcing, construction procurement, construction management, public realm and infrastructure construction, marketing and disposal. Deviations from this model were considered for:

- Leisure Centre – directly funded and managed by TMBC.
- Multi-storey car park – directly funded and managed by TMBC.
- Demolition of the Angel Centre (where relevant for the option) - directly funded and managed by TMBC as part of preparation of development plot for marketing.

These assumptions do not represent or imply decisions by the Council and will need to be considered and confirmed by TMBC if the development moves forward.

Sensitivity

Once stakeholder feedback on the design and placemaking had been incorporated into Design Iteration 4, further sensitivities were considered in the appraisal assumptions to generate a range of outcomes:

- Senior Living – exclusion of construction costs, value based on land disposal at £50k per unit. This is a common approach to valuation of this kind of development where the business case is more complex, relating to income generated at transfer of ownership over the life of the asset.
- Hotel – TMBC funds and owns the asset, with a pre-let to a hotel operator. Lower borrowing costs, developer's return added to land value.
- Retail – TMBC commits to acquiring retail assets on completion, reducing demand risk and subsequently the developer's profit.
- BTR – more bullish approach to rental values following soft market testing.

Viability Results

Once the leisure centre costs were excluded from the appraisals – with the exception of the demolition costs of the existing building which remained – it was identified that there were assets that represented costs, but offered no value:

- Site-wide public realm and external works – surface car parks, pedestrian and cycle routes, hard and soft landscaping, street lighting, street furniture and highways works outside of development plots.
- Site-wide infrastructure – including drainage, Sustainable Urban Drainage Systems (SUDS), attenuation, etc.
- River banks – works to protect and improve the biodiversity along the Medway tributary
- Podium and multi-storey parking - raised ground floor and public realm levels with parking beneath (podium) and concrete multi-storey parking structure for new developments and to mitigate the loss of existing parking. Podium only relevant to Design Iteration 4.
- Relocation of petrol station – Cost of new petrol station and demolition of existing asset. Relevant to Design Iterations 1 and 4 only.
- Demolition of existing Angel Centre – preparation of development plot. Relevant to Design Iteration 3 and 4 only.

The cost of these elements must be funded, in the main, by the excess in value generated by the profitable assets. The mechanism for capturing some of the excess value will include the use of s106 contributions.

Given current market conditions and the changing balance between values and construction inflation for higher rise apartments, none of the iterations proved to be viable however as intended give us direction on how to balance the cost and commercial elements of the scheme moving forward. The construction and development cost estimates below illustrate the spectrum of scale that has been tested.

Table 7: Construction and development cost estimates

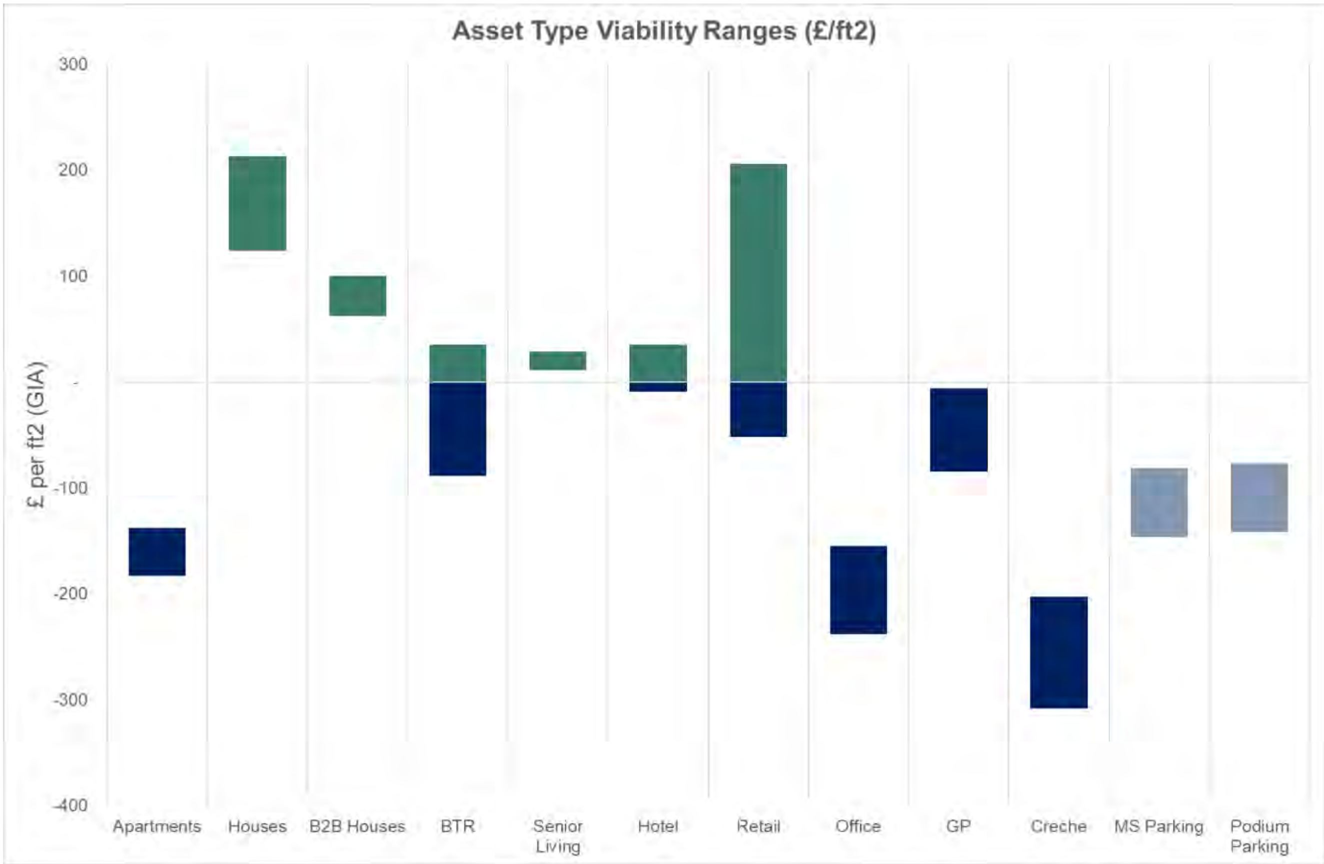
	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Gross Construction Cost Estimate†	£155m	£120m	£185m	£239m
Gross Development Cost Estimate	£210m	£163m	£251m	£325m

† Includes cost of leisure facilities

Further analysis was required to express the viability of each asset type on a consistent scale. The chart below (Figure 3) plots ranges of viability outcomes for each asset type in value per square metre of gross internal floor area (GIA). This clearly identifies those asset types that the model indicates will generate a positive land value.

Reflecting the recent market trend, the modelling suggested that apartment blocks (5+ storeys) would cost more to build than their value on completion. This runs counter-intuitively to the prevailing assumption in recent years that viability improved with density and height; reflecting the impact of cost inflation on this typology (reinforced concrete) and fire legislation changes. The high proportion of apartments included in all the masterplan options was impeding the viability and a new approach was required.

Figure 3: Land value generated per asset type



STAGE 5: ROAD MAP

Viability of Asset Types

Combinations of the following asset types (see Table 8) make up the scenarios for the East of High Street site. Each element comes with advantages and disadvantages for the Council, business owners and residents. The financial, placemaking and strategic considerations for each asset type are summarised in Table 4 and there follows an examination of each asset type in turn.

Table 8: Relative performance of asset types.

Asset Type	Placemaking	Council Objectives	Viability	Market Demand	Council Revenue Opportunity
Leisure centre	★★★	★★★	n/a	n/a	n/a
Terraced housing	★★★	★★★	★★★	★★★	★☆☆
Apartments	★★☆	★★★	★☆☆	★★☆	★☆☆
Built-to-rent apartments	★★☆	★★★	★★☆	★★☆	★☆☆
Later living apartments	★★☆	★★★	★★☆	★☆☆	★☆☆
Retail and F&B	★★★	★★☆	★★☆	★★☆	★★☆
Office	★★☆	★★☆	★☆☆	★☆☆	★★☆
Healthcare (GP)	★★★	★★☆	★★☆	★★★	★☆☆
Hotel	★★☆	★★★	★★☆	★★★	★★★
Multistorey & parking	★☆☆	★★☆	n/a	★★★	★★★
Petrol Station Relocation	★★★	★★☆	n/a	n/a	n/a
Public Realm	★★★	★★★	n/a	n/a	n/a

LEISURE CENTRE

A different approach was taken in the financial assessment of the options for the leisure facilities, reflecting the Council's ownership of the existing, and any future, leisure centre and the relationship with the Tonbridge & Malling Leisure Trust (TMLT). Better known as *tmactive*, TMLT is a charitable, not-for-profit organisation responsible for the delivery of sport and leisure facilities on behalf of Tonbridge & Malling Borough Council.

The current Angel Leisure Centre was designed for out-of-date leisure needs, is operationally inefficient, has significant imminent maintenance liabilities and operates at a loss. A solution for the dry leisure facilities in Tonbridge is critical for the Council and the masterplan for the East of High Street site is directly dependent upon the preferred solution to the leisure centre.

In January 2024, the Council made the in-principle decision to demolish the existing Angel Centre and has subsequently commissioned specialist leisure consultants to assess the town's dry leisure requirements and potential locations around the town, including the EHS site and co-locating with other leisure facilities, such as the swimming pool or Tonbridge Farm.

To inform the Council's strategic decision to demolish, we modelled masterplan options for the EHS site to appraise different approaches to this asset. These can also be compared against the options to 'do nothing' or significantly reduce the leisure centre offering within the town, as is standard in good practice business cases.

The masterplan options each included a different solution for the leisure facilities:

LEHS ITERATION 1 Rebuilt on existing site	3,250 m^2	Smaller and more efficient building due to condensed facilities and reduction in office/community rooms. Extended café area out into the park to create a destination and enhanced revenue stream.
LEHS ITERATION 2 Refurbish existing building **(A)**	3,758 m^2	*Subsequently discounted following the TMBC decision to consider new-build options only. Included here for comparison.*
LEHS ITERATION 3 Rebuild on new site within EHS **(B)**	3,150 m^2	The smallest option on the High Street East site due to the reduction in community rooms, office space, and a smaller café offering.
LEHS ITERATION 4 Rebuild collocated with TSP **(C)**	2,800 m^2	Shared facilities with the existing facility include the reception, office space and café. Walkway/corridor to new building enables co-location.

The viability for the leisure centre has been considered in isolation of the wider development appraisals. As an asset that is owned by the Council, and managed by the Tonbridge & Malling Leisure Trust, the leisure centre is challenging to value as an investment for a third party. Hence, we undertook a simple modelling exercise to compare the net present value (or cost in this case) of the three principal options for the leisure facilities over 25 years.

The financial benefits include indicative initial estimates of additional revenue and potential efficiencies, that have been provided by TMLT. Further iterations of these estimates will be required before a final decision can be made. In our simple financial model, it has been assumed that 80% (to be confirmed with TMLT) of this benefit is passed onto the Council. No inflation has been applied over the 25-year period.

In the EHS masterplan options, four solutions were considered. For this analysis the option to demolish the Angel Centre and rebuild a new leisure centre on the same site has been discounted as deemed practically unrealistic: it offered similar advantages to Option B, but the potential loss of revenue during the required closure over the construction period has been deemed to be too great. Option A – Refurbish the existing Angel Centre building – has since been superseded by the Council's in-principle decision to demolish the existing building and is also now discounted. The analysis below compares the relative costs and benefits of Options B and C.

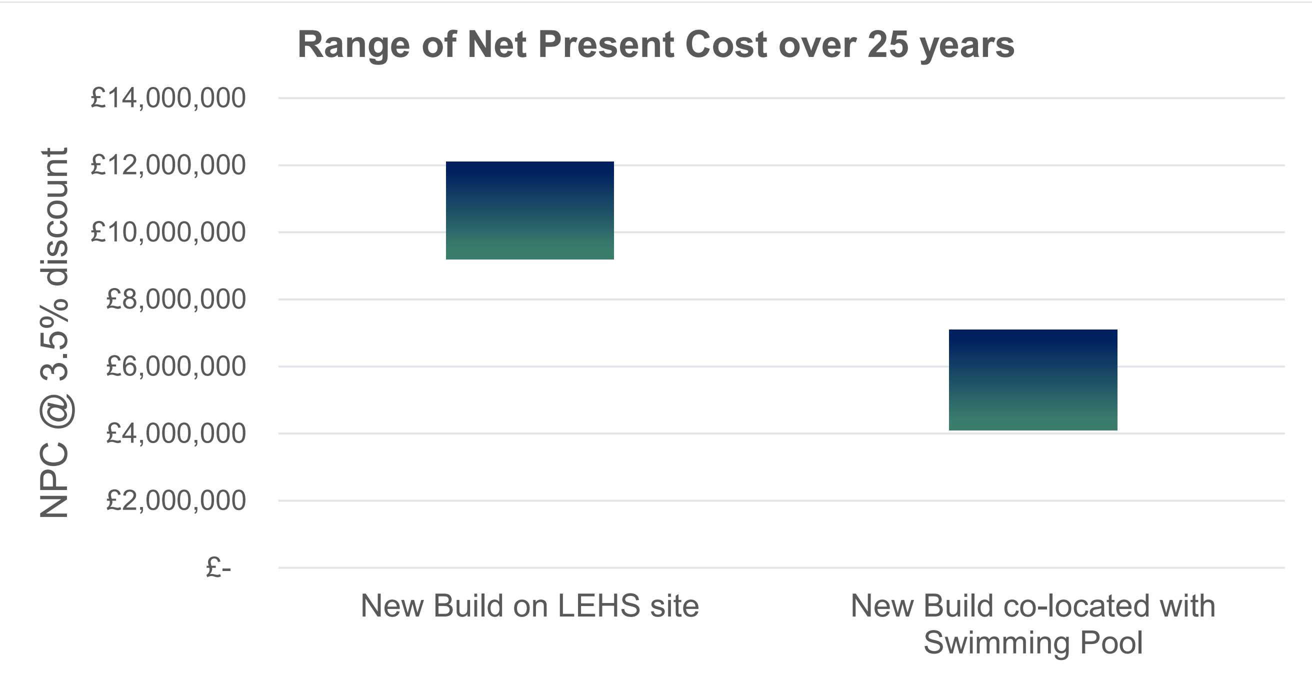
Table 9: Leisure options analysis

	OPTION B	OPTION C
	Rebuild on new site East of High Street	**Rebuild collocated with Tonbridge Pool, or other TMLT facility**
Pros	• Existing leisure centre can operate during construction. • Fit for purpose spaces. • Efficient building • Option to co-locate medical services and create "Health Hub".	• Operational saving, shared functions with existing TMLT facility • Existing leisure centre can operate during construction. • Fit for purpose spaces. • More efficient, smaller building • Option to co-locate medical services. • Releases land on East of High Street site • Could support leisure quarter concept
Cons	• Highest embodied carbon due to space requirements to operate independently.	• Higher embodied carbon (than refurb) • Potential negative biodiversity impacts • Challenges to integrate with existing TMLT building.

Rebuilding, whether on a new location within the East High Street site or on an alternate site collocated with the Tonbridge swimming pool, would cost more. However, it would enjoy the benefits of a more efficient building and fit for purpose spaces. Also, construction of a new leisure centre would take place with the existing centre operating thus mitigating against a disruption of service.

The results of the modelling exercise are expressed as the total cost to the Council over the 25-year period, discounted to present values. Table 10 and Figure 4 detail the modelling inputs and outputs.

Figure 4: Modelling Output for Leisure Options



No allowance has been made for ongoing maintenance or lifecycle replacement costs over the 25-year period. It is assumed that the Annual Financial Benefit to TMLT will be net of the required maintenance costs, and that no significant lifecycle replacement will be required until after the loan period.

In Option C, the existing use value of the site value has been assumed to be £0, net of the costs of site preparation, as it is likely to be owned by the Council.

Table 10: Modelling Assumptions

	OPTION B		OPTION C	
	New Build on LEHS site		New Build co-located with existing TMLT facility	
	Upper range	Lower range	Upper range	Lower range
Gross Internal Area (m^2)	3,150	3,150	2,793	2,793
Gross Construction Cost (£)	£14,580,000	£12,550,000	£15,880,000	£14,160,000
Gross Development Cost (£)	£17,690,000	£15,220,000	£18,260,000	£17,180,000
Omit Demolition Cost (£)	n/a	n/a	-£2,080,000	-£2,080,000
Land receipt from Angel Centre (£)	£0	£0	£0	-£1,360,000
Cost of disruption during works (£)	£0	£0	£0	£0
Net Development Cost (£)	£17,690,000	£15,220,000	£16,180,000	£13,730,000
Loan period (years)	25	25	25	25
Annual loan repayment at 5.16% (£)	£1,280,000	£1,100,000	£1,170,000	£990,000
Annual Financial Benefit to LT (£)	-£675,000	-£675,000	-£923,000	-£923,000
Annual Financial Benefit to TMBC at 80% (£)	-£540,000	-£540,000	-£740,000	-£740,000
Total Net Cost to Council over 25yrs (£)	£18,400,000	£13,900,000	£10,700,000	£6,300,000
Net Present Cost @3.5% discount (£)	**£12,100,000**	**£9,200,000**	**£7,100,000**	£4,100,000

Conclusion

All of the leisure options will require funding from the Council. In every case, the approximate estimate of operational efficiencies and increased revenue provided by TMLT are lower than the cost of the annual loan repayment. Therefore, every year, there will be a shortfall in funding the loan repayment that will need to be met by the Council.

The results of our modelling suggest that Option C – a new build co-location with another TMLT facility – is preferable. Option C requires investment from the Council but offers additional advantages:

- Relocating the leisure centre improves the viability of the LEHS development as the net value generated by the housing that could be delivered on the Angel Centre footprint exceeds the cost of demolition of the existing building.

- Residual value of the new asset (leisure centre) after the 25-year loan period will be greater than a refurbished Angel Centre would have been.
- Relocation to a new build facility to the west of the High Street strengthens the “leisure quarter” concept – simplifying wayfinding within the town centre and strengthening the town brand.
- Opportunity for the land value generated by the development on the existing Angel Centre site may exceed our upper estimate, reducing the required financial support from the Council.
- Relocating the leisure facilities will provide greater flexibility in the EHS development plots with the Angel Centre demolished, hence better able to adapt to the market’s requirements.

Further analysis has shown that the for co-location with the swimming pool site may be to constrained – there is limited space available on the site itself (without reducing the wet facilities) and the financial, social and environment costs of re-locating the model railway are impractical. A location to across the Medway to the South, or Tonbridge Farm are possible alternatives.

GP PRACTICE AND HEALTH SERVICES

Health and wellbeing are a priority objective for the Council and there is an opportunity for a new development to better align health-related services presented by the East of high street development. The Leisure Centre and a new GP practice could be co-located for form a “health and wellbeing hub”, or could be delivered independently of each other.

The demand for a suitable space for GP services within the town centre has been identified. Given the requirement for the redevelopment of the Leisure Centre there is an opportunity to align health and wellbeing services in the town centre in a new ‘hub’. Preventative medicine compliments treatment-focussed medical services so co-location with sports and leisure facilities, sports clubs and other social groups could unlock this benefit for the communities of Tonbridge.

Requiring c. 1500m2 of space, the development of GP practices is usually delivered by specialist third party investment funds. Given that the NHS is a social service, the addition of a new GP practice would deliver more in the way of social value than financial return to the Council.

Asset Type	**Healthcare: GP Surgery**
Description	• GP surgery, with potential to co-locate with other health services. • Appraisal assumes specialist fit out by tenant, and 12 month rent free period. • 32 parking spaces included.
Market	• Market feedback from GP development partner positive. Potential tenant
TMBC Objectives	• Promotes healthy lifestyle. • Potential to improve the connection (co-location) of assets.
Placemaking	• Accessible town centre location could reduce car journeys. • Challenge over benefit of two town centre practices. • Benefit to co-locating with leisure facilities as health hub, and close to Senior Living.

Viability	**MARGINAL** • The appraisal indicates that a GP practice would struggle to generate land value. • It is assumed at this stage that a viable solution could be reached but would only be included for placemaking benefits. • Further detailed discussions required with GP and development partner.
Council's Role	• Conditional sale to specialist developer. • Developer would own asset and lease to the GP practice.
Recommendations & Next Steps	**CONSIDER** • Further consultation with stakeholders regarding optimum location for GP. • Align with NHS business case process if included. • Refine cost and value assumptions in appraisal after engagement with GP, if included. • TMBC decision on developer role.

HOUSING

Housing, with an emphasis on delivering a diverse mix of housing types, is a top priority for the Council. The design options investigated the density of housing that the East of High Street site could comfortably accommodate. The subsequent costing and viability exercise has provided insight into the commercial characteristics of the different housing solutions.

With construction costs soaring, values under pressure and ambitious affordable housing goals, delivering a viable scheme is challenging. That said, some housing types perform better financially and still delivery placemaking benefits.

Affordable Housing

Affordable policy is under review as part of the new local plan process. Currently policy dictates 40% of housing developments are required to be affordable, subject to viability. Affordable housing requirements are set out in the TMBC Housing Needs Survey (2022) includes the following tenures:

- **Social rent:** Owned by local authorities and Registered Providers, for which guideline target rents are determined through the national rent regime. Rent is calculated using a set formula that considers the value of the property, the average earnings in the area and the number of bedrooms. Social Rented properties are the most affordable tenure type, typically around 40% of an open market rent.
- **Affordable rent:** Let by local authorities or Registered Providers to households who are eligible for Social Rented housing. Most tenancies are offered as fixed term tenancies or assured tenancies for no less than five years. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable)
- **Shared ownership:** A scheme that enables households to buy a share in a property (usually between 25% and 75% of the home's value). A subsidised rent is payable on the remaining share held by the Registered Provider, with the ability to purchase additional shares. The combined monthly cost of mortgage and rent will normally be less that if purchasing a property outright.

- **First Homes:** A specific kind of discounted market sale housing and should be considered to meet the definition of 'affordable housing' for planning purposes. Specifically, First Homes are discounted market sale units which:
    - o must be discounted by a minimum of 30% against the market value;
    - o are sold to a person or persons meeting the First Homes eligibility criteria (see below);
    - o on their first sale, will have a restriction registered on the title at HM Land Registry to ensure this discount (as a percentage of current market value) and certain other restrictions are passed on at each subsequent title transfer; and,
    - o after the discount has been applied, the first sale must be at a price no higher than £250,000

For simplicity, the development appraisals assume that the proportion of affordable housing is 40% (as policy) and that, calculated as an average, the affordable tenures represent 65% of market value. The final mix of tenures will be refined as part of the eventual planning process but an example of a typical split of affordable housing is set out below:

Table 11: Mix of affordable homes

	% of Market Value or Rent	% of Affordable homes	Value Contribution of each Tenure
Social Rent	40%	31%	12.3%
Affordable Rent	80%	32%	25.7%
Shared Ownership	75%	12%	9.0%
First Homes	70%	25%	17.5%
Totals		**100%**	**65%**

Meeting affordable housing policy is often challenging and this is no different for the East of High Street site. When modelled within our development appraisals, achieving the 40% affordable housing policy contributed significantly to the failure of the four options to reach viable positions. Any scheme, even if viable, will always create a tension for the Council between affordable housing provision and land value.

In the viability assessment of every type of residential asset, the modelling included a 40% provision of affordable housing.

Low-rise, High-density Housing

The Council's housing needs Assessment and Bracketts' market insight both identify the need for more family housing. In recent years, the typical starting point for town centre residential developments has been that apartments, mostly 2 beds, offer the best solution to feasibly deliver housing numbers at scale. The options for East of High Street have shown this not to be the case with significantly higher construction costs impacting the viability of flats far more than lower rise houses.

Further to being commercially better, terraced houses in this context offer greater placemaking improvements, especially to the west side of the Sainsbury's. To meet an acceptable housing number, designers will need to look for solutions to increase density while maintaining a lower rise character. Stacked maisonettes and back-to-back solutions, that can achieve densities of 100-150dph, may be the middle ground that allows the delivery much needed family homes.

Asset Type	Low-rise, High-density Housing
Description	• 2-4 storey town houses and back-to-back houses • Assumed 40% affordable at 65% of market value • Mostly 1:1 parking allocation • Street level front doors.
Market	• Established market for houses; maisonettes less mature. • High demand • £20k additional value for parking space or integral garage.
TMBC Objectives	• Flexibility to provide a greater variety of housing for different groups. • Integrates well with new public space and commercial assets.
Placemaking	• Strong placemaking and community with a street focus. • 'Own front door' can be tenure blind – promoting inclusivity.
Viability	VIABLE • Strong placemaking and community with a street focus. • 'Own front door' can be tenure blind – promoting inclusivity.
Council's Role	• Lead typology debate • Careful choice of developer • No anticipated development role; dispose of sites under Development Agreement.
Recommendations & Next Steps	PRIORITY • Increase allocation across site, to replace unviable residential typologies. • Commission more detailed masterplan vision that incorporate findings of this report.

Apartments

Apartments represent the conventional solution for town centre residential developments and have been the default model perceived to delivering viable housing at volume.

However, apartment blocks have been impacted more acutely by significant construction cost inflation without a corresponding increase in values. As such, our modelling does not indicate favourable returns on any of the East of High Street options: generating negative land values for all the apartment blocks. Given these viability challenges, there is an opportunity for the Council to revaluate and explore a more novel lower rise approach to housing.

Asset Type	**Apartments**
Description	• 6-8 storeys • Typical mix: 30% 1 bed, 55% 2 beds and 15% 3 beds • Can be located above other uses • Assumed 40% affordable, at 65% of market value overall
Market	• Established market • £20k additional value for Undercroft, or podium, parking at 0.8 to 1 ratio. • Absorption rates need to be considered
TMBC Objectives	• High density supports housing targets • Affordable at policy levels unlikely to be viable
Placemaking	• Undercroft parking negatively impacts pedestrian experience • Likely to have separate market and affordable blocks.
Viability	**UNVIABLE** • Construction costs have increased disproportionally for this typology
Council's Role	• TMBC would dispose of site under DA. No anticipated development role.
Recommendations & Next Steps	**REPLACE** • Replace with high density, lower rise housing unless minimum quantum cannot be achieved.

Build-to-Rent Apartments

Build to Rent (BTR) is growing as alternative asset class with investors seeking long-term income yields. BTR operators generally require between 150 and 250 units with a bias to 2 bed apartments. BTR products typically include additional communal amenities, such a concierge service or resident's lounge, and monthly bills are usually bundled with rent. The level of amenity provision is optimised for the local market and rental values. Simplicity and quality of experience are key marketing points that typically allow the apartments to achieve a premium over standard rented apartments. Given the relative immaturity of the BTR sector, there are limited examples within the area from which to benchmark a valuation; hence the private rental market was used to estimate rents. These are likely to be conservative estimates of rental income, however even in best-case scenarios it is unlikely BTR will generate anything other than nominal land value for the Council.

The Council may play a role in stimulating the BTR market in Tonbridge but BTR is a specialist asset class and therefore it would be more suitable for the Council to dispose of the land to a BTR operator for a capital receipt, rather than retaining to generate rental income.

Asset Type	Build to Rent (BTR)
Description	• High density 7-8 storey apartments • Amenities included • Smaller unit sizes that for sale • 0.5:1 parking ratio targeted
Market	• Unproven in TTC • Some interest but market depressed due to current yields • Bracketts value at £20psf rental, but could target a premium
TMBC Objectives	• New typology provides greater choice to future residents • Delivers high numbers of dwellings. • Could attract younger residents
Placemaking	• High absorption a benefit as reduces voids. • GF parking negatively impacts pedestrians • Budget constraints will limit architectural interest
Viability	**MARGINAL** • Best case would be likely generate £0 land value • Likely to require reduction in affordable and parking % • 23% OpEx of gross rent assumed • 80% net:gross GIA assumed
Council’s Role	• Usually a forward funded model • TMBC would dispose of site under a DA. No anticipated development role.
Recommendations & Next Steps	**CONSIDER** • Could be an option for suitable Plots J or I if yields improve. • TMBC to reflect on potential to lower affordable% • If to proceed, target higher rents • Council could consider 100% affordable model

Senior Living

Senior Living (or Later Living), although still subject to inflationary pressures, should offer the Council a positive land value as well as offering additional diversity of housing typologies. However, Bracketts’ research indicates that current appetite from the market is low.

Given the specialist nature of Later living as an alternate asset class it is not an asset the Council would be suited to retain; thus, only represents a capital receipt opportunity.

Asset Type	**Senior Living**
Description	• A mix of apartments for older people • Care provision can be included, dependent on provider • Assumed 40% affordable within the plot.
Market	• Growing market nationally but initial Brackett feedback suggests providers have already fulfilled local targets.
TMBC Objectives	• Supports requirement for a variety of housing types across multiple generations.
Placemaking	• Supports requirement for a variety of housing types across multiple generations.
Viability	**VIABLE** • Supports requirement for a variety of housing types across multiple generations.
Council's Role	• TMBC would dispose of site under DA. No anticipated development role.
Recommendations & Next Steps	**CONSIDER** • Review market interest as business case develops. • Consider as an option for Plot I.

HOTEL

There has been explicit interest in a Tonbridge town centre location from budget hotel operators and market testing indicates that premium operators would also find Tonbridge desirable. There would not be a conflict with a budget and premium offer sitting adjacent to each other, however, there may be a limit in the capacity of the overall market. The typical commercial terms for suitable operators would offer an opportunity for the Council to invest in the asset and generate a revenue return over the lease length (e.g. 25 years).

Given the interest from a budget brand, we based the appraisal on typical assumptions for this type of hotel. It was assumed that the ground floor would be let to commercial uses under a separate lease, with the only ground floor provision being lift and stair access to the hotel reception and bar/café on the first floor.

Asset Type	Hotel
Description	• 4-6 storeys • 80 to 85 rooms • 300 ft2 per room • Provision for 65 to 75 car parking spaces: these do not need to be attached to the hotel and can be part of general parking provision. • Hotel from 1st floor, with retail / commercial uses below. • Typical current market yield of 5.5% to 6%
Market	• Market demand confirmed, potential for hotel brands aimed at a range of budgets. • Positive meeting with budget hotel provider. • Flexible delivery models.
TMBC Objectives	• Supports growth of tourism and visitor economy. • Could generate revenue for TMBC if the asset owner.
Placemaking	• Can support co-located food and beverage offers and nighttime economy. • Works well with proposed new urban square
Viability	**MARGINAL** • Based on assumptions in the appraisal, the hotel should create some land value. • Financial return could be increased by targeting lower cost solutions, taking an active role in the development and providing debt.
Council's Role	• Opportunity for the Council to act as developer and/or asset owner with a lease to the hotel operator.
Recommendations & Next Steps	**INCLUDE** • Based on assumptions in the appraisal, the hotel should create some land value. • Financial return could be increased by targeting lower cost solutions.

PUBLIC AMENITIES AND PLACEMAKING

Public Realm

We have explored numerous improvements to the public realm across all the design options including:

- Active travel cycle and walking routes.
- New public square
- New pedestrian streets
- Greening and landscaping of public spaces

These interventions all add significant placemaking value and contribute to the improved health and wellbeing of residents however come at a significant cost to the council and thus will have an impact on feasibility of the scheme as a whole.

Parking

Initially, both multi-storey (MS) and podium parking solutions were assessed on a pure commercial basis, with the capital value assumptions ranging between:

- £15,000 a space reflecting average of £600 annual rent from each space, net of operational costs, and an assumed 4.0% yield (as Brackett's advice)
- £36,000 a space reflecting an average of £1,440 annual rent from each space, net of assumed 20% operational costs, and an assumed 4.0% yield (approximately reflecting the current utilisation of the car parks.

However, for this development, it would be misleading to consider the value of the new parking space because the multi-storey structures are required to replace (or at least mitigate the reduction of) the parking that is lost to create the development plots – thus the reprovision of spaces has been assumed to be a cost in the viability appraisals. The value comparison has been included for interest only, identifying that even the most optimistic assumption does not suggest that these parking structures are viable as a stand-alone investment. What is useful to note is the cost for the podium parking is roughly equivalent to the multi-storey solution (by area), suggesting that it should be considered in the next stage due to the additional placemaking benefits to the public realm, accessibility, and service strategy. Some other considerations with respect to parking that should be considered are:

- The wider economic value generated by parking spaces - such as the reputation of the town being always easily accessible with available parking, benefit of increased footfall to businesses at peak times, etc – this is challenging to quantify.
- Possible loss of revenue for the Council
- Optimal number difficult to calculate and will ultimately be a financial and political decision for the Council.
- The relocation of the leisure centre to a different site within the town would reduce the parking demand on the LEHS, although it is not clear how much of this demand coincides with the peak.
- Future changes in use patterns and technologies that are not currently accurately predictable may have an impact
- An allowance for electric vehicle (EV) charging infrastructure has been made within the cost model, subject to the availability of suitable power capacity; this facility may attract a greater number of visitors looking to charge their EV.

Providing sufficient parking introduces several viability challenges irrespective of the option as consolidating the existing Angel East and West parking to free up development land requires the introduction of multistorey parking. At a minimum there needs to be enough parking provided to fulfil the Sainsbury's contractual obligations, furthermore, to ensure that the development is a popular destination there needs to be sufficient parking so as not to frustrate visitors.

The options looked to maximise development and be economical with the parking provision, as such there is expected reduction of parking income at current levels by between c. 11% and 16%. This loss could be mitigated by increasing parking charges the impact of which would need to be further explored.

New developments for the most part will provide requisite parking within their respective buildings/plots. However there is still a balance to be struck between the quantum of development across the site and the amount of parking that would be needed for that level of development. Though it is tempting to build as much on the site as possible, the additional parking burden has a significant negative impact on the viability.

Level changes across the site offer the opportunity to retain some of the existing parking on grade with a new podium level above, the lower-level parking can also offer some flood mitigation measures across the site.

The current on grade parking is underutilised so there is the opportunity to reduce parking significantly, the council also needs to decide the extent they may wish to change behaviour, such as encouraging active travel and other modes of transport, by reducing the parking provision.

Relocation of the Existing Petrol Station

The current location of the Sainsbury's petrol station impedes southern edge of the site from a placemaking perspective. In design option 4 we explored the possibility of relocating the petrol station to the east of the Sainsbury's. The cost of £3.5m to relocate the petrol station would likely fall to the council and thus have a drag on the feasibility of the scheme holistically. We recognise that there would be a significant placemaking improvement however the council would need to carefully consider other interventions, at their cost, and prioritise those that would have the most value to impact.

COMMERCIAL

There is the opportunity to develop new commercial retail and office space on the East of High Street site. Commercial space is understood by the Council though not a priority thus, where necessary, the Council could retain select assets for income. An example of where the council may need to retain commercial space is the budget hotel where ground floor retail is required.

Offices

Tonbridge has limited supply of office space and though there has been some limited demand returning from the market values are under pressure. This market pressure with construction cost inflation and the need to incentivise office tenants with fit-out contributions and rent-free periods is making office developments financially challenging. A small office component, if it can made viable would present advantages: it may compliment other commercial offerings such as sitting above ground level retail,. Given Tonbridge's proximity to London and the shift to more hybrid ways of working, serviced offices and co-working space may be something to consider.

Asset Type	**Office**
Description	• Cat A spec office unit(s) located above other commercial accommodation. • Flexibility to be traditional lease arrangements or serviced office.
Market	• Limited market demand in preceding years but recent uplift in interest.
TMBC Objectives	• Supports a diverse economy. • Attracts a different type of stakeholder group to the town centre.
Placemaking	• Accessible town centre location could reduce car journeys. • Supports footfall and activity throughout the working day.

Viability	• Modelled Cat A solution does not appear viable, however, there may be a viable solution at different specification/market. • Lack of quality office space and potential placemaking uplift of public realm could increase rents.
Council's Role	• Lead identification of a suitable office type for TTC market. • Opportunity for TMBC to act as developer and landlord to generate revenue.
Recommendations & Next Steps	**CONSIDER** • Focus on lower specification modular/flexible ground floor units that could be retail, community or office accommodation. • Units that can be configured to a range of sizes to future proof for market changes. • TMBC decision on developer and landlord role.

Retail

Where offices offer little in the way of placemaking improvements, retail could play a positive role in activating the ground floor spaces and complimenting other uses. There is some demand for town centre retail, especially from national retailers, and this is reflected in values. A balance needs to be struck between space being taken by more established national brands and supporting local independent retail. A new food and beverage offering, possibly a food market, could strengthen the nighttime economy. With sufficient demand and values, retail offers reasonable financial return and could be retained by the council as an ongoing revenue stream.

To further improve the nighttime economy an entertainment offering would be beneficial however, though a cinema would well received there is limited demand from boutique cinema operators and from a financial perspective would not likely be viable.

There is explicit interest from a large national grocery chain, that though will consider being beneath a residential development, would prefer to develop a standalone store. Given the size and location of the Sainsbury's and the adjacent Waitrose supermarkets an additional supermarket on the site will have a negative impact in terms of placemaking. Commercially, a deal would likely deliver a one off capital receipt.

Asset Type	**Retail**
Description	• Ground floor units as part of mixed-use buildings • A range of sizes to suit market demand, but avoiding replication of, and competition with, existing town centre stock. • Could be Food and Beverage (F&B) or traditional retail. • No allocated parking.
Market	• Despite national trends TTC retail demand remains resilient, albeit with lower rental values. • Lack of available space means there is demand from relocating and new retailers.
TMBC Objectives	• Supports diverse economy. • Tenants could be curated by TMBC to attract user groups who currently do not believe TTC caters to their interests.

Placemaking	• Creates vital active frontages to improve public realm experience, particularly around urban square. • F&B can spill out into public realm enhancing the atmosphere and experience.
Viability	• A range of outcomes depending on size, target tenant, specification and co-location. • Higher land values requite TMBC to take an active role, reducing developer's profit and borrowing costs.
Council's Role	• Ensure that the type of space is complimentary with existing High St, not creating competition. • Opportunity for TMBC to act as developer and landlord to generate revenue.
Recommendations & Next Steps	**INCLUDE** • Strong placemaking benefits and complimentary to other uses. • TMBC decision on developer and landlord role. • Establish complimentary sizes and target market.

ROUTE TO A VIABLE SCHEME

The analysis of viability, at the level of asset type, allows us to identify alterative combinations of assets and densities that may achieve a viable development overall and generate a positive land value for the Council.

A new development appraisal has been generated based on the following assumptions:

- 40% of dwellings to be 'affordable', with an average of 65% of market value.
- Low rise (2-4 storey) housing in place of higher rise apartments – the current high construction cost and relatively lower values of apartments favours the inclusion of town houses and maisonettes that utilise a simpler building methods. In order to minimise the loss of density in switching to this lower rise solution, it has been assumed the housing can be delivered in relatively high density with stacked maisonettes and back-to-back (B2B) houses that have outdoor terraces but no gardens; values have been adjusted to reflect this, ranging from £550/ft^2 to £642/ft^2.

Figure 5: Peter Barber Architects has pioneered a low rise, high density, street focused approach

- Exclude BTR (for now) – Build to rent is untested in the Tonbridge market and although it may be possible to achieve a viable solution, this is unlikely to generate any land value to fund site-wide infrastructure or to achieve the affordable planning policy. The Council may wish to reconsider this assumption if higher numbers of dwellings are required to achieve housing needs.
- Exclude Later/Senior Living – whilst likely to be viable as a land disposal to a specialist provider, market feedback suggests the demand in Tonbridge has currently been met. Further market consultation should be undertaken in the next phase but at this stage it is assumed that no specialist retirement housing is included.
- Car parking – the multi-storey (MS) car park has been reduced to a single level at the raised finish floor level of the proposed public realm, with podium parking below. The commentary below demonstrates that the new appraisal provides a greater number of unallocated spaces than Scenario 4, despite the reduced level of the MS parking. There remains a tension between the cost or re-providing lost spaces and the benefit of the potential income.
- Include a hotel – supports tourism and delivers placemaking benefits in terms of supporting collocated F&B. It has been shown it can be viable; target improved viability in the next stage.
- Include flexible commercial space – ground floor retail space provides active frontages, a key ingredient for successful public realm. Retail has been shown to be viable, and could be designed in a manner that is adaptable to offer multiple unit sizes for a range of uses that complement the existing High Street, including offices.
- Assume the Angel centre is relocated on a different site within the town and the cost of the reprovision is funded from separate budgets, with the exception of the cost of demolition which is included here. This allows the value from the development of Plot D to be realised.

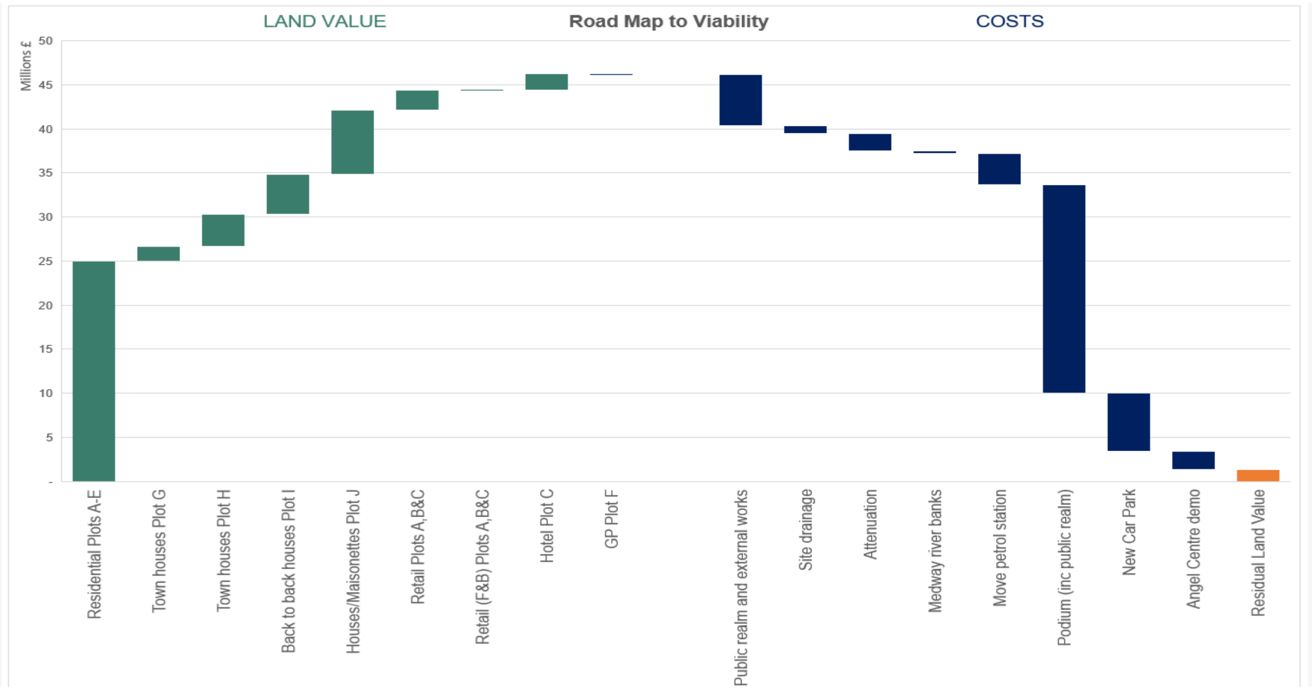
Assumed breakdown of route to viability:

Plot	Asset Type	Assumed density	Units	Parking ratio	Parking allocation	Land Value /unit (£)	Land Value (£)
A,B&E	Back-to-back houses	130	65	80%	52	185,000	12.0m
D&E	Back-to-back houses	130	74	80%	59	175,000	13.0m
G	Town houses	80	9	100%	9	190,000	1.7m
H	Town houses	100	19	100%	19	190,000	3.6m
I	Back-to-back houses	130	41	100%	41	110,000	4.5m
J	Houses/ Maisonettes	155	77	80%	61	95,000	7.3m
	Subtotals		**285**		**241**		

		Area (ft2)	Units	Parking ratio	Parking spaces	Land Value (£/ft2)	Land Value (£)

A,B&C	Retail	1,393	Multiple	0%	0	150	2.2m
A,B&C	Retail (F&B)	743	Multiple	0%	0	9	0.7m
Plot C	Hotel	2,163	81	25%	20	80	1.9m
Plot F	GP	2,500	1	5%	10	-6	-0.16m
	Subtotals	**6,800**			**30**		
					141	**Total parking spaces**	

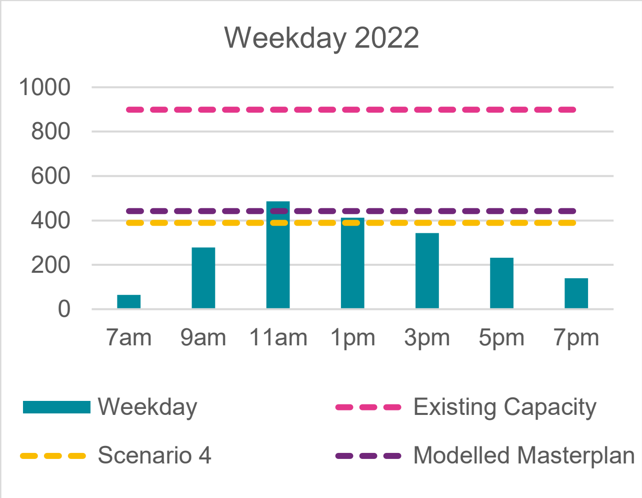
Figure 6: Residual Value Waterfall Chart

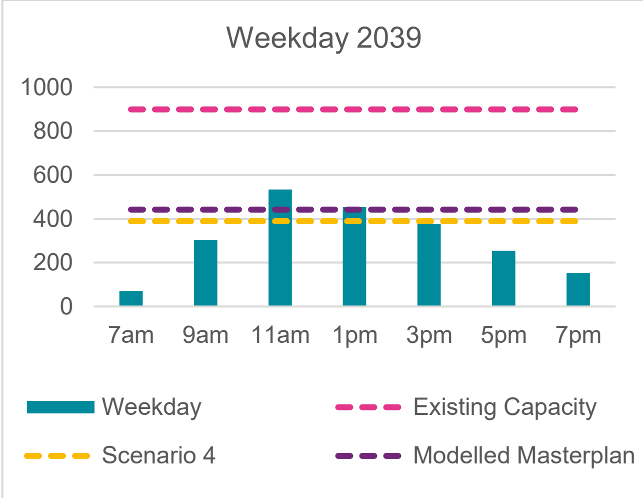


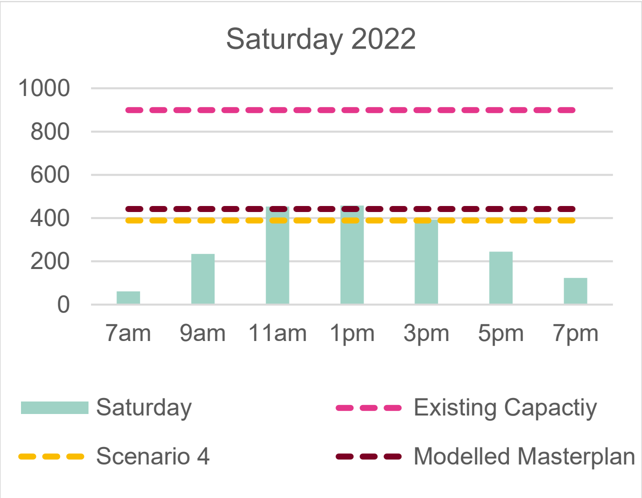
Implications for TMBC Parking Revenue

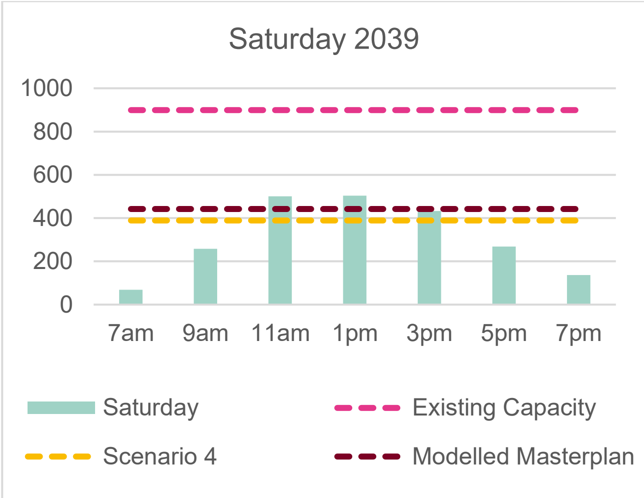
A lower density housing solution reduces the number of residential allocated spaces within the podium parking area, hence increasing the number available parking spaces for retail use and revenue generation for the Council.

Figure 7: Forecast utilisation of spaces (note Sovereign East car park was excluded from the TMBC parking study, hence existing capacity 899 in charts, not 970.









Approximately 36 additional parking spaces would be created as part of the new leisure centre located adjacent to the swimming pool. It is reasonable to assume that some of the current parking demand in the LEHS area relates to the leisure facilities, so we have included these 36 spaces within out total capacity estimate.

Using the data within the parking study commissioned by the Council – “Updated review of Tonbridge Town Centre Car Parks” by Alpha Parking, dated 16 January 2023 – the likely scale of impact on parking revenue can be estimated:

	Existing	Option 4	Potential Viable Option
Surface car parks	970*	-	-
Proposed Podium capacity	-	473	473
Proposed multi-storey capacity	-	148	74
Proposed additional off-site leisure capacity	-	36	36
Proposed capacity in Plots G to J	-	160	130
Subtotal	**970***	**817**	**713**
Parking allocation to new developments	-	-428[†]	-271[†]

Net parking capacity	**970**	**389**	**442**
Estimated peak utilisation in 2022	486	486	486
Forecast peak utilisation in 2039	534	534	534
Excess / shortfall in 2022	484	-97	-44
Excess / shortfall in 2039	436	-145	-92
Estimated lost annual income‡ in 2022	-	-£90k (6%)	-£23k (1%)
Estimated lost annual income‡ in 2039	-	-£181k (10%)	-£77k (4%)

✸ Includes Sovereign East car park (71 spaces) that was excluded from the TMBC parking report as it was closed to public parking at the time of the surveys.

† Assumes 20 allocated spaces to the hotel; the remaining 45 spaces forming part of the general allocation outside of peak times.

‡ Assumes a simple assumption of £1.50 revenue per space per hour, when utilised.

This simple modelling suggests that a viable development may slightly reduce the Council's marking income by up to 4% by 2039, based on today's prices. This shortfall could be recovered through a modest increase (over and above cost inflation) to parking charges, however no changes to pricing has been assumed. Charging mechanisms may also be utilised to influence demand.

In order achieve a viable scheme, the multi-storey car park has been reduced to a single level at the raised finish floor level of the proposed public realm, with podium parking below. An additional level to the multi-storey could be added back in (as Option 4) which would reduce the remove any shortfall at 2022 demand levels and reduce the shortfall forecast in 2039 to only 18 spaces. However, this would increase development costs above a viable level.

It should be noted that these figures are based on TMBC's commissioned parking survey and parking demand will vary across the week and year. For example, on days when a town centre event is taking place, the peak demand will likely exceed the numbers quoted in the report. Another unknown, is how parking demand will vary in response to future technology changes, macro-economic drivers (e.g. fuel prices) and government policy.

2

NEXT STEPS

NEXT STEPS

RECOMMENDATIONS

The East of High Street site is not without challenges however there is an exciting opportunity for the Council to unlock significant financial and social value for the residents and businesses of Tonbridge. There is a route to a viable scheme for the site and the viability assessment has surfaced both where key tensions lie and where the best opportunities, commercial and social, are to be found.

Housing

- The development should be housing led and should seek to deliver c. 250 dwellings of various types.
    - Though the site could accommodate a higher density though taller apartment blocks there should be a bias towards lower rise solutions such as townhouses, back-to-back housing and stacked maisonettes with access from the street. Lower rise more family-oriented housing solutions align closely with the Council's prioritised objectives.
    - Any apartments should be restricted to 6 storeys, this is not only more desirable from a placemaking perspective but also a more viable solution given the disproportionate increase in costs to build buildings of a greater height.
    - BTR should remain a consideration however given sensitivities to market conditions it should not be core to the scheme at least not initially.
    - Likewise, with later living market appetite may bring it forward at a later stage however is not a primary driver of the development.

Parking and Public Realm

- The quantum of dwellings and other development on the site has a corresponding parking requirement and as such balancing the amount of development and parking is vital to achieving a viable scheme. The above will help achieve this.
- Likewise, balancing the amount of development to the provision of public space to manage costs while still delivering on placemaking ambitions is also vital to the viability of the scheme. A lower rise housing solution will support this.

Commercial

- A hotel should be included given it will support tourism, delivers placemaking benefits and is a revenue opportunity for the Council. Initial analysis has shown a hotel to be viable however collaborating with the operator and negotiations with respect to values could deliver improved viability in the next stage.
- Flexible commercial should be included with ground floor retail space, which has shown to viable, prioritised to activate frontages and enhance public spaces. Office space has proved more challenging to deliver a commercial return and as such should only be included should a suitable complementary and attractive commercial opportunity arise.

Leisure Centre

The future of the Angel Leisure Centre is critical for the development of the East of High Street to progress. Based on a separate report, The Council has confirmed that the existing building will be demolished, and has commissioned a specialist leisure consultant to assess:

- The optimum combination of leisure facilities;
- Potential locations for a new build leisure centre within the town.

These potential locations will include the Land East of High Street.

The design and viability assessments that Mace carried out preceded the Council's decision to seek to provide a new set of facilities within a new building, however the outputs from our modelling were used to support this direction of travel.

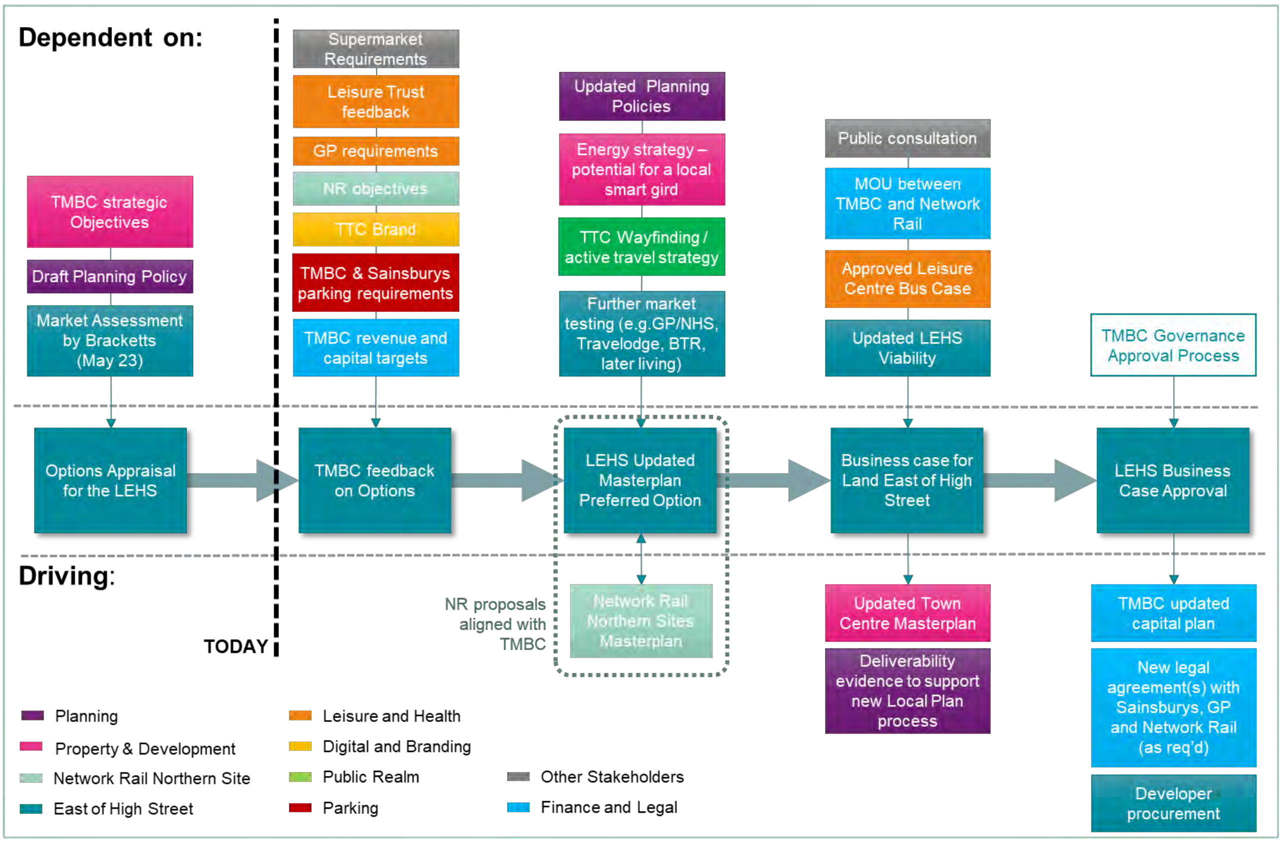
DEPENDENCIES AND DRIVERS

The design options and subsequent viability exercise is a starting point that can help shape what ultimately gets developed on the site yet there are still important steps, many interdependent, that need to happen to progress, furthermore these can be understood in the context of the Council's priority objectives.

Table 12: Next Steps and Dependencies with respect to the Council's priority objectives

PRIORITIES	NEXT STEPS / DEPENDENSIES	OPPORTUNITY
Wider availability of housing typologies	- Viability of 40% affordable - Network Rail alignment - BTR policy - Refine density expectations	- Market / typology creation
Connection of existing assets	- TMBC active travel strategy	- Network Rail sites and connection to station
Healthy lifestyle	- Leisure centre decision - Town centre brand - Agree metrics	- Health hub
Facility alignment	- Leisure facilities mapping	- Enhanced MR solution
Strengthening the town brand	- Town centre brand strategy	- Be bold
A diverse economy	- Adaptability / flexibility of spaces - Not compete with existing	- "The narrows"
Revenue stream creation	- Define TMBC ambition	- Market creation not just market failure correction
Visitors and tourism	- Align with strategy - Public consultation	- Vibrant urban quarter - More hotel accommodation
Attract different groups	- Define the groups - Public consultation	- Inclusivity - Enhanced event programme
Exceeding net zero by 2030	- Cost and viability	- Design Code - IDNOs

Figure 8: East of High Street Dependencies and Drivers



LOCAL PLAN

The Council is currently developing a new local plan, crucial policy, and the road map for any future development. Completing this important work will support progressing plan for the East of High Street site. The local plan is in turn dependant on the Council developing key strategies and a robust evidence base with the following being integral to a successful East of High Street scheme:

- Parking strategy
- Housing density that is deliverable.
- Affordable housing
- Active travel

COMMUNITY ENGAGEMENT

It is necessary to consult with residents and local business to shape the direction and ensure community buy-in for the proposed development of the East of High Street site. This input should guide which elements are most important to the community and is an opportunity to test the objectives that the Council has prioritised with the public. Community feedback should ideally focus on the possible uses for the site to inform a future masterplan and should avoid testing actual design solutions.

COMMERCIAL ENGAGEMENT

Sainsbury's are a critical commercial stakeholder thus ongoing consultation is important to align their plans with those of the Council. Collaborating with Sainsbury's could identify further opportunities to best use the site and could benefit both parties. Some key points to resolve are the following:

- Sainsbury's future refurbishment plans
- The parking agreement with Sainsbury's and the Council's parking strategy for the site
- The potential to move the Sainsbury's Petrol Station and the impact of this for each party.

There is a small parcel of land adjacent to the petrol station (currently a car wash) that is not owned by the Council. The Council should explore the possibility of acquiring this land to realise the full potential of site.

Network Rail have expressed interest in developing their land, north and south of the railway line, and recognise opportunities for improvement of the station as an arrival point. The northern Network Rail site is adjacent to the East of High Street site thus collaborating with Network Rail and aligning objectives across both sites could have a significant positive impact on Tonbridge as a place and unlock further value for both parties. In discussions to date, Network Rail have indicated a willingness to develop a masterplan and business case for the wider study area that would include the north and south development sites and the station area. To this end, ongoing engagement with Network Rail should continue.

MASTERPLAN AND 5 CASE BUSINESS CASE

Considering the new local plan, community input, Sainsbury's plans, establishing the role of Network Rail, and the Mace options appraisal work, a detailed masterplan and five case business case for the East of High Street, ideally including the adjacent Network Rail sites, will need to be completed.

The Treasury's five case model is the means of developing proposals in a holistic way that optimises the social / public value produced using public resources.

- Strategic case - What is the case for change, including the rationale for intervention?
- Economic case - What is the net value to society (the social value) of the intervention compared to continuing with Business as Usual?
- Commercial case - Can a realistic and credible commercial deal be struck?
- Financial dimension - What is the impact of the proposal on the public sector budget in terms of the total cost of both capital and revenue?
- Management dimension - Are there realistic and robust delivery plans?

To complete a robust 5 case business case the Council will need to have a masterplan that is deliverable and establish a financial strategy that outlines available capital reserves, available debt facilities and their appetite for risk.

Annex 2i

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