

# Appendix 5

## Establishing a Windfall Allowance

# 1. Context

- 1.1 The National Planning Policy Framework gives scope for local planning authorities to make an allowance for windfall sites, including in the five-year supply, if they have compelling evidence that such sites have consistently become available in the local area and will continue to provide a reliable source of supply.
- 1.2 The SHLAA Practice Guidance defines windfall sites as *‘those which have not been specifically identified as available in the local plan process. They typically comprise previously-developed sites that have become unexpectedly available. These could include, for example, large sites resulting from, for example, a factory closure or small sites such as a residential conversion or a new flat over a shop’*.
- 1.3 Previous national guidance did not restrict the composition of any windfall allowance with local planning authorities able to include all realistic sources of windfall development. However, the NPPF makes it clear that such an allowance should not include development on residential gardens.
- 1.4 The following sections outline the justification for including a windfall allowance as part of housing provision in Reigate & Banstead and discuss how the windfall figure has been arrived at.

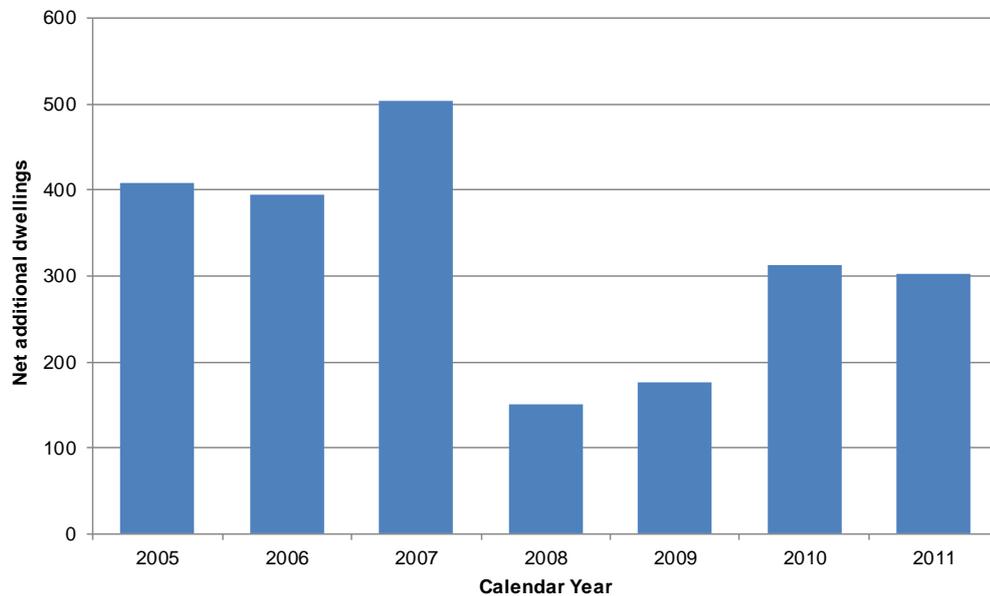
## 2. Windfalls in Reigate & Banstead

### Overall windfall provision

- 2.1 The South East Plan specifically recognises that small scale redevelopment forms an integral part of the development character in London Fringe area within which Reigate & Banstead largely sits. In particular, it highlights the fact that *“future land supply in the sub-region will come predominantly from relatively small previously developed sites within established urban areas.”* Reigate & Banstead itself is characterised by a fragmented urban area with no particularly large urban mass. This spatial form means that large scale planned opportunities within the urban area are rare, reinforcing the prevalence of smaller, *ad hoc* developments. During the previous Core Strategy examination, the Inspector accepted that windfalls would continue to make a contribution to housing supply in the borough.
- 2.2 Analysis clearly demonstrates the significant contribution made by windfalls of total housing supply in Reigate & Banstead. Between 2005 and 2011, 2,249 net additional dwellings were permitted on windfall sites in the borough out of a total of 4,319, equating to 52% of all permissions. In addition, monitoring information since 2006 indicates that 1,956 net additional dwellings were completed on windfall sites, similarly equating to just over half of all completions.
- 2.3 Figure 1 overleaf demonstrates that, with the exception of the two recession years, annual rates of windfall permissions have been largely consistent and have regularly exceeded 300 dwellings per annum. Prior to the economic downturn in 2008, the number

of new dwellings permitted on windfall sites was on average 436 per annum. Despite a significant drop during the worst two years of the downturn (2008 & 2009), windfall activity has seen a marked recovery, with average annual permissions restablising at around 300 per annum.

**Figure 1: Net additional windfall dwellings granted (2005-2011)**



- 2.4 In addition to a high volume of permissions each year, analysis shows that a significant proportion of these permissions are delivered. Of the total windfall dwellings permitted between 2005 and 2008<sup>1</sup>, 84% were implemented within the life of their initial permission.
- 2.5 Whilst the SHLAA has anticipated some potential developments that would otherwise have come forward as windfalls, it is clear that there is a compelling justification for making a windfall allowance, particularly with regards to small sites, in Reigate & Banstead's housing supply. The character and spatial form of the borough means windfall sites are inevitably prevalent and contribute a significant and consistent proportion of new permissions and these are reliably translated into completions.

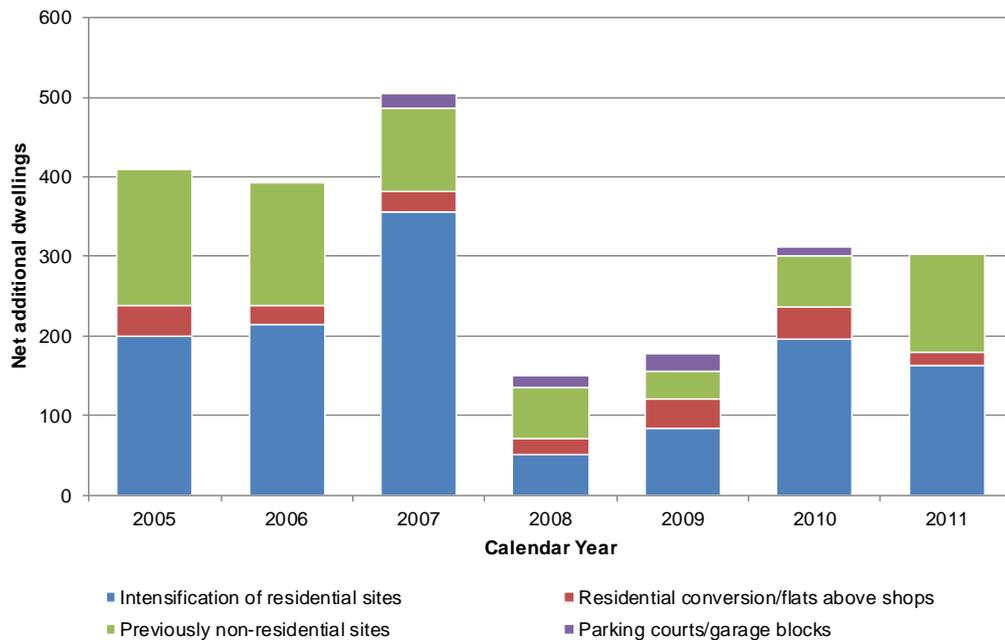
## Sources of windfall development

- 2.6 The SHLAA Practice Guidance (Stage 10) suggests that analysis of future windfall rates should break overall windfall provision down into distinct land sources as the rate will be different between them.
- 2.7 Detailed analysis of historic windfall permissions in Reigate & Banstead indicates that there are four main distinct sources of windfalls. These include:
- Previously non-residential sites (e.g. employment/community uses)
  - Residential conversions/flats above shops
  - Intensification of existing residential sites
  - Parking courts and garage blocks

<sup>1</sup> This date range is chosen to ensure that those permissions being analysed have passed their respective expiry dates.

2.8 Figure 2 below demonstrates the relative contribution made by each of the sources to total windfall provision. 'Residential intensification' undoubtedly forms a significant part of windfall supply in the borough, accounting for around 55% of all windfall dwellings between 2005 and 2011. However, permissions on other windfall land sources still made a material contribution of 985 dwellings across the 7 year period.

**Figure 2: Net additional windfall dwellings granted by development type (2005-2011)**



2.9 The following sections discuss each of the land sources independently. In line with the NPPF, analysis and commentary will give consideration to:

- Historic windfall delivery rates
- Expected future trends
- The Strategic Housing Land Availability Assessment

## Previously non-residential sites

2.10 Analysis of historic developments indicates that sites not previously in residential use are a common source of windfall developments in Reigate & Banstead. In particular, a significant proportion of these come in the form of business premises outside of allocated employment locations which have become unexpectedly available for development (e.g. occupiers vacate or close down); a source which is explicitly recognised in the definition of windfalls in the Practice Guidance. Whilst in some cases premises such as these are retained for employment or other non-residential uses, others are deemed suitable for residential development where there are less suitably located, obsolete or surplus to requirements.

## Historic delivery rates

- 2.11 Table 1 shows the number of net additional dwellings permitted on such sites in Reigate & Banstead since 2005. These figures exclude what could be considered to be 'abnormal' large scale windfalls (such as the housing developments at Holmethorpe, Park 25 and Queen Elizabeth Hospital). For detail, this is broken down into large and small sites.

**Table 1: Net additional dwellings granted on previously non-residential sites**

	Net additional dwellings permitted	Per annum
<b>Large (10+ units)</b>	532	76.0
<b>Small (&lt;10 units)</b>	180	25.7
<b>Total</b>	<b>712</b>	<b>101.7</b>

- 2.12 In order to understand how this translates into delivery, it is necessary to analyse the implementation rate for such permissions. To do this, all permissions granted between 2005 and 2008 are tracked through to see whether they have been implemented. This time frame is selected to ensure that all permissions are beyond their expiry date. Table 2 below demonstrates that large sites have a stronger rate of implementation than smaller sites, with more than three-quarters of all permissions being delivered.

**Table 2: Implementation of permissions (2005-2008)**

	Dwellings Permitted	Implemented	Implementation Rate
<b>Large (10+ units)</b>	404	310	77%
<b>Small (&lt;10 units)</b>	79	46	58%

- 2.13 Combining these two pieces of analysis provides us with indication of the net dwelling gain realised on previously non-residential sites.

**Table 3: Realised gain from previously non-residential sites**

	Net additional dwellings permitted	Realised Gain	Per annum
<b>Large (10+ units)</b>	532	410	59
<b>Small (&lt;10 units)</b>	180	105	15
<b>Total</b>	<b>712</b>	<b>515</b>	<b>74</b>

## Expected future trends

- 2.14 Due to the uncertain economic performance and poor outlook for the commercial property market, it is likely that such opportunities of both smaller and larger scale will continue to come forward unexpectedly as businesses downsize, relocate or close; particularly in the short term. Additionally, the potentially more permissive stance in the NPPF regarding change of use from commercial to residential may encourage more landowners to pursue this avenue and seek alternative residential use of such sites.
- 2.15 Whilst initiatives such as the Community Right to Buy (or Bid) may give communities the opportunity to purchase certain 'nominated' assets of community value, landowners will be under no obligation to sell to a community group. As a result, it is unlikely that the

initiative will lead to a significant reduction in the number of community or commercial assets coming forward for development, particularly from private owners.

- 2.16 On this basis, there is evidence to support the view that the historic pattern of development and rate of delivery will at least be sustained and could potentially grow.

## Residential conversions/flats above shops

- 2.17 Residential conversions and flats above shops are specifically recognised as windfall sources in the SHLAA Practice Guidance definition. Both are considered to be legitimate windfalls as such sites are by their very nature small scale and opportunistic meaning they cannot realistically be identified. Windfalls of this type regularly come forward in Reigate & Banstead, particularly the former given the borough's housing stock which comprises a significant proportion of large properties conducive to conversion.

### Historic delivery rates

- 2.18 Table 4 shows the number of net additional dwellings permitted on such sites in Reigate & Banstead since 2005, all of which have been on small sites confirming the assertion above.

**Table 4: Net additional dwellings granted in conversions/flats above shops**

	Development type	Net additional dwellings permitted	Per annum
Small (<10 units)	Conversions	153	21.9
	Flats above shops	51	7.3
	<b>Total</b>	<b>204</b>	<b>29.2</b>

- 2.19 In terms of implementation, Table 5 below demonstrates that both sources have reliable implementation rates with conversions exceeding three-quarters whilst all permissions for flats above shops have been delivered.

**Table 5: Implementation of permissions (2005-2008)**

	Dwellings Permitted	Implemented	Implementation Rate
Conversions	93	71	76%
Flats above shops	17	17	100%

- 2.20 Applying this implementation rate to the overall stock of permissions indicates that 24 additional dwellings each year are delivered through residential conversions/flats above shops, with conversions providing the majority.

**Table 6: Realised gain from conversions/flats above shops**

	Net additional dwellings permitted	Realised Gain	Per annum
Conversions	153	116	17
Flats above shops	51	51	7
<b>Total</b>	<b>204</b>	<b>167</b>	<b>24</b>

## Expected future trends

- 2.21 Making the best and most efficient use of housing stock remains an appropriate method of boosting housing supply. The conversion of existing buildings also supports the re-use of existing resources, contributing to sustainability goals and the transition to a low carbon economy. Such opportunities generally present a cost-effective and viable option for delivering additional housing and are favoured by small developers as they allow the introduction of products into established residential areas and markets. Additionally, with the trend towards decreasing household sizes, it is likely that residential conversions will continue to come forward as a way of meeting such demand.
- 2.22 The contribution that residential uses can make to the vitality and vibrancy of town, district and local centres is increasingly recognised. The National Planning Policy Framework encourages local planning authorities to set out policies which encourage residential uses in appropriate locations within centres. Furthermore, *High Streets at the Heart of our Communities*; the Government's response to the Mary Portas Review, highlights the fact that space above shops can be converted to a single flat without planning permission and the Government proposes to double this in order to further encourage people to live in town centres. Given the fact that such space is often underutilised and of little value, conversion to residential is strongly viable and with the increasing policy support for such developments, it is reasonable to assume that opportunities will continue to come forward in the future.
- 2.23 Given these trends and policy support for such developments, it is reasonable to take the view that the recent pattern of such developments will continue into the future. Detailed analysis of the locations where flats above shops have been developed over recent years suggests that there is sufficient capacity to at least sustain historic levels across the plan period when applying relatively cautious assumptions regarding implementation.

## Garage Blocks/Parking Courts

- 2.24 Over recent years, there has been an increasing trend towards making better, more efficient use of land within planned housing estates across the borough. In addition to general intensification and infill development, there has been a specific trend involving the rationalisation and redevelopment of underutilised garage blocks and parking courts.

### Historic delivery rates

- 2.25 Table 7 below shows the number of net additional dwellings permitted on such sites in Reigate & Banstead since 2005, all of which have been on small sites confirming the assertion above.

**Table 7: Net additional dwellings granted on garage sites**

	Net additional dwellings permitted	Per annum
Large (10+ units)	34	4.9
Small (<10 units)	35	5.0
<b>Total</b>	<b>69</b>	<b>9.9</b>

2.26 Once again, such sites have relatively strong implementation rates. The only large site permitted during the period of analysis has been implemented and almost 70% of small sites have been implemented.

**Table 8: Implementation of permissions (2005-2008)**

	Dwellings Permitted	Implemented	Implementation Rate
<b>Large (10+ units)</b>	10	10	100%
<b>Small (&lt;10 units)</b>	25	17	68%

2.27 Taken together, these analyses allow us to calculate the dwelling ‘gain’ which has been realised from this particular source of permissions. Whilst only a small amount, the redevelopment of garage blocks has effectively contributed 8 dwellings per annum.

**Table 9: Realised gain on garage sites/parking courts**

	Net additional dwellings permitted	Realised Gain	Per annum
<b>Large (10+ units)</b>	34	34	5
<b>Small (&lt;10 units)</b>	35	24	3
<b>Total</b>	<b>69</b>	<b>58</b>	<b>8</b>

### Expected future trends

2.28 The effective use of previously developed land remains one of the Core Planning Principles in the National Planning Policy Framework. Such parking arrangements were typically developed as part of modern estates developed in the 1960s and 1970s and nowadays are commonly underutilised. Remodelling such areas not only contributes to housing supply within established residential locations but also offers the opportunity to bring about enhancements to the local environment.

2.29 Discussions with Raven Housing Trust confirm that there remains significant latent potential within their portfolio of estates for recent patterns of development to continue into the future. However, as these opportunities do not form part of the core development programme and often require negotiations with leaseholders, they are likely to come forward on an ad hoc basis rather than in a manner which can be anticipated.

2.30 Such sites are strongly viable given the relatively low existing use value and continue to be an accessible source of land for small developers and local registered providers.

## Intensification of existing residential sites

2.31 As previously discussed, ‘residential intensification’ constitutes a significant amount of the windfall supply in the borough. For clarity, this broad heading of ‘residential intensification’ includes four different development types explained below:

- *Pure curtilage development - involving the sub-division of an existing plot to provide additional dwellings*
- *Curtilage with donor - involving the demolition of one or more properties to provide the access to enable development on curtilage land (i.e. back gardens)*

- *Plot intensification - involving the demolition of existing dwellings on a particular site to allow development of new dwellings at higher density.*
- *Replacement with flats - involving the demolition of existing dwellings on a site and replacing them with flatted development.*

### **Historic delivery rates**

- 2.32 Analysis indicates that a total of 1,264 additional dwellings were permitted on windfall developments involving the intensification of existing residential sites, equating to 180 per annum over the period.
- 2.33 Such developments have very strong implementation rates, ranging from 83% on small sites to 97% on large sites, indicating a high degree of achievability and deliverability. Applying these implementation rates to total permissions indicates that a net gain of 107 dwellings each year is achieved on ‘residential intensification’ sites.
- 2.34 Whilst this source is largely reliant on developing residential gardens, around 40% of the net gain is achieved through developments where existing dwellings are replaced with blocks of flats.

### **Expected future trends**

- 2.35 The effective use of previously developed land remains one of the core planning principles in the National Planning Policy Framework and the intensification of existing residential sites does contribute to achieving this goal. Furthermore, despite the removal of residential gardens from the brownfield definition in PPS3, appetite for such opportunities from the development industry appears undeterred.
- 2.36 However, the National Planning Policy Framework specifically precludes the inclusion of ‘residential gardens’ in the windfall allowance and its wider stance towards the development of residential gardens<sup>2</sup> is restrictive. On this basis alone, it would be contrary to the NPPF to include a number of the categories listed above.
- 2.37 More generally, the future detail of the local policy approach to residential intensification and housing density is as yet undecided and whilst it is possible that some development of this type may continue to be acceptable, the potential contribution they could make is uncertain. Therefore, it is deemed that for the purposes of establishing a robust and realistic windfall allowance, the most conservative approach should be adopted and all forms of residential intensification should be excluded.

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<sup>2</sup> See in particular NPPF paragraph 53, page 14

### 3. Conclusion

- 3.1 The discussion above demonstrates that genuine local circumstances exist to justify an allowance for windfalls in the borough's housing supply. Windfall sites have historically made a significant, consistent and reliable contribution to overall housing supply in Reigate & Banstead and the geography and character of the borough means that small scale developments are likely to continue to form an integral part of future supply; as recognised in The South East Plan. Whilst in the past, the intensification of existing residential sites has represented a large part of windfalls; other land sources have been demonstrated to consistently make a material contribution.
- 3.2 Following the adopted methodology, the SHLAA does not specifically identify sites under the threshold of 10 dwellings. However, such sites represent a realistic stream of supply and it would thus significantly under-estimate the urban potential of the borough if no allowance were made for the contribution made by these unidentified small sites. The inclusion of an allowance for small site windfalls is therefore justified and robust.
- 3.3 Whilst the SHLAA has taken a robust and comprehensive approach to the identification of sites over the 10 unit threshold, including through a targeted and open call for sites, the information provided and submissions made are necessarily based on circumstances at a particular point in time. Therefore, despite best endeavours to identify large sites, the definition of windfalls in the SHLAA Practice Guidance recognises that "large site from, for example, a factory closing" will unexpectedly become available. By definition, it is therefore legitimate and justified to include an allowance for larger sites, albeit discounted to ensure the allowance is realistic in the context of sites and broad locations specifically identified through the SHLAA.
- 3.4 As such, to avoid the double counting of supply, all large sites identified in the SHLAA which have not been specifically allocated through the existing Local Plan or an emerging DPD are subtracted from the windfall figures identified in section 2 above. Broad locations are also subtracted, except where these would require a specific policy intervention.
- 3.5 The likely future prospects for most types of windfall development are positive with no evidence to suggest that historic rates cannot be sustained into the future. As a matter of fact, government attitude towards certain sources (i.e. flats above shops) and the NPPF approach to the change of use from commercial to residential<sup>3</sup> suggests that rates for these developments could potentially increase.
- 3.6 On the other hand, the NPPF stance towards the development of residential gardens is clearly restrictive and uncertainty regarding the local approach to other forms of residential intensification means that the outlook for this source is less clear. To roll forward historic trends would not be robust and while it is likely there will continue to be some contribution from this type of development, the most conservative and robust conservative approach has been taken, with all forms of residential intensification excluded from the windfall allowance.

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<sup>3</sup> See in particular paragraph 51, page 13

3.7 On the basis of the analysis and discussion above, Table 10 below summarises how the robust and justified windfall allowance of 50 dwellings per annum is derived.

**Table 10: Summary of windfall allowance**

Source		Baseline annual allowance*	Total allowance over 15 years	Discount (reflecting identified sites/broad locations)	Plan period allowance
Previously non-residential	Small	15	225	0	225
	Large	59	885	797	88
Conversions & flats above shops	Small	24	360	0	360
	Large	0	0	0	0
Parking courts & garage blocks	Small	3	45	0	45
	Large	5	75	40	35
<b>Total</b>					<b>753 (50 p.a)</b>

\*Based on historic trends