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Planning For HMOs: Opportunities And Pitfalls



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HMOs remain an attractive investment vehicle for many developers and, in some parts of the UK, the strength of rental values and the local market for student- or professional-lets compounds this attraction and outperforms build-to-sell strategies or self-contained flats.

In looking for such opportunities, it is important to be mindful of the planning issues and opportunities often engaged. Therefore, this article offers a reminder of these points from our experience.

HMOs: Big or small and planning risk

HMOs (houses or flats occupied by more than 3 unrelated individuals sharing amenities) are not often popular with councils, especially 'large HMOs' (i.e. 7 or more people sharing, or known as 'Sui Generis' use). Any change of use to large HMOs (including from an HMO of 6 or fewer tenants, known as a small HMO or 'Class C4 Use') requires planning permission, as does a change to Class C4 use in an Article 4 Area.

Despite the attraction in investment terms to many developers, especially once the property is set-up, properly managed and cash-flowing, the planning risks are often casually-underplayed by some, in particular some property education courses, that give the impression of such assets as 'easy money'. This often overlooks the policy approach and local stigma in terms of local environment and conflicts with the character of a local area that have arisen from poorly-run HMOs and led to councils forming policies to address these concerns.

Councils are concerned about increased traffic and parking, 'noisy neighbours' and more comings and goings, and refuse and litter. Internal space standards can be poor as well. In addition, in some towns, in certain parts, councillors prefer longer term residents and families, instead of students



and single professionals, particularly if they might be within a certain demographic perceived as more likely to vote for a councillor's political party.

So, looking to buy a property to convert into an HMO can be fraught with local 'political' risk, which can lead to lots of objections to planning applications, unless of course the proposal is to convert a single dwelling (Class C3 Use) into a small HMO for no more than 6 persons sharing (Class C4 Use) and there is no Article 4 Direction in force to withdraw this permitted development right.

The best returns often can be found in the larger properties, where you can go for a large HMO – but this is also where there can be the greater challenges in both planning and longer term management.

Where to look for HMOs

Targeting the right property in the right area, which will also command the best

returns, needs to be balanced with trying to avoid problems that might stop you from getting planning permission.

Summarising where to find great opportunities is difficult to generalise – there is no substitute to driving around the area, speaking to agents and checking patterns in rental prices across an area on, say, Rightmove or Zoopla, but here are a few suggestions:

- ◆ Aim to be no more than 10 minutes' walk from a local centre (a rail or Underground station too if possible, but not critical)
- ◆ Make sure it is well-served by local bus routes
- ◆ Check online against Flood Risk in the area (ideally Flood Zone 1) especially if looking to make use of basements
- ◆ Check good forecourt area for bin storage and bicycles or room to the rear for bicycle storage with side access

- ♦ Check number of other HMOs within a radius of the front door to the property (see 'Concentration Policies' below)
- ♦ Spacious rooms with generous space for circulation and shared living with good natural sunlight and daylight throughout.

The next stage is then to check we meet that the key Local Plan policies are met. Usually, this means considering two issues in particular: the concentration of HMOs in the area and traffic and parking.

The Concentration Policy – the key to permission

Few policies are as important to securing permission for an HMO as the Council's Concentration Policy. Not all Councils will have one for HMO applications, so this will vary around the country.

However, where it does exist, the Council will use it to prevent an over-concentration of HMOs within a radius of the property (typically 50 metres, sometimes more). Every Council applies its own such policy so you must (1) check there is one and (2) check how it is calculated. It will vary from town to town.

Policy can change very quickly and it is important that, as you come up to the point where officers begin to prepare their reports before going to a Planning Committee meeting or issuing a decision, you check for any last minute changes in policy that might be coming through. This can be used sometime to move the goal posts against local developers seeking HMO permissions, especially if the issue of HMOs is locally a 'political football'.

Highways and parking

Local parking standards for HMOs (and this also applies to those set out in the London Plan 2021) are usually expressed in terms of car parking spaces needed 'per dwelling'. However, in the case of HMOs this does not mean that the whole house comprises 'one dwelling': if that were the case, the house might only need one or two car spaces. Instead in the case of an HMO, as each separate room is occupied by a separate and unrelated individual (or pair in the case of a double room), then each room comprises a separate 'household' or dwelling. This is how the Council's transport planners will usually apply local parking standards. This may mean that an HMO might have to normally provide at least six parking spaces!

Therefore, if you are looking at converting to an HMO, contact a highways consultant in advance. You need to check if public transport in the area is strong enough that you do not have to comply with the parking standards, which HMOs will often fail to comply with. You are likely to need a full Transport Assessment and On-street Parking Survey with nearly all of these applications.

A sound Transport Assessment is worth its weight in gold, as it will help to get the Highways Authority on side and the Planning Officers or Committee will very rarely, if ever, go against written support from Highways Officers. With an Assessment, you can justify extra rooms you might not get otherwise, which will pay for the report several times over.

Floor plans – Licensing and amenity

Obtaining a licence for an HMO will help to demonstrate compliance with the Council's Local Plan standards for the proposed layout and internal amenity of the HMO rooms and shared living and cooking space.

The licence will be obtained from the Council's Housing Department. However, satisfying the housing teams sufficiently to obtain a licence does not, as we have seen above, give you a 'free pass' with the planning teams, as they operate under a different statutory regime and will have related but significantly different policies.

As licensing is now required in almost all cases, it makes sense that ALL conversions should be checked against the Council's local licensing standards first and FULLY Building Regulations compliant. Housing Officers are often consulted on planning applications for HMOs and in London, the new London Plan 2021 requires that all housing developments and conversions comply with fire safety standards in the Building Regulations BEFORE planning permission is granted (an outcome from the Grenfell Tower disaster).

Political interference and NIMBYs

Some councillors love to try and use HMOs as a stick to beat SME developers with. When this happens, the fact that you may comply with policy tends to become secondary to local political point-scoring or community prejudice against HMOs. It becomes more about public relations and distinguishing you as a developer and your product as world's apart from the sort of 'slum housing' that others might perceive or

seek to represent the proposal. There are several ways of doing this.

Track record

Firstly, I would strongly recommend sending committee members a PDF of the property, explain how big it is, throw in some awful pictures of the current state of the property on its worst day, and some high-quality CGIs or indicative photos (even if showing your other high quality HMOs). Avoid misrepresentation. Be open, honest and transparent. Explain who you are, what you do, give examples of your other properties and hopefully some great feedback from your tenants.

None of this is likely to be strictly relevant to the council's planning policies. However, the councillors will see this and it might make them more comfortable with the thought of an HMO in this case. Also, if you send it with a covering letter focussing on the good points and benefits of the conversion, just before any site visit with members then this can be extremely effective.

Comparisons with the existing 'fall-back' of a large family house

Secondly, it is often worth pointing out to officers and the councillors, that the existing flat or house is not fully optimised anyway and could (subject to national space standards) easily accommodate more bedrooms and bed spaces. If these numbers are roughly the same as being proposed in the new HMO, then you have a very good argument against claims of 'overcrowding'. Councils have lost planning appeals on this basis.

Summary

HMOs can provide great opportunities for providing a greater diversity of high-quality accommodation in an area and meeting a need from those who for social or economic reasons might not yet be ready to own their own property.

However, their policy and political issues need to be built-in to your search criteria so that you are not 'buying a problem' intrinsically related to the location of the property, whilst also providing scope for adding value. The scope for NIMBYism and councillor interference should not be underestimated. All such applications, especially where permitted development rights do not exist or have been withdrawn, should be carefully considered and expert advice sought at an early stage, preferably before committing to acquisition.