

How we Helped Create an Annual Income of £85,000 Within 12 Months



Planning consultant **David Kemp**, director at DRK Planning Ltd, talks about a recent HMO conversion project

In this article, I take you through the ups and downs of a recent case in which we managed to win planning permission to convert a Victorian townhouse in Northampton, in an Article 4 area with no PD rights, from three flats to a large 16-person, 10-bedroom HMO and share with you some of the things we did to help get this over the line.

In doing so, we helped the client to double the value of the property and create an income stream of £85,000 pa!

HMOs: What's the attraction?

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 Article 4 Area.

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. However, in some towns, in certain parts, Councillors prefer longer term residents and families, instead of students and single professionals.

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. On top of that, some investors and developers can be turned-off from the actual or perceived management hassle of dealing with tenants and their problems.

However, for those willing to take on the challenge, the rewards can make up for



these hurdles and you can turn a house into a potential 'money machine'.

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. Of course, more inexperienced investors might be 'scared off' by such opportunities, so there can also be fewer competitors!

What makes a 'good HMO' opportunity?

Location. Location. Location.

This is never truer than in the case of HMOs, where you are going to have lots of smaller rooms and households and need to find a property in the right area, which will command the best returns but also not land you with 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 there is a good forecourt area for bin storage and bicycles or room to the rear for bicycle storage with side access
- Check the number of other HMOs within a radius of the front door to the property (see 'Concentration Policies' below)
- Look for rooms with generous space ▶



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!

The Highways Authority was on our side and officers were supportive...so all plain sailing then? No. Not quite.

The Concentration Policy – the key to permission

Few policies are as important to securing permission for an HMO as the Council’s Concentration Policy. The Council will use it to prevent an over-concentration of HMOs within a radius of the property (sometimes 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.

The Council later changed their concentration policy five days before the Committee Meeting and our case got deferred for 1-2 months! Fortunately, the way this particular policy calculated concentration meant we just had to change the scheme slightly—but you need to be very nimble and highly reactive to avoid a refusal and somehow keep the application on track!

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.

‘Overcrowding’ and ‘greedy developers’

Some Councillors love to try and use HMOs as a stick to beat SME developers with—and we did not get away lightly! One particular Councillor decided to object to our scheme and call-in the application to Committee; not even a Councillor in the Ward affected. Nobody else objected and our actual Ward Councillor rather liked our proposals!

When you get to this stage, then it’s not about policy any longer. It’s about P.R. and distinguishing you as a developer and your product as being a world apart from the sort of ‘slum housing’ that taints the reputation of our industry. There are several ways of doing this.

‘I’m not like him...I’m one of the good guys’!

I would strongly recommend sending Committee Members a PDF of the property. Explain how big it is, then throw in some awful pictures of the current state of it on its worst day and some lovely CGIs or indicative

for circulation and shared living with good natural sunlight and daylight throughout.

The next stage is then to check the key policies. In Northampton, there are several aspects to their policy – the biggest issues though, wherever you are, will usually be: the concentration of HMOs in the area and traffic and parking.

Getting officers on-side

In May 2019, we held a pre-application meeting with officers. I would always recommend this as the interpretation of policy can be fluid and unpredictable and you need to make sure there is clear common ground with officers and an understanding of local political pressure.

Floor Plans – Licensing and Amenity

The property was arranged as three self-contained flats, each of which could be converted to a ‘small HMO’ of up to 6 people each. Therefore, as this would mean the application would be advertised as being for “3 x small HMOs” the planning officer thought that this would draw less controversy and local comment than a “large HMO”.

The floor plans were then drawn up, although instead of putting a bedroom into the basement, even with a front lightwell, the Council wanted us to change the ground floor duplex HMO so that the basement was just a ‘second living room’ – officers considered they could not support the poor outlook and lack of natural light to the basement, even as a bedroom. This meant we also had to keep a

primary shared living/kitchen/dining space on the ground floor.

In any event, 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 that comes into force in the next few months will require 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).

Highways and Parking

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 will need a full Transport Assessment and On-street Parking Survey with nearly all of these applications, as parking standards for HMOs can often be based on a ratio of one space per occupant (not per dwelling as with flats and houses), so they are more open to criticism that your proposal does not provide enough parking or leads to on-street parking pressure.

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

photos. Avoid misrepresentation. Be open, honest and transparent. Explain who you are, what you do, give examples of your other properties and hopefully get some great feedback from your tenants.

None of this is relevant to planning of course. The officers don't care. But the Councillors do and it will make them more comfortable with the thought of an HMO in this case.

Also, if you send it with a covering letter focusing on the good points and benefits of the conversion, just before any site visit with Members (see below) then this can be extremely powerful and effective.

How BIG is TOO BIG?

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!

Members' site visits

Frequently, about a day or so before the Planning Committee takes place, Committee Members might ask to see the property. It is very important that you or your consultant is there to help show them and the lead planning officer around. It may be well-attended and the Chair of the Planning Committee might also be there. They will be on a small 'tour' of several sites due to be heard at the Committee.

Again, as with the PDF about you and your vision for the property, you are using this as an opportunity to 'market' a consistent message – "I am not a faceless developer, I care about the local area and the community, I want to show my face and let the Committee know who I am and that I can be trusted".

You will not be able to say very much and it really is just about showing them around the property so they understand how it looks and is laid out and what you want to do with it, but it does look good if you're present.

Speak to officers when you know you are going to Committee to check the date and time for their visit. Be early (about 10-15 mins) in case Members are ahead of schedule. Be courteous and 'on hand' but not pushy or 'salesy'. Clear the property of junk and tidy up forecourts and gardens. However, be aware that it helps if the property looks run down and 'tired' inside.

Over the line!

So, in the end, planning permission was granted for the scheme on 23rd January 2020. It was never in any doubt!

Not without its bumps along the journey, but the results speak for themselves:

- ◆ Cash-flowing property to generate £85,000pa
- ◆ Increase in capital value from £355,000 to £700,000
- ◆ Approx. six months from purchase to planning approval
- ◆ Re-use and refurbishment of a tired and under-used property.

If it was easy, then everyone would do it!

I would like to give a massive thanks to

Michelle Lowe and Jeremy Wormington for the opportunity to present them to Northampton Borough Council as 'one of the good guys'!

And finally, if you are looking at a possible HMO conversion (or any other development for that matter), and want expert planning advice, with over 20 years' experience combining planning, legal and development experience, then I would be delighted to hear from you. **PIN**

A CHECKLIST FOR HMO DEVELOPERS:

Some HMOs need planning permission, either because PD rights have been withdrawn or the proposal is for more than six people. Here is a copy of the checklist that we use to work through such applications to enhance the prospects of success:

Check the Concentration Policy – do you comply? How is it calculated?

Double check with Policy Officers – make sure you're bang up-to-date!

Compare the existing total maximum possible occupancy with the number of bed spaces proposed – if the same, this is a possible way of defeating claims of 'overcrowding'.

Speak to a Highways Consultant & Get an 'On-Street Parking' Survey done – HMOs often have strict parking controls but you can often get permission even if there are more bed spaces than available parking spaces if public transport is good.

Run plans past Housing Officers first – they get consulted by planning officers on the standard of accommodation and it will help in obtaining a license later.

Consider making pre-app enquiries with planning officers – officers can confirm and clarify compliance with policy and give an early insight into 'local politics'.

Consider canvassing with a local ward Councillor – you want to avoid being called-in to Committee if possible, so try to get local political support.

Produce an information sheet about you and your track record and proposals – it helps to give Councillors comfort as to who they are dealing with.

Send a letter to all Planning Committee Members – before the Committee, explain the key benefits and get your side across early. It also looks professional and prepared.

Attend the Members' Site Visit – again, it's a chance to show the Councillors on the Committee that you are committed, helpful and keen to make a good impression.

All applications are 'won' before you get to a Committee hearing – based on preparation, communication and presentation.

