

Report to Sustainable development panel
23 March 2016
Report of Head of planning services
Subject Houses in Multiple Occupation - Interim Progress Report

Item

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Purpose

This report is to update members on the progress made with issues relating to Houses in Multiple Occupation (HMOs). This interim update report has been produced as requested by members at sustainable development panel on 25 March 2015.

Recommendation

To note the progress made with regard to Houses in Multiple Occupation since March 2015 and that a further report will be made in early 2017.

Corporate and service priorities

The report helps to meet the corporate priority of a healthy city with good housing and the service plan priority to implement the local plan for Norwich.

Financial implications

No direct financial implications

Wards: All wards

Cabinet member: Councillor Bremner – Environment and sustainable development

Contact officers

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Background documents

None.

Report

Background

1. In planning terms a House in Multiple Occupation (HMO) is a residential dwelling occupied by 3 or more unrelated residents who typically share kitchens, bathrooms and living spaces. HMOs fall into two use classes. If an HMO has 3 to 6 residents, it is classed as a small HMO (use class C4) while an HMO with more than 6 residents is a large HMO (sui generis). Government legislation states that planning permission is not required to change a residential dwelling (use class C3) to a small HMO with 3 to 6 residents (use class C4) and vice versa. However, planning permission is required to change a dwelling or a small HMO to a large HMO with more than 6 residents.
2. In 2011, 7.1 per cent of Norwich's households were in HMOs¹, but this figure varied significantly across different areas with some areas having as many as 24.9 per cent of their households living in HMOs². 29 per cent of Norwich's HMOs were occupied by students³. This data is taken from the 2011 census, in which an HMO is defined as a dwelling shared by more than one household.
3. Concerns have been raised in recent years by a number of residents, particularly in the Nelson ward, about growth in the number of HMOs. The concerns focussed mainly on the loss of housing options for couples and families and on the effects of HMOs on communities (i.e. the number of short-term tenants with less established community ties has grown too large). In 2014, the residents called for planning controls to be introduced to prevent further conversions of dwellings
4. At its meeting on 24 September 2014, the sustainable development panel considered a report and draft options paper on planning for HMOs and potential links to licensing policy. The panel approved the options paper for consultation and a consultation was subsequently held concerning planning policy options for HMOs.
5. The HMO consultation ran from 3 November to 19 December 2014 and had a mixed response. Residents were largely in favour of putting an Article 4 Direction in place to require planning permission to be obtained for the change of use of dwelling houses (Class C3) to small HMOs (Class C4 - up to 6 residents). Some residents wanted to see this Article 4 Direction imposed city-wide whilst others thought that it should be limited to those areas with the highest concentration of HMOs. Landlords and agents were more in favour of positively promoting developments which would reduce the need for the conversion of dwellings to HMOs or of controlling the impacts of HMOs. For a more detailed account of the consultation responses, see the report taken to Sustainable Development Panel on 25 March 2015.
6. It was decided by members at sustainable development panel on 25 March 2015 to:
 - (1) Note that:
 - (a) consultation option 4, promoting the development of accommodation types to reduce demand for conversion of existing housing to HMOs will be taken forward, allowing time to assess housing accreditation and licensing options;
 - (b) progress will be monitored and assessed in 2017, when the need for policy restrictions on new HMOs in wards and areas with high HMO concentrations

¹ ONS Census 2011

² ONS Census 2011

³ ONS Census 2011

- through an Article 4 Direction and a threshold (an adaption of consultation option 2(a)) will be considered;
- (2) ask the head of planning services to provide an interim report on the progress of 1 (a) and (b) above to the panel in March 2016.

7. This is the interim update report as requested in the second resolution above.

Progress update

8. Both of Norwich's universities have a growing student population. In December 2014, the UEA had a total student population of 13,920⁴. This grew to 14,257 by December 2015⁵. The University of East Anglia's Development Framework Strategy (2010) predicted that student numbers would grow by 1000-2000 from 2010 to 2030 while more recent discussions with senior university staff suggest that the UEA is now expecting a greater influx of students in the next few years⁶. NUA had a smaller student population of around 2,500 in March 2015 but this has increased to around 2,600 in March 2016. Discussions with NUA show that the university expects to grow by another 39-84 in the next 12 months⁷. Those who do not continue to live at home during their studies generally have the option of a) living in student accommodation (either university or privately run); or b) living in privately rented HMOs. HMOs are a popular choice since they are often the cheapest of these options.
9. As agreed by the March 2015 sustainable development panel, a voluntary licensing accreditation scheme for HMOs was launched by the council on 14th March 2016. It is not possible to determine the impacts of this scheme yet since it was adopted so recently.
10. Following on from the decision made at sustainable development panel in March 2015, the council has been promoting the development of accommodation types to reduce demand for conversion of existing housing to HMOs. Since 29% of HMOs are occupied by students, an obvious form of development which will help to relieve pressure on the need to provide HMOs is dedicated student accommodation.
11. The UEA and NUA both provide a number of student accommodation blocks. The majority of the UEA accommodation is on the campus and at the neighbouring University Village, with a small amount of accommodation in the city centre. NUA accommodation is in three locations in across the city.
12. The market for purpose-built private student accommodation appears to be expanding rapidly at present. The recent All Saints Green development opened in September 2015 and provides 228 student bed spaces. Planning permission has been granted for 915 bedspaces at the Blackdale Building on the UEA campus and the first phase of 514 beds is nearing completion and is scheduled to be open to students in September 2016. It is understood that the UEA has no immediate plans to build out the second phase of the proposal.
13. A further development for 70 student bed spaces was approved in December for a site at the Earlham West Centre.

⁴ UEA Annual Monitoring Report 2013/14

⁵ UEA Annual Monitoring Report 2014/15

⁶ University of East Anglia

⁷ Norwich University of the Arts

14. Further to the above developments the council is in pre-application discussions with developers for a number of sites where student accommodation is being proposed including a 220-230 bed proposal at the former Mecca Bingo site on All Saints Green which was subject to a pre-application presentation to planning applications committee earlier this month. Collectively, these sites could provide in the region of 1,000 further student bed spaces.
15. The council's private sector housing team has issued 25 HMO licences in the past 12 months. However, this number is not representative of the number of new HMOs for two reasons:
 - (a) Most of these 25 licences will have been issued to landlords re-applying rather than for new HMOs; and,
 - (b) The definition of 'house in multiple occupation' differs considerably between housing legislation and planning legislation. HMOs need a licence if they are 3+ storeys and have 5+ bedrooms. As such, the vast majority of properties which would be considered to be small or large HMOs according to planning will not need a licence.
16. The team also continue to make progress with a system of voluntary accreditation for landlords of HMOs. At the time of writing the accreditation scheme has not been introduced but this is expected to happen before the Panel meets. It is too early to either judge the take up rate of the voluntary accreditation system or the success the scheme will have in raising standards in the sector.
17. There is therefore no reliable information about the number of HMOs existing in Norwich at this time and how this number may have changed since the report of March 2015. However, through council tax records there is information on the number of student only households who are exempt from council tax. This is considered to be a reasonable proxy for the number of student only houses in the private rented sector. These records show that in March 2015 there were 2407 student-only households, and this figure has fallen slightly to 2342 over the 12 months to March 2016. This suggests that the provision of new bed spaces within private student accommodation has kept pace with the increase in student numbers and that any increase in the activity in the buy-to-let sector may be focused on non-student sectors of the market.
18. The Strategic Housing Market Assessment (SHMA) 2015 established that there would be "modest planned growth in student numbers in coming years, mainly in part-time and international students" and with regards to student housing, it concluded that "demand and supply change is likely to be relatively modest and the market unlikely to change significantly".

Further information

19. This year's budget brought in a 3 per cent stamp duty surcharge on buy-to-let properties which has lead to a brief spike in buy-to-let activity as aspiring landlords rush to buy before the surcharge comes into force in April 2016. RICS have been quoted to say that "Over the past three months, we have witnessed a surge in buy-to-let activity... and East Anglia saw the most widespread house price rises in February"⁸. Although there is no information available specifically to the Council about but-to-let activity in Norwich anecdotal information suggests that this spike has been keenly felt in a number of areas of Norwich.
20. The budget also announced that buy-to-let income would be taxed at the same rate as an individual's personal income from 2017. This change will be introduced incrementally

⁸ <http://www.bbc.co.uk/news/business-35764233>

and will have the biggest impact on landlords on higher incomes, but nevertheless it will inevitably make buy-to-let investments less attractive. The impact of this on the buy-to-let and student housing market remains to be seen.

21. Many other university cities have implemented Article 4 Directions to control the conversion of dwellings to HMOs. Article 4 Directions have already been applied to all or part of Oxford (2011), Sheffield (2011), Bath (2013), Chester (2013), Birmingham (2014), Worcester (2014) and Canterbury (2015). This list is not exhaustive.

Conclusion

22. The report taken to sustainable development panel in March 2015 suggested that there may be a decline in student-only HMOs due to the substantial developments of student accommodation and the slow rate of growth in student numbers. However, the report predicted a growth in the number of HMOs occupied by non-students. It concluded that there was insufficient evidence to introduce an article 4 Direction to control the change of use from family housing to HMOs at that point but suggested that the matter be revisited in 2017 once the growth potential of the universities became clearer and the results of the accreditation system became available. This conclusion was influenced particularly by the expectation that pressures for growth in the HMO sector would come from non-students in the coming years and that introducing restrictions on this sector of the market could adversely affect the ability of young professionals and benefit claimants affected by benefit changes of housing themselves.
23. In the light of the information set out in this report it is recommended that the previous approach is maintained. It is considered that by March 2017 the council should be in a far better place to judge what, if any, steps should be taken to control private sector HMOs. The present indications are that notwithstanding the ambitious growth plans of the educational institutions, a strong market for purpose built student accommodation will be able to provide for increased student numbers without unbalancing the housing market any further and that possible measures may limit the housing options of some of the more vulnerable members of society who are reliant on the private sector for their housing.
24. For the next 12 months, it is suggested that the council should continue to implement the current approach of “promoting the development of accommodation types to reduce demand for conversion of existing housing to HMOs”. In 2017, progress will be assessed again and the need for policy restrictions on new HMOs in areas with high HMO concentrations through an Article 4 Direction and a threshold will be considered.