

HMO PLANNING AND HMO LICENSING REQUIREMENTS

By **Simon Zutshi**

HMOs are one of my favourite strategies because so many of my students have used them to quickly and successfully replace their income.

However, HMOs are a more advanced strategy, and many investors are put off due to confusion around HMO licensing and planning requirements.

Some properties need a licence, but don't need planning, and some need planning but not a license. Some need both, and some don't require either. You can see why many people get confused and put off! In this article I am going to demystify this for you and simplify it as much as possible.

If you want to make good cash flow from HMOs, then this is really important to understand, and can be expensive if you get it wrong.

The first thing to understand is that HMO licensing and planning are totally separate and unrelated. They are dealt with by different departments of the local council who (surprisingly) don't speak to each other as much as they probably should.

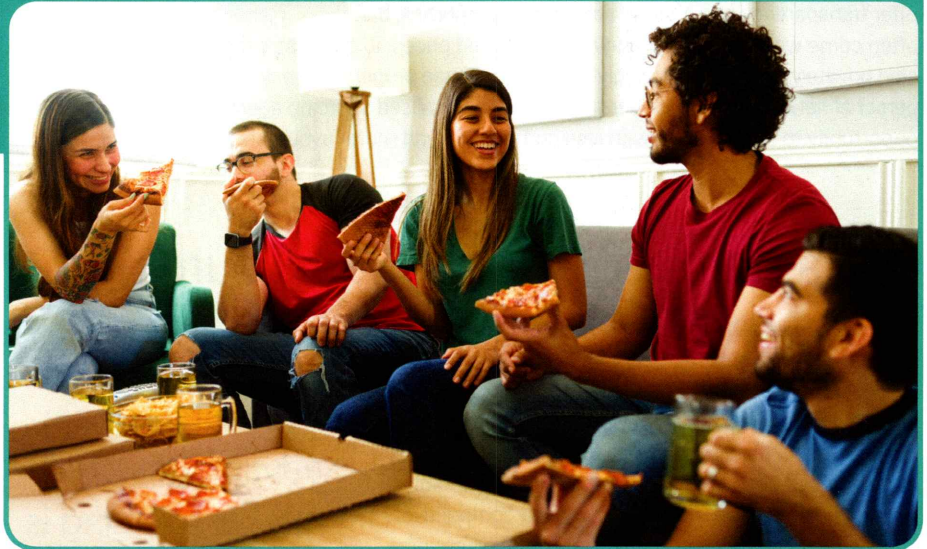
Let's consider each of these in turn.

Mandatory HMO licensing

Prior to 2007 there were no HMO licensing requirements. The government at the time introduced HMO licensing in an attempt to raise standards and prevent rogue landlords from offering dangerous substandard accommodation.

Initially, all properties with five or more tenants living on three or more floors required a mandatory HMO licence.

These regulations were updated in October 2018, and the condition of three or more



floors was abandoned, leaving every property with five or more qualifying (ie, unrelated) tenants requiring an HMO licence. At the time this resulted in an excess of 100,000 HMOs, which did not previously qualify for a license, needing to apply for one. As a result, this caused a massive backlog in the local council HMO licensing departments, some of which have still not caught up.

Please note, that I am talking about the national HMO guidelines provided by central Government, however they are open to interpretation by local councils. For example some councils insist that all properties with three or more unrelated tenants need to have a mandatory licence.

For this reason, it is very important that you contact your local council who are responsible for the area in which you want to operate your HMOs. Request a copy of their HMO licensing pack (often available online) which should contain details of any other specific requirements.

These licensing requirements do change from time to time, so it is well worth checking each time you are going to set up a new HMO to ensure you and your property are up to date with the latest requirements in case something has changed.

Minimum room size requirements were also introduced in October 2018, such that

a single occupancy room has to be at least 6.51m² and a double has to be at least 10.22m². Again, please check with your local council as often they require bigger rooms, such as 7.5m² or even 10m². Be careful as en-suite bathrooms do not count as part of the room size and in attic rooms, where there is a sloping room, any floor space below 1.5m also often does not count.

There are also requirements for certain amounts of living space and kitchens, all of which will be detailed in the local council HMO licensing pack.

Safety requirements

You have a duty of care to provide safe accommodation for your tenants and to minimise the risk of loss of life in the event of a fire. Fire safety precautions are incredibly important and include precautions such as fire doors in all the bedrooms, 30-minute fire-boarded escape routes, emergency lighting, heat detection and fire blanket in the kitchen, all of which are detailed in the HMO licence pack.

So far, I have only talked about mandatory HMO licensing, but you need to be aware that some local councils also use selective licensing whereby the local authority has decided that all properties within a certain area need to have an HMO licence. This is regardless of number of tenants and is often applied to student areas.

Applying for an HMO licence

The licence is based on the number of people living in the property, not the number of bedrooms. Most councils grant an HMO licence for five years. The licence application procedure varies from council to council, but the standard process is as follows.

Obtain the HMO licence pack from the local council and ensure the property meets all of the requirements in terms of minimum room size, safety requirements, adequate kitchen space and facilities etc.

Complete your application form along with payment for your licence. The licence can be held in the name of the owner or the manager of that property.

As long as the property meets the requirements, and the owner or manager is seen as a fit and proper person, there's no reason why the local council should not grant the HMO licence.

Some councils insist that until they have granted the licence, you can only use the property for up to four people (as this does not require a licence) and the fifth person can only be added once the licence has been granted.

However, the vast majority of councils allow you to use the HMO to full capacity once you have submitted the application. It's a good idea to make sure you always get a receipt to prove the application has been submitted.

The council will review your application. They might send an HMO officer to inspect the property. They'll then issue a letter saying they intend to grant a licence, but they may have several suggestions of changes that need doing to the property. If these are safety requirements, these normally need to be done within a 30-day period. If they're just nice to have, you should have a couple of years to put these into place.

If ownership or management of the property changes, it is generally required to get a new licence for the property

Avoid this expensive mistake ...

Here is an expensive mistake that I have seen investors make and I want to make sure you avoid.

There are many fully licensed HMOs which were granted licences prior to the latest regulations in October 2018. Whilst they might have met all the requirements at the time the licence was issued (such as minimum room size) they may not now comply with the current standards.

You might see a fully licensed five or six-bed HMO being offered for sale by an estate agent for sale, which as far as they know, complies to all requirements because it has a licence in place. However, when the new owner goes to apply for the licence, they might be shocked to find that they only get granted a licence for a lower number of occupants because one or even two of the bedrooms are too small.

HMO planning requirements

This is a large topic, but again I want to keep this short and as simple as possible for this article.

If you have a larger HMO for seven or more tenants, you will need to apply for a change of use to Sui Generis (this means in a class of its own) and so planning permission is definitely required.

In most parts of the country, if you have a smaller residential property, (which is a C3 planning classification), you can convert it into an HMO for up to six tenants (which is a C4 planning classification) under permitted development rights.

However, many councils have introduced Article 4, with reference to HMOs, which is where they have removed the permitted development rights to convert a residential house (C3), into an HMO (C4).

For this reason, many property investors incorrectly assume that it is not possible to convert a normal house into an HMO in an

Article 4 area. The local council probably don't want you to do that, and will probably refuse the planning application, but if it meets the local planning criteria, then it should be possible to win on appeal. The criteria vary from council to council, but generally it's something like there needs to be less than 20% HMOs within a certain radius of the property, usually 100 metres.

Most investors either don't know this, or are not bothered to go through the hassle, which means that actually there are often great opportunities in most Article 4 areas which are ignored by most investors. I would want to secure the property on a purchase option, apply for planning permission, then only buy once the planning permission had been granted.

You can also buy existing HMOs in an Article 4 area, as long as they have a Certificate of Lawfulness in place. This proves that the property was an HMO before Article 4 came into place and had been used as an HMO ever since.

For this reason, you need to check with your local council's planning department to see if Article 4 has been enforced, and if so, when was it introduced.

Another tip is to look on the edge of Article 4 areas, where one end of a street is an Article 4 area and the other end is not. If there are other HMOs on that street it could be a great location to acquire and set up your next HMO.

I do hope this article has answered some of your questions about HMOs and ultimately has inspired you to use this high cash-generating strategy as part of your balanced investment portfolio.

Further complementary HMO training

There is so much you need to learn about HMOs, far more than can be covered here, and so I would like to invite you to join me on some online training all about how you can replace your income with just a few HMOs. Register here:



SCAN ME



Invest with knowledge,
Invest with skill
Best wishes,

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