HMOs in Southampton - Background and evidence base

1. This paper provides further background information and evidence for the revised HMO SPD which is out for consultation until 29th March 2016.

2. It examines the issues involved in maintaining a balanced and mixed community, having regard to balancing the housing needs of the city's population and the impact on the character and amenity of communities. It also considers what constitutes an appropriate tipping point for HMOs and changes to this proposed in the consultation draft HMO SPD.

Meeting the city's housing needs

Housing supply

3. The 2011 census showed that the tenure profile of housing in Southampton differs markedly from the national average in that the city has a much lower proportion of owner occupied properties (50% compared to 64%), as well as a higher proportion of privately rented stock (25% compared to 18%). The Council's 'Housing Strategy 2011-2015'[1] reported that the overall level of Council housing is also higher than that found nationally (18% compared to 10%).

4. The Housing Strategy reported there to be 7,000 HMOs across the city, which represents about 9.3%[2] of the city's total private tenure housing stock of 75,000 dwellings (not including Registered Social Landlord and Local Authority housing). This is in comparison to approximately 2% nationally (page 25, CPC, 2008)[3]. This reflects the role of Southampton as the sub-region's economic driver (delivering jobs) and a provider of higher education (with two universities).

5. Many of the HMOs within the city are occupied by students. Since the HMO SPD was adopted however, a large number of student schemes have been completed. These have include new halls of residence providing en-suite accommodation within cluster flats and a number of developments of studio flats specifically for students.

6. Recent student developments include accommodation controlled by the University of Southampton developed in partnership with private providers i.e. City Gateway, Swaythling (368 bedspaces) and Mayflower Halls (1,104 bedspaces). Private provision includes Liberty Point (431 bedspaces) and Liberty Quays (562 bedspaces) where the two universities have arrangements with Liberty Living to provide rooms. In addition to new halls of residences, there have been a number of developments of studio flats specifically for students.

---

[1] Housing Strategy 2011-2015, 'Homes for Growth' Strategy Context Paper, Incorporating Private Housing Renewal Strategy 2011-2015 by Southampton City Council, 2011
http://www.southampton.gov.uk/housing-council-tax/housing-policies.aspx

[2] figures from the survey are estimates derived from the sample of properties inspected and are therefore subject to variation

[3] Capital Project Consultancy was commissioned by the Council to carry out a 'Housing Condition Survey' in 2008

Housing demand

7. The demand in Southampton for single occupancy accommodation is high. HMOs provide a valuable source of housing. The latest information is reported in the Houses in Multiple Occupation Survey (CPC, 2008a)[4]. This showed that the predominant age profile of HMO residents in Southampton was 16 to 24 years (48.6%), followed by the 25 to 34 age band (35.4%). People in receipt of state benefits made up 12% of HMO tenants (810 dwellings). Population projections, changes to benefits and the continuing problems with affordability of housing in the city are likely to increase the demand for HMOs.

8. The population in Southampton is 245,290 people (mid year estimate 2015). According to ONS population projections, the population is estimated to grow by 13% to 277,000 by 2037. The number of people in the age range 20-29 will continue to grow from 53,000, reaching 59,000. A high proportion of these people are likely to live in an HMO due to continuing affordability issues with owner occupation.

9. In the recently published Indexes of Multiple Deprivation 2015[5], Southampton is now ranked 67th out of 326 local authorities in England (1 is most deprived). It was previously ranked 81st. As well as an overall decline, there has been a decline in the 'barriers to housing and services' domain which covers issues relating to access to housing such as affordability in addition to issues relating to the physical proximity of local services.

10. The Partnership for Urban South Hampshire (PUSH) published a Strategic Housing Market Assessment (SHMA) in 2014[6]. This provides information on current housing issues in the sub region and projections of housing need to 2036. The SHMA reports that the majority of people in Southampton (30.2%) are in the income band £10k to £20k. The mean (or average) income in the city is £32,000 and the median (or middle value) is £24,340. The SHMA states that the indicative income required to purchase or rent without additional subsidy in Southampton is £25,000 (lower quartile private rent) and £38,950 (lower quartile purchase price). This was based on online estate and letting agents' survey June 2013.

11. For affordable rent and lower quartile social rent, the indicative income required is £20,000 and £14,010 according to CORE[7]. Entry level private rents in Southampton are £475 for a one bed property, £675 for two bed, £825 for three bed and £1,125 for four beds (based on online estate and letting agents survey June 2013).

12. The PUSH SHMA identified that low interest rates by historic standards and reductions in house prices since the peak of the market in 2007 have helped make monthly mortgage payments more affordable for first time buyers and

[4] Capital Project Consultancy was commissioned by the Council to carry out a 'Houses in Multiple Occupation Condition Survey' in 2008
[5] Information available at https://www.gov.uk/government/statistics/english-indices-of-deprivation-2015
[6] The PUSH SHMA and appendices are available at www.push.gov.uk/strategic_housing_market_assessment.htm
[7] CORE is an acronym of 'Continuous recording of lettings and sales in social housing in England' – this collects information on housing association and local authority properties

other home owners. However, the report identified an issue with lower quartile affordability ratios and stated that affordability issues are particularly focussed on the lower end of the market rather than across the market as a whole. The SHMA also reported concerns about the financing of new affordable housing development.

13. The future demand for HMO accommodation from the student population remains uncertain. The University of Southampton and Southampton Solent University together have a student population of around 40,000 students. Although it is difficult to assess student numbers in the future, they have advised that there is likely to be some growth in housing numbers. There is anecdotal evidence that new purpose built student accommodation is attracting returning students as well as first year students. It may therefore provide an alternative to HMOs and may reduce the pressure on the local housing markets.

The distribution of HMOs

14. HMOs are found across the city, with the majority found in the northern and central areas. The latest information available is in the Housing Condition Survey (CPC, 2008) which showed the following distribution of HMOs across the city in 2008:

Table 1 Distribution of HMOs

Areas	Wards	HMOs	%	% Total housing Stock (all tenures)
North	Bassett, Portswood & Swaythling	1,800	25.7	10.4
West	Coxford, Shirley, Millbrook & Redbridge	400	5.7	1.6
Central	Bevois, Bargate & Freemantle	4,100	58.6	18.2
North East	Bitterne Park, Harefield & Bitterne	300	4.3	0.9
South East	Peartree, Sholing & Woolston	400	5.7	1.2
	Total HMO dwellings	**7,000**	**100**	**6.9**

Impact of high concentrations of HMOs

15. Whether or not a dwelling is an HMO is not necessarily obvious by its physical appearance – indeed it can be difficult to discern the difference in the physical appearance between a well–managed small/medium-sized HMO and an owner-occupied property. A report by Ecotec that was commissioned by the Government entitled "Evidence Gathering – Housing in Multiple Occupation and Possible Planning Responses" (CLG, 2008)[8] has studied the impact of HMOs on the character and amenity of local communities.

[8] http://webarchive.nationalarchives.gov.uk/20120919132719/www.communities.gov.uk/documents/planningandbuilding/pdf/evidencegatheringresearch.pdf

16. In summary, the Ecotec report stated that the poor management of rented HMO accommodation can lead to amenity and character issues which directly affect a local community. These issues can include: poor refuse management; on-street parking pressure; noise and anti-social behaviour; high property turnover; neglected gardens and lack of maintenance to housing stock. These issues tend to be exacerbated where there is a high concentration of HMOs. These are matters that are reported to the Council's 'Planning and Rights of Way Panel' by objectors and are recognised by other local authorities and lobby groups.

17. The wider impacts on infrastructure and services identified by the Ecotec report, that are created by a high concentration of HMOs and arising from the changing demography of the neighbourhood are:
    a. decline in owner occupied stock;
    b. increased population densities can place a strain on existing services, refuse disposal and street cleansing;
    c. reduction in demand for some local services;
    d. the decline of local school enrolment;
    e. underuse of community facilities; and
    f. increased demand for other services such as takeaway food, bars.

18. The Ecotec report highlights that a high demand for private sector renting can lead to positive regeneration and economic benefits in some local neighbourhoods, particularly in areas where low demand has led to derelict and vacant properties. This can introduce new life and population back into a neighbourhood, and the demand for private rented accommodation can lead to improvement of the existing housing stock and bring properties back into use. However, in the long term, the decline of local services (caused by reduced demand) from a high concentration of HMOs, which serve the permanent residents and families living in the local area, will not sustain a balanced and mixed community.

19. The Houses in Multiple Occupation Survey (CPC, 2008a) identified that the occupants of HMOs tend to be transient in nature, with fewer than 5% of HMO residents having lived at their current address for more than 5 years. It is likely that these transient occupiers will have less of a vested interest in the sustainability of a community than owner occupiers and permanent residents.

20. The Council's Environmental Health team reported that a significant number of noise nuisance notices were served on occupiers of HMO dwellings; 110 (52%) of the 210 total noise nuisance notices served in the city between Jan 2015 and Feb 2016. However, the majority of these notices were served on each individual resident living in only 13 HMO dwellings; representing approximately 0.37% of the total HMO licenced dwellings in the city.

21. As a result of these amenity and character impacts, it will be less attractive for more permanent residents to live in a community affected by a high concentration of HMOs.

Maintaining a balanced community

22. It is difficult to identify precisely what constitutes a balanced and mixed community. It is evident that there are areas in the city with high concentrations of HMOs which can have a negative impact on the sustainability of the communities (especially as perceived by permanent residents).

23. Government advice is not clear as to what exactly constitutes a balanced community. The National Planning Policy Framework (NPPF[9]) states that local councils should plan for 'a mix of housing based on current and future demographic trends, market trends and the needs of different groups in the community' (paragraph 50). Neither is there clear advice about how to identify the 'tipping point' when a concentration of HMOs in a local area begins to adversely change the character and balance of the community.

24. The 'Mosaic database' information held by the Council models the demographic profile of the vast majority of households across the city. It splits household types into 15 distinctive groups which highlight key features of the population. These are then subdivided into a further 66 types. Of these, 13 of the groups and 58 of the types are found within Southampton.

25. Using the mosaic dataset for Southampton, 2,300 postcodes of known HMO households in the city were matched to mosaic groups and types. The two most popular mosaic types were "Student Scene" and "Learners & Earners" comprising 52% and 37% of the HMO households respectively. These two mosaic types were by far the most popular as the next most common mosaic type represented only 1.7% of the sample.

26. Student Scene and Learners & Earners make up 10% of all Southampton households. They are particularly concentrated in the wards of Bevois (43% households), Portswood (38% households), Swaythling (31% households), Bargate (24% households) and Bassett (12% households).

27. The key characteristics of Student Scene are as follows:
    - Young adults – mostly under 25
    - Full-time students
    - Live in rented accommodation
    - 60% lived there for a year or less
    - Income low – supported by student loans, parents and part-time jobs
    - Very digital – high ownership of smartphones, laptops, social media.

28. The key characteristics of Learners & Earners are as follows:
    - Typically under age 45.
    - Mixture of students, recent graduates, older people. Close proximity to university.
    - Rented accommodation and home sharers
    - Very digital – spend lot of time online, contact by mobile

[9] http://planningguidance.communities.gov.uk/blog/policy/

29. From November 2013 to May 2014 Southampton city council's scrutiny panel undertook an examination into the contribution that planning can make to maintaining balanced neighbourhoods[10]. This covered a number of areas including a review of the effectiveness of the Article 4(1) direction and HMO SPD which had been in place for 18 months at this stage. The panel had a number of recommendations including gathering further information on housing need, HMO numbers and tipping points. It proposed amending the HMO SPD to include no new HMOs which would 'sandwich' family homes.

30. The average household size in England across all tenures is 2.4 persons per household. In a HMO there is likely to be a minimum of 3 persons per household rising to 6 residents living in a small/medium HMO and 7 or more living in a large HMO. The majority of these residents living in HMOs are below the age of 34. This would suggest the population size will be higher than average within a community with a high concentration of HMOs, which is predominantly young transient singles. During the Scrutiny inquiry, the panel were informed that the National HMO lobby and National Organisation of Residents Associations consider a 10% concentration of HMOs is the tipping point as this equates to 20-30% of the population.

31. As a result of this contrast in the mix of groups and population it is considered that a high concentration of HMOs will dilute the mix of groups and the proportion of owner occupier households in a community. This can lead to an imbalanced community and the associated impacts.

Defining the tipping point – threshold

32. In deciding the 'tipping point' when the concentration of HMOs becomes over dominant, the Council is aiming to redress the imbalance of the city's 'communities' whilst addressing future needs for growth of HMO dwellings. This can be best achieved by setting a threshold limit for new HMOs. The limit will resist further HMOs in local communities which already have a concentration above this limit, and also control the growth of HMOs in communities below this limit. As a result this will encourage a more even distribution across the city.

33. The suitable location for HMOs outside and adjacent to the existing areas of concentrations is limited by tenure (i.e. local authority and social housing), cost of renting, and accessibility to places of work and study. It will be more unattractive for HMO households to live on the edge of the city where there are poorer transport links to these places. The threshold applied must allow sufficient capacity for an additional supply of HMOs above the city's existing stock taking into account these constraints on the location of future HMOs.

34. The Council is proposing to change the existing two tier threshold and introduce a 10% threshold limit to apply across the whole of the city, not just the northern wards of Bassett, Portswood and Swaythling.

[10] 'Maintaining Balanced Neighbourhoods Through Planning' Scrutiny inquiry approved a final report in June 2014 - http://www.southampton.gov.uk/modernGov/documents/s21498/Appendix%201.pdf

35. A threshold limit of 10% is the equivalent of 1 in 10 households being a HMO in a community. Based on the latest information (CPC, 2008), the number of existing HMOs in the northern wards where the 10% has been operating for the last four years is 10.4% out of the total housing stock of all tenures. The proportion is 18% in the central wards where there is currently a higher 20% threshold. This higher threshold was introduced in order to ensure there was capacity for a reasonable growth of HMOs. It was designed to limit new HMO applications whilst recognising demand for HMOs in this part of the city tends to be the highest due to good transport links and access to employment and facilities.

36. The revised HMO SPD proposes to implement a 10% threshold across the city. For many of the wards, HMOs comprise 4-6% of the total housing stock, significantly below the threshold (see table 1). It is expected that the threshold will therefore have little impact in these wards, although there may be local areas where the concentration of HMOs exceeds the 10% threshold. Applications for new HMOs are assessed on the local circumstances within a 40 metre radius or the 10 nearest properties to the application property. Although the proportion within a ward may exceed the threshold, there will be areas where the new 10% threshold has not been breached and new HMO would be permitted.

37. There may be certain streets in the city where the vast majority of properties are already HMOs, with only a very small proportion of C3 dwellings remaining. In these extreme circumstances, the conversion of the remaining C3 dwellings to a HMO would not further harm the character of the area. The revised SPD clarifies that this will apply where 80% or more of existing properties surrounding the application site within the defined area of impact are HMOs. This matter is dealt with in more detail in section 4.5 of the HMO SPD (Exceptional Circumstances).

Measuring the area of impact – radius

38. It is considered that the negative impacts of HMOs on surrounding properties are most likely to significantly affect immediate neighbours. Therefore, the impacts associated with a HMO concentration for the application site can be best assessed at this level.

39. The Council will continue to use a radius to apply the threshold limit. The defined area of impact will be the residential properties whose curtilages lie wholly or partly within a radius of 40 metres from the application site. The radius point is measured from the midpoint of the main external doorway to be used by all tenants. This approach is a consistent method of identifying the area surrounding the application site affected by a concentration of HMOs. A radius of 40 metres, defined in this way, will generally include the immediate neighbours to the application site.

40. In areas of the city characterised by low density residential properties or properties with large plots the radius will only capture a few properties. To

ensure there is a consistent area of impact to apply the threshold, a minimum of 10 residential properties will be covered when assessing each planning application. Where the radius area does not cover a minimum of 10 residential properties, the threshold will apply to the 10 residential properties nearest to the application site located on all frontages of the street (with the same street address).

41. Worked examples provide detailed guidance on how the approach works in section 4.4 of the HMO SPD.