Crawley Borough Council

Report to Overview and Scrutiny Commission 1 February 2021

Report to Cabinet 3 February 2021

Proposed Article 4 Directions: Planning "Change of Use from" C3 (dwelling houses) to C4 (houses in multiple occupation)

Report of the Head of Economy and Planning, PES/366

1. Purpose

- 1.1 To propose, for "change of use" applications defined above, the introduction of new Article 4 Directions that would apply specifically to ten residential zones within the borough (paragraph 3.3. and Appendix A). The directions would apply to just over 300 residential addresses in total.
- 1.2 Such Directions would have the effect of removing permitted development rights that currently allow ordinary residential dwellings (Use Class C3) to change their use into Houses of Multiple Occupation of 3 to 6 unrelated people (Use Class C4) without planning permission.
- 1.3 These Article 4 Directions would be put in place using the "non-immediate" procedure which requires the local authority to carry out a 12 month notification period to consult with local residents and stakeholders prior to the Council confirming formally the Article 4 Directions, subject to full consideration of all representations made during the consultation period.

2. Recommendations

2.1 To the Overview and Scrutiny Commission:

That the Commission consider the report and decide what comments, if any, it wishes to submit to the Cabinet.

- 2.2 To the Cabinet
- 2.2 The Cabinet is recommended to:
 - a) Approve the making of 10 non-immediate Article 4 Directions under the Town and Country (General Permitted Development Order) 2015. These will remove the permitted development right for dwelling houses (Use Class C3) to change their use into houses of multiple occupation (Use Class C4), in the 10 zones referred to in paragraph 3.3 and outlined on the plans within Appendix A.
 - b) Delegate authority to the Head of Economy and Planning in consultation with the Cabinet Member for Planning and Economic Development to formally confirm the non-immediate Article 4 Directions following the 12 month notification period, if having fully considered all representations made during the consultation period, they are of the opinion that the Article 4 Direction should be made. (Generic Delegation 3 will be used to enact this recommendation).

3. Reasons for the Recommendations

- 3.1 The proposed Article 4 Directions are intended to enable the council to use its planning powers to manage and limit concentrations of houses of multiple occupation (HMOs) in areas which are considered susceptible to them, so as to mitigate and avoid the cumulative impacts on local amenity associated with concentrations of this type of accommodation. The rationale for such Directions is explained below in sections 4 and 5.
- 3.2 HMOs remain an important part of the range of accommodation available in the borough and cater to the needs of specific groups. The intention is therefore not to reduce or restrict their delivery in the borough as a whole, but merely to resist the development of significant clusters of them in particular locations, and to promote strong, balanced communities.
- 3.3 The ten residential zones where these Article 4 directions would apply are in the following locations (the extent of each zone is indicated on the maps within Appendix A):
 - Weald Drive, Furnace Green
 - Victoria Mews, West Green
 - Caburn Heights, Southgate
 - Aintree Road & Epsom Road, Furnace Green
 - Ardingly Close, Ifield

- Farmleigh Close, Pound Hill
- Beverley Mews, Three Bridges,
- Ringwood Close, Furnace Green
- Rillside and Winterforld, Furnace Green
- Arden Road, Furnace Green

The rationale for selecting the above 10 residential zones is explained in Section 6.

4. Background

- 4.1. **Definition of an HMO -** The Housing Act 2004 defines various 'tests' for identifying HMOs. Most fall within the terms of what is known as the 'standard test' whereby a unit of accommodation occupied by three or more people forming two or more households and sharing basic facilities is counted as an HMO.¹
- 4.2. **A Summary of the Benefits of HMOs -** HMOs represent an important source of relatively affordable accommodation serving the needs of specific groups within the community, and supporting economic growth by allowing greater mobility within the workforce. This form of accommodation is particularly likely to be accessed by younger people up to age 35: a significant group within Crawley's population, among whom the rate of formation of new households is understood to be suppressed by the lack of housing affordability. HMOs are considered to be particularly important for single people within this age group, who have been a significant source of approaches to the council's Housing Options service in recent years, and of whom over 150 are currently on the council's Housing Register.²
- 4.3. The Need to Regulate HMOs HMOs can be associated with more intense patterns of

¹ HMOs are defined in Sections 254-260 of the Housing Act 2004, subject to exceptions in Schedule 14 of the same act and in the Licensing and Management of Houses in Multiple Occupation and Other Houses (Miscellaneous Provisions) (England) Regulations 2006. Where one of the occupants is the landlord of a property, a property does not become an HMO on the basis of the 'standard test' until the number of additional occupants who are not part of the landlord's household reaches three.

² UK Census 2011; North West Sussex Strategic Housing Market Assessment 2019: Final Report, Iceni Projects, 2019, pp. 92-110; information from CBC Strategic Housing.

activity than homes inhabited by a single household. To some extent this is to be expected as the natural effect of a property being more fully occupied than a typical house of equivalent size. There are, however, risks of more significant impacts, which mean that HMOs are subject to specific forms of regulation.

- 4.4. The Housing Act 2004 Mandatory licensing regime is in place with regard to HMOs. Whereas the planning system can consider wider spatial issues, the licensing system is largely separate and is primarily concerned with issues related to the management of individual properties, the standard of the accommodation, and adherence to safety and other standards.
- 4.5. As of August 2020 there are 196 licensed HMOs in Crawley, of which 77 are of three-storeys, with the rest being in almost all cases two-storey. Only 10 licensed HMOs exceed the six-person threshold above for which planning permission is required. The precise number of HMOs not needing a license is unknown. Estimates of the total number of HMOs in the borough, provided in returns to central government in recent years, have been at or above 500.³
- 4.6. Introduction by HMG of Permitted Development Rights for smaller HMOs Most 'standard test' HMOs arise through the change of use of ordinary residential dwellings (in use class C3). Such conversions required planning permission as a matter of course until government reforms in 2010 created the C4 use class to cover 'small' HMOs of 3 to 6 people, and created a national permitted development right for changes of use between C3 and C4.
- 4.7. Larger HMOs Require Planning Permission HMOs occupied by 7 or more people remain a separate 'sui generis' ('class of its own') use, and still require planning permission. Proposals are assessed against a range of national and local planning policies. In particular policy H6 of the adopted Local Plan specifically relates to HMOs, setting out criteria including the appropriateness of the location; impact on the character of the area and the amenity and privacy of neighbouring properties; and whether the proposal meets its operational needs, including servicing and parking. Proposals concerning HMOs are also assessed against other relevant Local Plan Policies.
- 4.8. Rationale for the Use of Article 4 Directions to Restrict the above PD rights Where development comprises 'permitted development', it does not require express planning permission, and in the case of the C3/C4 change of use right, there are no council checks or requirements for notification from a planning perspective (e.g. such as 'prior approval'). The policies outlined above in section 4.7 therefore cannot be applied.
- 4.9. As in the case of most permitted development rights, the council can make a Direction withdrawing this right within specified locations under Article 4 of the Town and Country Planning (General Permitted Development) (England) Order 2015 (the General Permitted Development Order). The effect would be that the development in question would require planning permission, and would therefore be assessed against the HMO policy H6 in the Local Plan and other relevant policies. Article 4 powers can be used where a local planning authority considers that this is necessary to protect the wellbeing and amenity of the area.
- 4.10. Procedures for the introduction of Article 4 Directions are set out in Schedule 3 of the General Permitted Development Order issued by the government. An Article 4 Direction may be 'immediate', i.e. taking effect immediately, or 'non-immediate', whereby the changes only take effect upon confirmation following consultation and an extended notice period (usually of 12 months).

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³ Local Authority Housing Statistics, MHCLG.

5. Description of Issue to be resolved

- 5.1. Article 4 Directions cannot address incidents of anti-social behaviour HMOs sometimes generate concerns and complaints about ASB. Where a significant issue arises this may relate to an individual resident, or an individual HMO, and issues of management and behaviour which may fall within the scope of the licensing system or nuisance legislation. Such cases cannot be addressed through Article 4 directions and the planning system.
- 5.2. Article 4 Directions can restore Council planning powers to mitigate HMO Clustering The council has received complaints and a petition regarding HMO clustering and Council Member concerns have been raised in respect of these. At the same time, most of the HMOs in question are 'small' HMOs benefitting from the associated permitted development right, which as explained above, currently fall outside the council's planning control.
- 5.3. A report related to these matters was considered by Overview and Scrutiny Commission in January 2018. The report concluded that there was not sufficient justification to proceed with any Article 4 Directions at that time, but that the situation would continue to be monitored, and that any decision to proceed would be subject to Cabinet approval.
- 5.4. The recommended **introduction** of Article 4 Directions removing the permitted development right for the conversion of ordinary dwellings to small HMOs in 10 zones represents the most appropriate response available to the council in the context of the management of HMO clustering.
- 5.5. The Reasons for Increased Concentration of HMOs Over time there has been a tendency for particular residential areas within Crawley to become a focus of concentrations of HMOs. This has happened for two principal reasons:
 - I) HMO landlords seeking additional properties close to their existing ones, for greater convenience of management and servicing.
 - II) Certain housing types are more attractive to HMO landlords, irrespective of their location, in particular terraces of three-storey townhouses. These occur in a number of neighbourhoods, and represent one of the typologies of development characteristic of Crawley's 'new town' expansion. A combination of these two factors is considered to be the principal cause of Crawley's HMO clustering.
- 5.6. HMO clusters in areas containing three-storey terraces Since the expansion of the HMO licensing regime in 2018 it is now more evident that certain areas containing three-storey terraces have become a focus of clustering to an extent not found elsewhere. The explanation is understood to lie in the relatively large amount of floorspace available in such houses, compared with their value, which enable fully occupied HMOs to achieve a relatively high yield.
- 5.7. The Rationale for Article 4 Directions to restrict small HMO PD Rights The aim of limiting concentrations of HMOs in particular locations is consistent with the overall role of the planning system in promoting strong, balanced communities. Where HMOs form clusters within a wider residential area this has the potential to cause negative impacts for existing residents because of cumulative impact. These typically relate to issues which can be controlled by the planning system, as distinct from those controlled by licensing, i.e. impact on the character of an area and the amenity of neighbouring properties, and greater pressure on space for parking and servicing. Introducing an Article 4 means that a planning application would have to be made which would enable these cumulative impact issues to be taken into account.

- 5.8. **Proposed Scope of the Article 4 Directions -** It is therefore proposed that Article 4 Directions be introduced in ten zones, comprising roughly 300 residential properties, where there is a coincidence of terraces of three-storey housing with the presence of clusters of multiple HMOs, as explained in section 5.5 above. The ten zones are listed above in section 3.3 with maps for each shown in Appendix A.
- 5.9. The use of 'non-immediate' Article 4 Directions, which formally withdraw the permitted development right 12 months after the notification date of the Article 4 Directions being made, is recommended. This has some potential disadvantage in so far as there would be scope for further conversions to occur during that 12 month period of time in advance of the restrictions. However this is on balance preferable to the "immediate" Article 4 Directions route which runs a significant risk of compensation claims to which the council might otherwise be exposed on grounds of abortive expenditure by landowners. The "non-immediate" approach is consistent with previous Article 4 Directions instigated by the Council.
- 5.10. Through the current Local Plan review process, it is intended to support the implementation of the proposed Article 4 Directions by further clarifying the council's approach to applying planning policy in respect of HMOs. Current local planning policy protections referred to in para. 4.7 above are being carried forward as part of the Local Plan Review. Policy H9 in the submission Local Plan (the successor to H6 in the current plan) is also supported by new criteria for consideration of cumulative impact and concentration. The policy proposes further supplementary guidance to aid consideration of planning applications, both within Article 4 Areas and outside them, where proposals for large HMOs will continue to require permission.

6. Information & Analysis Supporting Recommendation

- 6.1. The Reason for historic HMO demand in Crawley The use of Article 4 Directions in this way to control numbers of HMOs in particular locations is reasonably common in larger urban areas, albeit that it tends to be found in larger, more densely populated cities, and in areas with sizeable student populations, rather than in smaller, less dense settlements such as Crawley. In Crawley's case demand for HMO accommodation is likely to have historically reflected high levels of job density within the borough, associated in particular with Manor Royal and Gatwick Airport.
- 6.2. The Impact of COVID-19 A Reduction in demand As such this demand is understood to be experiencing disruption as a result of the Covid-19 pandemic and the associated economic recession. These effects are apparent in a slowing of the rate of issue of new HMO licenses in the borough since the lockdown. This reduces the likelihood of significant increases in the short term and lowers the risk that non-immediate Article 4 Directions would generate a spate of conversions seeking to forestall the restrictions. At the same time, given current economic uncertainties, and various national, sub-regional and local proposals for economic recovery and stimulus, it does not seem safe to assume that the currently depressed state of demand for this accommodation will continue for years into the future.
- 6.3. The Rationale for Article 4 Directions in the 10 zones selected (Appendix A) The proposed introduction of Article 4 Directions across the 10 selected residential zones is considered the preferred option as it will limit further concentration of HMOs in these zones where 10 or more three-storey houses are present (making up at least 60% of the properties within the zone), and where either:
 - the proportion of properties in the zone which are licensed HMOs exceeds 20% (or would do if a single further HMO were added) (this applies to zones 1 to 6 in Appendix A);

Or:

II) At least 2 licensed HMOs are present. (In zones 7 to 10 despite HMO numbers remaining relatively lower at present, further interest from HMO investors is anticipated due to the predominance of three storey properties).

These Article 4 Directions would therefore target specifically the 10 residential zones in Crawley where there is a clear majority of residential dwellings that are 3-storey properties - a minimum of 60% of all properties, with zones 1 to 6 already experiencing significant HMO clustering.

- 6.4. The Article 4 directions would thus cover some 303 properties, which represent around 0.7 per cent of all housing stock within the borough, and (assuming all of them to be 4+ bedroom properties) around 4 per cent of the estimated total of 6,850 homes with four or more bedrooms. The extent to which these areas have become a focus for HMOs is highlighted by the fact that they contain 53 licensed HMOs, representing 27 per cent of all licensed HMOs within Crawley, and 69 per cent of the borough's licensed 3-storey HMOs.
- 6.5. This relatively targeted approach means that the areas in question are relatively small compared with areas which have been subject to Article 4 Directions restricting HMO conversions elsewhere in the country. These frequently cover larger residential districts, whole wards, combinations of wards, and even whole council areas.
- 6.6. **Alternative Options Considered -** Options involving coverage of larger (and therefore fewer) areas have been considered as part of this work, but were discounted as being disproportionate to the scale of this issue within Crawley.
- 6.7. Alternative Option 1 Extending the number of "Article 4" zones- In particular, consideration was given as to whether it was appropriate to increase the number of proposed Article 4 zones to include areas of two-storey housing where there is a risk of emerging concentrations of HMOs. This approach was however discounted because the risk or emergence of HMO clustering for two-storey housing does not appear to be characterised by the concentration of a specific form of house or dwelling. The appropriate scale and extent of any Article 4 zones related to mitigating any clustering risks for 2 storey HMOs are not obvious, and there is a risk of simply displacing the issue into the neighbouring street or estate.
- 6.8. Alternative Option 2 Larger Zones including 2 storey HMOs A second option might be to introduce larger Article 4 zones with significantly more extensive residential dwelling coverage than those currently proposed, for example covering thousands of properties rather than hundreds. However:
 - there is no evidence of HMO clustering at such a broad level of geographic coverage in Crawley and at the same time there is the risk of adversely affecting the overall supply of this form of accommodation, which could adversely impact younger residents. Without tangible evidence to justify such larger zones, this could well be subject to challenge from central government.
 - the application of planning policies involving quantitative measurement of HMO concentrations would be more complicated in such larger areas, where a significant proportion of HMOs present are likely to be outside the scope of licensing and therefore difficult to identify. This would make it significantly more difficult for the planning services to apply the restrictions in a consistent way, and as such increase the risk of challenges at appeal, and potentially the award of costs against the council where these appeals are allowed.
- 6.9. Alternative Option 3 A smaller number of "Article 4" zones Expressions of concern by residents have tended to be focused in areas with larger concentrations and numbers of HMOs, so one option would be to limit the Article 4 Directions to those

⁴ Based on the 2011 Census figure of 6,657 households with access to 4 or more bedrooms, combined with net increase of 209 4+ bedroom dwellings since 2011.

areas where the proportion of properties which are licensed HMOs has reached or exceeded a threshold of 20 per cent, which would reduce the scope from the 10 zones being proposed to 6.⁵ The remaining 4 areas precluded could then be monitored (zones 7 to 10), with further Directions being introduced as appropriate at a later date.

- 6.10. The preferred option explained above in sections 6.3-6.5 is considered the best approach because:
 - There is a relatively straightforward rationale to its scope (i.e. the coincidence of 3- storey terraced housing and multiple HMOs).
 - Those residential zones included with lower concentrations of HMOs but a higher propensity of three storey housing will in time see an increase in HMOs as such properties in those locations come up for sale. Properties of this type have a demonstrable appeal to would-be HMO landlords, and the areas in question are clearly known to the market. By anticipating this, and avoiding the need to introduce further Directions in such areas at a later date, the proposed approach is considered to represent a more efficient use of council time and resources.
- 6.11. **Views of Ward Members:** A summary of the above proposals and the borough wide map from Appendix A below were included for consideration by all Members as a restricted item in the Members' Information Bulletin on 8 December. The Bulletin item highlighted the intention to proceed to cabinet on 3 February.
- 6.12. So far officers are aware of one response, from Cllr Eade, who agrees that the main issue concerns three-storey houses, but who also expressed concern about conversions to HMOs elsewhere specifically naming Burwash Road in Furnace Green. At present officers do not feel that this area meets the criteria set out in para. 6.3 above, and there are no licenses for HMOs in Burwash Road on the council's current list.

7. Implications of the proposed Article 4 Directions

Housing

- 7.1. A Negligible Impact on HMO Supply The recommended approach seeks to restrict tendencies towards the concentration of HMOs in a limited number of specific areas, rather than to restrict their numbers across the borough overall. Nonetheless, in so far as the proposed Article 4 Directions would restrict certain properties from being converted into HMOs there is a potential impact on the supply of this type of accommodation and on the groups most likely to access it. On the basis of the evidence considered above these three-storey properties are attractive in terms of stock which can economically be put to use as HMOs, and here the environmental considerations which militate against concentrations of HMOs need to be weighed against the apparent utility of this form of dwelling stock for this form of use.
- 7.2. From this perspective the approach reflects a view that on balance its environmental benefits outweigh the associated loss of potential HMO stock. Existing HMOs in the areas concerned will be able to remain in use as such and renew their licenses as appropriate without any need to secure planning permission. The small proportion of the borough's overall housing stock affected by the proposed Article 4 Directions also means that there will remain considerable scope for the provision of additional accommodation of this type elsewhere within Crawley. The overall effect on the borough's capacity to supply HMO accommodation is therefore considered to be negligible.
- 7.3. **Strategic Housing Initiatives -** There is no known impact on any specific current or forthcoming Strategic Housing initiatives.

⁵ Policy H9 of the submission draft 2021 Local Plan identifies 20% as an appropriate threshold for HMOs within an Article 4 Area.

Staffing

- 7.4. Support from Legal Services will be required in the drafting and making of the Article 4 Directions. Work associated with the required notification, advertisement and consultation procedures set out in legislation will fall mainly to the Strategic Planning team.
- 7.5. The administration of the Article 4 Directions once in place would fall predominantly to the council's planning services, and would involve the processing of additional planning applications and the monitoring of the numbers of HMO licenses in the areas concerned.
- 7.6. Ongoing demands on other Council services are anticipated to be limited. They would include the work of the Private Sector Housing Team in maintaining the public list of HMO licenses on a quarterly basis (as at present) and in highlighting the presence of the Article 4 Directions in response to any landlord queries about council requirements.
- 7.7. Assistance from the ICT Business Applications Team may also be sought from time to time with regard to GIS data on licensed HMOs, although Strategic Planning has capacity to undertake most of the associated mapping work.

Financial

- 7.8. Marginal impact on Council Income from HMO Licensing Any impact arising from this proposal is considered to be marginal, owing to the relatively small proportion of the borough's housing stock affected, and particularly given the importance which two-storey HMOs have acquired as a source of license applications since the 2018 changes to the Mandatory Licensing system. The large number of such applications since 2018 suggests considerable scope and demand to convert two-storey properties to HMOs of 5 or more people, and in this context it seems likely that landlords constrained in their ability to introduce new HMOs into the Article 4 Areas will in most cases be able to find suitable properties elsewhere in the borough in which to establish licensable HMOs.
- 7.9. **Staffing Costs –** These are covered by existing budgets and fee regimes. Planning applications for change of use to small HMOs resulting from the Article 4 Directions will be required to pay the appropriate statutory planning fee.
- 7.10. Anticipated Additional Costs Arising from Article 4 Directions Process This is owing to the legal requirement to publish notices of the Article 4 Directions in a local newspaper. The precise cost will ultimately reflect the amount of advertising space required. Advertisement of one of the council's Article 4 Directions in 2020 this year cost £650 so this will amount to a cost of over £6,000 for the advertisement of 10 directions, if the council seeks to progress Directions in all 10 areas.
- 7.11. An Additional Revenue Budget Pressure Whilst there is some budget remaining in the Development Management budget for public notices, this is not sufficient and the roll out of Article 4 Directions across 10 areas will therefore generate an additional budget pressure. Any unspent money at the end of March will be carried over to help with the costs associated with the advertising.

Environmental

7.12. The recommendations are considered to have positive environmental implications, in terms of the mitigation of negative impacts on both amenity and infrastructure which might otherwise occur in the areas identified.

Equalities

- 7.13. The council is required under the Public Sector Equality Duty to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between different people when carrying out their activities.
- 7.14. The recommendations are not considered to involve any adverse impacts for any groups with protected characteristics identified in the Equality Act 2010 s save for a marginal potential adverse impact in relation younger adults, who, as discussed in paragraph 4.2 above, are linked to greater use of HMO accommodation.
- 7.15. Since the recommendations are not considered to involve any marked shift in the proportion of HMOs across the borough as a whole, the impact from this perspective is considered to be negligible and therefore it is considered that there will be no discrimination on the basis of age.

Legal Implications

7.16. The legal effect of the recommendations will be that the permitted development right granted under Class L of Part 3 of the General Permitted Development Order 2015 for change of use from Dwelling houses to Houses of Multiple Occupation will be removed within the identified areas (listed in Appendix 1).

Risks – Possible Challenge from the MHCLG Secretary of State

- 7.17. The Secretary of State must be notified of an Article 4 Direction made by a Local Planning Authority and has the power to modify or cancel such a Direction. In order to inform the exercise of that power MHCLG can request further justifying evidence. Blanket Article 4 Directions covering an entire council area in particular are more likely to be subject to such challenge, although in Crawley further justification has in the past been sought even in respect of Article 4 Directions which are more limited in scope, such as the recent Article 4 Directions regarding certain changes of use in Main Employment Areas.
- 7.18. In this case it is considered that this risk is mitigated by the limited extent of the housing stock within the borough affected by the Directions, and by the existence of a clear rationale for the proposals.

8. Background Papers

Crawley Borough Local Plan 2015 https://crawley.gov.uk/sites/default/files/documents/PUB271853.pdf

North West Sussex Strategic Housing Market Assessment 2019: Final Report, Iceni Projects, 2019

https://crawley.gov.uk/sites/default/files/documents/PUB354604.pdf

'Identifying and Monitoring HMO's in Crawley': Report of the Head of Strategic Housing and Planning Services to Overview and Scrutiny Commission SHAP/68 - 8 January 2018 https://democracy.crawley.gov.uk/documents/s1901/Identifying%20and%20Monitoring%20HMOs%20in%20Crawley.pdf

Meeting Minutes:

https://democracy.crawley.gov.uk/documents/g216/Printed%20minutes%2008th-Jan-2018%2019.00%20Overview%20and%20Scrutiny%20Commission.pdf?T=1

List of HMOs licensed by Crawley Borough Council – August 2020 https://crawley.gov.uk/sites/default/files/2020-08/HMO%20licences%20issued-%20AUGUST%202020.xls

Town and Country Planning (General Permitted Development) (England) Order 2015 (as amended)

https://www.legislation.gov.uk/uksi/2015/596/contents

Housing Act 2004

https://www.legislation.gov.uk/ukpga/2004/34/contents

Licensing and Management of Houses in Multiple Occupation and Other Houses (Miscellaneous Provisions) (England) Regulations 2006 (as amended) https://www.legislation.gov.uk/uksi/2006/373/contents

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