

## Manufactured Homes (Residential Parks) Amendment Bill 2024

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Manufactured Homes (Residential Parks) Amendment Bill 2024  
Housing and Homelessness Services  
Department of Communities, Housing and Digital Economy  
PO Box 690  
Brisbane QLD 4001  
BY POST/EMAIL – [REDACTED]

Dear Sir/Madam,

First and foremost, we want to express our appreciation for the Government's dedication to fostering fair and transparent residential parks through the proposed legislation. Aligning legislative frameworks with community expectations and promoting sustainability for both home owners and park owners is indeed crucial for the well-being of all involved.

However, despite acknowledging the positive intent behind the proposed measures, we feel compelled to express our apprehensions regarding certain aspects of the bill. Our concerns stem from potential unintended consequences that could create challenges for stakeholders within the residential parks sector and fundamentally impact the value of home owners' homes within our communities and their ability to realise fair value on the resale of their homes when they need to release capital to fund their next stage of life or changing accommodation requirements.

As stakeholders deeply committed to the sector's success, we believe it is essential to address these concerns to ensure that the legislation effectively achieves its intended goals without inadvertently causing harm or disruption. We are committed to collaborating with the Government to identify and address any potential shortcomings in the proposed measures to foster a regulatory framework that truly serves the interests of all stakeholders.

We set out below an executive summary of our position. The Appendix contains our more detailed comments on specific provisions that we would be happy to engage further upon as appropriate.

Serenitas supports:

- the linking of CPI to the national CPI index as the majority of home owners within the RLLC sector are supported financially by the pension and rental assistance payments which are generally linked to national CPI movements
- the non-assignment of site lease agreements on resale of homes
- the removal of market rent clauses, subject to legislation not imposing rental caps

Serenitas requests that the following proposals are reviewed due to unintended impacts on stakeholders:

- the proposed rent cap of the greater of CPI or 3.5%:
  - o operational costs (rates, utilities, insurance, waste management, taxes repairs and maintenance, and staff costs) and reinvestment requirements routinely exceed this proposed basis and declining margins will result in under-reinvestment in the community infrastructure by operators
  - o declining profitability and therefore reinvestment and maintenance will ultimately result in the deterioration of a community's quality, home owner support and therefore reduced market appeal of homes to incoming home owners
  - o reduced market demand for homes within a deteriorating community will result in lower prices and longer times to resell homes

- lower prices for homes will impair the ability of exiting home owners to fund their ongoing accommodation or care requirements
- reduced financial capacity of exiting home owners will impact funding requirements of the government and next of kin to fund home owners' care and accommodation requirements.
- removal of direct debit as an allowed payment method:
  - valuable community based resources will need to be diverted to collection of rents
  - payment delays will impact financing requirements of the operations
  - payment delays or mistakes will result in higher volumes of breach notices at QCAT.
- introductions of buy backs:
  - this will likely impact operators of mixed used caravan parks (MUCP) more so than RLLC operators.
  - this financial uncertainty will likely lead to MUCP operators seeking to convert their RLLC sites to holiday based accommodation which will deliver them less volatile financial returns.
  - conversion of MUCP to holiday parks will impact resale values for existing home owners within those parks and ultimately reduce QLD's housing supply.
- preparing and keeping maintenance and capital replacement plan
  - professional RLLC operators should have the skills required to determine the reinvestment and maintenance priorities
  - we suggest that the Department provide guidance indicating basic levels of maintenance that might reasonably be expected in a park. This approach would offer flexibility for park operators to tailor their maintenance practices to the unique characteristics of their parks while ensuring that essential maintenance standards are met.
  - budgets need to be sufficiently flexible to allow for unexpected maintenance requirements caused by breakages, natural disasters and equipment failure.

Case studies of home owner financial outcomes:

As one of Australia's leading operators of RLLCs it our observation is that home owners' and operators' financial interests are closely aligned. Deriving an adequate rent which supports the reinvestment in the upkeep and maintenance of a community's infrastructure delivers a stronger capital gain or home price appreciation for home owners on resale of their home within a RLLC.

By way of case studies, the below table reflects the increase in both the site rent and the resale value of homes within two mature Queensland communities over the period of Serenitas' ownership. Serenitas has reinvested significant capital in the upkeep of these communities during its ownership.

**QLD community performance during Serenitas' ownership**

| Community       | Average rent<br>(ownership CAGR) | Average EHS price<br>(ownership CAGR) |
|-----------------|----------------------------------|---------------------------------------|
| QLD community A | 5.1%                             | 16.5%                                 |
| QLD Community B | 5.7%                             | 12.5%                                 |
| Simple average  | 5.4%                             | 14.5%                                 |

CAGR refers to compound average growth rate.

The financial impact to home owners during our period of ownership were:

- QLD community A rent increased by \$1,175 per annum and the home values increased by \$75,071 over 2 years; and
- QLD community B rent increased by \$2,016 per annum and the home values increased by \$167,880 over 4 years.

## Conclusion

We recognize the importance of balancing the interests of all stakeholders and ensuring that the legislation effectively addresses the issues it aims to resolve. Therefore, we urge the Government to consider our concerns and engage in further dialogue to refine the proposed measures accordingly.

Ten of thousands of QLD home owners and retirees have invested their savings into their RLLC based home. We estimate that the value of home owners homes within the QLD RLLC sector to be worth as much as \$9bn. As park operators, we believe the manner in which our communities are presented, operated, maintained and reinvested within, improves the value of our home owner's key retirement asset.

We urge government to consider the broader implications of the proposed changes its current form and ask there be further consultation to work through some of these unintended consequences with industry to ensure residents do not lose out and to ensure the long-term success of this sector.

Failure to do so risks undermining the stability and viability of the sector, putting at current home owners' largest asset, their home.

I Look forward to the opportunity to discuss this further. Please reach out to myself on either [REDACTED] or via email [REDACTED]

Yours sincerely,

[REDACTED]

Shaun Forbes  
Regional Manager

### Site Rent CAP

We have significant concerns regarding the suggestion to implement a site rent cap in the bill, particularly if it is to apply retrospectively to existing agreements. While we acknowledge the intent behind such a measure, we believe that certain amendments are necessary to ensure fairness and practicality.

Firstly, if a site rent cap is to be applied retrospectively, it is imperative that all existing agreements adopt this method as the basis for rent increases. Limiting the application to previous increase mechanisms, such as CPI or other lower bases, could result in disparities and unfair treatment among home owners.

Furthermore, we propose removing the ability to challenge annual site rent increases, as outlined in sections 69E(3) and 70 of the bill. Allowing such challenges could lead to frequent disputes initiated by home owners, particularly if CPI has been below the proposed cap. It's important to note that CPI has averaged 2.7% over the past 20 years, with only a few instances where it exceeded 3.5%. This could create unnecessary administrative burdens and strain on both park operators and the state.

We advocate for retaining section 72 for resolving disputes in site rent generally, rather than engaging in a QCAT process for every rent increase. This approach would help prevent undue administrative burdens and ensure a fair and efficient resolution of disputes.

Moreover, given the significant increases in various cost categories such as electricity, land rates, insurance, and garbage removal, it is imperative to provide park operators with the flexibility to implement allowable increases that reflect the actual cost pressures they face. These increases often exceed CPI, and failing to account for them could jeopardize the financial viability of residential parks.

### How site rent to be paid – Approved way

We propose the addition of direct debit as an approved method for site rent payment in Section 63 of the legislation. This addition is warranted for two main reasons: first, it imposes no additional cost on the home owner, and second, it streamlines internal business functions for park operators.

Direct debit offers a seamless and efficient way to process rent payments, benefiting both home owners and park operators. For instance, in our experience, utilizing direct debit allows for rent reconciliation in a park with over 270 homes within just one hour. This level of efficiency is unparalleled compared to other payment methods.

Conversely, if park operators were required to process individual payments made by home owners through various channels such as bank transfers, cash, cheque, credit card, or EFTPOS transactions, it would significantly increase administrative burden and operational costs. Estimations suggest that processing payments through these conventional methods could take in excess of 12 hours, placing undue strain on already busy park managers.

Moreover, the potential for late payments and the subsequent need for chasing unpaid rent could further exacerbate the workload for park managers. Late payments not only disrupt cash flow but also increase the likelihood of resorting to legal avenues such as QCAT applications for non-payment of site rent.

To mitigate these challenges and encourage timely payments, we propose granting park owners the ability to charge late fees and interest on overdue payments, with the specific rates to be determined. This incentivizes compliance with site agreements and ensures the financial sustainability of residential parks.

In summary, incorporating direct debit as an approved payment method and allowing for late fees and interest charges aligns with the goals of streamlining operations, reducing administrative burden, and promoting timely payments within the residential parks sector.

## Buyback of homes

It is important to address the rationale behind the option of buyback arrangements, particularly in light of concerns regarding sales delays. However, our industry experience suggests that sales delays are not a prevalent issue within residential parks. On the contrary, many operators have reported waitlists for established homes, indicating a healthy demand in the market.

Residential Park home owners typically have a significant degree of control over the sales process, including setting the price and presentation of their homes. This autonomy empowers home owners and ensures a streamlined sales process without inordinate delays.

Introducing buyback obligations could potentially burden park owners with additional costs and administrative complexities, ultimately impacting the viability of residential parks. While buyback arrangements are common in retirement villages, it's essential to recognize the fundamental differences between these models.

Unlike retirement villages, residential parks operate in a distinct framework where residents value the autonomy and lifestyle benefits offered by this housing option. Imposing buyback arrangements without considering these fundamental differences could disrupt the equilibrium of the residential parks sector and undermine the reasons why many individuals choose this form of housing.

We believe that a nuanced understanding of these differences is crucial in shaping the legislative framework for residential parks. Rather than adopting approaches borrowed from other sectors, policymakers should tailor solutions that address the unique dynamics of residential parks while preserving the autonomy and interests of both home owners and park operators.

The impact of buyback provisions would likely be crippling for small, older, and regional residential parks. Park owners will not be favoured by financiers in raising funds by buyback and, in any event, funds will be reduced to the community and impinge on the services and maintenance available to other home owners.

We are pleased to share that our residential park's currently have hardship provisions in place, which have been independently created by the park owner. These provisions have been instrumental in addressing the needs of residents facing financial difficulties, and we are proud to report that we have encountered no issues with this system to date.

The existence of these hardship provisions underscores our commitment to supporting residents during challenging times and ensuring fairness and compassion in our operations. These provisions have provided a safety net for residents experiencing financial hardship, allowing them to navigate difficult circumstances with dignity and support.

We believe it is essential to highlight the success of our existing hardship provisions. These provisions demonstrate that effective solutions can be implemented at the park level, tailored to the specific needs and dynamics of our community.

## 62C Meaning of eligible home

We are deeply concerned about the practical challenges associated with determining the origin of homes in a say 30-year-old park. It is indeed a complex task to ascertain who originally positioned a home on a site after such a long period, and attempting to do so could lead to significant administrative burdens and potential disputes among stakeholders.

In light of these challenges, we propose a more straightforward eligibility criterion for homes in residential parks: only homes that were purchased directly from the park owner should be considered eligible. This criterion ensures transparency and simplicity in determining eligibility, as the transaction history would be clear and easily verifiable.

Homes purchased from existing home owners, even if facilitated by the park owner acting as an agent, should not be eligible under this criterion. Including such homes could introduce unnecessary complexity and ambiguity, potentially leading to disputes over eligibility and undermining the effectiveness of the proposed measures.

By adopting this eligibility criterion, we can streamline the implementation of the legislation and avoid the pitfalls associated with trying to determine the origin of homes in older parks. It also ensures fairness and transparency in the application of the rules, promoting trust and confidence among all stakeholders in the residential parks sector.

## 86B Preparing and keeping maintenance and capital replacement plan

We express our reservations regarding the proposal to mandate maintenance and capital replacement plans for residential parks. While we understand the intention behind such requirements, we are concerned about the potential cost, the initial setup and ongoing costs associated with engaging quantity surveyors to develop these plans could impose a significant financial burden on park operators.

We are deeply concerned about the potential for discord among home owners arising from individual perspectives on technical plant matters. Varying interpretations and preferences could lead to disagreements and disputes, ultimately undermining community cohesion and creating unnecessary tension among home owners.

Furthermore, we anticipate that home owner committees may seek to have input into the development of maintenance and capital replacement plans. While home owner involvement in community matters is valuable, it is crucial to clarify that only the park owner should have input into these plans. This ensures clarity in decision-making processes and prevents conflicts between home owner committees and park owners.

Explicitly stating in legislation that only the park owner has input into the maintenance and capital replacement plans would help mitigate potential conflicts and streamline the planning process. It would provide a clear framework for decision-making, ensuring that the interests of all stakeholders are taken into account while maintaining the park owner's authority over operational matters.

Additionally, it is important to recognize that any maintenance plan, no matter how comprehensive, may be disrupted by unexpected breakdowns of infrastructure, resulting in major expenses. While there is already a legislative requirement for operators to maintain the community, mandating specific maintenance and capital replacement plans may not necessarily address the root causes of maintenance challenges in residential parks.

Instead of imposing rigid requirements for maintenance and capital replacement plans, we suggest that the Department provide guidance indicating basic levels of maintenance that might reasonably be expected in a park. This approach would offer flexibility for park operators to tailor their maintenance practices to the unique characteristics of their parks while ensuring that essential maintenance standards are met.