Manufactured Homes (Residential Parks) Amendment Bill 2024

Submission No: 51

Submitted by: Alex Douglas

Publication:

Attachments:

Submitter Comments:

Submission to the Housing, Big Build & Manufactured Homes Committee

Manufactured Homes (Residential Parks) Amendment Bill 2024

Prepared by Alex Douglas, home owner, Halcyon Landing, Bli Bli, QLD 4560

10 April 2024

Contents:

Introduction

Thank you for the opportunity to provide this response for the Committee's consideration. If reading time is limited, I might suggest staring at section I – Personal Perspectives and Expectations. This might give the reader the appetite to read the whole of this response.

It must be said from the outset that the Manufactured Homes (Residential Park) Amendment Bill 2024 (the Amendment Bill) has completely missed its mark.

My initial proposition is that the Bill must be abandoned as, firstly, it fails to comply with section 145 of the Act in meeting community expectations.

Secondly, the Amendment Bill fails to satisfy the "objectives" of the Queensland Housing and Homelessness Action Plan 2021-2025 (the Action Plan) to ensure:

A. residential parks are fair and transparent, and
B. the legislative framework for residential parks is contemporary and meets community expectations, and
C. the residential park business model is sustainable for home owners and park owners.

Thirdly, the Bill does not reflect the findings of the many Consultation Regulatory Impact Statement (the C-RIS) recommendations and outcomes from the following:

(1) The Queensland Government's Housing and Homelessness Action Plan 2021-2025, and in particular, Action 18,

(2) The review of site rent increases and sale of homes in residential parks - Issues paper for stakeholder consultation, June 2022 (the Issues paper),

(3) The home owners survey request released on 18 June 2022,

(4) The Policy Objectives set out in the Consultation Regulatory Impact Statement (C-RIS) undated but released on 15 May 2023.

Instead, the primary driver appears to be "***greater clarity and predictability***" for home owners which is **not** expressed as an object in the Consultation Regulatory Impact Statement (C-RIS).

Greater clarity and predictability will **not** pay the site rent or put food on the table or run the air conditioning on sweltering days or pay for medication. The clarity and predictability which the Amendment Bill will deliver is that it remains clear that the majority of home owners will continue to suffer Housing Affordability Stress and home owners can readily predict this will continue well into the future, if not forever.

There can be no doubt that the current and proposed residential park legislation will ensure that the business model is **unsustainable for home owners** and embarrassingly profitable for park owners.

The horse has bolted by allowing park owners to abuse the market rent review provisions and demanding a new site agreement with new conditions and higher rents on a resale of a home. Fixing these two significant issues will go a long way to reducing problems and disputes.

Also, legislation must recognise that park owners have abused the current Act by selling "contemporary" homes, which they variously describe as "*designed to be able to be moved*", and "*not permanently fixed to the ground*" and "*relocatable*" when they are none of these and where the current Act is not written for these contemporary homes.

The Minister for Housing is quoted as saying,

> "*The bill* [Amendment Bill] *delivers on our commitments to address concerns about site rent increases and unsold homes in residential parks*".

The abandonment of the "market review of site rent", contained in the current Act, comes at a hefty cost which will not be able to be borne by many home owners or potential home owners.

The concerns regarding "unsold homes" and the proposed solution will simply not work to the advantage of home owners who ***need*** to sell up. That is an essential need or very important requirement to sell rather than just a desire to sell up.

A suspicious person might believe that elderly and vulnerable home owners in residential parks are a source of funds to aid the solution of the current housing crisis by attracting more developers to make more embarrassingly large operating profits from more and larger lucrative manufactured home parks.

Before getting into the specifics, The Government's stance and commitment is that:

- "*this bill will improve fairness and transparency for 38,000 Queenslanders who already call residential parks home …*" and
- "*making them particularly vulnerable to unaffordable site rent increases and potentially unfair business"* and
- *"the bill will introduce new objects into the act including "protecting home owners from unfair or excessive increases in site rent",*

These all seem to be magnanimous gestures in recognising the current unfair practices and abuse of the market review of site rent and looking after the vulnerable home owner's interests. However, additional provisions in the proposed legislation, including allowing the park owner to "reset" the rent for incoming owners on a resale, completely swamp all of the gestures of fairness, and returns the **balance of power,** to again, heavily favour the park owners.

Where an in-force Act requires the review of that same Act, the provisions for the review of the in-force Act must be complied with. In this case, **The Review of Act** provisions in the current Act are, in part:

> *(1) The Minister must, within 3 years after the commencement of this section, start a review of this Act to ensure it is adequately* ***meeting community expectations*** *and its provisions remain appropriate.*

As stated, the current in-force Act requires a review of the Act "*to ensure it* [the Act] *is adequately meeting* ***community expectations*** *and its provisions remain appropriate*". Any proposed amendment of the current Act cannot be amended unless the new or amended proposed provisions in the Bill satisfy the current Act requirement including insuring that the revised Act "*is adequately meeting community expectations*".

The Bill does not meet community expectations in many respects.

A. Housing and Homelessness Action Plan 2021 - 2025

The Department describes the Action Plan as follows:

> *The Housing and Homelessness Action Plan 2021-2025* (PDF, 3466.73 KB) (the Action Plan) *has been developed in the context of current and anticipated housing market conditions and need. We commit once again to the vision of the Queensland Housing Strategy—that every Queenslander has access to* ***a safe, secure and affordable home*** *that meets their needs and enables participation in the social and economic life of*

> *our prosperous state. The Action Plan reaffirms our objective to increase social and **affordable homes** and to transform the way housing services are delivered.*

Manufactured homes are currently not affordable to the vast majority of home owners. Refer to section **D. Housing affordability Stress**. Manufactured home park site rents will become even more unaffordable if the recommendations of the Amendment Bill are enacted.

The Action Plan states at page 22:

> *Deliver improvements for residential (manufactured home) parks and residential services to address:*
>
> *• **concerns about site rent increases** and unsold manufactured homes in residential parks*

This cannot be said to have been achieved when home owners home owners continue to live with housing affordability stress.

B. Consultation Regulatory Impact Statement (C-RIS)

The C-RIS was released to the public to seek feedback on policy options to change the Manufactured Homes (Residential Parks) Act 2003 and identify their impacts. These options included:

- simplifying the sales process
- restricting the methods used to increase site rent
- prohibiting market rent reviews
- park owners required to publish a comparison document about their park on their website
- park owners required to prepare maintenance and capital replacement plans
- a limited opt-in buyback scheme for homeowners.

The public consultation closed on 26 June 2023.

The C-RIS similarly acknowledges the **imbalance of power** between home owners and park owners, for example, refer C-RIS:

Page 7- *If a home owner thinks that they will be unable to afford to remain in a park, they can feel trapped because they must continue paying site rent until their home is sold or relocated, while park owners are guaranteed income from site rent. This results in an unequal sharing of risk and contributes to **an imbalance of power between home owners and park owners**.*

Page 9 - ***A legislative framework which is contemporary and meets community expectations:***

- *Address **differences in market power** and ensure risks are appropriately shared between home owners and park owners so that: …*

Page 68 - *Comments by the Valuers Registration Board of Queensland support the contention that despite strong protections against conflicts of interest within the valuation industry, the processes in the Act for valuation as part of a market review are not sufficient to address the **power imbalances** and information asymmetry between home owners and park owners.*

Page 69 - *However, a market driven approach to setting site rent is only appropriate to the extent that the market is operating fairly, freely and competitively. In residential parks there are factors which mitigate the influence of competitive forces including information asymmetry; **imbalances in power between home owners and park owners** due to the age or vulnerability of many home owners;*

Page 73 - *The extent to which home owners are unable to leave their residential park (cause 6), and must continue paying site rent until their home is sold or relocated, **further contributes to the power imbalance between home owners and park owners** and insulates park owners from competitive drivers that would otherwise place downward pressure on site rent.*

Page 77 - *… stronger protections are needed to regulate them* [residential parks] *which ensure that Queenslanders living in residential parks are protected from market failure, **power imbalances** and unfair business practices.*

It could not be clearer that there is a power imbalance in the favour of the park owner which the Government has committed to rectify. This is not the case.

From the Minister's speech in Parliament on 21 March 2024, the Minister stated:

> *We are introducing this bill to **rebalance the relationship** between park operators and home owners.*
>
> ***This imbalance of power favouring park operators** and the financial risk borne by home owners means that **additional protections are required in the Manufactured Homes Act**.*

The imbalance of power between the park owner and the home owner is recognised by the authors of the C-RIS and also by the Government. The C-RIS recommends several policy objectives to adjust the balance of power which favours the park owners and bring some balance into the relationship. Very promising. But, again, this is not the case.

The Government, in the Minister's speech, and also the Amendment Bill and also as described in the Bill Explanatory Notes, goes much further! The Government proposal to rebalance the **current** imbalance of power by abandoning the market review of site rent, is admirable. However, the Government then **re-establishes the imbalance** by giving the park

owner a free hand to nominate a site rent for incoming buyers, on the resale of a manufactured home, as high as they wish, with impunity.

The Minister also stated, and this is confirmed in the Explanatory Notes and the Amendment Bill, that it will once again tip the balance **firmly in favour of park owner** to allow the park owner "***to reset site rent"*** on a resale.

> *These reforms* [the removal of market reviews and limiting increases to 3.5% or CPI] *will be **reasonably balanced** by allowing park operators **to reset site rents** to a reasonable market rate at the point where a manufactured home owner sells their home to a new incoming home owner. **This provides fairness** and transparency to home owners while allowing park operators to adjust site rents, as required, in a transparent way.*

So, the unfairness of the Act is to be rebalanced to ensure that the relationship between the park owner and home owners is in equilibrium THEN the Amendment Bill introduces provisions which re-establishes the park owner power and therefore return to the previous imbalnce. There is simply no logic in this. The MHRP Act might just as well stay as it is.

Further, this does not provide any degree of "***fairness***".

The C-RIS is the Governments response to the Action Plan and the Issues Paper released in June 2022. As stated in the C-RIS Executive Summary:

> *Responses to the issues paper and survey, alongside other publicly available data and economic analysis of the residential park industry, are the primary sources of evidence used in this Consultation Regulatory Impact Statement (C-RIS).*

In essence, the C-RIS advised of the "Object of reform" in a "Problem statement summary" which included, importantly:

> *1. Consumers have difficulty making informed choices when entering into a residential park*
>
> *2. There are complexities and inefficiencies in the assignment process*
>
> *3. **There are fairness and equity issues associated with site rent increases***
>
> *4. There is an imbalance in market power between home owners and park owners*
>
> *5. There are limited incentives for park owners to sell pre-owned manufactured homes*
>
> *6. Manufactured home owners are unable to easily exit the park when conditions change.*

Based on the problems identified in the C-RIS, the objects of the legislation and the broader policy principles outlined in the Queensland Housing Strategy, are reforms which are proposed to meet government policy objectives, to ensure the following (**High-level policy objectives for reform**):

- Residential parks which are **fair and transparent,**
- A legislative framework for residential parks which is **contemporary and meets community expectations**,
- A residential park business model which is **sustainable for home owners** and park owners.

While the above three points are extracted from the Action Plan and repeated in the C-RIS, the C-RIS goes to the next obvious step which is to identify the "policy objectives" to guide identification of options in order to address the problems, including "**Object of reform"** and the "**high-level policy objectives".**

Unfortunately, **none of this** has translated into the Amendment Bill.

The proposed legislation will still be unfair; The "contemporary legislation" is just rhetoric; The proposed changes will not be "sustainable" for home owner.

What the Amendment Bill represents is a regime where home owners will have "certainty" that they will continue to pay excessive site rents and the vast majority of home owners will continue to suffer life "trapped" in a manufactured home parks under *housing affordability stress*.

Also, that home owner who currently think they are trapped in their manufactured home, will come to appreciate the potentially enormous cost in extracting themselves from manufactured homes where the park owner has unfettered opportunity to reset the site rent to any amount on the resale of a home, and make the home unsellable.

C. The Buyback Scheme

Many home owners are currently suffering from housing affordability stress, perhaps the vast majority of home owners and certainly all home owner who rely on a Government age pensions, or similar allowance. Allowing the park owner to "reset" the site rent will immediately put the incoming home owner, if on a pension, straight into housing affordability stress.

While it might be said that the incoming home owner is entering the park "with eyes wide open" and is fully aware of the housing affordability potential, they will not be the first under this current housing crisis to ignore advice, including legal advice, and battle on regardless with optimism. The incoming home owner might be duped into believing that they will not be in "rental stress" and fail to appreciate their other housing cost, on top of site rental.

Further, the more likely scenario is that the home owner, who is paying, say, $250 per week and is in "housing affordability stress" wished to sell their home. The park owner "*resets*" the site rent to say $500 per week, a level which deters any potential purchaser from buying the home because the site rent is too expensive.

There is no incentive for the park owner to act in any other manner and to continue to rake in embarrassingly high site rents and operating profits at the sole expense of vulnerable home owners.

The Buyback scheme might be an alternative for the seller. However, the home owner who **must** leave the residential park for care, or another urgent reason, and who continues to pay site rent, might request the park owner to buy the home after 12 to 18 months.

The Amendment Bill, Part 9A - "**Buyback and rent reduction scheme**", is extremely complex, it is uncertain in a number of respects and may be subject to manipulation.

It is uncertain if the "*site rent*" referred to in section 62ZH – **How valuation is to be conducted**, subsection (3)(iii) - is this the site rent payable by the seller **OR** the site rent proposed by the park owner "that will be payable by a new home owner…". This is a crucial point.

It seems from the Minister's speech to Parliament, that it is the intention of the Amendment Bill to allow the park owner to "reset" the site rent on a resale.

In this case, the park owner can hold the selling home owner "captive" by nominating a high site rent. Unless the home owner reduces the sale price to a level which makes a high site rent more attractive, the home may never be sold.

If the park owner resets the site rent to say $500 per week, when a site rent of $250 per week was applicable to the selling home owner, the home owner who purchased the home for, say, $600,000 a few years ago would have to consider selling their home at a vastly reduced the price. This reduction would have to be somewhere in the region of $130,000 to $200,000 to achieve a sale. The selling home owner would have to compensate the incoming home owner for the difference of $250 per week for 52 weeks for, say, 10 years, equals $130,000.

The proper way to calculate the rent reduction compensation to the incoming home owner is to "capitalise" the yearly increase of $250 per week over one year which equals $13,000 per annum, capitalised at, say, 6% (i.e. divide by 6% or 0.06) equals a capital value of $217,000.

A decrease in price of $217,000 is a substantial sum, particularly if the seller needs to fund other accommodation. That is if the house can be sold at all.

Of course, there is nothing to stop the park owner telling the selling home owner that the new rent for any incoming purchaser will be $500 per week. The selling home owner will be aware that a high rent will means the potential buyer will instantly be under housing affordability stress, and it will be extremely difficult or impossible to sell the home. The park owner recognises this and makes an offer to the selling home owner substantially lower that the selling home owner's buy in price. After 12 months of paying site rent, where the home is vacant, the selling home owner is in desperate need of funds to see out their final years and has to accept the park owner's offer.

The park owner is once again free to re-reset the site rent to a "relatively affordable" level and sell the home at a substantial profit.

The valuation from the Registered Valuer will not make any impact on this type of transaction as presumable, the valuer's assessment of a sale value **must** primarily consider the park owner's reset and unsustainable site rent.

This does not "balance" the park owner and home owner relationship. In fact, it re-establishes the gross imbalance of power, again, in favour of the park owner.

The process through the survey, the issues paper, the C-RIS and the Amendment Bill does nothing to ensure homes in manufactured home parks have affordable site rents. In fact, the Amendment Act includes provisions which will ensure that homes are unaffordable into the future and that park owners operating margins continue to grow exponentially.

The home owners' concerns about site rent increases are that increases are historically about double CPI and well in excess of the increases in pension and other assistance packages.

The section following titled "**Housing Affordability Stress**" will show that the vast majority of home owners **are currently in housing affordability stress** and will continue to endure this stress for the foreseeable future, or forever.

D - Housing Affordability Stress

Too often, park owners, the Government, and others, *mistake* "***rental affordability stress***" with "***housing affordability stress***". The difference here is that "*rental affordability stress*" is a term used where the tenant pays rent for a home (but not a manufactured home) and the landlord who owns the home and the land on which the home sits, has the usual commercial obligations to:

a) insuring the home against fire, flood and the like, and
b) maintenance and repairs on the home (but not as a result of tenant fault), including roofs, gutter and downpipe leaks, glass breakage and the like, and
c) replace carpets and floor covering due to wear and tear, and
d) repair and replace appliances, including light bulbs, stoves, ovens, water heaters, garage door motors, and the like,
e) repair damage to the house structure, including external walls, doors, windows, plasterwork and painting which is not covered by insurance, and
f) gardening, and site maintenance, and
g) maintaining fencing, retaining walls, footpaths and the like.

All of the above type of costs are payable by a manufactured home owners, and not the park owner, and who do not own the land, plus paying the site rent. These costs, together with the site rent, are the "**housing costs**". A tenant under a residential lease, where the home is owner by the landlord, would **not** pay these costs. These costs can be substantial.

From time to time, a private or local authority landlord will be required to modernise the home which might include anything from fly screens to installing air conditioning and bear the costs for doing so. This would also be a cost to a manufactured home owner.

The usual lease terms would also include utilities including water and sewerage. The tenant does not pay for these housing costs. The tenant would usually pay for electricity, gas or telephone/internet services consumed.

The above are examples of "housing costs" are used in the calculation of "*housing affordability stress*". Not just the rent!

In order to clarify the terminology -

Rental stress is commonly defined as "the proportion of low-income renter households paying more than 30% of their income **on rent**". These households paying more than 30% of their income on rent are considered to be in **rental stress**.

This definition of rental stress is applicable to persons who rent residential property from a landlord, whether a private landlord, a not-for-profit organisation, or a statutory body.

The term applicable to home owners, who rent a site from a manufactured home park owner, is defined by the Australian Housing and Urban Research Institute (AHURI). The term used in relation to renting a site for a manufactured home is "**housing affordability stress**". "**Housing affordability**" captures the many costs which a home owner in a manufactured home park pays in maintaining, improving and insuring the home. Where a home is rented from a private, not for profit or statutory body landlord, these costs are borne by the landlord.

It is disturbing that the C-RIS is aware of this difference between "*rental stress*" and the more meaningful and correct "*housing affordability stress*" in relation to manufactured homes, and yet has ignored this utmost significant issue.

This is the core of the problems with manufactured homes parks – the affordability of homes by elderly and vulnerable people on low incomes.

Refer to the C-RIS page 43. The second paragraph states:

> *… Unlike a private renter, **a home owner is responsible for all expenses related to the upkeep of their home, including repairs, maintenance, refurbishment and other expenses such as insurance.** Further, given the significant capital outlay on the purchase of the home they might expect a high degree of security of tenure. Comparisons with home owners may be more appropriate, however it should be noted however that in the analysis of housing stress for manufactured home owners above, costs other than site rent are not taken into account when calculating housing costs, as occurs when calculating rates of housing stress **for home owners.***

We are home owners, are we not!

*****

Housing costs, other than site rent, **must** be taken into consideration! The Government will make policy and amend the current Act on inaccurate and wrong information. This is absolutely fundamental and **must** be rectified.

*****

Having identified that the analysis does not take into account "*costs other than site rent* [which] *are not taken into account when calculating housing costs*", the authors of the C-RIS then ignore this fundamentally significant issue.

Housing affordability stress is the true measure of home owners' condition in relating their income to *housing costs* which they must bear as opposed to *rental stress* suffered by renters but where other housing costs are paid for by the landlord. It is wrong and inequitable to ignore housing costs of home owners in manufactured parks.

It is not just the AHURI that holds the view that housing affordability is more than just rent where the home is owned, in our case, by the home owner.

The following correctly refer to "housing stress" and not "rental stress" in the proper context:

- Australian Institute of Health and Welfare, is a Federal Government sponsored organisation - https://www.aihw.gov.au/reports/australias-welfare/housing-affordability
    - ***Housing affordability*** *can be expressed as the ratio of* ***housing costs*** *to gross household income (ABS 2022).*
- Australian Parliament House publication - https://www.aph.gov.au/about_parliament/parliamentary_departments/parliamentary_library/pubs/briefingbook45p/housingaffordability
    - *What is housing stress?*
      A household is typically described as being in 'housing stress' if it is paying more than 30% of its income in ***housing costs****. As higher income households can spend a higher proportion of their income on housing without experiencing problems, they are often excluded from these types of analysis. Consequently, a ratio of 30/40 is often used as a benchmark—that is,* ***if households that fall in the bottom 40% by income spend more than 30% of their income on housing, they are defined as being in housing stress.***
- Australian Bureau of Statistics - https://www.abs.gov.au/statistics/detailed-methodology-information/concepts-sources-methods/survey-income-and-housing-user-guide-australia/2019-20/housing
    - Housing affordability - *Lower income households that spend more than 30% of their gross income on* ***housing costs*** *are sometimes referred to as being in '****housing stress****'.*
- Australian Institute of Family Studies, the Australian Government's independent family research body and advisor on family wellbeing. – Study - Children growing up in families under housing stress:

- *Households identified as being in **housing affordability stress** are those with an income level in the bottom 40 per cent and are paying more than 30 per cent of their income on **housing costs**.*

The Australian Housing and Urban Research Institute (AHURI) is a national independent research network with an expert not-for-profit research management company, AHURI Limited, at its centre. AHURI are funded through a multilateral agreement between the Australian Government and state and territory governments, and universities who are able to become members of the Institute through an application process.

AHURI's mission is – "*Working collaboratively to inform and impact better policy and practice in housing, homelessness, and urban issues"*.

Refer to **C-RIS section 3.2.6** – **Calculating housing stress for home owners.**

The proper term for this section must be "Calculating housing **affordability** stress for home owners".

Housing affordability stress – as defined by AHURI, https://www.ahuri.edu.au/analysis/brief/understanding-3040-indicator-housing-affordability-stress is:

> *AHURI research commonly uses the 30:40 indicator of housing affordability stress.*
>
> *The 30:40 indicator identifies households as being in housing affordability stress when the household has an income level in the bottom 40 per cent of Australia's income distribution and is paying **more than 30 per cent of its income in housing costs**. The underlying assumption is that those on higher incomes who pay more than 30 percent of their income for housing do so as a choice and that such housing costs have little or no impact on the household's ability to buy life's necessities (such as food, health care, education etc.).*
>
> *The '30' in the 30:40 indicator refers to the maximum percentage of housing costs (in relation to the household's income) a household can have before they are considered to be in housing stress. **Housing costs include rent, mortgage payments (including both the principal and interest), rates, taxes, household insurance, repairs and maintenance,** as well as interest payments on loans for alterations and levies on strata-titled dwellings.*
>
> *The '40' means the indicator only considers households with an income in the bottom 40 per cent of the Australian household income distribution (defined in this context as 'lower income' households).*

Given the above advice, including that housing affordability stress is determined by the cost of **housing** against the home owner's income, and not just the cost of the site rent as per the C-RIS calculations, housing affordability stress is far far higher than indicated in the C-RIS.

This section of the C-RIS must be completely revised so as not to mislead the decision makers by including the other household cost which are not borne by a landlord or the park owner and must be paid for by home owners. An estimate of these "additional housing costs" are set out in the table below.

The housing affordability stress levels reported in the C-RIS under section 3.2.6 are based on the cost of rent only and do not include other household costs. When the other costs are included, the corrected "housing affordability" rates are as follows:

1. The C-RIS says a person on a single age pension would be spending **36%** of their income on **site rent**. I suggest this is closer to **50%** of their income on ***housing costs***.
2. The C-RIS says a couple on a full age pension would be spending **24%** of their income on **site rent**. I suggest this is closer to **36%** of their income on **housing costs**.

The following "housing costs" are estimated costs which would otherwise be paid by the private or statutory landlord of a rented home but are paid by the home owner in a manufactured home park.

Insurance costs are based on an average $600,000 home replacement costs. Some homes are selling for well in excess of $1m on the Gold Coast and the Sunshine Coast including a manufactured home which was for sale in Buderim for $2.4m. The base of $600,000 is moderate considering the replacement cost of a home must include for rebuilding costs, clearing the site, consultant and local authority fees.

	Maintenance costs allowance	Notes/$Cost
1	Repaint exterior of home every 10 years	$3,000 = $300 per year
2	Repaint interior of home every 10 years	$5,000 = $500 per year
	Other maintenance	
3	Replace broken glass, mirrors	$100 per year
4	Repair broken tiles, bench tops, etc	$100 per year
5	Replace carpets, other floor coverings, blinds, curtains and fly screens, over 10 years	$6,000 = $600 per year
6	Replace lighting including updating for more modern light fittings when current lighting not available	$200 per year
7	Home building insurance (excluding personal effects) [Quote – RACQ insurance February 2024,	$1,800 per year
8	Repair/replace major **built in** equipment	
a)	Convection oven, 10 years useful life	$1,200 = $120 per year
b)	Microwave oven, 10 year useful life	$800 = $80 per year
c)	Water heater, 10 year useful life	$1,500 = $150 per year
d)	Plumbing fixtures and fittings – 20 year useful life	$2,000 = $100 per year
e)	Air conditioning, 15 years useful life	$6,000 = $400 per year

9	Other repairs and maintenance allowance, including fences, retaining walls, trees driveways, drainage, roofing and plumbing, etc.	$250 per year
10	Water cost as per home owner's calculation - $8.00 per week	$416 per year
11	Garden maintenance	$500 per year
	Total	$5,616.00 per year or $108 per week in excess of site rent.

These costs specifically exclude the costs to refurbish or modernise a home which might include new or additional solar panels, battery storage, car charging facilities, window tinting, roofing over drying areas, adding glazed screens and doors to patios, and the like. Refurbishment and modernisation could **easily cost $50,000** over a 10 year period. This would equate to a weekly cost of around $100 per month. When these costs are included, the housing affordability looks very sick!

Self-Funded Retirees - The situation for the average self-funded retiree is not much better than for those reliant on Government pensions and allowances.

According to Association of Superannuation Funds of Australia Limited (ASFA) Retirement Standard, for those wanting a 'comfortable retirement,' the average super balance at retirement in 2022 should be around $640,000 for couples.

The annual drawdown is from a super fund of $640,000 maintaining current returns in the order of 6% to 8% can yield an income of $44,800 per annum or about $860 per week.

A Self-funded retiree couple with a super fund balance of $640,000 will not get rent assistance.

Importantly, I challenge the rental data used in the C-RIS section 3.2.3. Any park who charges a site fee of $77 per week must have no community amenities or services whatsoever. $77 per week is less than caravan parks in south east Queensland who have little amenities and usually charge $50 per night or **$300 per week**. This outlying rental is questionable for a manufactured home park and should not be included in the median rent calculation. Similarly, a site rent of $430 per week for a site in a manufactured home park is exceptional. This is more like the weekly rate for a 3 to 4 star hotel.

While the C-RIS does not indicate how the "median" rent was calculated, it would seem that the mean of $188 per week is very low. I would have thought the calculation would have been bases on the "trimmed mean" which ignores the outlying high and low site rents.

Also, importantly, I note point 8 at the foot of page 39 of the C-RIS – "***Outer range may include incorrect data that could not be corrected with sufficient confidence***", confirms my concern at using $188 per week in the housing affordability stress calculations is an error.

This concern is supported by the rents included in the last paragraph on page 39 of the C-RIS which includes site rent in different geographical areas, including:

- Gold Coast having the highest median site rent at $218, per week,
- Brisbane, having the highest median site rent at $215, per week,
- Bundaberg, having the highest median site rent at $207, per week,
- Moreton Bay, having the highest median site rent at $204, per week, and
- Fraser Coast, having the highest median site rent at $198.90.

Site rent as at 2022.

With the exception of the Fraser Coast with a median site rent of $198.90, all other medians are well above the overall *median site rent* of $188 per week by 8.5% to 16%. If the weighting of the number of parks in each of the above locations were considered, the median must be in excess of $210 per week. This, together with the use of site rent only instead of including "other" housing costs, makes the C-RIS conclusions and results wrong and misleading.

The C-RIS housing rental stress does not identify the depth of the affordability problem. The true depth of the problem is that on the proper basis of housing affordability stress, the vast majority of home owners are in dire financial situations.

The Government must not make any decisions based on the wrong and misleading housing affordability data contained in the C-RIS and must demand that the affordability exercise be carried out again and properly.

The alternative is to abandon the Amendment Bill entirely.

A further alternative is to allow existing home owners the choice to continue with the current terms of the Act and their site agreements, but only until the Act is redrafted in two parts to recognise the differences between the traditional manufactured homes and the contemporary homes.

The following housing affordability costs are expressed against the rents included in the C-RIS on page 39:

> *The survey data also revealed geographic variation in site rents, with the Gold Coast having the highest median site rent at $218 per week, followed by Brisbane at $215, Bundaberg at $207, Moreton Bay at $204 and Fraser Coast at $198.*

Using the C-RIS calculation method, but including the "other housing costs" of $108 per week, the housing affordability ratio for *Self-Funded-Retirees* is:

Gold Coast, $218 plus $108 housing costs = $326 divided by $860 x 100 = 38.0%.

Brisbane, $215 plus $108 housing costs = $323 divided by $860 x 100 = 37.6%

Bundaberg, $207 plus $108 housing costs = $315 divided by $860 x 100 = 36.6%

Morton Bay, $204 plus $108 housing costs = $312 divided by $860 x 100 = 36.3%

Fraser Coast, $198 plus $108 housing costs = $306 divided by $860 x 100 = 35.6%

These home owners are suffering extreme housing affordability stress.

Housing affordability is at unsustainable levels. This is mostly due to *unchallenged* and grossly excessive prior market rent review increases on certain parks, which have passes on to adjacent residential parks, which on a further review, adopt "*the range of rent usually charged*" in parks in the same or comparable localities and who have not disputed excessive site rent increases.

The cause of these grossly excessive increase, recognised by the Government in the Ministers speech on 21 March 2024, is that registered valuers appointed to carry out market valuation, performs the valuation to the advantage of the park owners and, I say, ignore the mandatory requirements of a registered valuer in carrying out these valuations. It is unfortunate that any challenge to these excessive site rent increases ends up in a dispute at the Queensland Civil and Administrative Tribunal (QCAT) and will in all likelihood be unsuccessful.

It is clear that the dismal success rate in home owners disputing a market rent review is hindered by QCAT giving the park owner's valuer the status as **an expert**, which is wrong, and the Tribunal not recognising the mandatory requirements of a registered valuer in complying with the International Valuation Standards (which is mandated by the Australian Property Institute(API)) and the registered valuer's compliance with the API's own rules and codes.

Giving the park owner's valuer the status as an expert, means that home owners **must,** according to QCAT, have countervailing expert valuation evidence in order to contest the excessive site rent increase. The cost of providing expert valuation evidence is prohibitive for home owners and even a group of home owners. Please refer to the recent submission to the Department, copy to Damian Sammon of the Department:

> **Third Interim Response to the Consultation Regulatory Impact Statement**
>
> Concerning the Valuation Principles, Subjective v Objective, Market Review Methodology and the Registered Valuer's Mandatory Compliance Requirements

A further copy is available on request.

Despite this, the market rent review regime is easily fixed so that it works as it was intended by the authors of the current Act by simple explanatory notes. The baby is being thrown out with the bathwater.

E. Economic life of a Manufactured Home - Contemporary or Otherwise

While it might be argued that the associated home maintenance costs of owning a home in the table above might be excessive, the counter argument is that unless a home owner spends adequate funds on maintaining their home, in time, the home will be worthless or may even be a financial liability.

I was delighted to hear at the public hearing, The Hon. Mr Chris Whiting, the parliamentary committee Chair, recite the adage "***Land appreciates – homes depreciate***". This is true as every real estate agent and property professional will tell you. In the case of a manufactured

home, they will not last forever without significant funds spent on maintenance and refurbishment and will not be sellable if they are not modernised from time to time.

The park owner's land will continue to appreciate while the manufactured homes will continue to depreciate.

There will come a point in time where the prospect of spending significant funds on maintenance, refurbishment and modernising of a manufactured home, will be an economic conundrum. Also considering the extent of site rent being charged in years to come which has outpaced government pensions. The answer might be in the fact that the owner of the home will pay site rent for ever, even if the site is only occupied by a pile of rubble and rusting steel framework.

This might be 50 to 100 years away or more. However, it is certain that approaching the end of a home's economic life, the site rent will be very high and the house price might plummet well before the terminal date.

This is a serious flaw in the manufactured home park scheme that cannot be resolved without significant changes in legislation and fresh thinking about a more sustainable replacement model, which will serve well into the future.

F. The Commonwealth Rent Assistance Scheme

Interestingly, the authors of the C-RIS are clearly aware of the Commonwealth Rent Assistance (CRA) scheme (C-RIS pages 23. 42 [footnote] and 47) and its relevance to home owners who receive Commonwealth Government pensions and other eligible allowances. I do not understand why the C-RIS authors have not sought to bring the Rent Assistance benefit into the housing affordability calculations. They do have a bearing.

The following table is an extract from "myconnect", https://www.myconnect.com.au/post/rent-assistance - the data is dated September 2022 in line with previous rental level calculations. The source of the data is acknowledged to be the Commonwealth Government.

If You're	**Your Fortnightly Rent Is More Than**	**To get the maximum payment your fortnightly rent is at least**	**The maximum fortnightly payment is**
Single	$135.40	$337.54	$151.60
Single, sharer	$135.40	$270.16	$101.07
Couple, combined	$219.20	$409.60	$142.80
1 of a couple separated due to illness	$135.40	$337.54	$151.60
1 of a couple temporarily separated	$135.40	$325.80	$142.80

Age Pension Per fortnight	Single	Couple each
Maximum basic rate	$1,020.60 ($510.30 per week)	$769.30

For instance, if we apply the 2022 CRA to each of the above examples of Gold Coast, etc., the affordability index will change.

For singles, the result of applying the CRA when fortnightly rent is greater than $135.40 per fortnight (pf) to a maximum of $337.54 pf, is [refer to https://www.myconnect.com.au/post/rent-assistance for 2022 costs and allowances]:

Gold Coast, $218 plus $108 housing costs = $326 less CRA of ($151.60 pf divided by 2 =) $75.80 = $250.20 divided by $510.30 (age pension per week) x 100 = **49.0%.**

Brisbane, $215 plus $108 housing costs = $323 less CRA of ($151.60 pf divided by 2 =$75.80 = $247.20 divided by $510.30 x 100 = **48.4%**

Bundaberg, $207 plus $108 housing costs = $315 less CRA of ($151.60 pf divided by 2 =) $75.80 = $239.20 divided by $510.30 x 100 = **46.9%**

Morton Bay, $204 plus $108 housing costs = $312 less CRA of ($151.60 pf divided by 2 =) $75.80 = $236.20 divided by $510.30 x 100 = **46.2%**

Fraser Coast, $198 plus $108 housing costs = $306 less CRA of ($151.60 pf divided by 2 =) $75.80 = $230.20 divided by $510.30 x 100 = **45.1%**

Even with the CRA, home owners are in significant housing affordability stress.

For couples, refer to the most expensive and least expensive from the examples:

Gold Coast, $218 plus $108 housing costs = $326 less CRA of (($409.60 pf maximum rent, less $219.20 pf = $190.40 x 75%) = $142.80 pf, divided by 2 = $71.40 per week. Site rent equals housing cost of $326.00 per week less CRA of $71.40 per week = $256.40 per week, divided by $769.30 (couples age pension per week) x 100 = **33.1%.**

Fraser Coast, $198 plus $108 housing costs = $306 less CRA of (($396.00 pf, less $219.20 pf x 75% = $132.60 pf, pf, divided by 2 = $66.30 per week. Site rent equals housing cost of $306.00 per week less CRA of $66.30 per week = $239.70 per week, divided by $769.30 (couples age pension) X 100 = **31.2%.**

Therefore, in the range of rents between the most expensive median on the Gold Coast and least expensive in this example of the Fraser Coast, home owners relying on the couples age

pension, even with the CRA, are in *housing affordability stress* with a data base of 2022. There have been increases in site rent since that time including a whopping 7.1 CPI increase.

This will only get worse over time as site rent increases as proposed by the Amendment Bill and will be in excess of the CPI particularly when the park owner nominates the site rent for incoming home owner without any limit.

These moderate CPI conditions may well return at some time in the future. Those home owners who are tied to a 3.5% (or CPI, whichever is the greater), in their site agreement will be paying increases almost double the 1.9% historical average for that period.

Note - if or when we return to the stabilised CPI years which we saw between 2012 to 2020, when CPI averaged 1.9% per annum, 3.5% is going to be excessive. The minimum increase of 3.5% **must** be removed and replace by just the CPI. Otherwise the housing affordability will continue to creep even higher.

The real problem for home owners, who currently receive CRA, will be if they become *ineligible* for the allowance. Again, if this rental assistance has been the promise of a park owner by calling a contemporary home a 'relocatable" home, this will be an issue of monumental proportion.

G. The Elephant in the Home

Page 179 of the Consultation Regulatory Impact Statement (C-RIS) contains a "Recommendation" as follows:

> ***Definition of 'manufactured home'***
>
> *Amend the definition of 'manufactured home' in the Act to reflect the **contemporary** residential park industry.*

The C-RIS describes the "**Likely impact**" as:

> *This recommendation is **not** anticipated to have any impacts.*

Thankfully, the recommended change to the definition of a "manufactured home" is not included in the Amendment Bill. This would have had a disastrous impact on the majority of home owners of contemporary homes who rely on a Commonwealth Government age pension or similar pension, because those home owners would lose the Commonwealth Rent Allowance (CRA). This loss would be a significant sum to many home owners and helps stem housing costs and therefore lessen, but not alleviate, housing affordability stress.

It seems clear that the term "*contemporary*" in this context means a home which is modern and relates to the present time. In relation to homes currently being built in manufactured home parks, *contemporary* means homes which are presently being, or have been, constructed on the site, generally with concrete foundations, a concrete ground slab floor,

steel wall and roof framing, masonry walls of popular light weight wall panels, rendered and painted externally and with steel Colourbond roofs.

It is now widely accepted that "*contemporary*" manufactured homes are not able to be moved from one site to another, economically, or at all.

The C-RIS has identified some of the issues concerning "*contemporary*" homes as opposed to the more traditional relocatable manufactured homes for which the Act was written. This includes:

1. *"Selling the home on site is the only practical way for a home owner to leave a residential park as relocating a manufactured home is usually* ***impractical and unaffordable****"*. Page 5,
2. *"…. required to remove their home from the site (****impractical and expensive****)".* Page 8,
3. *"…. or* [the home owner] *needs to move for other reasons****, the only practical way of exiting is to find a buyer for their home****".* That is, as opposed to moving or relocating the home. Page 29,
4. *"Submitters wrote that they feel captive in their residential park because they* **cannot realistically relocate their home**". Page 85,
5. *"Home owners who had relocated their home or considered relocating their home were also asked what the barriers were to relocate their home. The two most common answers were the* ***expense of moving the home and the complicated nature of the process****. However, the sample size for this data is very low".* Page 85
6. *"In modern residential parks, a significant part of a home's value is derived from its location in a park, and* ***this value would be lost where the home is removed from the park****".* Page 86,
7. *"Where the home owner intends to dispose of the home, or* ***the home cannot be moved or positioned at another site****…" .* Page 86,
8. *"Manufactured homes, while movable by definition,* ***cannot realistically be relocated*** *out of the park".* Page 150.

These comments to refer to "c*ontemporary*" homes as opposed to the older style "factory fabricated" manufactured homes which are delivered to the park site generally in one or two modules, and assembled onto a preprepared raised sub-base, of timber or masonry supports.

However, now that it is commonly accepted that "*contemporary*" homes ***cannot realistically be relocated*** [again, C-RIS page 150], this in itself causes a number of significant problems for both park owners and home owners alike, including:

1. Under the Commonwealth Rent Assistance scheme, [https://www.dss.gov.au/housing-support/programmes-services/commonwealth-rent-assistance] Rent Assistance is

available to complying persons who receive a Commonwealth aged pension or other similar allowance, and who live in "***relocatable***" accommodation. Rent Assistance is generally **not** payable to a person who owns or is buying the home in which they live (except for mobile and **relocatable homes**).

In other words, if manufactured homes ***cannot realistically be relocated,*** the Rent Assistance for home owners of contemporary homes will cease under current legislation, leaving the majority of home owners in a dire financial situation. This will be the same for home owners of *contemporary* homes who do not currently qualify for Rent Assistance but may qualify at some time in the future.

2. Homes are sold to prospective home owners on the basis that they are compliant with the MHRP Act and are "*designed to be able to be moved from one position to another*" and they are "*not permanently attached to land*" [Act sections 10(1)(b) and(c)]. That is, they are sold to home owners, and are continued to be sold, on the basis that they **are relocatable** when it is now confirmed by the C-RIS that contemporary homes **cannot realistically be relocated**. This includes the newer contemporary manufactured homes which have a concrete slab and/or foundations which are therefore permanently fixed to the land.
3. The park owners are liable for their actions in selling contemporary homes while falsely stating that the home is "***designed to be able to be moved from one position to another; and is not permanently attached to land***" and/or sold as "***relocatable***".
4. It is the practice for park owners to give new or prospective home owners correspondence from the park owner which confirms that homes are ***relocatable*** homes. This is for the specific purpose of providing this park owner's correspondence to Centrelink by the buyer as evidence of the buyer's status of living in a ***relocatable*** *home*. This is so that the home owner might claim Commonwealth Rent Assistance. This is also the case even where homes are two storey homes with concrete or steel structures and concrete upper floor slabs (also contemporary homes), and which, and **cannot realistically be relocated are obviously not relocatable**.

   We received such a letter which says, in part:

   > "*We confirm the following:*
   >
   > *1. Settlement of the purchase of the* ***relocatable*** *home will be effected on* DATE"; and
   >
   > *4. As the home is occupied by you as your principal place of residence, you may be entitled to Rent Assistance from Centrelink. We suggest that you take a copy of this letter to Centrelink …*"

   Note that park owner has referred to the home as being "***relocatable***" and has **bolded** the term in the letter.

5. The Department is aware of this deception by park owners as the Department is patently aware of "contemporary homes", its meaning and consequences of that meaning, and has been aware for some time.

The Department has continued to produce forms for uses under the Act which obviously do not comply with the Act *with specific reference to compliance by contemporary homes*. These forms, which are approved for use by the Chief Executive under section 145 of the current Act, continually use terms to the effect that a home owner, in certain circumstances, must give "*vacant possession*" of the site. That is to move the home, whether a traditional manufactured home brought on to site, or a contemporary home, constructed on site. The contemporary homes cannot be relocated.

6. While the Amendment Bill seeks to rectify these discrepancies by excluding the moving or relocation of homes other than where the *"… manufactured home was not brought onto the site, or another site in the residential park*". [Section 62C] In other words, an eligible home is a home constructed on the site as in a contemporary home and not moved onto the site as with a manufactured home.

   The Amendment Bill seeks to allow contemporary homes to remain on site and not be moved to provide vacant possession. Once again, this recognises that contemporary homes are not designed to, and are not able to, be moved from their site.

7. Unless all park owners agree that they will fully subsidise site rents where the home owner has lost or will lose their entitlement for Commonwealth Rent Assistance, in perpetuity, including new owners, and those relevant homes currently living in a residential park, the proposed change detailed in the C-RIS will have disastrous "***Likely impact***" for home owners and park owners alike.
8. The current Act does **not** differentiate between the traditional relocatable homes and the contemporary homes. What the Amendment Bill is trying to achieve is to distinguish between these home types in the one piece of legislation by shoe-horning contemporary homes into legislation specifically written for traditional relocatable homes.

   Instead, the Amendment Bill should be abandoned, and the current Act must be rewritten in two distinct parts or two Acts. One part applying to traditional relocatable homes and the other part applying to contemporary homes.

9. The Department and park owners will be aware that having two pieces of legislation for the different homes will not resolve the "Rent Assistance" problem. The rectification and compensation by the park owner where home owners lose their Rent Assistance, is completely the fault of park owners who chose to ignore the legislation when developing parks with contemporary homes which **cannot realistically be relocated.** There is no excuse for this behaviour by park owners who must pay the price for misleading thousands of buyers of contemporary homes.

10. Both the park owners and the Department have been aware for some time that the newer "contemporary" homes are **not** relocatable. One park owner who was made aware of the issue several years ago, provided a warranty on the back of their new home sales brochure to the effect that their contemporary homes were able to be relocated under a so-called "Patent" which specified how a contemporary home's ***structural frame*** could be relocated.

Relocating the structural steel frame of a home is certainly not the same as relocating a **contemporary home** including its ground slab, masonry walls, all fixtures and fitting attached to the ground slab, floor finishes and the like, all of which cannot be relocates and therefore the ***home*** cannot be relocated.

This declaration of a contemporary home which was said by park owners could be relocated, was false and also misleading.

Incidentally, the warranty as to the ability to relocate the contemporary home has now been removed from the park owners' advertising brochure.

The original 2003 MHRP Act, even although it has been through a number of reviews and updates, was conceived when those homes were not of a contemporary design and construction but were generally mobile homes or converted caravans and could be readily and economically removed from the site to another site.

The C-RIS is fundamentally wrong when it states that the "*Likely impact*" [page 179] of redefining the definition of a "manufactured home" is not anticipated to have any impact. The impact is far reaching. However, the definition change is not included in the Amendment Bill. Irrespective, the legislators must not continue to ignore the consequences of homes which cannot realistically be moved and ignore the likely consequences which home owner may face when they have lost their Rent Assistance.

Of fundamental importance is where a home owner wishes to sell their contemporary home to an educated prospective buyer who has advice from a knowledgeable lawyer and who are both aware of the eligibility requirements of the CRA. Home prices might well compromised.

While the Amendment Bill did not tackle the glaringly obvious, i.e. the difference between a relocatable home and a contemporary home with respect to the Rent Assistance, and the impact on housing affordability stress, it ***must*** do so now. This, together with the abandonment of the Amendment Bill and the amendment to legislation, need to be redrafted in recognition of the two fundamentally different home types, including the treatment of the CRA which might be lost to many home owners.

A change to the Social Security Act 1991 "Eligibility conditions" to include "contemporary" manufactured homes, may be one other solution. The cost to the Commonwealth is estimated to be in the order of $70m per annum.

Otherwise, park owners may face actions from thousands of owners of contemporary homes who have been led to believe that their homes are "relocatable" and that they are eligible for Rent Assistance, when they are neither relocatable and nor are the home owners eligible for Rent Assistance. The consequences of this false and misleading advice from park owners does not stop there. This cost is not limited to the potential loss of Rent Assistance but must include the diminishing value of the contemporary home, the additional time to sell the home and the hardship caused to the relevant home owners.

An alternative might be the sale of the residential park containing contemporary homes to home owners, or an entity representing home owners, so that the home owners, or their

representatives, might run the park on the basis similar to a community managed park under a Community Management Statement (CMS). As you will know, a CMS is a valuable reference for living in a body corporate type property as it specifies the by-laws relating to the property, the regulation modules that apply, and outlines exclusive use areas of common property, and who pays for what. In this type of scheme, the manger would set the site rents based on costs to run the park and not on greed.

One of the benefits of CMS is that home owners own their sites under a lot arrangement, and a share in the total common area land value. The home and the land go together.

Currently, a residential park owner, where the site rent is $250 per week for 200 homes, has an income of $2,600,000 per annum. This park owner has declared an operating profit of 50% (the average of the operating profit of "between 30% and 70%", C-RIS, page 24). Therefore, the profit is $1,300, 000 per annum (EBIT) and the costs to operate, manage and maintain the park is ($2,600,000 less $1,300,000 equals) $1,300,000. If the total cost to manage and operate a park is $1,300,000 per annum, this equals a minimum site rent of $125 per week just to cover the costs. After allowing for a body corporate type manager plus government fees and expenses of say $200,000 per annum, the rent would rise to $144 per week – a 43% reduction of the example current rent of $250 per week. That is to say, if substantial profits made by park owner are excluded from the calculation, the site rent would reduce to $144 per week. That is affordable!

H. The Excessive Profits by Park Owners

Page *88 of the C_RIS states that a "Reform objective" is:*

> *Allow park owners to meet the costs of operating and maintaining their residential park and **derive a reasonable** profit from the park's operation to encourage growth, supply and competition in the industry.*

The Government must be fully aware of the excessive and <u>unreasonable</u> profits being made by park owners at the sole cost of home owners. As mentioned above, the profit range cited in the C-RIS of 30 to 70% should be an embarrassment to the Government. This operating profit range is unheard of in the real estate industry.

I cannot find any relevant data for the level of returns in comparable industries is Australia. Nevertheless, the University of New York Stern School of Business (NYU Stern) regularly publishes an industry by industry comparison including average turnover and operating profit earnings in the U.S.A. at [https://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/margin.html] . The Accounting standards in the USA are not dissimilar to Australia and therefore the data is useful. The full table is too large to be included here. However, the following is an extract of the table with data used as of January 2024:

Industry Name	Number of firms	Pre-tax Unadjusted Operating Margin
Building Materials	44	13.55%
Business & Consumer Services	162	11.10%
Construction Supplies	45	15.17%
Investments & Asset Management	334	15.00%
R.E.I T.	193	24.34%
Real Estate Development	17	12.61%
Real Estate (General Diversified)	11	16.13%
Real Estate (Operating & Services)	60	-0.28%
Retail R.E.I.T.	28	36.75%
Total Market	6481	11.45%

The operating profits of manufactured home parks in Queensland is completely beyond reason, is supported by very poor legislation which favours the park owner at every turn and is at significant cost to home owners, including the cost of their mental and physical health.

The Amendment Bill proposal will make things worse for many home owners.

Is the manufactured home park model a scheme which benefits only the park owners? Should this scheme be abolished in favour of a scheme where rent can be much more affordable and where site rent increases are based on the actual increase in operating costs only, and where home owners have the ability to seek and implement cost saving initiatives? Absolutely!

The search for more and *affordable* housing across the country and in Queensland will not be solved by building residential parks under the current or proposed manufactured home park legislation in the Amendment Bill.

Will the current manufactured home park arrangements become the proposterous Ponzi Scheme in the future? Again – Absolutely!

I. Personal perspective and expectations (shared by many)

My wife Gail and I moved from Springwood, just south of Brisbane, in September 2018 to Halcyon Landing at Bli Bli on the Sunshine Coast, after an horrendous experience in a new Retirement Village. Simply, the Retirement Village owner did not build the amenities and facilities which it had contracted to provide.

The matter went to a QCAT dispute conference and was resolved without a hearing.

We know the Sunshine Coast well as we have holidayed in the Mudjimba Caravan Park and also Twin Waters Resort on occasion, for over more than 30 years.

We decided to move into Halcyon Landing on the basis of location, park amenities and affordability. The great attraction of these residential parks is the ability to "lock and leave". This is very important for avid travellers.

Other attractions included a dual garage and drive way, wider roads and a caravan storage.

We paid about $650,000 for the home which is now commonly described as a "contemporary" home, that is constructed with a concrete floor slab, steel framed walls and roof, masonry walls, rendered and painted, and with a Colorbond roof.

We were fully aware of the conditions of our proposed site agreement and used a local solicitor for advice and conveyancing.

I have been in the property industry for more than 40 years in various roles and prior to retirement in 2013, I was a Project Director on multi-million dollar projects and a Property Consultant. I have been involved in many of Australia premium shopping centres and office buildings. My experience included construction management, asset management, property development, investment strategy, major tenant leasing, town planning approvals and structuring Development and Construction contracts with major builders. I am generally familiar with contractual matters.

I have instructed many property valuations, including reviews of retail and commercial tenants' rents, and for pre-purchase valuations of shopping centres and vacant commercial land, and was heavily involved in quarterly valuation of shopping centres on the Eastern Seaboard with capital values in the $billions. I am not unfamiliar with property valuation.

I have contributed to the Manufactured Home Park review survey and workshops, including privately and on behalf of the Association of Residential Parks Association, Queensland (ARPQ) (but now merged into the Queensland Manufactured Home Owners Association - QMHOA).

In 2019, I was asked to join the rent review sub-committee for an upcoming market review of site rent effective from 1 July 2020. During research, I was provided with the valuation assessment from the previous market rent review in 2017. I was shocked to discover that the market review by a registered valuer bore no resemblance whatsoever to a valuation which must be undertaken by a registered valuer in compliance with the Act, the International Valuation Standards (IVS) and the Australian Property Institute (API) Codes and Rules.

This is not being picky! There was no clarity in the assessment report, no analysis, no reasoning for findings and no verified evidence of comparable park rents. All of which are mandatory requirements of the IVS and API Codes and Rules. The C-RIS has reported at page 7, using non inflammatory words:

> *A review of 22 market valuations submitted by home owners found **many reached conclusions with evidence that may be contestable**, …*

I can confirm that I am yet to read a market review of site rent that contains any verified facts, is clear and reasoned and contains any analysis whatsoever. They were all "**contestable**".

The assessment report from the valuer consisted of three pages of qualifications and conditions and two pages listing "comparable" park with supposed site rents, and very brief commentary on park amenities and facilities. The park owner moderated the proposed increase to an increase in site rent from $172.58 to $186.50, i.e. and increase of $13.92 or 8.1%.

The valuation assessment for the July 2020 market review was even worse than the 2017 report. The valuation is completely devoid of any detail, analysis, reasoning, clarity or methodology or verified facts. The valuation assessment is a list of so-called comparison parks, some of which are more than 70 km from Halcyon Landing, is based on *Estimated future rents* and not "*rents usually charged*", with a very brief commentary on each parks' location and amenities. The report finishes with an "oracular pronunciation" of the range of site rents and the assessed site rent.

The dispute concerning the 2020 market rent review in currently underway with a date of 8 May 2024 for the hearing by the Tribunal. The dispute is on behalf of approximately 180 home owners, and I am the principal applicant.

Apart from the capital expense of the home, we have personalised and made a number of improvements including, an "openable" roof over the drying area, BBQ deck, new solar system with solar hot water and electrical storage battery and glazing enclosure to the patio. These projects costs more than $100,000 in total and have made living in our home more comfortable. But we now doubt we will see any return on these improvements when we need to sell our home.

Had we any sense of the changes proposed to the Manufactured Homes Act, we would not have spent one penny!

Both Gail and I fully appreciate that one day, we will both end up in care. Life is unavoidable. Despite the significant disappointment with the way that site rents are being wrongfully calculated and the prospect of sinking into housing affordability stress, we *were* comforted by the steady increase in the capital value of homes in the park. The increase is no more than the appreciation of other residential property in the area, but still at a level which would fund (hopefully) our care and give us confidence that we will not be a burden on our family in our later years. We are fully aware of the cost of care and the capital that is required, and ongoing costs.

It seems that this will all change, to our disadvantage, if the Amendment Bill comes into effect.

The *current* situation is that if and when we decide to sell, or we **need** to sell, we will notify the park owner of our intentions, engage an agent or the park owner to find a buyer. The agent or park owner put our property to the market and seek offers. The agent is familiar

with the terms of our site agreement, including the site rent which will **not** change until the next review. The site agreement is to be assigned to the buyer from the seller.

As the seller, we then notify the park owner by filling out and sending a Form 7 - Notice of proposed assignment. As stated in the form, Form 7 has a number of purposes:

- the notice of proposed assignment, and
- the notice that the home owner (seller) wishes to sell the home to the prospective buyer, and
- the prospective buyer's details, and
- a notice that the park owner is to give the prospective buyer the precontractual disclosure documents.

Once the park owner has provided the precontractual disclosure documents, and the seller and prospective buyer have signed the contract for sale, but conditional, the home owner is required to send the park owner a competed Form 8 – Form of assignment (transfer), so that the park owner's (reasonable) consent to the assignment can be obtained.

Form 8 has undertakings which the prospective buyer is to acknowledge, including:

- the buyer will assume the rights and obligations of the seller under the site agreement; and
- the buyer will be bound by the terms and conditions in the site agreement and the rules of the residential park, from the time of completion of the sale of the manufactured home, and
- on signing the Form 7, the park owner releases the seller from all liabilities under the site agreement from completion.

Once the park owner has consented to the assignment, which the park owner must do reasonably, the settlement of the sale and assignment can take place.

The whole process is relatively simple and should be carried out with the advice and assistance of a solicitor.

The assignment of the sellers site agreement is mandatory. The park owner will argue against this but will not produce any evidence to support their opinion. A park owner who demands that a buyer enter into a new site agreement and not an assignment of the sellers site agreement, is acting unlawfully.

It is important to note that currently, on assignment, the site rent payable by the buyer, is the same site rent payable by the seller at the time of completion. There is no opportunity for the park owner to increase the site rent on a resale.

This is a clear and simple exercise for a sale and an assignment of the site agreement to the buyer.

A park owner must comply with these steps and the assignment. There is no alternative to the assignment of the seller's site agreement to the buyer.

However, park owners have required that the buyer enters into a *new site agreement* on a resale of a home, generally with altered site agreement conditions and almost always, with an increase in site rent. This is not legal and QCAT have found that to be the case. The C-RIS reports that this happens on 76% of resales.

What do the proposed changes to the Act do for us?

Well, at the very least, our future, which is mostly determined by our financial situation will be **very uncertain**.

There can be little hope that we can sell our home for a price anywhere close to our purchase price, never mind the growth in property prices.

The park owner, with the heavily weighted balance of power in their favour, will demand an outrageous site rent from a new buyer when we wish to sell our home. This is what the Amendment Bill allows.

This will make the home unsellable or the home price must be dramatically reduced to offset a very high rent. That's fine – that suits the park owner who might buy back our home under the Buyback scheme at a large discount, reset the rent to a more moderate sum and sell our home at a significant profit.

As it stands, the Amendment Bill allows this. The Amendment Bill has taken away our future independence, both health and financially. The Amendment Bill will cause us sleepless nights from here on because the park owner has our future in their hands.

The Amendment Bill has also jeopardised getting a return on the extensive funds which we spent on improvements.

How dare the State Government interfere with our existing fundamental property rights and contractual rights and our financial future!

How dare the Government make life more complicated and uncertain than it already is for vulnerable home owners?

These existing property rights allowed us to make plans for the end of our lives, whether that be in home care or in a care home of our choosing, near family and friends.

The existing market review of site rent provisions can be easily fixed by recognising the mandatory requirements of a registered valuer. The problem with the slow home sales will be exacerbated with the complex and park owner friendly conditions and does not suit home owners who **need** to sell.

The Amendment Bill completely fails to deal with manufactured homes which are now commonly designated as "contemporary" homes, including the likely loss of Commonwealth Rent Assistance as the home are not "relocatable".

Importantly, will future prospective home buyers shun the manufactured homes market because of the consequences of the proposed change so that the price of homes in residential parks collapse?

There is no skin off park owners' noses – the rent just keeps on coming!

The Buyback scheme, as defined in the Amendment Bill, excludes genuine manufactured homes which are manufactured of site and assembled on site. These are the homes which are likely to need some assistance to sell.

The Amendment Bill does not fit with community expectations at all.

The Amendment Bill should be abandoned and work, including consultation, should commence immediately on revised legislation written specifically for traditional manufactured home parks and separately, residential parks with contemporary homes.

END

Alex Douglas

[redacted]