Queensland
Good jobs
Better services
Great lifestyle

Residential parks – addressing concerns about site rent increases and sale of homes

Consultation Regulatory Impact Statement - Summary

Queensland Government

Introduction

In Queensland, residential parks containing manufactured homes are regulated by the *Manufactured Homes (Residential Parks) Act 2003* (the Act).

People living in residential parks (manufactured home owners) own their home and rent the land the home is positioned on from the park owner under a site agreement. The Act regulates the rights and responsibilities of the parties in this relationship, seeks to protect consumers from unfair business practices, assists consumers to make informed choices, and supports the continued growth and viability of residential parks.

The number of residential parks in Queensland is growing. Many residential parks provide home owners with access to facilities and services as part of their site agreement and promote the community living benefits of the park. Many residential parks cater exclusively to older Queenslanders and retirees by promoting a seniors-focussed lifestyle.

Residential parks have evolved, and some of the assumptions in the Act no longer reflect how parks operate. Today, instead of mobile structures being brought into a park, many manufactured homes are sold on-site in purpose-built communities. A significant portion of a home's value is due to its location in a park and access to the services provided.

In recent years, home owners, home owner groups and community groups have pointed to problems with the regulation of site rent increases and the sale of manufactured homes. In response, a commitment to address these issues was included in the *Queensland Housing and Homelessness Action Plan 2021-2025.*

In June 2022, the Department of Communities, Housing and Digital Economy (the department) published an issues paper seeking feedback from the community on specific issues about the regulation of site rent increases and sale of manufactured homes in residential parks. At the same time, the department released a survey for manufactured home owners to gather data about the experience of home owners living in residential parks.

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

The C-RIS identifies two core problems experienced by manufactured home owners under the regulatory framework, and a number of interlinked "causes" which contribute to those problems. These are summarised below.

Key problems

Key problem 1: Unsustainable and unpredictable site rent increases

Site rent is becoming increasingly unaffordable for many home owners. A significant proportion of respondents to the 2022 survey indicated that living in a residential park had become (or could soon become) unaffordable and that site rent increases have affected their ability to afford essential items and services.

Analysis suggests that across the market, increases in site rent are likely to outpace increases in the age pension. While the rate at which site rent outpaces pensions is modest for those experiencing the median level of increase in site rent, it is much more pronounced for home owners experiencing increases above the median. Regardless of the rate at which the gap widens, for most home owners the proportion of income they spend on site rent will grow over time, leaving less for other essentials and potentially increasing rates of housing stress. Home owners on low incomes (55% of survey respondents), and single person households are particularly at risk.

Many home owners experience site rent increases that are higher than they expected, and often could not have predicted, even if they obtained legal and financial advice before signing their site agreement.

Site rent increases based on market rent reviews usually result in higher increases than other methods of increasing site rent and are particularly unpredictable. In the 2022 survey of home owners, the median market rent review increase experienced by respondents was 7.2%, with some home owners experiencing rent increases between 10%-30%. Increases such as these are especially likely to impact home owners' ability to budget and pay for necessities such as food, transport and medication, and can undermine housing security for retirees on a fixed income.

Home owners argue that site rent increases should be broadly aligned to increases in the cost of operating and maintaining the park, and that it is not fair if site rent increases result in the park owner profit component rising beyond the level set in the initial site agreement. Fairness also requires that prospective home owners fully understand when a site rent basis will result in declining affordability for them over time, before they sign a site agreement.

Given the significant cost of entry into a residential park, the substantial barriers to exit, and their relative vulnerability, home owners should expect a higher level of housing security for their investment. The regulatory framework can help ensure home owners are protected from unreasonable impacts from business practices related to rent increases.

Key problem 2: Delays in selling a manufactured home

Delays in the sale of manufactured homes, when they occur, are a significant problem for home owners. 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.

Delayed sales can occur due to the complexity of the process outlined in the regulatory framework and where park owners have low incentives to assist with sales. However, the likelihood and extent of delay is affected by market conditions and other factors such as the asking price and condition of the home. In circumstances of high housing demand and limited supply, delays are not as common. The evidence suggests that the average time to sell a manufactured home has improved considerably since 2013 when approximately 56% of home owners responding to a survey took at least one year to sell. However, it is important to recognise that the factors causing delays are still present and may become more influential on sale times in a slower housing market.

Home owners who can no longer live in their manufactured home, for example because they need to move into aged care, are most impacted by delays in sale as they must continue to pay site rent while paying for aged care or other accommodation. These home owners are also unable to access their capital which makes it unlikely that they could afford to pay an aged care Refundable Accommodation Deposit (RAD) or invest in another form of accommodation. This can have impacts on a home owner's finances, health and quality of life.

Causes / contributors

The C-RIS identifies six causes contributing to the problems which are summarised below.

Cause 1: Consumers have difficulty making informed choices when entering a residential park

Site agreements establish how much site rent a home owner will pay, and the ways site rent can increase. Site agreements are signed prior to entering the residential park, and it is critical that consumers have made an informed choice based on clear and transparent information and an understanding of how it will apply to their financial and other circumstances.

Despite precontractual disclosure requirements, it is often only after moving into the park that some home owners become aware of the consequences of their decision. The residential park model, the Act, and site agreements are complex; and choices are often based on the appeal of the lifestyle offered in a park.

Many home owners buy into residential parks without legal advice, and those that receive legal advice may not receive expert advice that is tailored to their circumstances.

These issues can result in consumers entering site agreements which become unaffordable for home owners over time.

Cause 2: Complexities and inefficiencies with the assignment process

Selling home owners can assign their site agreement to a buyer of their home. The terms of an existing site agreement are often more beneficial than the terms of new site agreements. However, the assignment process is often not well understood by buyers and sellers, and park owners often have a strong preference towards new site agreements.

New site agreements create an opportunity for park owners to increase site rent and change the basis on which it can increase. In parks with market rent review clauses in site agreements, the new higher site rent creates upward pressure to align all site rents with the new 'market' level. In the 2022 survey, home owners who entered into new site agreements were financially worse off than home owners who were assigned an agreement, resulting in less sustainable site rents for those home owners.

However, home owners who entered into new site agreements were more likely to think there was a clear and fair process for selling a manufactured home, compared to survey respondents who were assigned an existing site agreement. This suggests that new agreements may have non-financial benefits for home owners arising from a simpler process with clear, accurate and updated information.

The complexities involved in the sales process can result in disputes, slow down sales, and increase the barriers to exiting the park for home owners.

Cause 3: Fairness and equity issues associated with site rent increases

Market rent reviews are a major reason home owners experience unpredictable and unsustainable rent increases. Home owners cannot estimate the financial impact of market rent reviews when purchasing their home, and market rent review increases are more volatile than other bases for increase. The preparation of the market valuation for a market rent review has subjective elements and many factors which can create upward pressure on site rent. Park owners appoint and pay for the registered valuer which can lead to the perception that valuations are not independent.

In the 2022 survey, approximately 76% of respondents said their site agreement allowed market rent reviews and 61% of these home owners were unhappy with how their last market review was conducted. Almost three quarters of those who were unhappy said it was because the market valuation made inappropriate comparisons with other residential parks, while 61% said that site rent had increased by an excessive amount, and 44% felt that the process to dispute a market rent review was too complex or intimidating.

A review of 22 market valuations submitted by home owners found many reached conclusions with evidence that may be contestable, and there were significant differences between home owner procured and park owner procured market valuations.

Other increase bases may also increase site rent at unsustainable rates, and some bases, such as CPI+X% will consistently outpace fixed sources of income such as the age pension. However, these bases are more transparent, providing prospective home owners an opportunity to factor declining affordability into their purchasing decisions.

Cause 4: Imbalances in market power, consumer knowledge and expertise

Home owners are mainly retirees on limited incomes such as the age pension, and are likely to be increasingly vulnerable as they age. Conversely, park owners are increasingly operators of multiple parks with significant resources, expertise and sophistication.

The residential park regulatory framework relies on home owners to advocate for themselves, individually or collectively using dispute resolution processes that many find onerous. Home owners can feel that they are not well-equipped to participate in this process, and their fixed income limits their capacity to pay for legal representation in a dispute with the park owner.

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.

Cause 5: Limited incentives to sell pre-owned manufactured homes

Park owners receive site rent from home owners who are selling their home, even if the home owner no longer lives in the park, but derive no income from a new manufactured home that the park owner has built, until it is sold. This incentivises park owners to prioritise the sale of new homes over existing homes, particularly in slower markets where supply outstrips demand. This can contribute to delays in the sale of pre-owned homes, with the extent of the delays also influenced by market conditions.

When park owners act as selling agent for a home owner, they have a potential conflict of interest between their duty as an agent of the selling home owner and their financial interests as owner of the park. Selling home owners must initiate the assignment of their site agreement but are often guided by the park owner who has expertise and can effectively drive the sales process. Assignment is potentially beneficial to consumers when buying or selling, as favourable site rent terms (such as a low site rent) could increase the sale value of a manufactured home and lower the ongoing cost for a new home owner. However, these consumer advantages are inconsistent with the financial interest of the park owner. New site agreements may be used to increase the starting level of site rent and create upwards pressure on site rents across the park (see cause 2) which are normalised through market rent reviews (see cause 3).

Cause 6: Manufactured home owners are unable to easily exit the park when conditions change

Residential parks and manufactured homes have evolved. Modern manufactured homes can no longer be practically or affordably relocated from one park to another (or to another place), and the cost of a home cannot be recovered by taking it out of the park and selling it as a significant portion of the home's value is attributable to its position within a residential park and access to the services and facilities provided.

As a result, the only practical way for a home owner to leave the residential park and recover their investment is to find a buyer for the home on site. Until that sale is completed, a home owner must keep paying site rent or they will be in breach of their agreement and could be required to remove their home from the site.

While home owners carry all the risk of delayed sales, park owners are responsible for many of the things which influence the timely sale of homes, including the maintenance and amenity of the park, the amount of site rent, the terms and conditions presented in new site agreements, and the marketing of the home (where the park owner is appointed as the seller's agent under a selling authority).

These barriers to exit limit the bargaining power of home owners during negotiations about site rent as they are unable to take their business elsewhere. These circumstances result in limited incentives for park owners to maintain the park's amenity and services, and reduce competition that may otherwise place downward pressure on site rent once all homes in the park are sold.

Policy objectives

The C-RIS identifies the policy objectives to guide the selection of suitable options to address the problems described above. The policy objectives are to provide:

Residential parks which are fair and transparent:

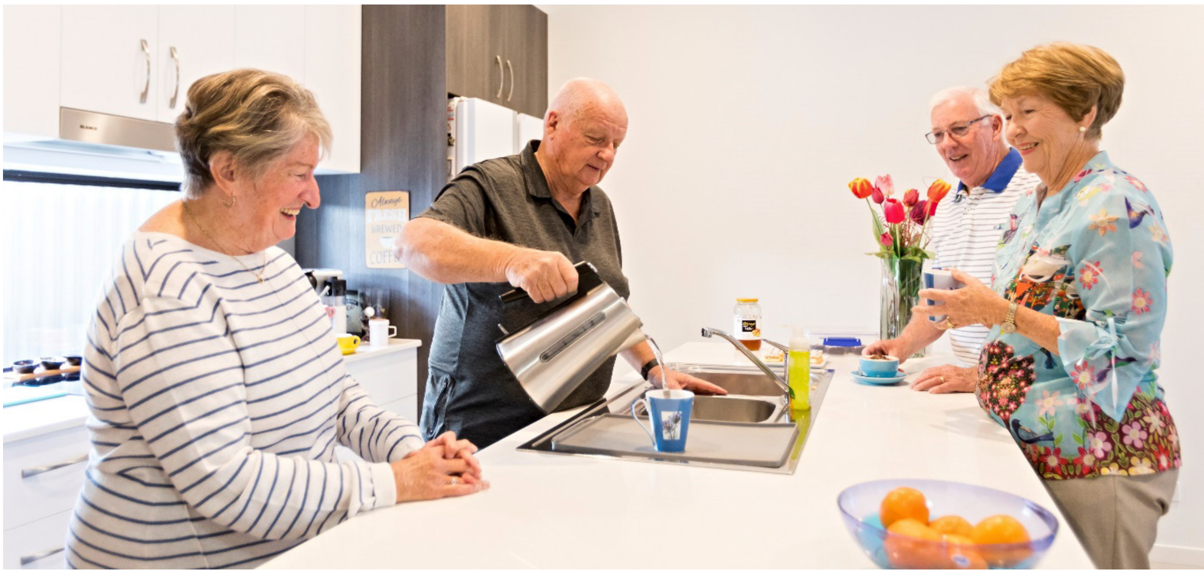
- Support consumers purchasing a manufactured home and entering into a site agreement to make an informed decision about the suitability of the site agreement for their particular financial circumstances and stage of life.
- Simplify the sales and assignment process for the benefit of all parties.
- Ensure consumers feel confident in their decision to live in a residential park and with the processes and protections provided by the Act.

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:
  - home owners receive value for their site rent and their investment in their home is protected
  - park owners have obligations and incentives to maintain the amenity and standard of facilities in their residential park, and assist in the resale of homes
- Ensure protections for home owners are not significantly less than those applying to retirement village residents, including to support people to leave a residential park to move into aged care if required, or to other accommodation.

Residential parks which are sustainable for home owners and park owners:

- Ensure site rent increases and variations are fair
- 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.



Options considered in the C-RIS

The C-RIS considers a range of options to address the identified problems and achieve the policy objectives including:

Option 1 – status quo: No change to existing legislative protections and processes.

Non regulatory options were also considered including:

- Improved education
- Improved access to legal support for home owners
- support for industry best practice

These measures, while beneficial, were determined as unlikely to be sufficient by themselves to achieve the policy objectives.

Option 2 – Require residential parks to publish a comparison document: Improve precontractual information by requiring park owners to develop a residential park comparison document that includes key information to help prospective home owners compare parks. This document must be hosted on a website for the residential park.

Option 3 – Simplify the sales and assignment process: Amend the Act to simplify the sales process by requiring all purchasers of a manufactured home to enter into a new site agreement with the park owner with updated terms and information. Purchasers of a pre-owned home must be given an option to adopt prescribed terms of the previous site agreement (such as site rent amount, and site rent increase basis) unless such terms are otherwise prohibited.

Option 4 – Limit site rent increases to a prescribed basis: Require that future site agreements use a prescribed basis for site rent increases, including CPI, a fixed percentage, or a formula which increases site rent in proportion to increases in park operating expenses.

Option 5 – Improve the market rent review process: This option reduces unfair market rent review outcomes by improving the equity of the market review process. Under this option the government would establish a specialist valuer qualification for residential park rent determination processes. Park owners and home owners would jointly appoint a valuer.

Option 6 – Prohibit market rent reviews: Amend the Act to prohibit market rent reviews, including those in existing site agreements. For existing site agreements with a market review clause, site rent may be increased using any second basis provided for in the site agreement, or by a Consumer Price Index (CPI) increase where no other basis exists.

Option 7 – Limit site rent increases to the higher of CPI or a fixed percentage (for example, 3.5%): Future site rent increases are capped at the higher of CPI or a fixed percentage prescribed by regulation (for example 3.5%).

Option 8 – Limit site rent increases to CPI: This option limits future site rent increases to CPI, meaning site rent would move in line with inflation. This removes the potential for park owners to increase site rent based on other factors. This option also eliminates the need for market rent reviews in all site agreements, further simplifying the process for both park owners and home owners.

Option 9 – Require expense-based calculations for increases above CPI: This option requires park owners to justify any increases in site rent based on a proportionate calculation of actual expenses. To mitigate administrative burden, this would only be required where the proposed increase exceeds the annual change in CPI.

Option 10 – Require maintenance and capital replacement plans: Amend the Act to require park owners to develop and maintain a plan outlining anticipated maintenance costs and costs for replacement of capital items in the residential park. Park owners must set aside money from site rent in a trust account to meet these obligations in accordance with this plan.

Option 11 – Establish a limited buyback and site rent reduction scheme for unsold manufactured homes: Amend the Act to introduce a limited buyback and site reduction scheme for unsold manufactured homes. Home owners can opt in to the scheme when they meet the following eligibility requirements:

- The manufactured home was sold new on site by the park owner (or previous park owner) or, if the home was originally moved into the park, the park owner has at one time sold the home on site under a selling authority.
- The park owner has had selling authority and has tried to sell the home for at least 6 months.

Where a home owner opts in to the buyback scheme, the park owner and home owner must agree on a sale price for the home. If agreement cannot be reached, the parties must engage a registered valuer to set a fair market price. The home owner must vacate the home at this stage and continue to pay site rent, however a 25% discount on site rent must be applied after 6 months where the home remains unsold.

Where a manufactured home is unsold for 12 months after the date of opt-in (18 months in total after the park owner is appointed under a selling authority), the park owner must buy the manufactured home. Park owners can seek an extension of time from QCAT where the buyback would cause the park owner undue financial hardship. If granted the park owner must reduce the site rent for the home by 50%.

The scheme would not change the current rights of a home owner to sell their home themselves or using an agent of their choice, and home owners can choose not to opt in to the buyback scheme.

Impact analysis of options

The C-RIS outlines the impact of proposed options, including costs and benefits for all stakeholder groups.

Impacts were determined using a 'comparison group' methodology using data from the 2022 survey. This involved identifying a cohort of survey respondents whose site rent situation most closely resembled the option under consideration and comparing the outcomes for this group to either the market as a whole or the cohort who would be impacted by the option. Where available, reliable public data such as historical rates of increase for CPI and the age pension has been used instead of, or to supplement, the comparison group data. Detailed information about the methodology and assumptions used is provided in the C-RIS.

A summary of the impact analysis is presented below:

Option 2 – Require residential parks to publish a comparison document

Standardised comparison documents will help prospective home owners to be better informed and to 'shop around' and compare different parks before making a decision. This option is anticipated to cost park owners $1,900 per park, or $385,700 across the market over a 10-year period. This option scored an 8/9 on its contribution to policy objectives and was selected as a component of the preferred package of reform options.

Option 3 – Simplify the sales and assignment process

This option will make it easier for home owners and park owners to buy and sell homes by reducing the complexity of the sale process and improving the assignment processes in the Act. It also safeguards the more beneficial terms of an existing site agreement for a buyer by requiring these to be transferred into the new agreement. Home owners are anticipated to benefit by approximately $3,661,000 compared to the status quo over 10 years, and park owners are anticipated to experience an equivalent cost. Additional savings of $3,252,000 is anticipated for home owners from faster sales and a resulting decrease in the time spent selling their home. This option scored 8/9 on its contribution to policy objectives and was selected as a component of the preferred package of reform options.

Option 4 – Limit site rent increases to a prescribed basis

This option will create consistency across future site agreements about how site rent increases can be calculated. This will reduce complexity and support consumer understanding of site agreements. This option has negligible quantifiable costs and benefits for the community but will improve consumer satisfaction and fairness. The option scored 6/9 on its contribution to policy objectives. It was selected as a component of the preferred package of reform options.

Option 5 – Improve the market rent review process

This option would attempt to reduce problems in the market review process through process improvements and greater home owner involvement in the market valuation process for setting site rent. This option scored 3/9 on its contribution to policy objectives and was not selected as a component of the preferred package of reform options.

Option 6 – Prohibit market rent reviews

This option directly addresses unfair site rent increases by prohibiting market rent reviews. The option will reduce disputes, reduce rent increases for most home owners, and improve the predictability and fairness of rent increases. The long-run savings to the average home owner from reduced site rent is estimated at $104 per site over 10 years. This equals $3,508,024 assuming 10,000 additional sites (33,731 total) over the next 10 years. An equivalent cost is experienced by park owners from reduced growth in profitability over the next 10-year period. This cost to park owners is offset by a cost saving of approximately $4,360,500 over 10 years from the reduced cost of market valuations. This option scored 7/9 on its contribution to policy objectives and was selected as a component of the preferred package of reform options.

Option 7 – Limit site rent increases to the higher of CPI or a fixed percentage (for example, 3.5%)

This option provides a level of universal protection and certainty for home owners by requiring that increases cannot be above a prescribed level (this has been set at the higher of CPI or 3.5% for the purpose of the C-RIS). To increase site rents above this level where such increases are justified by operational or repair costs, the park owner needs to have the increase approved by home owners or the Queensland Civil and Administrative Tribunal using the special site rent increase framework in the Act. The long-run savings to the average home owner in the high rent cohort (approximately 36% of survey respondents) from reduced site rent is estimated at $4,400 over a 10-year period. This equals $53,429,904 assuming 10,000 additional sites over the next 10 years. An equivalent cost is experienced by park owners from reduced growth in profitability over the next 10-year period. This option scored 8/9 on its contribution to policy objectives and was selected as a component of the preferred package of reform options.

Option 8 – Limit site rent increases to CPI

This option provides an alternative to options 6 and 7 and would replace all existing site increase bases. Home owners would experience significant cost savings under this reform option, and equivalent costs would be incurred by the park owner. The long-run (10-year) savings to the average home owner in the market is estimated at $169 Net Present Value which equals approximately $5,700,539 over ten years for the market, and an equivalent cost applied to park owners from reduced rent income. This option was identified as higher risk and beyond what was necessary for achieving the policy objectives. This option scored 7/9 on its contribution to policy objectives and was not selected as a component of the preferred package of reform options.

Option 9 – Require expense-based calculations for increases above CPI

This option provides an alternative to options 6, 7 and 8, and would replace all existing site rent increase bases and require park owners to increase rents in proportion to relevant expenses. This option would improve the transparency of site rent increases and align increases with actual operating expenses, but it may result in unintended consequences. For example, some home owners could experience site rent increases where there is a backlog of maintenance in a park which results in higher expenses. Home owners would also be burdened by the need to interrogate the expense-based calculation provided by the park owner. The cost of the safeguards necessary to make this process fair outweighs the benefits. This option scored 5/9 on its contribution to policy objectives and was not selected as a component of the preferred package of reform options.

Option 10 – Require maintenance and capital replacement plans

This option provides benefits for home owners including improved transparency, improved maintenance and amenity of parks, improved home owner satisfaction and fewer disputes reducing the costs associated with dispute resolution. The cost of preparing plans is estimated at approximately $15,000 for establishment, and $7,500 for administrative maintenance thereafter. This equates to approximately $130 per home per year for a median sized park. This option scored 6/9 on its contribution to policy objectives and was selected as a component of the preferred package of reform options due to its contribution to resolving issues not otherwise addressed in the reform package.

Option 11 – Establish a limited buyback and site rent reduction scheme

This option creates a limited opt-in framework for manufactured homes to be bought back by the park owner if they have not sold after 18 months, with site rent reduced by 25% in the final 6 months. This option provides financial and other benefits for home owners, and improves incentives to encourage the timely sale of homes. The administrative cost to park owners of this option is estimated at approximately $4,522,000[1], with reduced profitability from site rent equal to approximately $1,227,000 over a 10-year period. This is offset by an estimated benefit of $957,000 from additional revenue from commission on the sale of homes. Under this option, home owners experience a benefit of $3,887,000 from reduced site rent, improved sale times and less time spent paying site rent for unsold homes. This option scored 7/9 on its contribution to policy objectives and was selected as a component of the preferred package of reform options.

[1] $1,714,000 due to site rent reductions, $357,000 from marketing costs, $516,000 from administrative costs, $1,935,000 from financing costs.

Impact mitigations under consideration for reform options

Impact mitigations to offset negative financial and non-financial impacts of options will be considered as part of this reform process. These include:

- Making certain requirements such as residential park comparison documents, maintenance and capital replacement plans, and buyback requirements apply only to purpose-built residential parks, or parks above a certain number of manufactured home sites to reduce the administrative burden on small, mixed-use parks.
- Removing the requirement for park owners to deposit money into a dedicated account for implementing maintenance and capital replacement plans.
- Considering alternative levels for a cap, ranging from 3-5%. The lower the cap, the greater the potential benefit for home owners, and the higher the potential impact on park owners.

Preferred options

A package of preferred options which delivers the greatest net benefit to the community has been identified for consultation purposes. The selection of the package involved consideration of the relative costs and benefits of each option for each stakeholder group, the extent to which options achieve identified policy objectives individually and in combination, and the extent to which the combination of options prevents any likely unintended consequences that might occur in other configurations.

The preferred package includes the following options:

- Option 2 – Require residential parks to publish a comparison document
- Option 3 – Simplify the sales and assignment process
- Option 4 – Limit site rent increases to a prescribed basis
- Option 6 – Prohibit market rent reviews
- Option 7 – Limit site rent increases to the higher of CPI or a fixed percentage (for example, 3.5%)
- Option 10 – Require maintenance and capital replacement plans
- Option 11 – Establish a limited buyback and site rent reduction scheme

The final package of recommended options may change following stakeholder feedback on the C-RIS.

Financial costs and benefits of reform package

The table below provides an estimate of the cumulative costs and benefits of the preferred package of options over 10 years. As the costs and benefits of options may overlap, or compound in ways which are difficult to predict, the total provided is speculative. More information on how these costs and benefits have been calculated can be found in the C-RIS.

Table 1. Financial costs and benefits of the preferred reform package

Benefit	Cost
Savings from reduced sale times for home owners Option 2: $1,626,000 Option 3: $3,252,000 Option 11: $3,887,000 Total: $3,887,000 - $8,765,000	Cost of park owners preparing residential park comparison document Option 2: $385,700
Reduced home owner site rent from carry over of beneficial terms Option 3: $3,661,000	Reduced park owner profitability from carry over of beneficial terms Option 3: $3,661,000
Benefit of lower site rent increases for home owners Option 6: $3,508,024 Option 7: $53,429,904 Total: $53,429,904 – $56,937,928 to over 10 years	Reduced park owner profitability for lower site rent increases: Option 6: $3,508,024 Option 7: $53,429,904 Total: $53,429,904 – $56,937,928 over 10 years
Reduced cost of market valuations for park owners Option 6: $4,360,500	Cost of reduced site rent and buyback requirements for unsold homes Option 11: $5,749,000
Additional park owner revenue from sales commission Option 11: $957,000	Cost of implementing maintenance and capital replacement plans Option 10: $14,250,600
Reduced disputes (assuming a cumulative 70% reduction in disputes across all options) • $7,300 for home owners over 10 years based on QCAT application fees • $80,700 over 10 years for government • Cost / time savings for park owners resolving formal and informal disputes: $8,925,000	
Total benefit to the community as a whole Reform package results in a total financial benefit across the market, ranging from $75,308,404 – $83,694,428 (mid-point $79,501,416)	Total cost to the community as a whole Reform package results in a total financial cost across the market ranging from $77,176,204 – $80,684,228 (mid-point $78,930,216)

Other impacts of the preferred package of reform options

The C-RIS identifies a range of other important qualitative impacts (mostly benefits) of the preferred reform package which are difficult to quantify. These include:

- greater transparency of site agreements
- fairer site rent increases leading to improved affordability and increased spending in local communities
- improved amenity of residential parks
- improved housing security and a reduced burden on the social housing system
- improved health and wellbeing of home owners
- reduced burden on government
- increased capital gains for home owners and improved consumer satisfaction and confidence in the industry.

A further possible impact is an increase in the price of manufactured homes for prospective home owners because of improved consumer confidence and reduced supply.

Conclusion of impact analysis

Based on the above assessment of the estimated costs and benefits to the community as a whole, the preferred package of options delivers a quantitative net benefit of $2,980,200 over 10 years in a best-case scenario[2], or a cost of $1,867,800 in a worst-case scenario. The midpoint would see a net benefit of $571,000 over 10 years. This is without consideration of the qualitative benefits, which are likely to outweigh the costs even in the highest cost scenario.

Most costs are due to lower growth in profitability for market participants. Park owner profitability is not anticipated to substantially decrease under the proposed package of options but will grow more slowly than under the status quo. Most of the quantitative benefits of this reform package are experienced by home owners who benefit from slower rates of increase in site rent compared to the status quo, as well as substantial non-financial benefits from improved transparency, predictability, fairness, reduced conflict, improved quality of life and greater housing security. A broader benefit of the package is improved consumer confidence in the residential park industry, which has the effect of driving demand and expanding the potential market and profitability of residential parks at rates which cannot be accurately predicted.

In the absence of such reforms, low consumer confidence and satisfaction measures and reputational issues could make residential parks less attractive than other options, affecting growth in the industry, and compounding barriers for home owners in exiting their park.

[2] Assuming costs and benefits on site rents and sales are linearly cumulative

The quantifiable benefits to government though positive, are likely understated, as the package will have positive impacts on services that are funded by government such as the Queensland Retirement Village and Park Advice Service, home owner advocacy and support groups, and the education, enforcement and compliance activities of the department's Regulatory Services Unit. These services will continue under the proposed package of options, and thus their costs have not been included, however the reduced burden on these services is likely to improve the quality of these services by freeing up resources for more proactive and educative work that reduces costs over the medium to long term.

The preferred package of reform options is expected to provide a net benefit to the community as a whole. Given the relatively high rates of profitability within the residential park industry, a redistribution of benefits to home owners is reasonable and appropriate, particularly as some benefits for park owners exist due to a lack of consumer protection in residential parks in comparison to other seniors housing such as retirement villages.

Additional recommendations

The following additional low-impact recommendations have also been identified in the C-RIS:

- The objects of the Act should be amended to include protecting home owners from unfair site rent increases and to preserve security of tenure for home owners.
- The Act should be amended to require registration and suitability requirements for residential parks and park owners, similar to those applying to retirement villages.
- A registration system for manufactured homes should be developed which allows home owners to register ownership of manufactured homes, and supports buyers to confirm that the seller of their home is the legal owner.
- The Act should be amended to allow a manufactured home owner to sell their home where their site agreement is terminated by QCAT under s.38 of the Act, for example where there are unremedied breaches of the site agreement. This would allow a home owner to recover their investment in the home as positioned on the site rather than being required to give vacant possession of the site.
- The Act should be amended to clarify that where a site agreement is terminated because the park owner is seeking to use the land for another lawful purpose, the compensation order by QCAT may consider the reasonable purchase price for the home if it was sold as positioned on the site.
- The Act should be amended to resolve any ambiguity around retirement village-style exit fees and clarify that such fees are prohibited.
- The Act should be amended to provide a more contemporary definition of a 'manufactured home'.
- The Act should be amended to specify a definition for CPI that must be used for a CPI-based increase of site rent in the future.
- The presentation of information in precontractual disclosure documents and site agreements should be improved, particularly in relation to the future costs of site rent.

Questions for consultation

1. Does this document appropriately describe the problems and causes of problems with site rent increases and sale of homes in residential parks? If not, what has been missed or described incorrectly?
2. Do you agree with the proposed policy objectives identified in this document? If not, what should the objectives be?
3. Does the proposed package of reforms strike an appropriate balance between protecting home owner interests and preserving the viability and growth of residential parks? How could this be improved?
4. Do you think the preferred package of options are likely to improve the transparency, fairness and sustainability of site rent increases and the sale of homes in residential parks?
5. Which options identified in the C-RIS are more appropriate, or are more likely to achieve the identified policy objectives?
6. Are there options not identified in this document which would strike a more appropriate balance, or would better achieve the policy objectives? If so, please provide detail.
7. Does the C-RIS appropriately describe the likely impacts of the options for all stakeholders? If not, what are the likely financial and non-financial impacts and who will be affected?
8. Are there any unidentified costs or unforeseen significant impacts from the preferred package of options, or other options discussed? If so, what are they?

How to have your say

You are invited to make a written submission to the C-RIS addressing the questions above or any other matters you feel are relevant. The C-RIS covers many issues, and you may choose to respond to all or only some of them. Please comment on the issues that are relevant to you and raise any additional issues or options that you feel are not covered.

As an alternative to a written submission, you can use the feedback form which can either be downloaded or completed online at qld.gov.au/manufacturedhomesfeedback, or mailed to:

> Manufactured Homes Review, Strategic Policy and Legislation, Housing and Homelessness Services, Department of Communities, Housing and Digital Economy, GPO Box 690, Brisbane Qld 4001.

Or emailed to: mhconsult@chde.qld.gov.au.

The C-RIS will be open for comment until 26 June 2023.

Note: Unless you label your submission as confidential, your submission or its contents may be made publicly available in this and any subsequent review process. Submissions may be subject to release under Freedom of Information and other laws. The government reserves the right to not publish any information that could be seen to be defamatory or discriminatory.

Privacy notice

The Department of Communities, Housing and Digital Economy (Department) collects your personal information for the purpose of the consultation for which you are submitting your feedback or survey or consultation response. This includes the purposes of:

- analysing, responding to and reporting feedback received during the consultation; and
- related research, reporting, policy and planning functions.

The Department may choose to publish feedback and responses in full on the Department's website (www.chde.qld.gov.au) or its contracted service provider's website (https://yoursay.chde.qld.gov.au/), unless the feedback or response is clearly provided in confidence. Material provided in confidence should be clearly marked as confidential.

It is the Department's usual practice to disclose personal information of the type collected to government agencies and non-government organisations that the Department engages with for the purposes of the consultation. These may include:

Queensland Government departments, Commonwealth Government departments and Local Governments administering laws or matters that are the subject of the consultation; and non-government organisations providing services or engaged in advocacy relating to laws or matters that are the subject of the consultation.

The Department is aware that it is the usual practice of agencies and organisations to pass on information of the type collected to other agencies engaged in administering laws or matters that are the subject of the consultation and other non-government organisations providing services or engaged in advocacy relating to laws or matters that are the subject of the consultation.

Queensland Government