

**Submission
No 77**

**INQUIRY INTO SOCIAL, PUBLIC AND AFFORDABLE
HOUSING**

Organisation: Karalta Road Park Home Owners Inc

Date received: 27/02/2014

KARALTA ROAD PARK HOME OWNERS INC

25th February 2014

The Director
Select Committee on Social, Public and Affordable Housing
Parliament House
Macquarie St
Sydney NSW 2000

Submission The role of residential parks
Experiences with community housing providers
and the National Rental Affordability Scheme (NRAS)
Recommendations on State reform options

Attached Extracts -- Winston Churchill Memorial Trust of Australia
2011 Churchill Fellowship Report
Damian Sammon, Director, Regulatory Policy and Legislation
Housing and Homelessness Services
Department of Housing and Public Works, Queensland
*“How residents of manufactured home parks form cooperatives
to buy and operate their manufactured home park”.*

Dear Sir / Madam

Karalta Road Park Home Owners Incorporated Association was formed by aged pensioner home-owners in two adjacent residential parks in the Gosford LGA after the lodgement of a development application in 2003 which proposed to replace our 222 homes with 365 home units.

Many of the homes were near new, having been installed and sold to residents by the park owner throughout the four years leading up to lodgement of the development application.

Numerous research papers have established that in the decade preceding the GFC around ten thousand affordable homes were eradicated in NSW due to redevelopment of parks for other uses, or, for replacement by more expensive manufactured homes. Up to fifteen thousand low-income residents were evicted, some being renters of park-owned homes but the majority being self-funded home owners. Most evicted home owners lost their homes and their investments because the value of homes is destroyed by threatened redevelopment and relocation sites are rarely available.

The objective of Karalta Road Inc was to research the feasibility of establishing a resident funded, resident owned, limited equity, cooperative residential park as an alternative site for the homes to be eradicated by the proposed redevelopment. We were inspired by the escalating success -- since 1983 - - of non-profit cooperative parks in North America where they have proved beyond doubt to provide security of tenure and sustainable affordability as well as numerous social benefits at minimal or no cost to government.

In thirty years not one of the thousand-plus “Resident Owned Communities” in the USA has failed, all having survived the GFC, as was the experience world-wide for non-profit organisations.

Karalta Road Inc received grants from the Office of Fair Trading and Gosford City Council to engage a consultant to research feasibility.

At the same time, Gosford City Council -- concerned by the recent loss of park housing and additional active DAs proposing park redevelopments -- received funding from the Department of Housing to research feasibility from Council's viewpoint.

Feasibility was established by both reports, Karalta Road Inc's "Feasibility of Home Park Cooperative Ownership 2006" and Council's "Co-operative Models for Residential Parks 2006".

Following establishment of feasibility the Centre for Affordable Housing worked with Karalta Road Inc from 2007 to 2009 in attempting to acquire funding to implement the "pilot project" which was to be development of a new park, there being no chance of buying our current sites. The barrier was that our group, like the first group in the USA, was unable to raise the deposit for bank finance.

The CAH facilitated and participated in consultations and meetings firstly with a mutual society, then with two community housing providers with a view to forming a partnership to apply for funding under the Affordable Housing Innovation Fund (AHIF) and the National Rental Affordability Scheme (NRAS). The proposed project met all eligibility criteria.

It was shown that any Government contribution under the schemes could be repaid, or, retained to form a revolving fund to assist establishment of similar resident-funded housing projects.

Karalta Road Inc was approached by a third community housing provider who wished to enter a partnership.

In all cases the residents were to provide the ninety dwellings which, in 2008, were \$12 million dollars of a \$19 million dollar project. Site fees were to maintain and operate the park and repay all debts. Several terms were agreed whereby a CHP would accrue some profit and hold seats on the board. However, CHPs required they be given full ownership of the park to be paid for by the residents. As this was the opposite of our purpose and would have put us again under the control of an owner who could sell or redevelop, we did not proceed.

CHPs have been forced into a competitive, corporate mould where expanding their asset base may take precedence over maximising delivery of affordable housing.

We recommend the following points be given serious consideration by State and Federal Governments:

- untapped financial resources are available collectively within low-income groups of existing and potential park home owners
- those untapped financial resources have potential to provide large amounts of secure, sustainable, low-cost housing
- large amounts of such housing can be achieved at little or no cost to government
- Government recently provided six million dollars to build twenty-four, two bedroom home units for the elderly at Granville, while for the same amount a cooperative park project would deliver between one hundred and two hundred homes with potential to repay the \$6,000,000.
- the purchase price of any new manufactured homes would not be double or triple the on-site cost as charged by investor park owners, thus making low-cost entry more achievable

- security of tenure for low-income retirees facilitates ageing in place
- the resident-funded models documented may be applied to built forms of multiple occupancy housing other than residential parks
- as in North America government hand-outs are not needed
- State Government may assist by exploring ways, through the Departments of Housing and Planning, to help people establish limited equity housing cooperatives by:
 - (a) offering funding via low-interest loans to purchase suitable sites or existing parks
 - (b) working with the Department of Planning and Councils to find suitable sites
 - (c) facilitating training for residents to establish and operate cooperative housing
 - (d) setting aside land for cooperative parks in new land release areas
 - (e) making Crown Land available for purchase by residents' cooperatives
 - (f) creating new planning provisions to facilitate resident owned cooperatives

We ask for consideration of, at least, the attached extracts from the 2011 Churchill Fellowship Report which includes rationale and recommendations regarding establishment in Australia of resident-owned park communities as an effective measure of alleviating the affordable housing crisis. Mr Sammon's full report of research conducted in the USA and Australia is available at www.churchilltrust.com.au

Karalta Road Park Home Owners Inc's report is available electronically on request.

The parks industry is now marketing to wealthier customers who are not genuinely in need of low-cost or affordable housing, therefore the industry ceases to provide a public benefit.

Advertising encourages downsizing retirees to spend their disposable funds, buy a park home and so ensure eligibility for rental assistance. This, combined with the historic and future removal and impoverishment of existing home owners who are in genuine need of affordable housing, impacts on the State's economy by increasing demand for social and public housing as well as for social services for the elderly to replace the mutual support networks that are destroyed by a park redevelopment.

Investor park owners also inflate house prices by selling new homes for double or triple the on-site cost.

Enactment of the Residential (Land Lease) Communities Act will make it a great deal easier for park operators to remove existing, unwanted home owners by legitimately terminating site agreements or by pricing them out by using new and expanded powers to increase costs beyond the ability of existing home owners -- primarily single pensioners -- to pay.

The new target market of wealthier, downsizing park residents are also at future risk of being priced out after having disposed of their excess funds.

Thank you for your consideration of these issues.

Yours sincerely

Jill Edmonds
 Secretary
 Karalta Road Park Home Owners Inc

25th February 2014

ATTACHMENT

Extracts – six pages: Winston Churchill Memorial Trust
2011 Churchill Fellowship Report

Submission by Karalta Road Park Home Owners Inc

Inquiry into social, public and affordable housing

The Winston Churchill Memorial Trust of Australia

2011 Churchill Fellowship Report

Damian Sammon – 2011 Churchill Fellow

How residents of manufactured home parks form cooperatives to buy and then operate their manufactured home park.

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Signed:

Dated:

Resident cooperative ownership of manufactured home parks

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Executive Summary

To study how residents of manufactured home parks form cooperatives to buy and then operate their manufactured home park.

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In the US, resident cooperative purchase and ownership of manufactured home parks is well established. It has been tested in numerous circumstances and has demonstrated that it is a workable model. In the state of New Hampshire alone, since the first cooperative purchase in 1984, 100 manufactured home parks have been bought and then operated by resident cooperatives. None have failed; none has had to be sold to an outside company or investor.

The last 4 years has seen consolidation and professionalisation of the resident cooperative purchase model through creation of ROC (Resident Owned Communities) USA, a not-for-profit organisation that has focussed on making resident cooperative purchase possible across the country. Resident cooperative purchase of manufactured home parks, if supported by specialist technical expertise and specialist financing, benefits all parties:

- residents gain security of tenure, control over rent, improved park infrastructure, control over park rules and an improved quality of life
- park owners sell their park in a timely way at fair market value to a willing buyer
- lenders appreciate the focus, experience and support a dedicated community organisation gives to a cooperative borrowing money to buy a park and to ensure loans are repaid
- the community maintains the stock of affordable housing used by older people enabling care to be delivered as homeowners age in a supportive environment.

Australia's housing, economic and regulatory environment is similar enough to America's to make it possible for a resident cooperative purchase program to bring the same benefits to this country. Making cooperative purchase and ownership possible in Australia would require:

- detailed assessment, establishment and implementation of a model with suitable adjustments for Australian conditions
- technical assistance to identify park purchase opportunities, assist residents through cooperative formation, pre-purchase due diligence, contract negotiation and closure and to provide on-going support to the cooperative
- finance that recognises residents are unlikely to be able to raise a deposit and that can be provided in commercially acceptable timeframes.

Providing the required technical assistance would require support from not-for-profit housing agencies. Development of the right financing may require assistance from government, community-based lenders or philanthropic sources.

American manufactured home park residents also benefit from advocacy and legal support from community organisations including consumer lawyers, a national not-for-profit advocacy centre and a national residents' association. Similar support would greatly benefit manufactured home park residents in Australia.

Conclusions

The community sector and governments in the US have been grappling with the challenges presented by this unique form of accommodation for some time. Many lessons can be learned from this experience about how to support residents of manufactured home parks.

The US experience of resident cooperative purchase and ownership has demonstrated the benefits to be achieved. It improves the financial circumstances of a vulnerable group of consumers and leads to an improved quality of life. It has been tested in numerous circumstances and it works.

The last 4 years has seen consolidation, professionalisation and national expansion of resident cooperative purchase through the creation of ROC USA and its subsidiaries ROC USA Capital and ROC USA Network. This development has enabled the benefits of this model to reach more parts of the US and to bring with it efficient technical assistance to residents and timely financing of their cooperative purchase.

Australia can learn much from this experience. Australia's housing and regulatory environment is similar enough to America's to make it possible for a resident cooperative purchase program to bring the same benefits to Australia. While an Australian resident purchase program would reflect the smaller size of the industry in this country, the US model will serve as a great example of how this can be achieved in practice.

The introduction of a resident cooperative purchase model in Australia would:

- provide manufactured home parks residents with security of tenure, control over rent, improved park infrastructure, control over park rules and an improved quality of life
- enable park owners to sell their park in a timely way at fair market value to a willing buyer
- provide lenders with a borrower support program bringing focus and experience from a dedicated community organisation to a cooperative to help ensure loans are repaid
- enable the community to maintain the stock of affordable housing used by older people and enable care to be delivered as homeowners age in a supportive environment.

While cooperative purchase gives residents the capacity to control their future, the many residents in the US living in investor-owned parks benefit from advocacy and legal support from community organisations including consumer lawyers, a national not-for-profit advocacy centre and a national residents association.

Residents of Australian manufactured home parks would benefit from similar support to meet the challenges presented by this emerging form of housing.

Recommendations

Australia should develop a manufactured home park resident cooperative purchase and operator model based on the successful ROC USA model.

Making cooperative purchase and ownership possible in Australia requires:

- detailed consideration, establishment and implementation of a model with suitable adjustments for Australian conditions
- technical assistance to identify park purchase opportunities, assist residents through cooperative formation, pre-purchase due diligence, contract negotiation and closure and to provide on-going support to cooperatives
- a form of finance that recognises residents are unlikely to be able to raise a deposit and which can be provided in commercially acceptable timeframes.

Increasing advocacy and support for manufactured home park residents should be considered by consumer groups, community advocates, institutional bodies and government.

Dissemination

The information contained in this report will be disseminated to organisations including:

- groups representing manufactured home park residents and park owners
- seniors' advocacy groups
- community housing providers
- cooperative advocacy groups
- housing and legal research institutions
- consumer and legal advocates

The report will be provided to housing and legal research institutions as well as philanthropic and not-for-profit institutions.

Given the key role played in the US model by ROC USA Capital and other lenders, the report will be provided to banks, credit unions and other lenders.

The report will also be distributed to government agencies including:

- state, territory and federal agencies responsible for fair trading, consumer policy and housing and the relevant ministerial councils
- local governments in areas with high concentrations of manufactured home parks

My experience will also be used in briefings on relevant issues as part of my role in the Department of Housing.

Additional information and resources

Websites:

- ROC USA: www.rocusa.org
- CFED: www.cfed.org
- Manufactured Home Owners Association of America: www.mhoaa.us
- National Consumer Law Center: www.nclc.org
- New Hampshire Community Loan Fund: www.communityloanfund.org
- Consumers Union: www.consumersunion.org
- Northcountry Cooperative Foundation: www.northcountryfoundation.org
- Affordable Housing Institute: www.affordablehousinginstitute.org

ROC USA's YouTube channel: <http://www.youtube.com/user/ROCUSA2010>
including clips from:

- Northcountry Cooperative Foundation (a Certified Technical Assistance Provider)
- New Hampshire Community Loan Fund
- Interviews with residents living in cooperatively owned parks
- Interviews with park owners who have sold parks to resident cooperatives
- News reports about cooperative resident purchase