

Submission
No 231

INQUIRY INTO SOCIAL, PUBLIC AND AFFORDABLE HOUSING

Name: Name suppressed

Date received: 13/03/2014

Partially Confidential

Ph:

13th March 2014

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

Submission **The role of residential parks** -- Please see attachment titled,
"6 x articles institutional Investors"

Dear Sir/Madam

In I bought a new manufactured home in a residential park. As an aged pensioner I still live in my home which is in excellent condition and is my only valuable asset. Due to past experiences I have the well-founded expectation that a development application will, in the not too distant future, result in the loss of my park's existing affordable housing to be replaced by new unaffordable housing.

Park owners have every right to pursue maximum profits. I, as a former home owner, will be joining the waiting list for social or public housing.

The Residential (Land Lease) Communities Act will do nothing to prevent the loss of park residents' homes. It facilitates the process.

I wish to address the point that the residential parks industry presents itself to Government as a significant provider of affordable housing for the future.

Since introduction of the Residential Parks Act 1998 the industry has consistently threatened to withdraw from the business of operating parks which would worsen the housing crisis that Government is unable to rectify.

Today, rather than withdrawing, new operators are entering the industry, existing operators are buying additional parks and expanding others. Corporate retirement village operators are moving away from deferred management fee holdings and into the manufactured housing estate industry because they have discovered it is far more profitable. (Please see other attachment.)

A legitimate argument presented by the industry refers to restrictive planning laws preventing the establishment of new parks. Were this not the case the industry says it could, and would provide a significant public benefit in providing affordable housing.

I ask the Committee to consider the history of the industry, its proposed directions for future investment and whether or not the market can be relied upon to provide affordable housing for those who genuinely need it.

Historically, the NSW industry has provided some social housing of last resort, and certainly has enabled many people with limited finances to become owners of modest homes. Historically, the

industry -- for higher profits -- has also removed thousands of those needy people, the majority being self-funded pensioner home owners who have lost their investments along with their homes and so increased the demand for social and economic services.

I ask the Committee to consider recent and current claims, and representations to Government made by the industry, the rush by international corporate investors to enter the "cash cow" market of residential parks / manufactured home estates, and also, for verification, to look at the wording of recent and current advertising.

The industry is not to be criticised for acting to maximise profits, this being the nature of business.

Some questions.

Are extraordinary profit margins already available to park owners?

Has the industry generally demonstrated a social responsibility in ratio to the profits indicated in the attachments to this submission?

Why would a park owner choose to minimise profits in order to provide a public benefit?

Are industry requests for even more powers to extract money from residents warranted (bearing in mind that having invested in a park home, people cannot easily "take their business elsewhere", which makes most of them "captive consumers")?

Even if more financial powers and intrusive personal controls were granted by Government, would park owners be providing for people who are in need of affordable housing?

The answer to the last question, for the future, appears to be "no".

It should be acknowledged that the entry cost for homes in many parks now approaches or exceeds the price of homes in the wider community. Prices approaching \$500,000 are becoming common.

In recent representations the industry representative body claims to wish to serve "cashed-up retirees" -- that is, downsizing home owners. Recent and current advertising encourages these cashed-up retirees to dispose of their wealth, buy a park home and become eligible for rental assistance. These are not people in need of affordable housing. There is no role in this regard for the provision of affordable housing.

Typical example from a current advertisement:

Freeing up your money by moving into a low maintenance (park name) home can leave you with a substantial tax-free cash reserve. You can either re-invest this to generate a regular income or use it to create more freedom in your life. Imagine having the time and money to do all the things you love to do! Indulge in a new boat, upgrade your car and/or caravan, or head off on that fabulous overseas holiday you've always longed for.

This is not a target market in need of affordable housing -- with or without rental assistance as an added drain on Government funds.

Further evidence of the lack of focus on affordable housing is seen in the attachments which explain the huge and easy profits anticipated by new corporate investors into the industry.

The industry representative body also mentions a desire to target first home buyers -- a potentially financially crippling venture for the unwary given new powers under the Residential (Land Lease) Communities Act for the imposition of numerous "take it or leave it" conditions to profit the park owner upon future sale of the home. This is particularly dangerous to the future of the resident

when considered with the lack of security of tenure and potential for the loss of resale value due to redevelopment at a time suitable to the park owner, or, a termination order for any other reason.

For all the expressed desire to provide affordable housing, nowhere can I find any proposal or any detail of how the industry intends to address this need. Perhaps, for every fifty homes sold for more than \$250,000 with weekly site fees between \$150 and \$300, the park owner will commit to provide two or three two-bedroom homes at a reduced mark-up cost of not much more than the \$85,000 on-site cost as explained in the attached article, "Humble Home, Smart Profit"?

Or perhaps park owners – especially in return for a redevelopment consent that evicts existing low-income residents – could provide a number of rental homes for the needy at a guaranteed rent not in excess of 30% of household income, this being the definition of "affordable housing", but which has long gone by the board in most parks, especially for those on single pensions.

In summary:

How does the industry define the "affordable housing" that it would supply?

The industry has, in the past, been a significant provider of affordable housing,

The industry has also been a ruthless eradicator of that housing.

A large (and much appreciated) number of near-affordable housing remains at the moment, however, the Residential (Land Lease) Communities Act has removed the objective to provide legislated protection for residents.

The principal object now is to encourage growth of the industry.

The R(LL)C Act facilitates the removal of existing residents and their homes to make way for wealthier customers so that the industry may grow into the new up-market model.

While the industry targets cashed-up retirees not in need of affordable housing, and at the same time claims to be providing affordable housing, will Government place specific requirements for a proportion of genuinely affordable housing to be provided in parks?

Clearly, the market should not be relied upon to provide low-cost or affordable housing in parks.

Government should consider relaxing planning laws so that parks can be built in more central locations.

Conditions requiring a percentage of affordable housing should be attached to development approvals for parks as is common with other residential developments.

Government should support the establishment in Australia of resident-funded, limited equity, co-operative parks as a means of ensuring security of tenure and sustainable affordability as outlined in submission from Karalta Road Park Home Owners Inc, 27th February.

Thank you for consideration of these issues.

Yours sincerely