Queensland Government

Queensland Treasury

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Dear Mr Sammon

Consultation Regulatory Impact Statement – Manufactured Homes

Thank you for your enquiry of 5 April 2023 regarding the adequacy of the Consultation Regulatory Impact Statement (CRIS) 'Residential parks – addressing concerns about site rent increases and sale of homes'.

Background

The Department of Communities, Housing and Digital Economy (the department) notes that the *Manufactured Homes (Residential Parks) Act 2003* (the Act) regulates residential parks containing manufactured homes. The Act seeks to balance home owner and park owner rights and responsibilities, to protect consumers from unfair business practices and assist them to make informed choices, while encouraging the continued growth and viability of residential parks.

In June 2022, the department published an issues paper seeking feedback regarding site rent increases and the sale of manufactured homes, and surveyed home owners about their experience of living in residential parks. The department analysed stakeholder submissions and identified two problems:

- Site rents are increasing faster than home owners expected, outpacing income growth, with 93 per cent of single person households experiencing housing stress.
- Relocating a manufactured home is impractical and home owners face barriers when trying to sell from within a park, constraining their ability to substitute to more suitable or affordable housing.

The department identified six multifaceted and interrelated causes which bring about these problems, with contributory issues ranging from consumers experiencing difficulty making informed choices when entering a residential park, through to park owners having relatively low incentives to sell pre-owned manufactured homes.

Proposal

The CRIS presents 11 options for stakeholder consideration:

Option 1: Status quo

Option 2: Residential park comparison document

Option 3: Simplified sales process

Option 4: Site agreements limited to a prescribed basis for increasing site rent

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Option 5: More equitable market rent review process

Option 6: Prohibit market rent reviews

Option 7: 3.5 per cent cap on annual site rent increases

Option 8: Site rent increases limited to the level of the Consumer Price Index (CPI)

Option 9: Expense-based calculation for increases exceeding CPI

Option 10: Maintenance and capital replacement management plans

Option 11: Buybacks and site rent reductions for unsold manufactured homes.

The department's impact analysis identifies a combination of options 2, 3, 4, 6, 7, 10, and 11 as preferred, together with a package of ten other amendments the department considers as not having significant negative impacts on stakeholders. The total costs to the Queensland community are estimated to be in the range $77.2–80.7 million over ten years, with benefits of $75.3–83.7 million. The department expects that the potential for net costs in a worst-case scenario would still be outweighed by a combination of indirect, intangible and non-financial benefits primarily to home owners and the wider community.

Assessment

In making its assessment of a CRIS, the Office of Best Practice Regulation (the OBPR) has regard to the adequacy criteria specified in *The Queensland Government Guide to Better Regulation* (the guidelines).

The OBPR recognises that the CRIS presents the department's assessment of the problem, including the available evidence regarding its magnitude, and identifies a range of feasible options. The impact analysis estimates the potential impacts on stakeholders, quantifying the costs and benefits of each option where possible, while clearly acknowledging where assumptions have been made. Given these points, the OBPR considers the CRIS is adequate for the purposes of consultation.

Consultation should enable testing of the options and the assumptions used to estimate costs and benefits. To be considered adequate for decision-making purposes, the Decision RIS will need to:

- demonstrate that all the proposed options are required for rates of rental stress and barriers to exit to be reduced to a justified, realistic level, and that no other combination of options would result in a higher net benefit to the community
- articulate the scope for unintended outcomes, implementation timeframes and associated issues or risks.

Please contact Tim Elliott, Senior Economist, on (07) 3035 3488 if you require additional information or guidance concerning the above comments or the guidelines in general. Please note that in accordance with Cabinet Handbook requirements, this letter of advice should be attached to relevant Cabinet submissions.

Yours sincerely



Dr Karen Hooper
Head - Office of Productivity and Red Tape Reduction

14 April 2023