



Department of Local Government,
Sport and Cultural Industries
Park Home Park Review

PAXON GROUP

Corporate Finance
Management Consulting
Project Finance and Infrastructure

Perth • Sydney • Melbourne | February 2020 – Final v5.0

Table of Contents

1	Executive Summary	4
2	Introduction	7
2.1	Review Purpose	7
2.2	Background	7
2.3	Review Approach	8
3	Lifestyle Village Industry	9
3.1	Definition	9
3.2	History of Lifestyle Villages	9
3.3	Ownership and Operation	9
3.4	Product Offering	10
3.5	Resident Profile	12
4	Legislative Framework	13
4.1	Regulation of Park Home Parks	13
4.2	Role of Local Governments	13
4.3	Establishing and Operating a Lifestyle Village	13
4.4	Defining a Park Home	14
4.5	Recent SAT Decision	15
5	Park Home Parks Business Models	17
5.1	Operating Model Overview	17
5.2	Capital Costs	17
5.3	Operating Costs	18
5.4	Revenue	19
5.5	Variations on the Business Model	19
5.6	Impact of SAT Decision on the Lifestyle Village Business Model	19
5.7	Park Home Parks as Other Development Types	20
5.8	Summary	24
6	Affordable Housing	26
6.1	Housing Continuum	26
6.2	Affordable Housing	26
6.3	Who Needs Affordable Housing	26
6.4	Housing Assistance	27
6.5	Comparative Cost of Housing	28
6.6	Lifestyle Villages as a Lifestyle Choice	30
6.7	Summary	30
7	Consumer Risks	31
7.1	Security of Tenure	31
7.2	Build Quality	31
7.3	Borrowing Capacity/Depreciating Assets	31
7.4	Legislative Protection	32
8	National Context - Approaches	33
8.1	NSW	33
8.2	Victoria	33
8.3	Queensland	34

8.4	South Australia	34
8.5	Tasmania	35
8.6	Summary	35
9	Findings Summary	36
	Appendix A: Stakeholders Consulted	39
9.1	Local Governments	39
9.2	State Government Departments and Agencies	39
9.3	Interstate Government Departments.....	39
9.4	Lifestyle Village Developers and Industry Bodies	39
	Appendix B: Stakeholder Consultation Questions	40
	Appendix C: Local Government Consultation Themes.....	43

1 Executive Summary

Paxon Group (Paxon) has reviewed the current situation in respect to park home parks in Western Australia. This has included desktop research, extensive stakeholder consultation, and financial modelling.

The Review has made the following findings:

Finding 1

The lifestyle village industry is small, with approximately 14 known developments across the State. It is dominated by a few key players, with National Lifestyle Villages holding over 50% of the market share.

Finding 2

There are an estimated 3,000 park homes located in lifestyle villages in Western Australia, with the average community size of 280 sites.

Finding 3

The core lifestyle village business model is based on a land lease model, which is largely viable due to the number of concessions available to park home park developments licensed under the *Caravan Parks and Camping Grounds Act 1995* (CPCG Act). These concessions, which are not available under a traditional residential development include, in order of magnitude:

1. Significantly lower land costs due to the ability to develop park home parks on land which does not have a residential zoning;
2. Significant planning concessions, including higher density and reduced set back requirements;
3. Reduced building costs given the building licence exemption;
4. Reduced site work requirements due to exemptions to providing each site with a connection to sewerage, water and utilities;
5. Ability to charge an ongoing lease payment for which residents may be eligible to claim Commonwealth Rent Assistance;
6. Land tax exemption; and
7. Stamp duty exemption.

Finding 4

The construction of park homes is constrained by the weight requirements contained in the Regulations made under the CPCG Act. Park homes are typically made out of materials such as metal clad foam and vinyl, rather than the traditional 'brick and tile' used in residential developments.

Finding 5

Should park home park developments continue to be licensed under the CPCG Act, significant changes to the current design of park homes will be necessary to ensure compliance with the CPCG Act and the recent State Administrative Tribunal decision in *Henville v City of Armadale [2018] WASAT 108*.

The end park home product will need to revert to a caravan like structure, rather than a house as is the current situation. Given the focus on 'resort style lifestyle' in lifestyle village marketing, and the fact that lifestyle village park homes are designed to be the primary residences of their occupants, it is unlikely that smaller non-permanent towable dwellings would be appealing to the lifestyle village demographic market.

Finding 6

Park home parks offer a unique living environment that is very attractive to some segments of the property market, including those looking to access capital to fund a certain lifestyle, as well as non-financial reasons, such as security and a sense of community.

Finding 7

The price of park homes ranges considerably, and currently retail from around \$150,000 to \$450,000. The sale price of a park home is subject to market forces of supply and demand, similarly to the residential housing market, with those park homes in newer lifestyle village developments attracting higher prices than older homes. As the sale of a park home usually includes the right to occupy its current site in a lifestyle village, park homes may increase in value in the short term as the supply of sites in villages decreases. However, as the park home ages and the remaining lease term shortens, it is likely that the resale price will fall and ultimately reach a point where the asset is unsaleable.

Finding 8

Qualitative and quantitative analysis has demonstrated that park homes are not the most affordable housing choice for seniors unless held for a long period (e.g. 15 – 20 years). Although the weekly rental payments are likely to be affordable, the large upfront capital cost (mortgages are not available) of purchasing the dwelling may be prohibitive.

Finding 9

Arguably, the major benefit of park home parks in term of housing affordability is that it provides greater housing diversity and a volume of housing which increases overall affordability by taking people out of the broader housing market.

Finding 10

Park home parks provide consumers with greater certainty of tenure over a market rental.

Finding 11

Whilst industry has advised that park homes are currently maintaining their value (and may increase in value) there is a significant risk that may not be well understood by residents that as the asset reaches the end of its useful life and/or nears the end of the lease that the value of the park home will decline significantly to the point where it may be difficult to on-sell.

Finding 12

There was strong stakeholder support across the board (from industry, local governments and Departments and Agencies) for the Victorian approach to defining park homes. In Victoria, there are two classes of park homes- registrable and unregistrable dwellings. It is likely that the unregistrable dwelling definition would cover the typical park home in Western Australia.

2 Introduction

2.1 Review Purpose

The Department of Local Government, Sport and Cultural Industries (the Department) has engaged Paxon Group (Paxon) to undertake a comprehensive review of the current situation in respect to park home parks (the Review) with the aim of achieving the following outcomes:

1. Knowledge and understanding of the lifestyle village business models;
2. An understanding of where lifestyle village developments fit on the spectrum of affordable housing; and
3. A cross-jurisdictional comparisons in respect to how park home parks and lifestyle village (or similar) developments are managed in other states and territories.

2.2 Background

The Department administers the *Caravan Parks and Camping Grounds Act 1995* (the CPCG Act). Local governments are responsible for issuing, renewing and cancelling licences for caravan parks and park home parks, as well as assessing planning applications for these facilities against their Local Planning Scheme and other relevant policies.

Park homes are defined in the CPCG Act as “a vehicle of a prescribed class or description that is fitted or designed for habitation”. A park home park is “a caravan park at which park homes, but not any other caravan or camps, are situated for habitation”.

Under the CPCG Act, park homes are required to have a chassis, axles and wheels which are structurally able to bear the weight of the park home enabling it to be drawn by another vehicle. A professional engineer is required to certify these requirements of a park home.

In October 2018, a State Administrative Tribunal (SAT) decision (*Henville v City of Armadale* [2018] WASAT 108) examined the definition of a park home when considering whether a property was appropriately refused a park home park licence by the local government under the CPCG Act. While this was primarily a planning matter as it revolved around permitted uses for the land, it hinged on the definition of a park home under the CPCG Act. SAT affirmed that a park home must be a means of transport and not merely moveable or capable of movement. The Tribunal confirmed that a park home did not need a vehicle licence under the *Road Traffic (Administration) Act 2008* due to its size, however, the reason for this must be due to its size and not for any other reason.

The Department has been made aware that the narrowing of the definition of a park home has impacted several park home developments that are in progress, and more broadly, has implications for the future of the lifestyle village industry as a whole.

2.3 Review Approach

The framework used to undertake the Review includes:

- Understanding the park home park industry, including:
 - Desktop research on the park home park industry, including the history of the industry, its size, major participants, typical product and a resident profile;
 - The legislation and regulations governing the industry from construction to operation of park home parks.
- Stakeholder consultations (see Appendix A for more detail) with:
 - Park home park industry (developers and industry bodies) to identify current business models and barriers to delivering similar products under a different business model and/or development framework;
 - Regional and rural local government associations to understand the application of planning laws and codes to park home parks; and
 - WA State Departments and agencies to obtain specialist views on park home parks with respect to the State Planning Framework and the provision of affordable housing;
- Examining the role of lifestyle villages in delivering affordable housing; and
- Undertaking comparative assessment of the State’s legislation of park homes against other Australian jurisdictions.

3 Lifestyle Village Industry

3.1 Definition

This Review focuses on closed residential communities commonly described as ‘park home parks’. The term ‘park home park’ is defined under the *Caravan Parks and Camping Grounds Regulation 1997 (WA)* (CPCG Regulations) as:

“a caravan park at which park homes, but not any other caravans or camps, are situated for habitation”.

The term ‘park home park’ tends to be used interchangeably with ‘lifestyle village’ (including in this Review). ‘Lifestyle village’ is defined under the *Residential Parks (Long-stay Tenants) Act 2006* as:

“a caravan park, or an area within a caravan park, that includes long-stay sites that are occupied, or intended to be occupied, solely or principally by individuals having a particular interest or quality in common”.

Therefore, both are legally a type of caravan park, although only park homes are able to be situated in park home parks.

3.2 History of Lifestyle Villages

Traditionally, caravan parks were developed as affordable short-stay holiday accommodation in locations conducive to tourism. Since the late 1970s, caravan parks have been increasingly used as a form of permanent housing; largely as a solution to housing affordability. However, it wasn’t until the 1990s that it became legal in Western Australia to live permanently in a caravan park. Following these legislative changes which legitimised permanent residents in caravan parks, the first park home park (dedicated lifestyle village) was developed in Western Australia in Mandurah. Almost 20 years later, there are approximately 14 dedicated lifestyle villages in WA, with a further five under development.

3.3 Ownership and Operation

In Western Australia, there are approximately 14 lifestyle villages, spread throughout the State. Generally, villages are located in outer suburban and regional areas. The industry is largely dominated by a few key players, with National Lifestyle Villages holding over 50% of the market share. Lifestyle village operators in WA are identified in the table below.

Table 1: Scope of Lifestyle Village Industry WA

Owner/Operator	Location	Number of Homes
National Lifestyle Villages	<ul style="list-style-type: none"> • Bridgewater • Busselton (2) • Joondalup • Helena Valley • Albany • Baldivis (2) • High Wycombe • Tapping 	2,200+

Owner/Operator	Location	Number of Homes
Edenlife	Australind	N/A ¹
El Caballo	Wundowie	99
Riverside Gardens Estate	Gosnells	296
Sunset Beach Lifestyle Village	Geraldton	62

3.4 Product Offering

Park homes are manufactured offsite and then transported to and assembled or installed onsite. The park homes retail from around \$150,000 to \$450,000. The purchase price is for the purchase of the park home only, with land ownership remaining with the park owner.

The dwellings have grown in complexity over time, from caravans to the large and well-appointed park homes on the market today. Dwellings typically have 1-3 bedrooms and appear largely indistinguishable from typical houses, with concrete slabs, carports and axels either buried or covered from view. However, unlike a typical residential house, park homes are typically built using vinyl or metal clad foam panelling as the chassis, axles and wheels of the park home must be adequate structurally to bear the weight of the park home and enable the park home to be drawn by another vehicle without structural damage. This means that park homes are less expensive to build but have a shorter asset life than traditional residential houses. The images below demonstrate the range of park homes available in WA.

¹ Edenlife has development approval for 186 homes, with Stage 1 comprising 36 homes

Figure 1: A 1 bedroom 1 bathroom park home, NLV Baldivis



Figure 2: A 3 bedroom 2 bathroom Margaret River Lifestyle Village Park Home



Lifestyle villages typically have community facilities in the centre of the development. These often include:

- ‘Clubhouse’ with a large dining room, dance floor, lounge, cinema, etc;
- Swimming pool;
- Gym;
- Bowling green;
- Men’s shed; and
- Vegetable gardens.

Figure 3: NLV Hillview Clubhouse



3.5 Resident Profile

Lifestyle villages are marketed to older people who want a low-maintenance, resort lifestyle in a secure community of similar people. There are an estimated 3,000 park homes located in lifestyle villages in WA, with an average community size of 280 sites. Generally, residents must be at least 45 years old (many villages have a 55-year age minimum). Lifestyle village residents tend to be younger than retirement village residents, with an average age of around 65 years old, compared to an average age of 85 in a traditional retirement village². Lifestyle villages do not have the facilities and onsite services to cater for older people with higher clinical needs like a retirement village. The villages also tend to be situated on the fringes and thus located further from essential support services, meaning they are less attractive to older persons with more acute medical needs.

As home loans cannot be obtained to purchase a park home (as the resident does not own the land and cannot obtain a mortgage against it), residents must have the full purchase price of the dwelling in cash. This means that most residents have access to significant home equity and/or superannuation. This is a key feature in the marketing of lifestyle villages, with developers marketing the benefits of releasing capital tied up in a family home to purchase a park home and then being able to use the excess funds to fund their lifestyle.

In addition, as residents are required to pay rent for the land and communal facilities, many residents are eligible to receive the Commonwealth Rent Assistance (CRA) of around \$69 (singles) and \$63 (couples) per week. Access to rent assistance is also a key message in the marketing of lifestyle villages.

² <https://www.nlv.com.au/frequently-asked-questions/>

4 Legislative Framework

4.1 Regulation of Park Home Parks

The development and operation of park home parks in Western Australia is subject to a State legislative framework that includes caravan parks and camping grounds legislation, special tenancy legislation and provisions in the State's planning and development legislation.

The industry is primarily regulated under the:

- CPCG Act; and
- CPCG Regulations.

This legislation is administered by the Minister for Local Government and the Department of Local Government, Sport and Cultural Industries.

4.2 Role of Local Governments

As detailed in the following sections, much of the application and enforcement of the Act and Regulations is delegated to local governments. Whilst the legislation sets minimum standards for park home parks and park homes, it otherwise defers approval to local government planning regimes. Local governments apply the legislation, R-codes and their own planning policies to grant approval to park home parks and individual park homes.

4.3 Establishing and Operating a Lifestyle Village

4.3.1 *Caravan Parks and Camping Grounds Act 1995 (WA)*

Section 6 of this Act requires lifestyle village operators to have a licence. Park home park licences are granted by local governments under s7 of the Act. Local governments are empowered under the Act to impose conditions on licences. The Act also makes provision for inspection and enforcement.

4.3.2 *Caravan and Camping Ground Regulations 1997 (WA)*

The day to day operations of caravan parks and camping grounds are prescribed in detail in the CPCG Regulations, including licence conditions and the rights and obligations of park operators and residents.

The passage of this legislation demonstrated an intent to not only provide for dual use of caravan parks (short and long stay sites), but also to ensure that there was some protection offered to long term residents. The intent of the CPCG Regulations was summarised by the then Minister of Local Government as being:

"To provide state-wide uniform legislation to regulate the development and day to day operations of caravan parks. The intent of the regulations is to enable caravan parks to change from their traditional use for holiday purposes to one of multiple uses and in particular, to permit permanent residency."

4.3.3 *Residential Parks (Long Stay Tenants) Act 2006 (WA)*

In 2006, the *Residential Parks (Long-stay Tenants) Act 2006* was enacted to give protection to tenants in caravan parks, recognising the unique situation of these residents, including those who own their home but not the underlying land.

A Bill to amend this Act is currently in the Legislative Council. The Bill will implement recommendations of a statutory review. Key reforms include:

- Limiting the termination of fixed-term agreements on the sale of a park or if the owner's financier takes possession of the park;
- No longer allowing 'without grounds' terminations of long-stay agreements, instead setting out specific grounds that will provide greater certainty in relation to termination rights;
- Improved disclosure requirements on contractual issues such as exit fees;
- Clearer rules for park operators, home owners and prospective tenants in relation to the sale of homes;
- Clarification of the park operator's ability to enforce compliance with park rules in a fair, reasonable and equitable manner; and
- Standard lease clauses will no longer be able to be varied and the introduction of standard form agreements for new arrangements.

Additionally, the reforms give the State Administrative Tribunal extra powers and remedies to deal with disputes arising under long-stay agreements.

4.3.4 Residential Tenancies Act 1987 (WA)

This Act underpins the *Residential Parks (Long Stay Tenants) Act 2006* and applies to park home residents who entered into a fixed term long-stay tenancy agreement prior to 3 August 2007. However, this Act does not mesh entirely with the situation of park home residents who own their home but rent the underlying land, as it is primarily geared towards tenants who rent their home and land.

4.3.5 Land Tax Assessment Act 2002 (WA)

Section 39B of this Act provides that land is exempt from land tax if the land is used at midnight on 30 June preceding the year of assessment as 'dwelling park land', defined as land that is part of a caravan park which is operated under a licence issued under the *Caravan Park and Camping Grounds Act 1995*.

4.4 Defining a Park Home

4.4.1 Caravan Parks and Camping Grounds Act 1995 (WA)

Section 5(1) of the Act defines a park home as a 'vehicle of a prescribed class or description that is fitted or designed for habitation'. A vehicle is defined as 'a conveyance (other than a train, vessel or aircraft) capable of being propelled or drawn on wheels'.

4.4.2 Caravan and Camping Ground Regulations 1997 (WA)

Regulation 4(1) defines a park home as 'a caravan in respect of which a vehicle licence is not required under the *Road Traffic (Vehicles) Act 2012* section 4, because it could not be drawn by another vehicle on a road due to its size, is a vehicle of a prescribed class or description for the purposes of the definition of 'park home' in section 5(1) of the Act'.

Division 2, Schedule 5 of the Regulations prescribes the standards for park homes:

1. A park home, or where the park home is assembled from components, each component of the park home, is to have a chassis with an axle and wheel assembly attached at all times.
2. A park home, or where the park home is assembled from components, each component of the park home is to have a draw bar which need not be attached at all times.
3. A park home is to have tie down points, chains or similar devices and a device to provide and adjust tension so that the park home can be attached to permanent anchor blocks in the ground.

Under Regulation 30, Division 2, Local Government approval is required before a park home can be brought onto a park home site. Local Governments have discretion to give approval, however this discretion must be exercised in accordance with Regulation 31, which requires the park home to obtain building and engineering certificates.

4.4.3 *Road Traffic (Vehicles) Act 2012 (WA) and Road Traffic Administration Act 2008 (WA)*

The *Road Traffic (Vehicles) Act 2012* provides the applicable licensing requirements from which a park home is exempt, and the applicable definition of road is contained in the *Road Traffic Administration Act 2008*.

4.4.4 *Planning and Development Act 2005 (WA)*

Under s136 of this Act, the permission of the WA Planning Commission is required for long-term (20 years or more) leases. As lifestyle village leases are at least 40 years in duration this provision is applicable.

4.4.5 *Building Act 2011 (WA)*

Park homes are classed as building work under the *Building Act 2011*. Park homes do not require a building permit but must comply with the applicable standards in the Building Code. However, there are no requirements that compliance with the standards is verified once the park home is installed in a lifestyle village.

4.4.6 *Duties Act 2008 (WA)*

Under s14 of this Act, stamp duty does not apply to the sale of park homes because they are chattels.

4.5 Recent SAT Decision

4.5.1 Summarising the Decision

In a recent decision (*Henville v City of Armadale* [2018] WASAT 108), the SAT interpreted a considerably narrower park home definition than had been applied by local governments.

To summarise the elements of the definition, drawn from different pieces of legislation, the SAT confirmed that a park home must be:

- A vehicle (means of transport);
- That is a caravan (trailer);
- Which, but for its size would need a vehicle licence under s4 of the Road Traffic (Vehicles) Act;
- Because it cannot be drawn by another vehicle on a public road (as defined by s4 of the Road Traffic (Administration) Act) using its wheels.

4.5.2 Effect of the Decision

The decision affects park home dwellings, rather than the parks or lifestyle villages as a whole. Local governments are responsible for interpreting and applying the definition when granting approvals to bring park homes onto park home parks.

Stakeholder consultation identified significant inconsistency between local governments in applying the decision, with some purportedly refusing to consider any applications until clarity on the decision had been provided at a State level.

Consultation with local governments revealed a range of attitudes, from pragmatic to largely disregarding of the decision. Many expressed dissatisfaction with the Department's circular and wanted further clarification and advice, whilst others were surprised and welcoming of the level of clarity provided by the Department.

Other developments have been subject to significant delays as local governments sought to further investigate the impact of the decision. The Department of Planning expressed significant concern at the inconsistency of the local government approaches.

While arguably there should be no ambiguity arising from the SAT decision, given it provides a clear definition for a park home, stakeholder consultation suggests this is not the case.

5 Park Home Parks Business Models

5.1 Operating Model Overview

The core park home park business model is a land lease model, which separates land ownership from home ownership. Put simply, park home park developers purchase and develop land for the lifestyle village, which includes the provision of communal facilities. Park homes are then purchased and brought onsite and sold to potential residents. However, unlike residential developments, developers maintain custodianship of the land. This means that residents are required to lease the underlying land where their park home sits. Lease payments include the right of residents to access and enjoy the communal village facilities. This is explained in more detail below.

5.2 Capital Costs

5.2.1 Land Zoning

The first step in a lifestyle village development is purchasing land. Developers are able to develop lifestyle villages on land which is not zoned residential (e.g. land zoned tourism or rural). As a result, land suitably zoned for a lifestyle village development tends to be cheaper than residential zoned land, as lifestyle village developers are not competing with developers of traditional residential developments. Therefore, access to non-residential zoned land is a significant advantage in the viability and profitability of a lifestyle village development.

5.2.2 Land Tax

Section 39B of the *Land Tax Assessment Act 2002* (WA) provides that land is exempt from land tax if the land is used at midnight on 30 June preceding the year of assessment as 'dwelling park land', defined as land that is part of a caravan park which is operated under a licence issued under the CPCG Act. This exemption provides significant cost advantages to the park home park operator and affordability of the product.

5.2.3 Planning and Approvals/Site Preparation

Lifestyle villages are subject to less stringent planning and approvals requirements than traditional residential developments. Local governments have the authority to approve lifestyle village developments under their planning schemes. The Regulations set minimum road widths, setbacks, distances between dwellings and impose other requirements. These are set out in Division 2 Schedule 7 of the Regulations. Other requirements include drainage and wastewater disposal systems and fire equipment (Schedule 1 of the Regulations). Park homes must further be connected to the reticulated sewerage system under the *Government Sewerage Policy- Perth Metropolitan Region*.

There are no subdivision or strata requirements, which would arise for development of multiple dwellings under a residential model. However, approval is needed from the WA Planning Commission for long-term leases of land under the *Planning and Development Act 2005*. The Department of Planning considers that the long-term leases involved in a park home park are a ‘defacto subdivision’ and similar criteria should apply to long-term lease approvals as subdivision approvals.

Therefore, lifestyle village developers have a significantly reduced investment burden than residential developers at the planning and site preparation stages.

In addition, park home park developers are afforded density concessions on their developments, meaning they are able to build more dwellings than a traditional residential development. These density concessions were identified as critical to the business model by developers and the Department of Planning.

5.2.4 Building

Park homes are manufactured offsite by third parties, and then transported to the lifestyle village to be assembled (if needed), installed and connected to utilities. Under Item 9 Clause 2 Schedule 4 of the *Building Regulations 2012*, park homes (as defined in the Caravan Parks and Camping Grounds) do not need a building permit. This means that the application process under s16 of the *Building Act 2011* does not need to be followed for park homes.

Park homes are required to comply with the Building Code of Australia. However, under Regulation 32 2(c), the chassis, axles and wheels of the park home must be adequate structurally to bear the weight of the park home and enable the park home to be drawn by another vehicle without structural damage. This means that park homes are manufactured rather than built, and are made using materials other than the traditional ‘brick and tile’, typically vinyl or metal clad foam panel. This means that park homes are less expensive than traditional houses, but are also less durable; with the ATO classifying park homes with an asset life of 20 years.

5.3 Operating Costs

The most significant operating costs for park home park operators are detailed in the table below. Whilst the industry was unwilling to provide actual costs, they provided a percentage estimate of the key operating costs.

Table 2: Park Home Park Operating Costs

Operating Costs	Description	% of operating costs
FTE	Staffing costs related to onsite management, gardening and grounds	34%
Utilities	Includes electricity, water, waste, council rates, annual licensing fee	34%
Maintenance	Maintenance of communal facilities, such as gyms, pools, common rooms and areas	32%

Developers advised that approximately 50% of the weekly rent paid by residents is used to cover these operating costs.

5.4 Revenue

5.4.1 Sale of Homes

As detailed in section 3.4, park homes typically retail for around 30% less than an equivalent sized dwelling - however, this includes land. Under the *Duties Act 2008* (WA), there are no duty implications in the sale of park homes as they are classified as chattels. Desktop review located a price range of around \$150,000 to \$450,000. According to lifestyle village developers, there is not a significant profit margin at the point of sale, rather the profit is realised through the ongoing lease payments.

5.4.2 Rental Revenue

As residents do not own the land underneath their dwellings, they pay a weekly rental fee to the operator. The average rental is approximately \$180 per week, and typically increases annually by CPI. However, many residents are eligible for the CRA, which reduces the rent by approximately \$69 per week.

The lease rental fee provides residents with exclusive use of the plot of land where the park home is located, plus all year-round access to common facilities. Lease terms range from 20 – 60 years. Receipt of rent drives profit for the developer/operator and is thus an essential element of the business model.

5.4.3 Sale Fee Revenue

Most operators charge a percentage of the proceeds of sale when residents sell their dwellings. This may be up to 20% of the sale price and tends to vary by length of tenancy. It is commonly referred to as a 'deferred management fee' (DMF).

The DMF is essentially a deferred payment to cover a portion of the cost for developing, operating and maintaining the village. The lifestyle village industry argues that the DMF ensures operators continue to have a vested interest in the capital growth and maintenance of the park home and how it presents over time.

5.5 Variations on the Business Model

In consulting with a range of stakeholders, including developers, no significant variations to the business model were identified. Potential reasons for the lack of variation include a common target market and the significant regulation around development and operation of lifestyle villages.

5.6 Impact of SAT Decision on the Lifestyle Village Business Model

Following the recent SAT interpretation and narrowing of the park home definition, it is unlikely that the modern park home would be considered a means of transport and thus receive local government approval to place the park home on site. Accordingly, in order to meet the statutory definition of a park home, dwellings will need to be modified so that they are a means of transport. The industry has indicated that this will add significant cost to the park home purchase price of around \$40,000 per dwelling.

Nevertheless, whilst the cost impost of the SAT decision is important, the primary concern of industry is that to comply with SAT decision, the product offering would need to be amended. The park home will need to be considerably smaller and less comfortable than what is currently on the market to meet the means of transport definition. This would result in a dwelling appearing more like a caravan, rather than a house as is the current situation. This view was shared by local governments. Given the focus on 'resort style lifestyle' in lifestyle village marketing, and the fact that lifestyle village park homes are designed to be the primary residences of their occupants, it is unlikely that clearly non-permanent and smaller caravans would be appealing to the lifestyle village demographic market.

5.7 Park Home Parks as Other Development Types

As part of this Review, Paxon explored whether the lifestyle village business model could continue if park home parks were not licensed as a park home under the CPCG Act. This required determining an alternative legal and planning classification under which the business model could operate. Paxon's research and stakeholder consultation identified group dwelling (a form of high-density residential development) as the closest existing form of development.

5.7.1 Residential Development Comparison

The following diagram compares the development project stages of a traditional group dwelling residential development to the lifestyle village model, in order to determine whether lifestyle villages could be developed as group dwellings. The key differences under each project stage is discussed in more detail below.

Figure 4: Comparison of Lifestyle Village and Residential Development Business Models

	PURCHASE LAND	LAND OWNERSHIP	PLANNING / APPROVALS	SITE PREPARATION	BUILDING	SALES	ONGOING LEASE	LAND HOLDING
Development Type								
PARK HOMES / LIFESTYLE VILLAGE	Purchase non-residential (e.g. Tourism / Rural zoned land)	No land tax requirement	Limited planning and approvals requirements	Reduced site works infrastructure costs	Provide park homes	Sale of park homes - capital recovery and small development profit	Payment from owner to developer - provides for ongoing yield return	Achieves capital growth on land
RESIDENTIAL DEVELOPMENT	Purchase land zoned residential	Land tax until sales achieved	Strata and planning requirements	Services and Utilities	Provide dwellings compliant to residential code	Sale of dwellings - full development profit of 15-30%	N/A	N/A
PARK HOME PARK DEVELOPED AS A RESIDENTIAL DEVELOPMENT	Much higher land purchase price	Ongoing requirement to pay land tax	Would achieve lower density due to application of planning including setbacks, density - means lower project return	Greater level of site works and infrastructure requirements	Higher capital cost for code compliance	Not possible to sell land and dwelling - as greatly increases cost. Potential stamp duty requirement - increasing sales price to buyer.	Dependent on structure, developer could still own land but would need to pay land tax, increasing holding cost and diminishing return achieved	Would potentially be achieved

Project Stages

The following sections step through Figure 4 in more detail. Each stage is colour coded to indicate the impact on the business model from changing from a lifestyle village to group dwelling. The colouring is as follows:

- The costs/requirements are so much greater under a residential development model as to be significantly detrimental to the lifestyle village industry business model.
- The costs/requirements are more onerous but are not necessarily fatal.
- The costs/requirements are the same or less onerous than a residential development model.

Land Purchase

For a residential development, the land must be zoned residential. This type of land tends to be more expensive than land zoned rural or tourism on which park home parks can be developed. The capital outlay for a group dwelling development compared to a typical lifestyle village development is therefore much more significant, with residential zoning easily increasing the value of a block by a factor of ten.

Rating: ●

Land Ownership

Unlike park home developments, residential developers must pay land tax on the land. However, residential developers do not hold onto the land, and once the development is sold, there is no continued requirement to pay land tax.

Rating: ●

Planning Approvals

Residential developments must comply with more onerous density and set back requirements as set by the R-codes and must obtain planning approvals from local governments. Park home parks are provided a number of development concessions, including density requirements, meaning they are able to build more dwellings on a site than a traditional residential development.

The densities for lifestyle villages are set by the Regulations in the form of minimum setbacks and distances between dwellings. Although the Regulations empower Local Governments to impose greater setbacks and dwelling distances (decreasing the lifestyle village dwelling density), Paxon's desktop review did not locate any local councils which deviated from the Regulation minimum.

In contrast, densities for residential developments are set by the R-code zoning, which prescribes the maximum number of dwellings permitted on a hectare of land. Other factors, such as dwelling size and other planning and building requirements, will impact on the actual density of a residential development.

Rating: ●

Site Preparation

Site preparation, including infrastructure, are more onerous and costly for residential developments. Each residential lot must have utilities connected, whereas only one connection is required to the whole park home park (utilities are distributed to individual park homes through a series of much smaller connectors).

Rating: ●

Building

Park homes are currently exempt from the requirement to obtain a building licence. Group dwellings are not exempt and would have to comply with the extensive requirements of s16 of the *Building Act* to obtain a building licence from the relevant local government.

Residential developers use more durable and more expensive materials than park home manufacturers, as they are not limited by the need to minimise capital cost and the structural requirements that limit the weight of park homes. As a consequence of building materials, traditional residential housing assets would typically have a longer asset life than park homes but require significantly more capital outlay to construct.

Rating: ●

Sale of Homes

Residential developers sell the dwellings and land together. This means that developers need to recover the greater capital costs required for planning, site preparation and construction and its profit margin at the sale point. Developers typically seek a 15-30% profit margin on each dwelling. In contrast, park home developers' profit is largely driven by the receipt of ongoing rental payments on the lease, rather than the sale of the park home.

If park home developers were to attempt to pursue their existing business model under a group dwelling framework, they would have to sell the dwelling at a higher price to recoup the higher capital cost of building fewer better quality dwellings on more developed land. However, without the sale of the underlying land, the home would still be a depreciating asset, and it is unlikely the increase in sale price from the improvement in build quality would cover the additional capital expenditure.

Rating: ●

Ongoing Lease

There is no ongoing lease payment under a residential development, with developers needing to realise their profit on the sale of dwellings.

If park home developers were to attempt to pursue their existing business model under a group dwelling framework, the blocks of land per dwelling would be larger than existing park home sites due to the planning approvals requirements. However, there would be fewer tenants due to the residential density restrictions. Overall, there is unlikely to be a significant variation in rental income.

Rating: ●

Land Holding

The residential land developer does not hold onto the land asset so it must make its profit on the development given there is no capital growth on the land. In contrast, the park home park developer remains custodian of the land and thus enjoys any capital growth in the land value, particularly if the land is rezoned to residential after a period of urban expansion. This would also apply if the developer was using a group dwelling classification where land ownership is retained.

Rating: ●

5.7.2 Strata Developments

Proposed changes to the *Strata Titles Act 1985* (WA) and the introduction of a *Community Title Bill (2018)* will introduce leasehold strata, which is expected to facilitate financing arrangements through the issue of a leasehold title. Although leasehold strata schemes operate in other Australian states, to date, Western Australia has not adopted this form of tenure. Such schemes will be for a fixed term of between 20 and 99 years, with the scheme, all lots and strata leases for the lots expiring on the expiry day³.

The new leasehold strata title laws could facilitate the development of new residential parks on public land providing opportunities for public/private partnerships; for example, the State Government is already working towards a modular park home living project on Government land in Ascot that is targeted to seniors living.

However, whilst the amended strata laws provide a potential avenue for a regular residential development to proceed on a slightly different basis, the same barriers (planning, density, price of land zoned residential to split as a strata) would all still exist.

5.8 Summary

The lifestyle village business model differs significantly to the residential development business model. Key points of differentiation include:

- Lower land cost due to differences in zoning;
- Land tax exemption;
- Less onerous planning and approval requirements (e.g. density and set back requirements);
- Reduced site preparation works;
- Reduced building capital costs given the requirement to build lighter dwellings;
- Building licence exemptions; and
- Profit driven through ongoing lease payments for which residents may be eligible to claim CRA.

³ Landgate: <https://strata.wa.gov.au/strata-is-changing>

The consultation process with developers sought to understand both the value of each of these elements on an overall development, and their relative importance. While developers were reluctant to provide any quantification of the benefits, it was apparent that the drivers of financial viability vary significantly between projects, due to factors such as underlying land value, the surrounding housing market, and the nature of the homes delivered within the lifestyle village.

Based on developer feedback and review of the lifestyle village business model, it is suggested that those elements which affect the upfront capital and development cost of a project would be more material to developers than those impacting on operating and recurrent costs. Therefore, concessions on planning, zoning and development type are suggested to be most likely to drive the viability of the lifestyle village business model.

6 Affordable Housing

6.1 Housing Continuum

Australia’s housing continuum spans the broad spectrum of housing in Australia from homelessness to private ownership. Government support decreases across the continuum, from crisis accommodation, through social, affordable and ultimately, to unassisted private rental or ownership in the private market. This is shown in Figure 5 below.

Figure 5: Housing Continuum



6.2 Affordable Housing

The term ‘affordable housing’ in its broadest sense is used to refer to housing for rent or purchase that is affordable to households whose financial capacity to obtain private housing is constrained. The Department of Communities applies the following definition “*affordable housing is housing that costs 30% or less of gross household income*”. This means, for example, a household on \$45,000 per annum can only afford to pay \$250 per week in rent without being in housing stress. There is no generally accepted definition for affordable housing where upfront purchase of a dwelling is required. This makes it difficult to align ownership cost of a park home with definitions for affordable housing.

6.3 Who Needs Affordable Housing

Groups in need of supported housing range from the homeless to essential workers in inner cities on moderate incomes.

People on very low incomes may need heavily subsidised responses like social housing, while those on moderate incomes may need lighter touch home ownership assistance. People on the lower end of the middle-income band often earn too much for the heavily rationed social housing system and too little to access home ownership. This creates a gap in the housing continuum.

The Department of Communities has identified seniors (55 and older) as a demographic in increasing need of affordable housing, with around half of seniors having less than \$300k in net worth. The State Government’s *Future Directions for Seniors Housing 2019-2024* also identifies a gap consisting of older people with limited assets who are ineligible for social housing.

The figure overleaf showing senior housing options is drawn from the Department’s *Seniors Housing Strategy: Discussion Paper*, November 2016. The strategy recognises key differences between long term residents of a caravan park and residents of a lifestyle village, with the latter much further along the housing continuum.

Figure 6: Senior Housing Continuum⁴



The Seniors Housing Strategy notes that lifestyle villages tend to target the premium end of the market and may be moving away from provision of affordable housing. However, the strategy notes that lifestyle village dwellings at the lower end of the spectrum are affordable for seniors in the ‘critical gap’. In addition, the State Government’s *Future Directions for Seniors Housing 2019-2024* sets priorities of diversity of choice in housing, including better choices for seniors who are renting and alternatives to home ownership. Another priority is increasing security of housing for seniors.

A similar theme is evident in the State Government’s *Affordable Housing Action Plan 2017-18 to 2019-20*, which is focused on increasing housing diversity. This includes progression of the leasehold models, including a modular park home living project on government land in Ascot targeted to seniors living.

In a 2015 submission to a Proposal for Holiday Parks and Camping Grounds Legislation, Shelter WA considered that removing lifestyle villages from the *Caravan Parks and Camping Grounds Act 1995* would affect the supply of affordable housing in the State, due to the increased planning requirements.

6.4 Housing Assistance

The Commonwealth Rent Assistance (CRA) is the main form of housing assistance in Australia, with over 40 per cent of households in the private rental market receiving these payments⁵. CRA payments are provided to eligible income support recipients. To receive CRA, a person must qualify for a social security income support payment or Family Tax Benefit A and must pay a minimum amount of rent, called the rent threshold.

Under the CRA, although rent assistance is generally not paid to persons that own or are buying the home in which they live, persons that own a mobile and relocatable home are eligible. This means that residents of lifestyle villages that receive the age pension and own their park home, but rent the land, may be eligible for rent assistance payments.

⁴ Housing Authority, *Seniors Housing Strategy: Discussion Paper* November 2016

⁵ AIHW, 2019: <https://www.aihw.gov.au/reports/housing-assistance/housing-assistance-in-australia-2019/contents/financial-assistance#fa1>

For an eligible sole occupant or couple of homeowners in a lifestyle village paying site rental, a typical level of assistance would be around 40% of the site rental, making lifestyle villages more affordable. Whilst the CRA is not tied to whether the park home is a caravan or not, it is tied to the resident leasing the land.

6.5 Comparative Cost of Housing

The definition of ‘affordable housing’ is tailored to the rental market and to demographics who do not have significant equity. While the weekly rental payments for park homes may qualify them as affordable housing, the fact that the dwellings need to be purchased upfront for at least \$150,000 makes an ‘affordable’ designation questionable. To better understand the affordability of park homes, a financial analysis comparison has been conducted for park homes and other housing choices available to seniors.

The following analysis provides a high-level comparative assessment of the cost of housing for an individual to determine the affordability of park homes relative to other housing options. The analysis considers the following housing options:

- Purchase a Park Home in a Lifestyle Village and rent the land;
- Residential House and Land Purchase – with a loan;
- Residential House and Land Purchase – Outright; and
- Market Rental.

6.5.1 Assumptions

The assumptions utilised in the comparative assessment are detailed in the table below.

Table 3: Cost of Housing Assumptions

Housing Option	Assumptions	Value
Park Home in a Lifestyle Village	Purchase Price	\$280,000
	Rental Price (per week)	\$190
	Annual Park Home Asset Depreciation	0%
	Commonwealth Rental Assistance (per week)	\$69
Market Purchase	Purchase Price	\$450,000
	Stamp Duty	\$15,750
	Purchase Costs	\$2,250
	Rates and taxes	\$5,000
	Interest Rate	4.50%
	Loan Period	30 years
Market Rental	Weekly Rent (assuming 6% property yield)	\$519
	CRA	\$69
Cash flows	Over a 10-year period	

6.5.2 Results

There are three sets of results in the table below:

- Net Present Value (NPV): Being the total cost, discounted to allow for the time value of money, across the modelled period;
- Total Cost: The total cash cost across the period, with no discounting of future costs; and
- Residual Asset Value: The value of any assets (either park home or alternative property) owned or partially owned at the end of the period.

The NPV value allows the costs of different options (which have different spend profiles) to be compared.

Table 4: Results

Housing Option	NPV	Total Cost	Residual Value
Park Home	\$325,960	\$343,440	\$224,000
Market Purchase – with Loan	\$295,784	\$344,262	\$90,640
Market Purchase – Outright	\$497,020	\$518,000	\$450,000
Market Rental	\$230,315	\$270,000	-

The analysis shows that over a ten-year term park homes are not as affordable as renting from the private market (with CRA) and market purchase with a loan. The modelling, however, is highly dependent on the inputs, particularly the term assessed. The table below shows results over a twenty year term.

Table 5: Results (20 Year Term)

Housing Option	NPV	Total Cost	Residual Value
Park Home	\$375,987	\$420,000	\$224,000
Market Purchase – with Loan	\$502,871	\$670,524	\$231,402
Market Purchase – Outright	\$528,756	\$568,000	\$450,000
Market Rental	\$401,692	\$540,000	-

These results demonstrate that over twenty years, park homes present a more affordable option due to the lower recurrent cost. It was not possible, from discussion with developers and operators of lifestyle villages, to understand the average length of ownership, which impacts on these results.

The overall financial benefit of park homes as compared to the other choices shown in the analysis above will also be dependent on the ability of the park home owner to sell the home for a price consistent with initial purchase at the time of their choosing. There is not sufficient data available on resale of park homes to be able to form a view on the likelihood of this occurring.

6.6 Lifestyle Villages as a Lifestyle Choice

During consultations, several stakeholders emphasised the difference between park homes in caravan parks and lifestyle villages, arguing that the community facilities and higher-quality park homes in lifestyle villages had priced these homes out of the affordable housing range. This was the view of the Department of Planning, also shared by some local governments. However, even if lifestyle villages are not strictly affordable housing, they arguably have a place in the housing spectrum, and are attractive to some segments of the property market, often for non-financial reasons such as security and a sense of community. Furthermore, park homes may free up capital for seniors to fund their retirement. Lifestyle villages therefore offer a valuable choice in the housing market and are a legitimate form of development.

6.7 Summary

The modelling of the cost of ownership of a range of housing options has shown that park homes are not as affordable as renting from the private sector, unless they are held for a long period (greater than 15-20 years). Arguably, the benefit of park homes is therefore not so much that it is providing affordable housing, but that it provides greater housing diversity and a volume of housing which increases overall affordability by taking people out of the broader housing market. It also provides individuals with greater certainty of tenure over market rental.

Nevertheless, there are concerns that lifestyle villages, often located on the fringes, means residents are relocating away from informal support networks and may also increase the demand for government-funded support services to replace them.

Families and communities also lose the benefit of the informal support provided by seniors, who are often active volunteers.

7 Consumer Risks

Protections for lifestyle village residents are contained in the *Residential Parks (Long-stay Tenants) Act 2006 (WA)* (Residential Parks Act). The Residential Parks Act imposes rights and responsibilities on tenants and park operators. These include disclosure requirements on the operator (including a five-day cooling off period after the site agreement is signed), and restrictions on lease terminations and rent increases.

A 2017 review of the Residential Parks Act recommended several measures to improve consumer protection and rights for park home residents in line with those afforded to tenants under the *Residential Tenancies Act 1987 (WA)* (Residential Tenancies Act). However, the Residential Parks Act has not yet been amended in line with these recommendations.

7.1 Security of Tenure

Although lifestyle village residents own their homes, they do not own the land their home sits on. They are therefore tenants on the village owner's land. A review of the Residential Parks Act concluded that as park homes can be difficult and expensive to move (up to \$60,000), security of tenure is very important to park home residents.

The land lease model provides greater security of tenure than other residential leases, as leases are generally for 60 years, although a desktop review found leases from 40 to 99 years. Some developers have a 'one way' lease where the developer is bound to the lease agreement, but the tenant is not.

There are some concerns that developers do not do enough to dispel the impression that park home purchases included the land. However, the *Residential Parks (Long-Stay Tenants) Amendment Bill 2018* introduces new tenancy protections. These include restrictions of termination for redevelopment and termination if the landowner's mortgagee enters into possession. 'Without grounds' termination is also prohibited. Compensation for termination provisions are also included in the bill.

7.2 Build Quality

Park homes are not built with traditional 'brick and tile' materials and are manufactured with lighter materials such as metal-clad foam panels. According to the ATO, park homes have an asset life of 20 years.

7.3 Borrowing Capacity/Depreciating Assets

As home loans cannot be obtained to purchase a park home (as the resident does not own the land), residents must have the full purchase price of the dwelling in cash. This means that most residents must have significant home equity and/or superannuation to consider buying a park home.

The sale price of a park home is subject to market forces of supply and demand, similarly to the residential housing market. If there is an imbalance in the supply and demand for park homes and limited supply of appropriate land for future developments, this may place upward pressure on the price of park homes.

Although historical sales data was not available, developers' websites suggest that park homes are currently appreciating in value. However, residents selling their park homes may not see any or all of this gain due to operator exit charges of up to 20% of the sale price.

Furthermore, it is unclear the impact on the resale price as the park home asset ages. Of particular concern is the value of the park home as it reaches the end of its useful life (which the ATO deems as 20 years) and/or nears the end of the lease and the impact this will have on a resident's ability to on-sell their asset.

7.4 Legislative Protection

The Residential Parks Act draws definitions from the CPCG Act and will therefore be affected by the recent SAT's decision. It is noted that a Bill to amend the Residential Parks Act to remove all references to the CPCG Act is currently in the WA Legislative Council.

Pre-2006, prior to the introduction of the Residential Parks Act, park home residents were protected by the *Residential Tenancies Act 1987 (WA)* (Residential Tenancies Act). However, this Act is not ideal for situations such as park homes where the tenant owns their dwelling but rents the land underneath, and does not cover situations specific to park home owners, such as the need to move the park home if the land lease is terminated. The Residential Parks Act contains special provisions for developer disclosure, the form of agreements and exiting lease agreements. Consumer Protection considered that these protections, especially the disclosure requirements in the Residential Parks Act once passed, are sufficient.

Consumer Protection and the Department of Planning expressed concerns that if the Residential Parks Act no longer applied to park homes, park home residents would lack sufficient consumer protection. Although it was considered likely that the Residential Tenancies Act would apply to residents, as discussed, this Act leaves significant gaps in that it does not account for the lend lease model (such as the significant cost to move a park home if the land lease is terminated). However, the decision has caused uncertainty as to whether the Residential Tenancies or Residential Parks Act would apply.

8 National Context - Approaches

Lifestyle villages are regulated on a state by state basis. It is noted that other forms of seniors' housing, such as retirement villages, are regulated at the Commonwealth level. Other regulations and requirements applicable to park homes, such as the Building Code.

8.1 NSW

In NSW, lifestyle villages are covered by the *Residential (Land Lease) Communities Act 2013* and the *Residential (Land Lease) Communities Regulation 2015*. Manufactured homes are defined under the *Local Government Act 1993* as a self-contained dwelling that is not a motor vehicle or trailer within the meaning of the *Road Transport Act 2013*. More detailed structural requirements for park homes are contained under the *Local Government (Manufactured Home Estates, Caravan Parks, Camping Grounds and Moveable dwellings) Regulation 2005*. There are around 80 lifestyle villages in NSW. Stakeholders from NSW were not available for consultation.

8.2 Victoria

Consultation was undertaken with consumer protection stakeholders in Victoria. There are around 20 lifestyle villages in Victoria. Park homes are referred to as 'movable dwellings', defined in the *Residential Tenancies Act 1997* as a 'dwelling that is designed to be movable, but does not include a dwelling that cannot be situated at and removed from a place within 24 hours'. These are also referred to as 'Part 4A dwellings'. Movable dwellings are not subject to the requirements of the *Building Act 1993* under s517. There are two classes of movable dwellings- registrable and unregistrable.

Registrable dwellings must be registrable under the *Road Safety Act 1986*. Under the *Residential Tenancies (Caravan Parks and Movable Dwellings Registration and Standards) Regulations 2010*, an unregistrable movable dwelling is a movable dwelling that is constructed on a chassis or in prefabricated sections, is a freestanding dwelling and is not a registrable movable dwelling. There is a minimum floor area requirement of 15 square metres for unregistrable movable dwellings.

Standards for these dwellings are contained in Schedule 3 of the Regulations, which include nearly all of Volume 2 of the Building Code of Australia. It is understood that the current typical park home in Western Australia would meet the definition of an unregistrable movable dwelling.

Victoria's Department of Environment, Land, Water and Planning is currently exploring the possibility of creating separate registration requirements for different classes of parks, as part of a sunset review of the *Residential Tenancies Act 1997*. In stakeholder consultations with WA stakeholders (developers, some local governments and the Department of Planning), a strong preference was expressed for the Victorian model. It was perceived that this would avoid the current tension that arises having lifestyle villages (closed developments) sitting under legislation made for tourist caravan parks and would mitigate the current uncertainty over the definition of a park home. Developers felt that this would preserve the industry's current business model and provide clear demarcation between a lifestyle village and a tourist caravan park.

8.3 Queensland

Stakeholder consultation was undertaken with a specialist from the Department of State Development, Manufacturing, Infrastructure and Planning. There are three pieces of legislation applicable to park homes in Queensland:

- *Planning Act 2016*;
- *Manufactured Homes (Residential Parks) Act 2003*; and
- *Residential Tenancies and Rooming Accommodation Act 2008*.

In Queensland, park homes are referred to as manufactured homes, which are defined by s10 of the *Manufactured Homes (Residential Parks) Act 2003* as structures which have the character of a dwelling house, are designed to be moved from one position to another, and are not permanently attached to land. Stakeholders considered this to be a broad definition. The *Residential Tenancies and Rooming Accommodation Act 2008* defines a moveable dwelling as a caravan or manufactured home. Manufactured homes are distinct from caravans; however, a converted caravan may be taken to be a park home if it is located in a residential park under a site agreement.

Caravan parks (tourist sites) are considered to be separate from manufactured home parks (residential parks). There are around 57 residential parks in the State.

In Queensland, the planning system is relatively decentralised, and local governments play a substantial role in regulating manufactured home parks under their planning scheme. Some aspects, such as structural and land use definitions, are centralised.

Local Governments must interpret and apply these definitions in the context of their planning schemes. Our stakeholder considered that most park homes, as dwellings, would have to comply with the building code.

8.3.1 Affordable Housing

The stakeholder considered that unofficially, manufactured homes were a good source of affordable housing, but noted that they were not featured in Queensland's Housing Strategy.

8.4 South Australia

Lifestyle villages in South Australia are governed by the *Residential Parks Act 2007*. The Act defines a dwelling as a 'motor vehicle or trailer that is designed to be used or is capable of being used for human habitation'. A trailer is defined in the *Motor Vehicles Act 1959* as 'a vehicle that is built to be towed, or is towed, by a motor vehicle'. That Act also defines a caravan as a 'trailer that is constructed or adapted to provide sleeping accommodation for one or more persons'. However, the Residential Parks Act also defines a 'permanently fixed dwelling' as a 'structure that c) could not, under any reasonable arrangement, be removed in a state that would allow the dwelling to be reused as a dwelling in another place'. This definition is not used in the Act; all subsequent references are to 'dwellings' only, suggesting that in South Australia park homes *should* be vehicles.

The desktop review located seven lifestyle villages in the State, most of which were developed before the introduction of the *Residential Parks Act 2007*. No stakeholders from South Australia were available for consultation.

8.5 Tasmania

Although similar structures to park homes appear to be in use in Tasmania, particularly for permanent residents in caravan parks, there is no specific legislation applicable to these dwellings or tenants.

The desktop review located one lifestyle village in the State. Under the *Building Act 2016*, if a structure is built with wheels and is capable of being registered as a vehicle by the Tasmanian Motor Vehicle Registry it is not a building. Vehicles are defined under the *Vehicle and Traffic Act 1999* as motor vehicles (a vehicle that is built to be propelled by a motor that forms part of the vehicle) or trailers (a vehicle built to be towed). No stakeholders from Tasmania were available for consultation.

8.6 Summary

Stakeholder consultation and desktop research has demonstrated the existence of and differing approaches to regulating the lifestyle village industry across Australia. Many of these legislative approaches are applicable to the issues faced in legislating the lifestyle village industry in Western Australia. This includes the situation whereby the CPCG Act now sits over a range of land uses and housing products for which it was not designed.

Victoria has separate definitions for traditional caravans and park homes. This appears more appropriate for an industry and scope of product offering which have matured significantly from the time the legislation was passed. A regulatory update has allowed standards appropriate to specific products (such as a minimum floor area) to be included. However, recognition of different product classes and uses allows each product class to have more specific and appropriate regulation.

9 Findings Summary

The intent of the findings is to address factual questions posed by the Department's Scope of Services as detailed in Section 2.2. Paxon has not made any policy or legislative recommendations relating to lifestyle villages.

Finding 1

The lifestyle village industry is small, with approximately 14 known developments across the State. It is dominated by a few key players, with National Lifestyle Villages holding over 50% of the market share.

Finding 2

There are an estimated 3,000 park homes located in lifestyle villages in Western Australia, with the average community size of 280 sites.

Finding 3

The core lifestyle village business model is based on a land lease model, which is largely viable due to the number of concessions available to park home park developments licensed under the *Caravan Parks and Camping Grounds Act 1995* (CPCG Act). These concessions, which are not available under a traditional residential development include, in order of magnitude:

1. Significantly lower land costs due to the ability to develop park home parks on land which does not have a residential zoning;
2. Significant planning concessions, including higher density and reduced set back requirements;
3. Reduced building costs given the building licence exemption;
4. Reduced site work requirements due to exemptions to providing each site with a connection to sewerage, water and utilities;
5. Ability to charge an ongoing lease payment for which residents may be eligible to claim Commonwealth Rent Assistance;
6. Land tax exemption; and
7. Stamp duty exemption.

Finding 4

The construction of park homes is constrained by the weight requirements contained in the Regulations made under the CPCG Act. Park homes are typically made out of materials such as metal clad foam and vinyl, rather than the traditional 'brick and tile' used in residential developments.

Finding 5

Should park home park developments continue to be licensed under the CPCG Act, significant changes to the current design of park homes will be necessary to ensure compliance with the recent State Administrative Tribunal decision in *Henville v City of Armadale [2018] WASAT 108*.

The end park home product will need to revert to a caravan like structure, rather than a house as is the current situation. Given the focus on 'resort style lifestyle' in lifestyle village marketing, and the fact that lifestyle village park homes are designed to be the primary residences of their occupants, it is unlikely that smaller non-permanent towable dwellings would be appealing to the lifestyle village demographic market.

Finding 6

Park home parks offer a unique living environment that is very attractive to some segments of the property market, including those looking to access capital to fund a certain lifestyle, as well as non-financial reasons, such as security and a sense of community.

Finding 7

The price of park homes ranges considerably, and currently retail from around \$150,000 to \$450,000. The sale price of a park home is subject to market forces of supply and demand, similarly to the residential housing market, with those park homes in newer lifestyle village developments attracting higher prices than older homes. As the sale of a park home usually includes the right to occupy its current site in a lifestyle village, park homes may increase in value in the short term as the supply of sites in villages decreases. However, as the park home ages and the remaining lease term shortens, it is likely that the resale price will fall and ultimately reach a point where the asset is unsaleable.

Finding 8

Qualitative and quantitative analysis has demonstrated that park homes are not the most affordable housing choice for seniors unless held for a long period (e.g. 15 – 20 years). Although the weekly rental payments are likely to be affordable, the large upfront capital cost (mortgages are not available) of purchasing the dwelling may be prohibitive.

Finding 9

Arguably, the major benefit of park home parks in term of housing affordability is that it provides greater housing diversity and a volume of housing which increases overall affordability by taking people out of the broader housing market.

Finding 10

Park home parks provide consumers with greater certainty of tenure over a market rental.

Finding 11

Whilst industry has advised that park homes are currently maintaining their value (and may increase in value) there is a significant risk that may not be well understood by residents that as the asset reaches the end of its useful life and/or nears the end of the lease that the value of the park home will decline significantly to the point where it may be difficult to on-sell.

Finding 12

There was strong stakeholder support across the board (from industry, local governments and Departments and Agencies) for the Victorian approach to defining park homes. In Victoria, there are two classes of park homes- registrable and unregistrable dwellings. It is likely that the unregistrable dwelling definition would cover the typical park home in Western Australia.

Appendix A: Stakeholders Consulted

The following stakeholders were consulted through a series of teleconferences and face-to-face meetings. Stakeholders were identified by the Department of Local Government, Sport and Cultural Industries and Paxon.

9.1 Local Governments

- Shire of Busselton
- Shire of Harvey
- City of Albany
- Shire of Donnybrook-Balingup
- Shire of Chittering
- Shire of Augusta-Margaret River

9.2 State Government Departments and Agencies

- Department of Mines, Industry Regulation and Safety (Consumer Protection)
- Department of Mines, Industry Regulation and Safety (Building and Energy)
- Department of Planning, Lands and Heritage (Planning)
- Department of Communities (Housing)
- Department of Finance (Office of State Revenue)
- Department of Local Government, Sport and Cultural Industries

9.3 Interstate Government Departments

- Department of State Development, Manufacturing, Infrastructure and Planning (Queensland)
- Department of Justice and Community Safety (Regulations) (Victoria)

9.4 Lifestyle Village Developers and Industry Bodies

- Caravan Industry Association of WA
- Property Council of Australia (WA)
- Edenlife
- National Lifestyle Villages
- Margaret River Lifestyle Village

Appendix B: Stakeholder Consultation Questions

Prior to each consultation session, stakeholders were provided with a list of questions to guide the consultation discussion.

Local Governments

- Prior to the SAT decision, what kind of structures were you approving as park homes?
- What effect has the SAT decision had on your planning approval process? Have you stalled or denied park home park applications due to the decision?
- What advantages (if any) are now no longer available to park home developers?
- What effect has the SAT decision had on your application of the *Residential Parks (Long-stay Tenants) Act 2006*?
- What effect has the SAT decision had on your application of the *Caravan Parks and Camping Grounds Act 1995*?
- What are the barriers to park home parks being approved as other forms of residential developments under your planning scheme(s)?
- Any other issues or concerns in the park home space you'd like to discuss?

Department of Mines, Industry Regulation and Safety (Consumer Protection)

- Likely effect of the decision on the application of the *Residential Parks (Long-stay Tenants) Act 2006* to park homes
- Consumer protection available to park home residents if the *Residential Parks (Long-stay Tenants) Act 2006* no longer applies to park home parks (i.e. consumer protection available to renters in residential developments)
- Issues with altering the *Residential Parks (Long-stay Tenants) Act 2006* to cover any gaps in consumer protection
- Current consumer protection issues for park homes, ex issues with developer transparency over park home ownership (land rental vs building ownership)- volume/frequency of complaints
- Issues with/accuracy of developer claims that park homes provide affordable housing
- Any other issues or queries you would like to raise in relation to park homes

Department of Mines, Industry Regulation and Safety (Building and Energy)

- Prior to the decision, what were common features of park homes?
- What are the likely features of park homes that comply with the decision?
- Could existing park homes be retrofitted to meet the new definition?
- Do you have any safety/planning concerns with the new definition?
- Any other issues or queries you would like to raise in relation to park homes?

Department of Planning, Lands and Heritage (Planning)

- What position did park homes have in the State Planning Framework prior to the decision? Has the decision changed this position?
- What position do you think park homes should have in the State Planning Framework?
- Do you think park homes are significantly different from other forms of developments?
- Do you think the decision has caused significant planning issues for developers and local governments? How should these planning issues be resolved?
- Do you think caravan parks and park homes should be treated differently (i.e. should each have its own piece of legislation)?
- Do you think park homes have a role to play in the supply of affordable housing, especially for seniors?
- Any other issues or concerns in the park home space you'd like to discuss?

Department of Communities (Housing)

- What is your definition of affordable housing?
- Does your Department have any visibility on the demand for affordable housing, particularly for seniors?
- What are your policies/approaches to affordable housing?
- Do you think park homes are a form of affordable housing? Where do they sit on the affordable housing spectrum?
- Are there any issues in relation to housing affordability for park homes?
- Do you know the proportion of park home residents receiving Commonwealth Rental Assistance?
- Any other issues or queries you would like to raise in relation to park homes?

Department of Finance (Office of State Revenue)

- What revenue legislation is applicable to park homes developers and/or residents?
- What is the likely change to revenue from change in definition (potential increase in revenue if park home developments approved as residential developments instead)?
- What is the likely change to the administrative cost of collecting revenue from change in definition?
- What would be the difficulty of altering any applicable revenue legislation to align with new park homes definition?
- Any other issues or queries you would like to raise in relation to park homes?

Department of Local Government, Sport and Cultural Industries

- How has the decision changed how you administer the *Caravan Parks and Camping Grounds Act 1995*?
- What feedback have you had from park home developers about the decision?
- What feedback have you had from park home residents about the decision?
- What feedback have you had from local governments about the decision?
- Any other issues or queries you would like to raise in relation to park homes?

Appendix C: Local Government Consultation Themes

The table below draws out some themes which emerged during consultation with local governments (LGAs). Although there were some common themes, there was often significant variation in local government circumstances (some had not had to grapple with the decision) and attitudes.

Table 6: Local Government Consultation Themes

Consult Area	LGA Responses
Place of Lifestyle Villages in Caravan Park and Camping Grounds Act	Many LGAs thought lifestyle villages should never have been allowed under the Act, which they believed essentially to be an Act about tourist accommodation. LGAs said that developers had been using a 'loophole' to avoid residential planning and building requirements.
Response to the Decision	LGAs believed the decision corrected the 'bracket creep' which had occurred over time and provided certainty as to the definition of a park home. However, other LGAs expressed that the decision had introduced significant uncertainty.
DLGSCI's Circular	LGAs expressed a strong degree of dissatisfaction with the Department's circular on the decision, claiming that it provided very little clarity.
Park Homes in the Planning Framework	Some LGAs thought it was 'farical' that park homes didn't have to comply with the same standards as regular residential dwellings, such as obtaining a building permit. LGAs expressed concern that the residents of lifestyle villages were living in inferior dwellings. One LGA suggested that lifestyle villages were residential developments and should be labelled as such.
Lifestyle Villages as Affordable Housing	Some LGAs expressed a positive attitude towards lifestyle villages as a source of affordable housing. A small LGA was concerned that lifestyle villages were the only permitted form of infill in their town, which lacked the infrastructure (ex water) for residential development. Other LGAs believed that lifestyle villages were not affordable housing, especially in the wake of the decision which significantly increased the manufacturing costs. However, some LGAs acknowledged that lifestyle villages were a valid product offering and lifestyle choice for consumers.
Effect of the Decision	LGAs who had to deal with the decision believed it was not commercial for developers to continue if complying with the decision, which would add around \$40k to the cost of each park home. LGAs also considered that existing lifestyle villages in their areas would not be compliant.

Consult Area	LGA Responses
Solutions	<p>Many LGAs expressed a strong preference against further legislation, stating that they already had too many pieces of legislation to understand and apply. Most LGA solutions centred on altering other legislation, for example, one LGA suggested the creation of a new land use class within the R-Codes.</p> <p>One LGA thought that developers were likely to seek a ministerial exemption to the decision.</p> <p>One LGA expressed concern that whatever long-term strategy was adopted by the Department, that it be communicated to LGAs so that they could align their planning policies.</p>

Perth

Level 5, 160 St Georges Terrace
Perth WA 6000
Telephone: +61 8 9476 3144

Sydney

Level 15, Royal Exchange Building
56 Pitt Street, Sydney NSW 2000
Telephone: +61 2 8379 6144

Melbourne

Level 27, 101 Collins Street
Melbourne VIC 3000
Telephone: +61 3 9111 0046

www.paxongroup.com.au

providingvalue