

Addressing concerns – the RVA's best practice standards

Presentation to stakeholders' public meetings

What I'm going to talk about ...

RV industry statistics

Research to gather evidence

RVA remits responding to issues

- Re-licensing times
- Operator-owned chattel repairs and maintenance
- Weekly fees
- Transfers to care
- Call bells, Healthy Home standards, RVA audits public

Te Ara Professional Development

Conclusions

The industry today

- 425 villages (410 RVA members)
- 38,400 villas, apartments and serviced apartments (care suites)
- 50,000 residents = 14% of the +75 demographic
- Average village size = 86 units

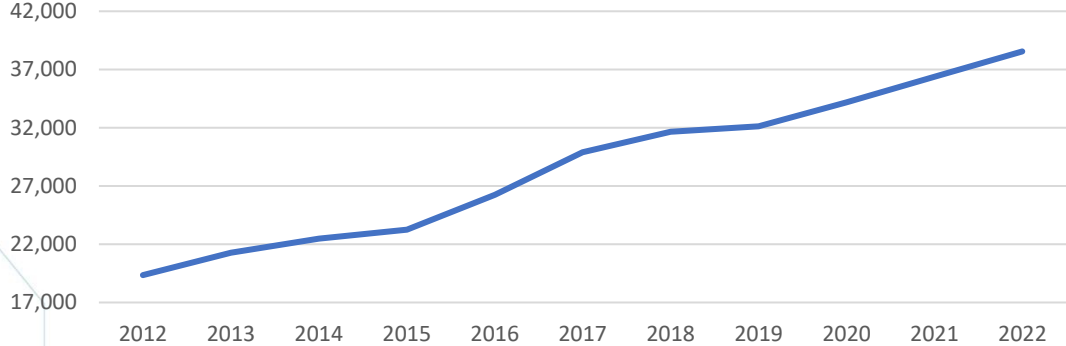
Big Six operators = 47% villages, 63% units

65% of villages offer a continuum of care

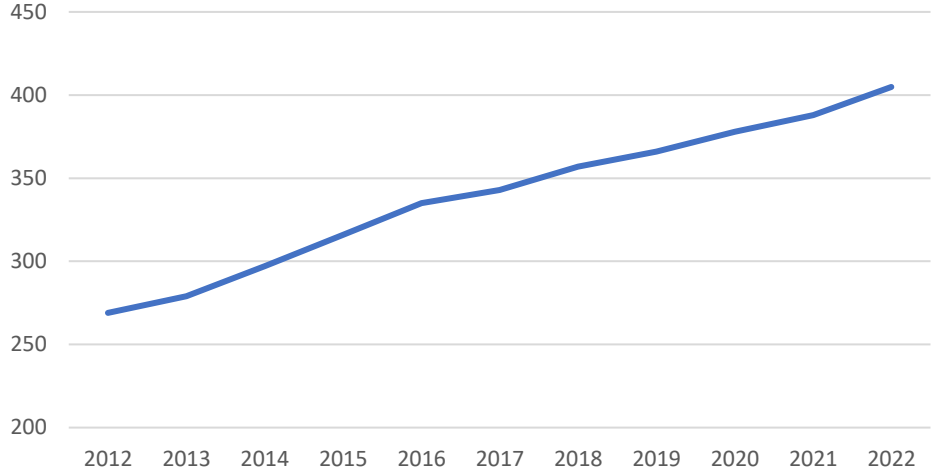
RVA database, JLL 2022 report

A 10 year journey

Total number of Units by Year



Total number of Villages by Year



RVA database of member returns

Mainstream housing option

Population growth

2021 = 345,960 people +75

2048 = 832,800 people +75

Village resident growth

2021 = 49,000 people

2033 = 80,600 people

2048 = 119,640 people

JLL 2022 White Paper

Village development pipeline

There are 216 villages in the development pipeline.

129 (60%) are expanding or refurbishing

87 (40%) are new villages – brown or green field development

Capacity to deliver 20,750 units and apartments.

- Auckland = 34% (6,980 units)
- Canterbury = 18% (3,647 units)
- Waikato = 11% (1,781 units)



Red dots = new builds
Black dots = existing
village expansion

JLL White Paper 2022

New Zealand's retirement village model

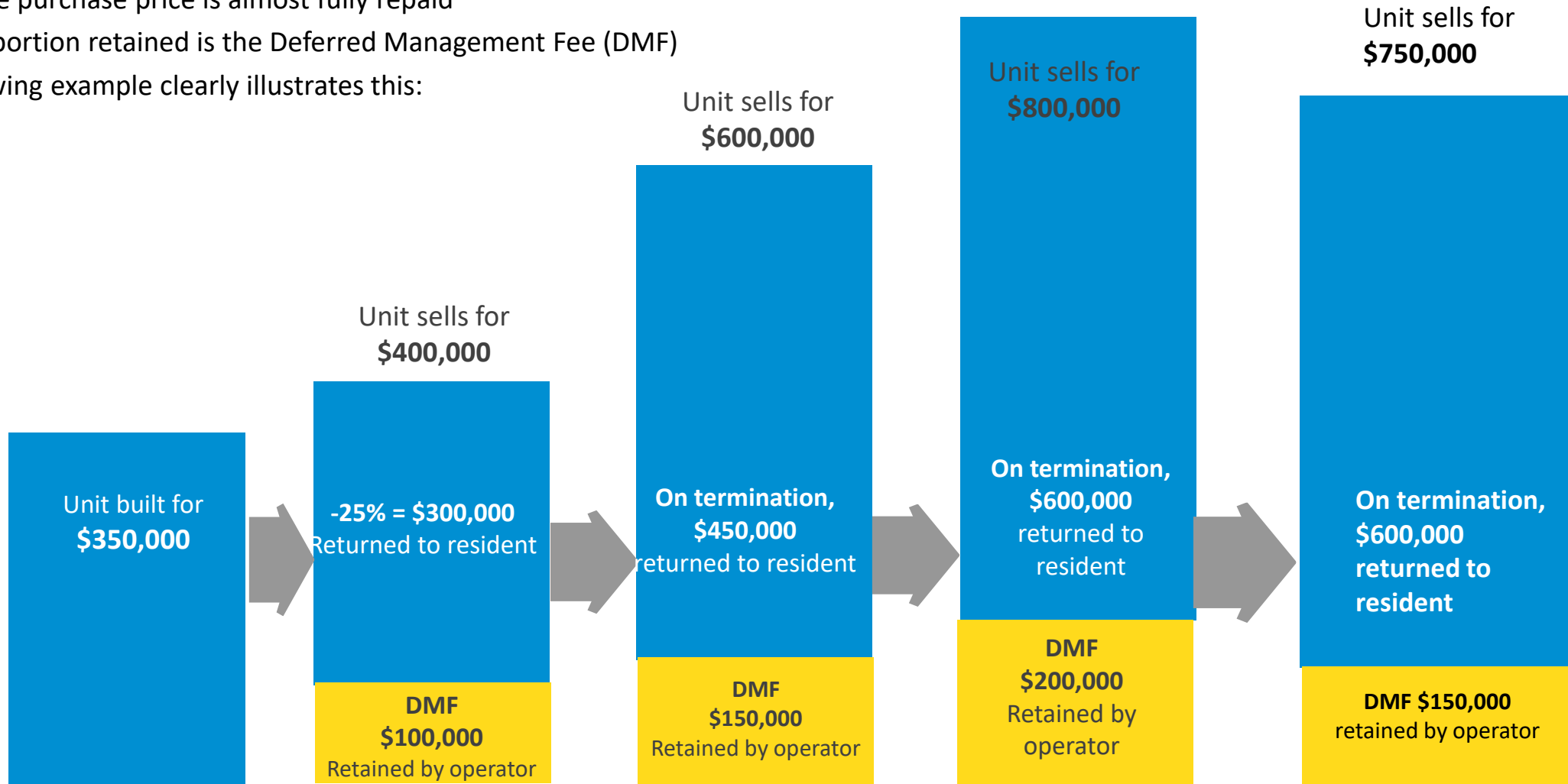
Retirement village operators do not retain the 'capital gain'.

Instead, they must pay back a considerable amount to residents or their estates following every sale

In fact, the purchase price is almost fully repaid

The only portion retained is the Deferred Management Fee (DMF)

The following example clearly illustrates this:



\$1.05 million is re-paid to residents or their estates over the lifetime of the unit.

Industry self-management

Expect members to have higher standards than the Code's minima – three year compliance audit, transparent terms for transfers, use of the Key Terms Summary.

Age care facilities compliance audit regularly by MoH

No such audit for retirement villages, so we do it ourselves.

Same organisations that audit rest home compliance audit RVA members' compliance.

All members have signed a covenant undertaking to comply with standards; enforceable in the Court.

Process for self-management

1. Complaints Committee – receives and considers complaints from anyone about villages
2. RVA Executive Committee – reviews the Complaints Committee’s decisions; if further intervention is necessary, a visit to the operator is made.
3. Disciplinary Authority – Hon Dr John Priestly KC, retired High Court Judge to review egregious behaviour by members. Has range of sanctions including fines and costs.

The catalysts for the initiative

- A review of RV legislative framework
- RVR petition on mandatory buy-backs – insistence on retrospective legislation
- Retirement Commission’s paper on a template ORA
- Reviewing the complaints and disputes

Focus is on developing industry best practice rather than regulatory intervention, based on evidence.



BLUEPRINT FOR NEW ZEALAND'S RETIREMENT VILLAGES SECTOR

New Zealand's retirement villages sector has launched a comprehensive blueprint to introduce a range of improvements in the industry.

The growing popularity of retirement village living and the overwhelming satisfaction levels among residents clearly demonstrates that our sector has struck the right balance between robust regulatory oversight and effective self-governance.

However, we accept there is always room for improvement and refinement around certain practices as our sector and our offering evolves.

That's why the RVA signed a Memorandum of Understanding with the Retirement Village Residents Association of New Zealand to work together on issues to ensure the interests of our residents continue to remain paramount in everything we do.

This blueprint sets out the tangible and definitive steps we will be taking to achieve that goal.



John Collins
Executive Director

OUR PROMISE

- Provide residents with a stronger voice
- Strengthen the complaints process by exploring establishing an Ombudsman to hear and resolve complaints and invite an independent member of the public to sit on the RVA Executive to represent residents' interests
- Survey all members annually to examine emerging trends
- Work with members, residents and the Retirement Commissioner to design a best practice approach to re-licensing that reflects the reality of the local real estate market, yet ensures residents' estates do not wait an unreasonable period of time for a refund
- Review Occupation Rights Agreements (ORAs) to address any perceived unfair terms or confusing clauses and ensure clarity around what the resident and operator are responsible for, in particular, repairs, maintenance and replacement of operator-owned chattels
- Continue to work with the Commission for Financial Capability (CFFC) to develop best practice standards around disclosure of information about residents' transfer to care and incorporate these into the Retirement Villages Code of Practice.

96%
of residents were either very satisfied, satisfied or neutral

83%
of residents satisfied with the quality of the legal advice they received before moving into their retirement village

70%
of residents satisfied with their overall consumer protection

Distinguish the legislative consumer protection that all must comply with from the commercial terms that add flexibility and choice



Key resident concerns are :

Delays in re-licensing

Issues around weekly fees

Making the residents' voice heard

Effective training

Research undertaken

Two major research projects by UMR Insight –

January 2021

Resident attitudes

- 1,000 residents across 56 villages

September 2021

Resident Vulnerabilities

- 1,692 residents across 105 villages

Research intended to address

Level of satisfaction with their decision to move to a village

Whether residents feel safe and secure

Whether residents feel vulnerable

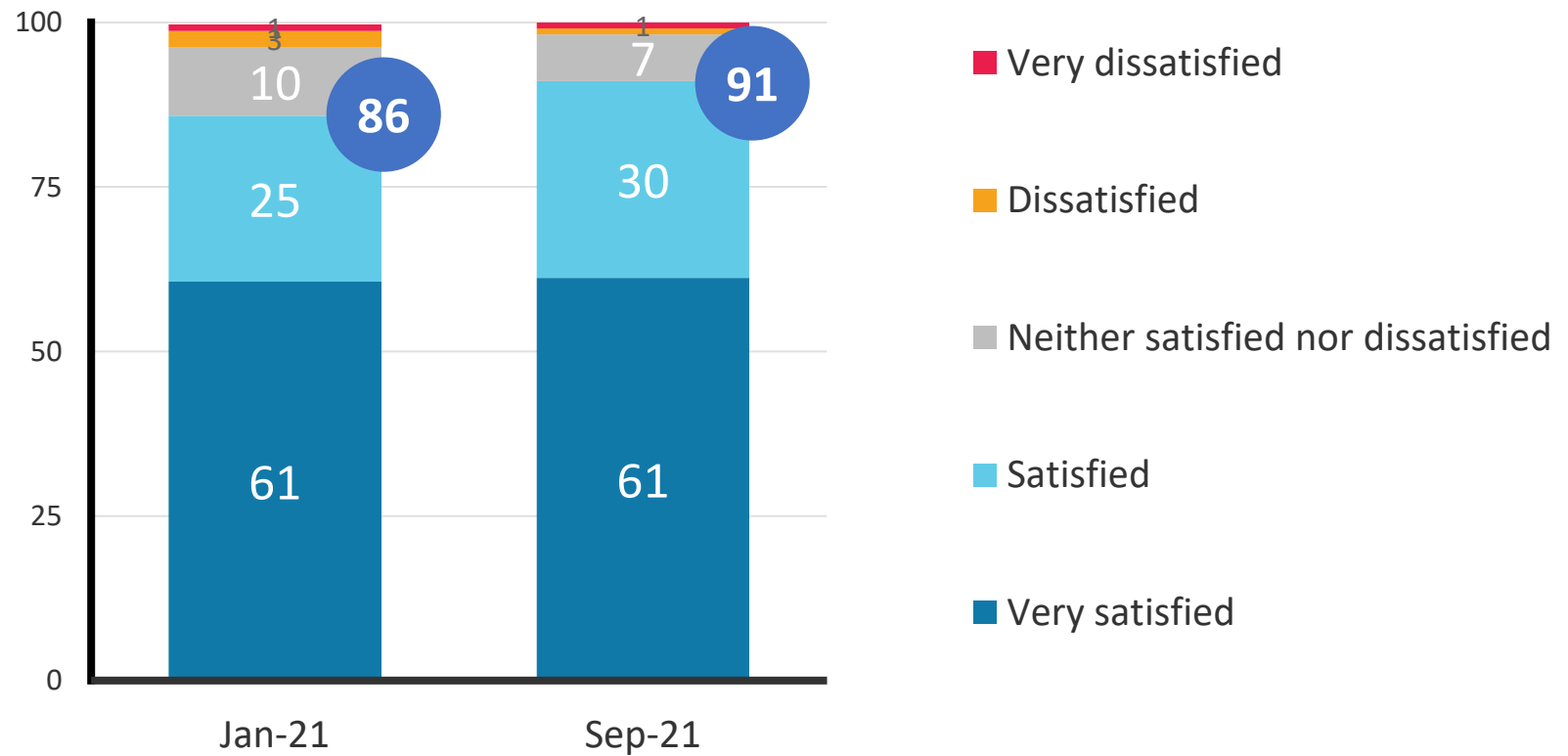
How residents feel about their village staff

How likely they are to recommend their village to a friend or family (Net Promoter Score)

Most residents are satisfied with living in their retirement village



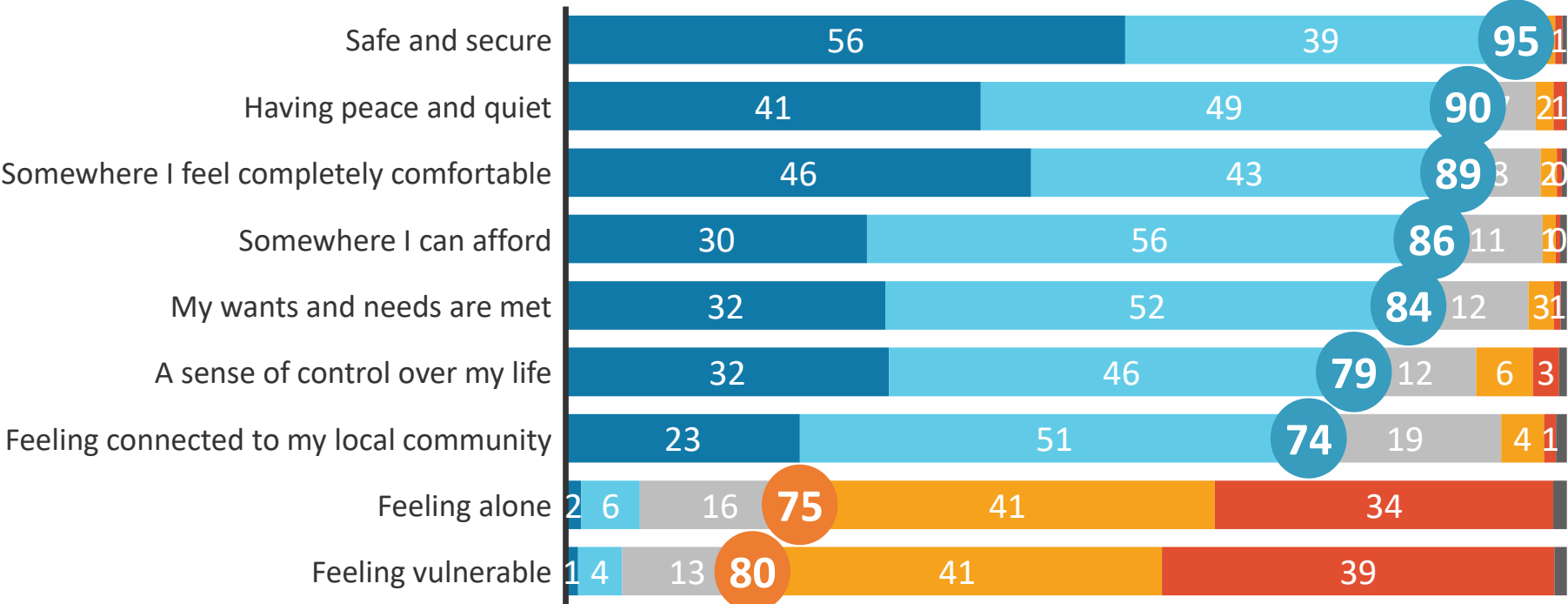
Overall, how satisfied or dissatisfied are you with your experience of living in this retirement village? (%)



Base: All respondents (n=1,692)

The vast majority of residents feel safe and secure, with almost none declaring a strong sense of vulnerability

Q How strongly do you agree or disagree that each of the following apply to your experience of living in this current retirement village? (%)

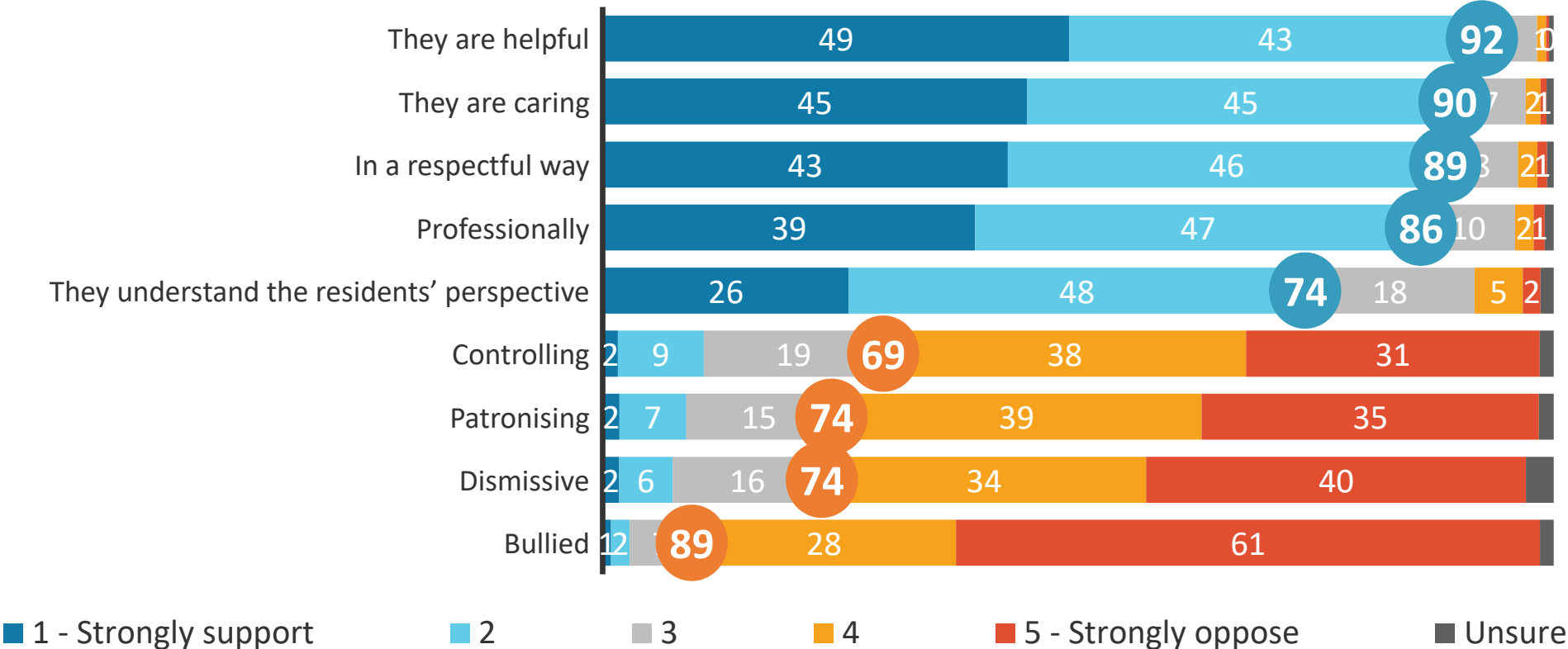


■ Strongly agree
 ■ Agree
 ■ Neither agree nor disagree
 ■ Disagree
 ■ Strongly disagree
 ■ Unsure

Base: All respondents (n=1,692)

Residents declare staff in their villages to be overwhelmingly helpful and caring

Q How strongly do you agree or disagree that each of the following apply to how you are treated overall by your Retirement Village staff? (%)

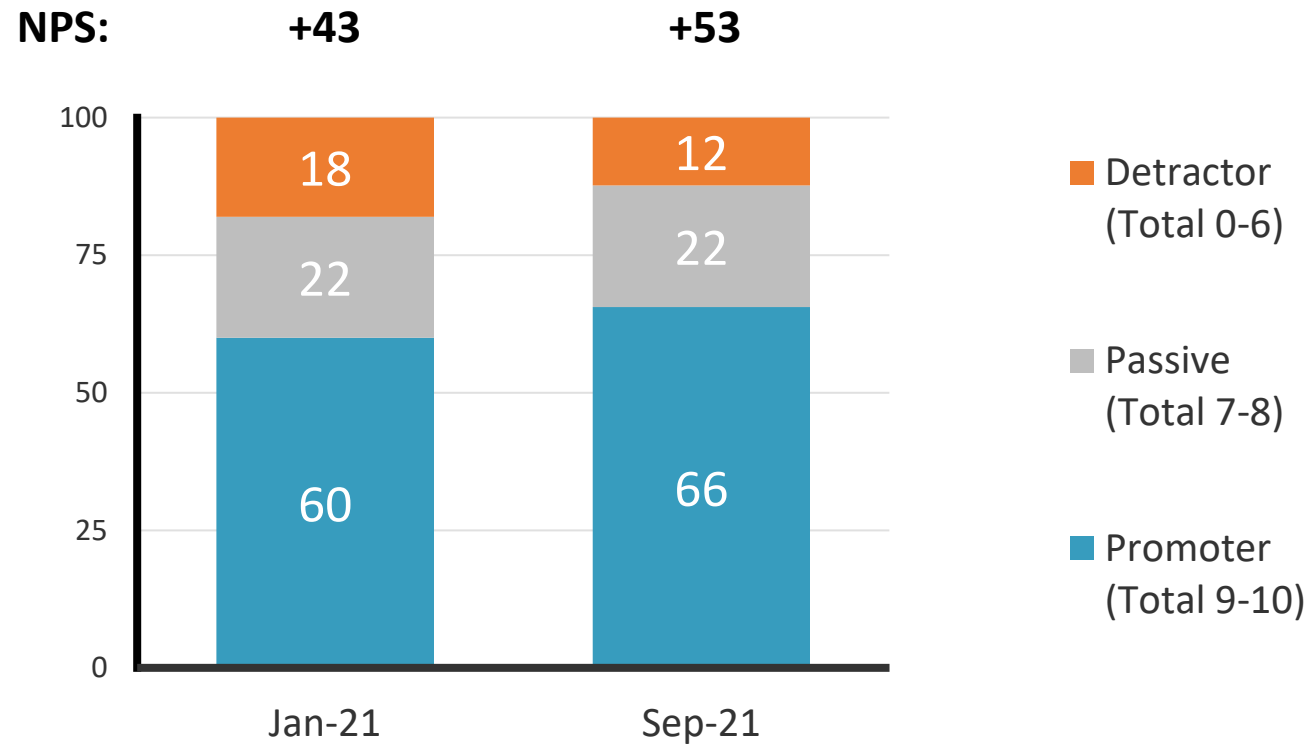


Base: All respondents (n=1,692)

Residents declare a 10-point increase in the net favourability score for their villages



How likely is it that you would recommend this retirement village to a friend or family member? (%)
(Please note the scale for this question is: 0 – Not likely at all and 10 – Very likely)



Note: NPS = Promoters – Detractors; Base: All respondents (n=1,692)

1. Re-licensing times

Re-licensing delays concern, especially if money is required to move to care.

Intervene with some members with extended re-sale times to encourage buy-backs.

Residents' Association's petition proposes mandatory buy-backs after 28 days.

Time taken to settle ORAs during 2021 (Out of units relicensed in 2021)

For the units that were under an ORA that were empty at the start of 2021 or become free during that year how many were relicensed within each of the following time periods?

Region	0-3 Months %	3-6 months %	6-9 months %	9+ months %
All regions (n=3,147)	38	39	14	9
Northland (n=173)	56	32	7	5
Auckland (n=882)	16	38	27	18
Waikato (n=242)	36	43	11	11
Bay of Plenty (n=288)	51	43	4	3
Hawke's Bay/Gisborne (n=161)	48	39	9	4
Wellington (n=356)	48	43	6	3
Taranaki/Manawatu-Wanganui (n=235)	61	34	4	-
Nelson/Marlborough/Tasman/West Coast (n=157)	39	48	12	1
Canterbury (n=467)	36	33	18	12
Otago + Southland (n=186)	55	37	5	4

Note: The total population for deriving percentages are based on units that were either empty at the start of 2021 or became empty during that year –but also relicensed within 2021. Any units that were not relicensed at the end of 2021 were excluded from the percentage calculation

Matters to consider

- Lock-downs reduced opportunity to view
- Supply chain issues delayed refurbishment
- Serious skill shortages in trades
- Slowing housing market means people wait to get the equity wanted from their family home
- House sales fall over so process starts again.

We think 6 months is reasonable!

Average NZ re-licensing times half those in Australia
(4 months v 8 months)

Economic impact

Risk – banks see a hard deadline as a funding risk and will require operators to hold sufficient cash or a line of credit to be able to buy back units by the legislated deadline.

\$2.2 billion cash or line of credit required annually

Annual cost of providing this = up to \$150k for small villages, \$1.5 million for large villages.

Cost added to ORA selling price and/or higher DMF.

Risk seen as too great so villages not able to expand; options reduced; aged care facilities not built.

What we're doing about it

Acknowledge that nine months may be realistic in some provincial markets, but still too long for most

Best practice : operator makes a compensatory payment of interest at a realistic rate on outstanding capital sum after nine months.

Benefit – doesn't penalise efficient operators, encourages others, recognises the obligations to families.

2. Repairs and maintenance

Single biggest cause of complaint.

1. List of operator's chattels in the unit at start of occupancy
2. Operator responsible for replacing any operator-owned chattel at end of economic life.
3. If damaged by resident before end of economic life, resident responsible for uninsured damage.
4. Clarity about who pays for maintenance in ORA.

3. Weekly fees

Residents' Association have asked for:

- Fixed weekly fees
- If not fixed, fees increase by CPI
- Fees stop when unit is vacated

Matters to consider

60% of villages fix the weekly fees, responding to market demand. Cross subsidy from DMF etc

44% of villages stop weekly fees when unit is vacated

Options offer choice for residents.

But some smaller, independent villages share all costs equally across all residents. Costs don't stop; unfair to ask remaining residents to pay more if a unit is vacated.

What we're doing about it

Best practice is that operators stop weekly fees when unit is vacated – perhaps via a grandparent clause for future ORAs

Disclosure statement is clear how fees are adjusted.

4. Transfers to care

RVA Key Terms Summary has info about care available. Ask for a copy!

Transfers within a village usually seamless

MSD can lend against capital held by operator

If MSD loan not available, suggested best practice is for outgoing village operator to advance capital to resident against re-licensing of unit.

5. Call bells in units

Confusion about what happens when a call bell is activated.

HDC interest.

Operators are asked to provide a written summary for residents and families how the emergency call bell system works, and what to expect when it's activated.

6. Heathy Homes standards

Only place where residential tenants have better rights than RV residents.

Minimum standards for heating, insulation, ventilation, moisture ingress and drainage, and draught stopping.

Recommendation is that units are refurbished to meet these standards at the end of an occupancy.

Govt subsidy may be available to assist – see EECA for more information.

7. RVA's Key Terms Summary

Allows intending residents to compare different village offerings easily.

SUMMARY OF KEY TERMS

Village: _____

Accommodation Type: _____

Correct as at ___/___/___

KEY TERMS	DETAILS FOR RESIDENT/UNIT
Fees payable by resident	
Maximum Deferred Management Fee (DMF) (or equivalent fees) payable by resident for unit	Maximum total as a percentage of capital sum: _____ % Method of calculation: On entry _____ % Per annum: Year 1 _____ % Year 2 _____ % Year 3 _____ % Year 4 _____ % Year 5 _____ %
Weekly fees payable by resident	\$ _____ per week <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Annually <input type="checkbox"/> Any time <input type="checkbox"/> Other
<ul style="list-style-type: none"> • How much? • Can these be increased by the operator? • If yes, how often? 	
Are there any other regular fees payable by the resident to the operator and can these be increased? [For example, service fees.]	<input type="checkbox"/> Yes <input type="checkbox"/> No
Does the resident contribute to long term maintenance through a contribution to a specific village sinking or maintenance account?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Fees payable on termination (excluding DMF) [For example, admin, marketing fees.]	
Capital gains/losses	
Does the resident share in any capital gain on the sale of the unit? • If yes, what share? [Specify]	<input type="checkbox"/> Yes <input type="checkbox"/> No
Is the resident exposed to any capital loss on the sale of the unit? • If yes, what is the exposure? [Specify]	<input type="checkbox"/> Yes <input type="checkbox"/> No
Leaving the unit	
Once the resident has left their unit when do they stop paying weekly fees?	<input type="checkbox"/> On leaving the unit <input type="checkbox"/> Other – specify

Status of KTS

Claim ORAs are “too hard to understand”

KTS allows intending residents to compare villages’ key terms easily.

Should be handed out with the other regulatory documents.

Rather than design a template ORA, elevate KTS to a requirement in the Code of Practice.

8. RVA audit public

Audit is a fundamental part of sector's self-management programme, accepted by successive governments.

AGM agreed to make the audit report public on RVA website prospectively; some work to be done to facilitate this.



Te Ara – professional development



Te Ara Institute
A **DCMI** and RVA Collaboration

Te Ara – the pathway. Accepts that learning is a journey taken by many over time to an intended destination and in a prescribed manner.

Joint venture with the DCM Institute in Sydney.

Te Ara benefits

Broad range of resident-focused topics

Investment allows learners to access a growing range of topics each month

Continuous Professional Development (CPD) points awarded for each topic successfully completed

Range of media – webinars, on-line training, face-to-face forums, masterclasses

Industry-wide recognition of qualifications

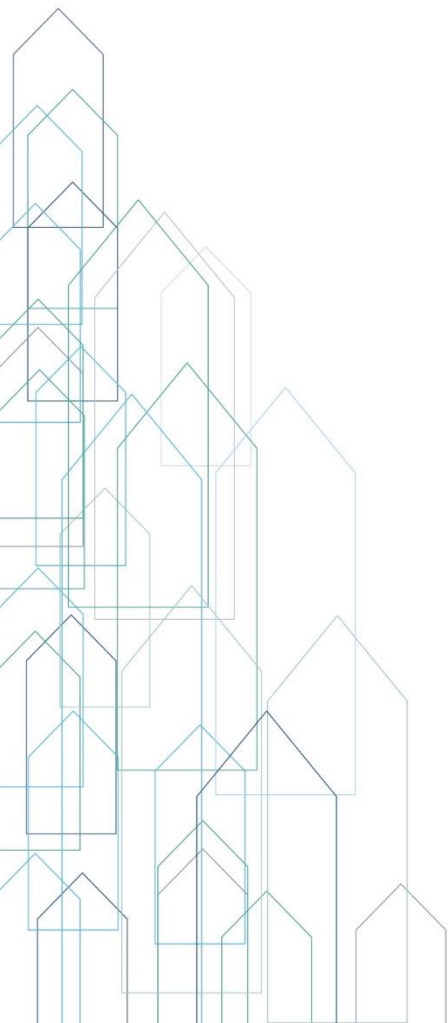
Summary

Important not to confuse consumer protection in legislation with commercial terms.

Terms allow diversity and choice. Reducing these is not in residents' interests.

Consumer protection can be improved by better disclosure – KTS, transfers to care

Acknowledge issues – industry best practice is a balanced way to resolve concerns



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