

TRANSCRIPT

STANDING COMMITTEE ON LEGAL AND SOCIAL ISSUES

Subcommittee

Inquiry into the retirement housing sector

Melbourne — 16 November 2016

Members

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Ms Nina Springle — Deputy Chair

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Participating Members

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Acting Secretary: Mr Patrick O'Brien

Witness

Ms Joyce Saalmans.

The CHAIR — I call Ms Joyce Saalmans. Before you start I will just issue the standard caution that all evidence taken at this hearing is protected by parliamentary privilege. Therefore you are protected against any action for what you say here today, but if you go outside and repeat the same things, those comments may not be protected by this privilege. If you could keep your comments to 1 to 2 minutes, that would be great.

Ms SAALMANS — My name is Joyce Saalmans and I am a member of an owners corporation committee in a strata title retirement village. It is a block of apartments bought at market price. When our village was being built, about 10 years ago, the development company retained the ownership of one lot and registered the subdivision as a village so that this lot has 76 per cent of the owners corporation entitlements but only 1 per cent of its liabilities. In addition, the development company was able to appoint itself by a wholly owned subsidiary as the owners corporation manager for a term of 99 years.

As the operator of the village, the development company required residents to pay the council rates and maintenance, including the purchase of replacement capital items for this lot, which consists of a dining room, a kitchen, a bar, an office and a wellness centre. In this way the developer put together a valuable asset for sale to the highest bidder, consisting of a dining room and related facilities with no recurring costs, an owners corporation management contract for 99 years and the management rights of a retirement village with de facto control of the whole village, including the common property, and of course a deferred management fee.

Within two years of the village opening this package was bought by a large property development company with very limited experience of retirement villages. The village is now managed by another property development company. This is our third operator in less than 10 years. Our solicitor, who we used for many years and trusted, indicated that the contract we were asked to sign when purchasing the apartment was quite reasonable. With hindsight we now realise that he did not alert us to the inequities of the strata title subdivision, and we never saw the 99-year management corporation contract. We had never bought a strata title property before and we trusted his advice, thinking that being a member of an owners corporation would allow us to take an active part in the decision-making process in our new home.

The situation today is that the operator of our village appears to have complete control over the common property and the owners corporation budget as well as providing resident services. In a strata title retirement village the effective operation of an owners corporation is crucial to the wellbeing of the residents as it can also act as the residents committee. The owners corporation and its elected committee should not be controlled by the operator.

Here are two practical recommendations for your consideration. One is that a company related to the operator of a strata title retirement village should not be the owners corporation manager unless it is appointed by the owners corporation on an ongoing basis. The second point is the Subdivision Act 1988 should be amended to ensure that entitlements and liabilities in retirement villages are commensurate. Thank you.

The CHAIR — Thank you very much for that. It is a very good point; thank you.

Witness withdrew.