

To : Legal and Social Issues Committee File : Vic Parliament Inquiry

From : James Burrowesex Treasurer of the Residents of Retirement Villages Victoria Inc.

Subject : Victorian Parliamentary Inquiry into Retirement Housing

Date : 9 June 2016

Submission - Deferred Management Fees ("DMF") of Retirement Villages ("RV'S").

PRECURSOR

Fact(1) During the early and late middle 20th Century, the Retirement Villages were owned and run by auspice operators including churches, charities, Salvation Army and other Not-for-Profit Associations.

Fact (2) These organisations had in their contracts (or understandings) with their residents a 'Deferred **Maintenance** Fee' to apply on exit to restore their unit back to the condition it was in when they entered.

Fact (3) Sometime in the ensuing latter decades of the 20th Century, the RV operators of their RV's contracts changed the word "Maintenance" to "**Management**" to now read "**Deferred Management Fees**" (DMF) which now represents the profit- or "return on investment" on their asset, which is then rolled over forever to the ensuing residents. However, apart from charging an out-going resident in a lease-holding unit, a fee to restore the unit to its original state , they also include an enormous sum (e.g. \$40,000) to up-grade the unit - thus enhancing their selling price to the next incoming resident. (Note this latter sum does not apply to the

residents in an Owners Corporation RV, who actually own their own unit, not just a piece of paper - lease !)

Fact (4) In the late decades of 2015 , recognising the ‘golden pot at the end of the rainbow ‘ of **profit potential**, a whole host of public companies purchased the auspice RV’s ; classical examples being Primelife, Stockland, Lend-Lease, AVEO etc, and even including some banks, all of which are Profit orientated to maximise their Return on Shareholders’ Funds, at the expense of RV residents.

SUBMISSION :

That any RV legislation rectify the practices of the RV Operators by the reversion of “Deferred Management Fees” **to** “Deferred Maintenance Fees”, and specify it’s correct usage, and

prohibit the charging of excessive up-grading costs , which should be at the Operators’ cost- as they own the units.

(It is noted that the subject of the DMF is not covered in any RV legislation - only the Residents’ contracts).

Signed

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