Exit Fees

In my opinion the concept of exit fees for Retirement Villages needs to be addressed.

When purchasing a unit at a Retirement Village (RV) the sales personnel will spin a very positive outlook in an effort to get you to sign on the bottom line. Everything is yes we can do this, yes no problem we will do that, etc. In addition quite a few issues raised by the prospective purchaser are either glossed over or the truth bent.

Our village, [redacted] has been built on land behind a hotel. The hotel and its patrons being of concern to village residents. In our opinion a pub and a retirement village do not mix well.

Prior to us signing a purchase agreement we spoke with the owner who stated that the hotel lease only had about 18 months to go and that he planned to build a Low Care Centre in the carpark area plus some additional retirement units.

We have now been in our village for nearly 10 years and the hotel is still operating. Part of the building has been allocated to the village as our community room together with a swimming pool. As far as the Low Care Centre is concerned it appears the owner has simply changed his mind.

We have questioned ourselves on many occasions as to why we are still living in this village but when we looked at our contract we realised that we would be “losing” around 35% of the selling price. Basically we are “locked” in to remain in the village. If we were not in a RV and did not like the location or environment where we lived, we at least have the option of moving without experiencing such a high cost. We do not have that luxury here.

From a financial point of view, when a developer sells a unit initially, I believe the selling price is somewhere between 20% - 25% above the cost of the property. Then every time a unit is sold in this RV the owner receives 3% per annum or part thereof of the selling price with a minimum of 12 ½ %. I am aware that in some villages the percentage is as high as 5% per annum, no capital gains are received by the seller or estate or a mixture of both.

I realise the owner is in business to make money but it seems to me that exit fees are exorbitant.

The village residents pay a service fee each month which is used to cover the costs of running the village. There is also a Long Term Maintenance Fund which increases each time a unit is re-sold and contributes to covering the costs incurred other than the day to day costs. Eg: replacement of those items of a capital nature. No costs are born by the owner – the village is self-sufficient. At our village the turnover of units is around 7 – 8 units per annum results in a substantial amount of exit fees – conservatively I would imagine well over half a million dollars each year.

It is interesting to note that when a unit is sold there is a charge of 2 1/2 % of the selling price being deemed as an administration cost of showing potential purchasers the particular unit up for sale. However, the manager who carries out this function is already paid a salary from the monthly service fee and hence there is a “double dipping”.

Therefore, I would like to support the appointment of an Ombudsman and to include as part of his duties a review of the current exit fee structure to ensure that residents are not being exploited. Can the owners of RV’s justify such a high percentage and residents should be allowed to move more freely out of a retirement village without the current financial burden.

I would also like to point out that there are quite a few RV’s, especially in Queensland, which do not charge an exit fee at all. I think that the owners of RV’s have been steadily getting greedier and greedier by increasing exit fees and thus exploiting the elderly who live there.

Council Rates

At present all units in a retirement village are subject to a council rate . Depending on the particular council, some councils offer a discount on the rateable property in addition to the Government Pension Rebate.

When you look at a retirement village the residents pay a monthly service fee to cover the cost of running a retirement village. Included as part of these costs is the maintenance and upkeep of roads within the village and also the street lighting.

The council rate notice also includes these items on the rateable valuation of the retirement unit. It seems to me that we are paying twice for the same thing – in fact our village does not even have a street frontage.

Our retirement unit is approximately 13 squares with very little front and back garden, whereas a large house on a large block in the same vicinity pays roughly the same rate payment.

There appears to be an inequality between the rates paid by village residents and the rates paid by other residents living in their own houses.

It should also be pointed out that our rates increased as a result of the Fire Levy legislation change. Previously our whole village was covered by insurance which attracted the Fire Levy. The insurance was paid by the village. We are therefore as a result of this change worse off financially.

Every council has the option of “differential” treatment under the “Local Government Act 1958” which they currently use for agriculture properties and other industries within their area.

If our retirement village was in the adjoining council area we would have a 25% discount applied to our rates. Some states have legislated for a standard discount to be applied to all properties within a retirement village.

I would like to see an Ombudsman appointed and to include the issue of council rates in his/her portfolio.

At the moment residents of some retirement villages are being discriminated depending on where the retirement village is located.