

Max Penaluna

10<sup>TH</sup> JUNE 2016**TO: WHOM IT MAY CONCERN**

I live in purpose built village, that construction started on in 1998. It contains 183 units, which are of one and two bedrooms. One of its major selling points is that its RETIREMENT LIFESTYLE and open to people aged over 55 years. I am currently the Secretary of the [REDACTED] Residents Association Inc. ([REDACTED] RA) This Association began in 2011 and I was the inaugural President. I have two (2) items on which I would like to enlarge:

**Item 1.** Deferred Management Fees (DMF)

**Item 2.** Resale of Units.

**Item 1.** Deferred Management Fees.

My wife and I took up residence in this village in 2003. When doing the paperwork, the DMF was mentioned but the term did not mean much to me. At that time, it was to be 3% per annum for a maximum of twelve (12) years. I recall contracts must have been going through a series of changes because 2.5% was pencilled out and 3% pencil in. Likewise, with the years which were changed from ten (10) to twelve (12).

What this means to us now is, if we leave the village, for whatever reason, when we come to settling up, the owners get 36% of the final sale price of the unit, straight off the top and they then add GST to that amount.

During my time at the village contracts have changed or been updated so that we are now up to version six (6). Our contract remains as we signed it in 2003.

New residents are subject to an updated contract. The [REDACTED] RA conducted a review of the DMF's and found that on the opening of the village the DMF was 2% for a maximum of ten (10) years. Later it increased to 2.5% for ten (10) years then to 3% for twelve (12) years. Now it has been changed to 6% for the first twelve (12) **months** then 3% for the next eleven (11) years. Effectively this means if new residents stay for the maximum of this time, then come settling time it is going to be 39% of the resale price of the unit as a DMF.

How DMF's came into being is a mystery to us, but if they are to be applied then I believe the majority of residents feel that a 10% flat rate on the purchase price of the unit would be both more acceptable and understandable to both purchases and sellers. It would give residents (and their families, where applicable) a clearer idea of how much of a return they can expect on their investment should they need to move on to further care.

**Item 2.** Resale of Units.

Resale of a unit seems to be controlled by the owners of the village although the resident owns the building. The site owners like to present a vacated unit as brand new and appealing to a potential new resident. Any improvements, upgrade, replacements ETC. are carried out by the site owners and all at the expense of the outgoing resident. This seems to be a very one-sided arrangement.

I would like to cite two cases to emphasise my concern.

The first: An elderly resident was required to move on to further care. The unit was cleaned inside and out, repainted inside and out and modifications made to blinds, toilet, kitchen and even replacing the hot water service and heater unit in the unit. When settling time came for this resident from the resale price of \$189,000 the resident did not even receive the original \$120,000 purchase price that had been paid for the unit.

The second case: The resident died, and the unit was cleared out. The resident was a heavy smoker and the unit required a lot of work. The unit was virtually gutted and replaced with a new kitchen, bathroom, carpets and downlights all at the expense of the deceased resident. The manager explained this was all done in accordance with the resale agreement and the deceased estate.

I have never sighted a resale agreement and the residents and/or relatives of the resident that has moved on to further care say they are also unaware of this agreement.

If I were to buy a house or unit in the suburbs, then I would buy that house knowing full well that I will be paying to have that house brought up to my expectations. This is not the case in the village. It seems in the village everything is stacked against the outgoing resident.

In conclusion, it is our hope that the current inquiry will include in its conclusion a recommendation to formulate a stand-alone ACT for Residential Villages rather than leaving them as a part of the Residential Tenancy Act (Caravan Parks), and that the new act for residential villages will cover all aspects of Village design, building regulations, contracts, rules and regulations and resale conditions etc.

Another excellent inclusion would be the appointment of an OMBUDSMAN. At the moment the only avenue open to residents with a problem is VCAT and even then the outcome may not be adhered to by either side.

If further information is required I would be more than happy to appear at Committee meetings to elaborate further on the above.

Yours faithfully,

Max Penaluna