rvreview@justice.vic.gov.au File: RRVV Review as amended

Herewith responses to the Questions (numbered) set out in the Survey Review.

From James Burrowes OAM, F.A.S.A , F.I .G.A , CA and Life Member of the RRVV.

1. Yes
2. No - because it doesn't apply to the Owners Corporations Act,

7. Yes –definitely

8.Yes

14.Yes, set out in understandable language

16. Immediately before signing up.

18. A full 'audit' of the Operator abiding by the RV Act.

21. Yes

25. Any Nominees of the Operator should not be allowed except as an invitee (with no vote)….see later !

26. Absolutely -could assist solving problems.

27. Yes, the RV Act provided the authority to do so.

28. Definitely

29.Mandatory as per the RV Act

30. Yes , 14 days

32.Yes

35.Should be clearly set out .

36. Absolutely

41.Prime responsibility

42.No

43/44. No , the Leasehold Operators are 'crooks'- who do not recognise the right of departing residents to their Capital Gain on the sale to the next buyer !...-even after foregoing the DMF

percentage)– which the residents of the Owners Corporation get .

45. Yes

47. Yes

48. Yes, but Consumer Affairs (“CA”) have been utterly hopeless in this role (from my experience many years ago – perhaps improved since then).

49. No alternative to the previous system –if properly followed

.51. Waste of time, unless CA improved - see above .

END of ANSWERS

However, a final submission - If there is any expression to describe the biggest single problem that is forever arising in the RV Industry, that word is “contentious”.

And that is the **DMF** - where amazingly, there is no reference in ANY legislation (especially including the RV and Owners Corporations Acts) does it get a mention - let alone its recognition and affect !

The history is as follows : For nearly the whole of the 20th century , when Retirement Villages were entirely run by “not for profit” organisations (Churches and like-wise), the DMF stood for “Deferred **Maintenance** Fees,” whereby the Owner/Operator (“O/O”) was entitled to recover a modest amount of money from the settlement of an outgoing resident to **restore** the unit back to the condition it was in, at the time of entry (like my mother experienced when she moved on from the [redacted] Retirement Village at [redacted] approximately 1980).

However, moving on from then- **somehow, with no legislation or authority to do so** , (unless now enshrined in their Management Agreement – in which case it is paramount) , the O/O’s had converted the word “Maintenance” to

"Management", so it became Deferred **Managemen**t Fees (alias **P. R. O. F. I. T**) of the 25 % of the Sale price , and which has since been advanced to 30 % with some also changing its application to a reduced number of years of residence.
Consequently, the 'big' ASX Public Listed companies " i.e. [redacted] , recognised the "pot of gold at the end of the rainbow " and jumped in and offered the O/O's bountiful lump sums of money to buy most of them out. They now dominate the industry !
Simultaneously, they reverted their new acquisitions to one of their own direct ownership by way of **lease** documentation, as distinct from the Owners Corporations Villages where the tenants **owned** their individual units by way of a Certificate of Title ownership.
"Note " Accordingly, from this point , the following comments refer entirely to those Leasehold villages , as per examples above.
I refer to them as the ("O/O's").
The ramifications were, (and are) detestable.

1. The switch of ownership from a "not -for-profit" regime to a group of public-listed Companies which have their prime objective to maximise its profits to pay its shareholder dividends, means that the residents are denied the right to access the general housing market, as they now only have **one** buyer - the O/O. In the meantime - as a guide to property market values - for the period of 20 years , the CPI had risen by 67 .% - i.e. from 69.1 to 115.4 .
2. With the O/O only offering the initial incoming cost as the selling consideration, the consequence is that the resident (or his/her dependent) is then 'robbed' of any Capital Gain

of their unit, that has inevitably accrued over the years ; with the O/O, by way of a decreased acquisition price, thus enjoying an enhanced profit on the on-sale to the next Lessee buyer.

3. It establishes that the O/O's are now forever the on-going Owners (Lessors) of the residents' units , and accordingly, they have exploited (and continues to exploit) the 'revolving-door' bloated profits of the future residents' equity.
4. In addition , they also charge the out-going resident enormous sums of money, ranging from $10k to $50k and recoverable at the settlement date , to significantly up-grade and modernise the unit thus (illegally) further enhancing the sale value to the next incoming resident making more profit !
5. As an example , one of the Leasehold O/O's las t year reported over $1million profit arising from its residential market (all paid for by from the residents !).
6. As an original Chairman of the RRVV's Consultation Sub-Committee, I was often asked for a recommendation of retirement villages ! …To which I've always replied (and still do !) "ONLY consider an Owners Corporation village , where **you own** your 'bricks and mortar' and not just a piece of paper (a lease !) .

   Here's hoping for a good outcome from this timely survey.

   Jim Burrowes