

31 October 2019

Dr Kathy Alexander

Ministerial Panel for the Victorian Local Government Rating System Review

Dear Dr Kathy Alexander,

Local Government Rating System Review

Stockland Retirement Living welcomes the opportunity to provide this submission to the Local Government Rating System Review. This submission will focus on key aspects of the rating system relevant to the retirement living industry and ways in which we feel it could be improved.

Stockland currently own 3,900 units across 22 retirement villages in Victoria. Our villages are located in 15 different Local Government Areas. As a large retirement living Owner and Operator, this submission is to ensure that consistent consideration for this asset class is reflected as part of the rating review across Victoria.

In consideration of this asset class within the review, we would like to highlight the social and economic benefits that Retirement villages deliver to local communities and councils. Through creating a transition of seniors moving into age-appropriate accommodation, retirement villages promote the reselling of property and freeing up larger homes for families wishing to transition into the community. Through this cycle, the industry is able to assist in housing availability and provide lifestyle and wellbeing benefits for the necessary residents.

A review by EY in 2017, to assess the Social Return on Investment nationally, identified that Stockland Retirement Living creates over \$95million in social value annually for local communities and \$162million in social value annually for Government. Access to onsite staff in our villages and resources dedicated to wellbeing programs which aim to deliver physical, intellectual, social benefits as well as emotional wellbeing of residents have been crucial in delivering this economic return.

The net impact of this is detailed in a report identified the following key highlights;

- Our residents are over 80% less likely to require an ambulance or visit an emergency department;
- Our residents stay out of aged care for five years longer than the average population; and
- Our residents require 96% fewer mental health consultations.

Chapter 5 of the discussion paper identifies key questions for this review. We wish to submit a response to the following two questions relevant to rate payers in the retirement living industry.

Should some rate payers pay lower rates than others?

Yes. Stockland recognises that the attributes of a retirement village, as well as considerations already applied by different Council offices, demonstrate that this asset class should pay lower rates. In our experience some Councils are already applying a differential rate in the dollar compared to other asset classes, which we feel should be the standard across all Councils.

Additionally, despite the Valuer General of Victoria providing clear guidance to Victorian Councils on how to value a retirement village for rating purposes, there appears to be a number of inconsistencies across the State. To correct

this, the Operator or Residents within the village must lodge an objection to have the issue of incorrect methodology addressed.

For example, our experience has found that club houses and other common facilities are being assessed separately in many areas of Victoria, whereas according to the 2011 VGV Guidelines these buildings are exclusively part of the village, and cannot be sold separately nor do they deliver a separate commercial benefit.

Retirement villages also use Council services differently to residential properties, and a differential rate would acknowledge this fact. Roadways, pathways and street lighting within a village are the responsibility of Residents to maintain (in line with the Retirement Village Act), which differs from other residential properties. In most cases, Council does not have to take responsibility financially for the maintenance of these services.

A final example is waste management with a number of villages utilising private waste management services. Despite this, residents are still required to pay a consistent mandatory service charge for Council garbage collection services. However Council has found an exception to this by charging on a per-bin basis, enabling vacant units and neighbours to share bins to reduce the number of pick-ups by the truck,

Should rates be determined on property values?

As long as they are using a correct methodology and relevant sales evidence. Property values for leasehold units can sit anywhere between 30% to 110% of the median house of a local area. The entry price for retirement villages is typically a leasehold agreement with a deferred management fee calculation applied as legislated under the Retirement Villages Act. The rating assessment applied by Council again varies and can be in line with the 'sales price' or can often be higher as the treatment of leasehold and the impact on deferred management fees are not understood.

Despite being allowed to request information on our villages, in our experience Councils rarely request this information to help them determine appropriate rating assessments in line with the sale prices of the village. As a result often the unit valuations are incorrect.

If further information is required on any aspect of this submission, please contact Nathan Broad, Regional Operations Manager on 0447 923 881 or nathan.broad@stockland.com.au.

Kind Regards,



Nathan Broad
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Stockland Communities, Retirement Living