

Attachment A COMPARE THE PAIR

A comparison of a leased dwelling in the Mernda Retirement Village against a freehold dwelling outside of the village.

Question	Retirement Village	Freehold/Rental
Who owns the Property?	In nearly all cases, the operator. At Mernda, Arilla, Plenty Valley and Bundoora Retirement Villages the operator is Stockland. They own the land, the units and the infrastructure.	Freehold means the owner is the person or entity named on the title.
Who owns the installed contents, fixtures and fittings? Heating, oven, cook-top, range hood, hot water, sinks, basins, floor coverings, window fittings, cabinetry, etc.	The operator. The resident owns only the contents or appliances they purchase and install but must maintain at their expense and eventually pay for the renewal of all appliances supplied by the operator on leaving the village. Should the owner/operator require a bare walls refurbishment the cost could easily exceed \$50,000.	The owner. Tenants in rental properties can demand of the owner or their agent that appliances such as ovens, cooktops, range hoods and other owner installed appliances are and remain in working order whilst they are tenants. Subject to fair wear and tear.
Is the property an appreciating asset for the resident/owner?	No. Based on 10 years residency, the resident or their estate must pay departure fees amounting to 35% of the ingoing lease cost, forego 50% of any capital gain and pay 100% of any refurbishment costs. The owner is Stockland who retain 35% of the in-going loan-lease cost after 10 years plus 50% of any capital gain and the resident or their estate must cover all refurbishment costs.	Yes. The freehold owner or their estate receives 100% of the sale proceeds.
If an owner/resident renovates the property prior to sale/departure, who pays for the renovations and who benefits?	In the retirement village scenario, the resident covers the full cost of <i>contractually required</i> renovations but at best receives only 50% of any gain with the operator taking the other 50%.	The freehold owner pays 100% of any renovations they choose to undertake but gets 100% of any gain.
Who funds the maintenance of village infrastructure and villas?	Residents through their monthly management fees fund all infrastructure costs via a long-term maintenance fund. Villa maintenance is the resident responsibility. There is no protection should faults, the cost of which should rightly lie with the operator not be rectified in a timely manner.	The freehold owner pays all costs.
How does all this play out financially?	Based on Stockland estimates, the value of a Falcon villa leased at \$488,000 in 2016 will return to the resident or their estate circa \$408,000 after 10 years. (assuming a \$22,500 refurbishment cost)	A similarly priced freehold property would most likely return in excess of \$700,000 + after 10 years.
What are the main differences between freehold and the loan-lease contract at Mernda Village?	At Mernda Village the right to occupy the villa and access the amenities is secured by means of an interest free loan made by the resident to the owner, Stockland. No terms in the lease can be negotiated. You take it or leave it. There are clearly unequal bargaining positions.	Freehold property purchasers receive title to their property and, subject to Council approval can do largely as they please with their property. They can also negotiate the terms of sale, either buying or selling.

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Are the property usage rights equal?	<p>No.</p> <ul style="list-style-type: none"> • No person aged < 55 can reside in the unit on a permanent basis. Short-term guest stays (up to 2 weeks are permitted). • The resident must advise management if they intend being absent for some time and if somebody will be visiting or house-sitting during their absence. • The property cannot be mortgaged, borrowed against or otherwise used as security for a loan. • No part of a residence can be sublet, rented or leased. • No permanent additional residents are permitted to stay in the building. • A new resident cannot be added to an existing loan-lease. • Residents cannot change locks as the village operates on a master-key system. • Rooms cannot be rented on sites such as air B&B. • A residence cannot be left to children/others in Wills. • If a resident remarries or changes their living circumstances the new partner has no right of occupancy after the original resident's death. • Residents cannot take advantage of energy saving measures such as solar electricity as they are expressly forbidden to attach anything to the roof. • The resident cannot alter the structure in any way. • Caravan owners cannot park their vans on-site unless they are prepared to pay a \$5,000 non-refundable fee to the operator to access one of the limited spaces in the village. • No equipment such as TV antennas, solar panels, etc. can be roof mounted. • Landscaping, whilst permitted must be within Stockland guidelines. • Car parking is restricted to garage space and available driveway space – very limited street parking. • Residents have no choice of supplied appliances, paint finishes or colour, ditto floor tiles, carpets and plumbing. • Residents are responsible for the organising and cost of repair or service of appliances such as cooking, heating and plumbing in their units. The owner is Stockland and the Village Manager duties don't cover the tasks of a managing agent. 	<p>No.</p> <p>All of the things that village residents either can't do or are restricted, freehold property owners can do.</p> <p>If the unit was freehold or rental, the owner or their agent is responsible for both arranging the replacement or repair plus the total cost.</p>

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What security measures apply?	<p>Vehicle access to the village requires a device to trigger the opening of the main gate.</p> <p>Pedestrian gates are opened using a mechanical combination lock.</p> <p>An INS alert system is part of the telephone system that is linked to one of the smoke detectors in all units.</p> <p>There is no video surveillance.</p> <p>There is no specific villa intruder alarm fitted. Option for owners to install their own is unclear.</p> <p>Most garages cannot be key locked.</p>	Freehold owners have smoke detectors only but may install such other measures as they see fit.
Electricity Supply	<p>Mernda has an embedded electricity supply offering what we believe are competitive rates. The arrangements have been negotiated by Stockland. Residents must use this supplier.</p> <p>Recent announcements from the Victorian State Government that new developments include the ability to participate in the open energy market could disadvantage all embedded energy users.</p> <p>It was reported on the ABC radio news that embedded energy typically involved commissions to the developers; should this flow on to residents?</p> <p>State Government Solar energy subsidies are not available to residents as we are neither owners nor tenants. }</p>	<p>Owners can negotiate and choose their supplier including some that discount both supply and usage.</p> <p>Owners (and tenants) can take advantage of substantial Victorian State Government solar energy subsidies.</p>
Gas Supply	Residents can choose their own supplier/negotiate their own deal.	Owners can negotiate and choose their supplier.
Telephone/Internet	The fixed line telephone is part of a village PABX and the hard-wired Internet service is as negotiated by Stockland. Residents have freedom of choice in regard to mobile phone service. NBN is not yet available.	Owners can configure their service as they see fit subject to accessibility. NBN surrounds the village with a variety of fibre to the house and fibre to the node.
Plumbing	Instantaneous gas hot water service with Chromagen solar roof panel with 2 showers (no baths).	Owners can plumb their houses as they see fit provided that such works meet regulations.

Council Rates		
Question/Topic	Retirement Village	Freehold
Who pays the rates?	The resident – directly to council.	The owner (but the cost is factored into the rental)
How are the properties valued for rating purposes?	Total reliance is placed upon the loan-lease price with adjustments made only to reflect like-for-like units within the village. No comparison is made against similar properties outside the village.	Adjustments are made to reflect general movement in property values based on amongst other things sales results at the time of valuation.
How will the centralising of the valuation process and changing from bi-annual to annual reviews in Victoria from 2019 impact?	There has been no indication as yet of how this may impact other than the assertion that the centralising of the process will ensure equity across the state. One concern is that distancing the valuation process from the locality may lead to unforeseen and possibly unfair outcomes.	Same as for Retirement Villages.
About the mandated move from Net Annual Value (NAV) system to Capital Improved Value (CIV) by 2021/22.	Council refuses to move from the NAV to CIV citing a concern that the rate burden will shift from commercial and industrial to residential leading to a residential rate increase by as much as 7%. Staying with NAV excludes retirement village residents in Whittlesea from accessing rate equity via a “Differential Rate”. Significantly, nearly all Victorian councils have applied differential rates across multiple land use categories for many years in order to balance the rate burden. Why not Whittlesea?	In Whittlesea, only bona-fide farmers qualify for a 40% discount under the “Limited Differential Rate” system allowed for NAV rating councils. Recent examples publicised on Channel 9’s Current Affair program have seen rate bills for 2 pensioner owned properties in the City of Whittlesea increase from around \$3,000 to well in excess of \$10,000 following a rezoning decision. Council has access to other rate relief measures such as Hardship Provisions if it genuinely wished to provide relief.
What are the major differences between rate valuations?	<ul style="list-style-type: none"> • The land component at \$80,000 is around 20% of the \$445,000 CIV and the 160sqm unit is valued at \$365,000. • The unit rated value at \$2,280/sqm is far greater for floor area than any local freehold dwelling. 	<ul style="list-style-type: none"> • The 770 sqm land value is \$267,000 or 48% of the \$558,000 CIV and the 310sqm dwelling is valued at \$291,000. • The dwelling rated value/sqm is less than \$1,000.
Is there a difference in Council rate income between Freehold housing and retirement villages?	Based on our estimates comparing rate income for land area, it appears that the total rate income for the high density village environment is substantially greater than it would be if average sized houses were located on the site. We estimate around 150-160 houses vs 275 village units.	Although the rate quantum may be higher per dwelling, the medium and low density housing will result in a lower rate income for a like land area and a greater servicing cost for council.
Is there a difference between Council services provided directly to village residents and the general community?	Council provides access to a mobile library service, *waste disposal and some Council provided and funded services along with government funded aged care services. Council doesn’t fund maintenance of streets, footpaths, signage, street lighting drainage or street-scaping within the village. These are fully paid for by residents. *Now excised from general rates.	Council is responsible for all street and footpath related maintenance, street lighting, nature strip plantings, drainage and signage. Council also provides aged care and other services, some funded by rate-payers and others by government. Including lawn mowing and other household services.

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Where is the greater concentration of aged persons?	<p>Within the confines of the village, given both the age restrictions 55+ and the high density living, it is logical that the concentration is greater by area than in the general community.</p> <p>It should be noted that many residents moved to the village from within the City of Whittlesea so any implied liability may not be new.</p>	<p>2016 Census data for the City of Whittlesea indicates the following;</p> <p>15.8% or 23,188 people are aged 65+</p> <p>We estimate *retirement village population at around 5% of the 65+ age cohort (circa 1,200) or 0.6% of total population concentrated in 5 larger villages.</p> <p>*Excluding Lifestyle and Aged Care facilities.</p>
Is it reasonable to assume that an undeclared concentration of aged residents in retirement villages significantly adds to the cost of Council provided age care services?	<p>Whittlesea Council states that services provided to what we estimate to be around 5% of the City of Whittlesea's 65+ aged residents in retirement villages is a significant cost to ratepayers. They further make the point that Council doesn't operate on a fee-for-service basis. However most, if not all Council services require a payment.</p> <p>Most recently Council stripped waste collection from the general rate and made it a 100% pay for service function.</p>	<p>With around 95% of 65+ aged residents living outside retirement villages (aged care and lifestyle facility numbers unknown) it is reasonable to assume that most will be living in freehold premises.</p> <p>The highest concentrations are in Lalor, Thomastown and Epping. Council provides a range of services for people requiring assistance that are not required in retirement villages such as lawn mowing.</p> <p>Whittlesea Council has set a budget of \$12.2 million in 2019/20 to provide services to enable older people to live independently in their own homes.</p>
Who actually funds the services delivered by Council?	<p>The answer is unclear but it is likely that as with Pensioner Rate Concessions, the bill is largely met by a higher level of government. For example, the Pensioner Rate Concession is funded by the Federal Government via the State Government. Individual councils can also provide a rate payer funded pensioner rebate in Victoria up to the level provided by government.</p>	
Who funds community facilities such as; swimming pools, sports ovals, community centres, etc.?	<p>Residents fully fund the provision and maintenance of the village amenities which are provided specifically to serve the physical and mental health and well-being needs of aged residents.</p> <p>Residents are expected to pay rates on the cost component which is loaded into their lease price and other financial arrangements.</p> <p>Through council rates they also help fund all other community facilities.</p> <p>Should this club room component be excised from the overall arrangements and/or be subject to a separate agreement?</p> <p>What is the value of the amenities component?</p>	<p>All freehold owners help fund community facilities via their council rates.</p> <p>They also have the freedom to create their own amenities, pool, theatre, pool room, gym, etc. at their own expense without a specific rate impost.</p>