



RETIREMENT VILLAGES ASSOCIATION

**SUBMISSION TO THE NZ PRODUCTIVITY COMMISSION
ON
USING LAND FOR HOUSING**

2 December 2014

SUMMARY OF OUR SUBMISSION

1. The Retirement Villages Association of NZ Inc (RVA) represents the interests of the owners, developers and managers of registered retirement villages throughout New Zealand.
2. The demand for appropriate accommodation and care for the elderly is currently outstripping supply, with many of the country's (and in particular, Auckland's) older residents living in unsuitable accommodation. Such circumstances are affecting their welfare and amenity.
3. The ageing population and a longer life expectancy, coupled with a trend towards people living in retirement villages with a continuum of care means that the demand for purpose-built accommodation and care will continue to grow. This demand is created by increased numbers of aged people as a percentage of the population as a whole. The demand also arises because more people choose the benefits of retirement village living over staying in their family home. The demand for villages and corresponding lack of supply will reach crucial levels if not addressed.
4. The RVA believes that the shortage of accommodation and care for older people is a serious social issue which must be addressed for the good of all New Zealanders.
5. It is therefore crucial that the importance of providing for enough appropriate accommodation and care for New Zealand's ageing population is expressly recognised and that retirement village development is enabled through the provisions of local government planning provisions such as the Auckland Council's Unitary Plan or the Christchurch City Council's District Plan review. An effective way this can be done is to recognise the role retirement villages play in providing purpose-built, comfortable, accessible and affordable housing for older people via the provisions of councils' Regional Policy Statements or similar mechanisms.

The Association

6. The RVA represents the interests of the owners, developers and managers of registered retirement villages throughout New Zealand. We have 310 member villages throughout New Zealand, with approximately 23,000 units that are home to 30,000 older New Zealanders. This is approximately 95% of all registered retirement village units in NZ.
7. The RVA was incorporated in 1989 by a group of entrepreneurs to:
 - 7.1 represent the interests of retirement village owners, developers and managers, to government,
 - 7.2 develop operating standards for the day-to-day management of retirement villages, and
 - 7.3 protect their residents' well-being.
8. The membership by unit number is divided roughly into 66% corporate (listed companies, plus major operators such as the Oceania Group, Bupa, and Lend Lease), 16% trusts, religious and welfare villages (such as the Selwyn Foundation, Presbyterian Support, various Masonic Trusts, and others), and 18% independently-owned villages (such as Acacia Cove, Eastcliffe and Pakuranga Park).

The Industry

9. The retirement village industry is regulated by the Retirement Villages Act 2003 (RV Act), associated regulations, and codes of practice, including the Code of Practice and a “Code of Resident Rights”, all established through the RV Act. The regulatory regime is focussed on consumer protection via a comprehensive disclosure regime, so that residents can make an informed decision to move to a village.
10. This process includes the following:
 - 10.1 Registration of retirement villages with the “Registrar of Retirement Villages”. The Registrar places a memorial on the land title. The memorial means that the village can only be sold as a retirement village and that the residents’ tenure is ranked above all other creditors to the village. The residents have absolute rights to live in their units and have access to the village amenities.
 - 10.2 Retirement village operators are required to appoint a “Statutory Supervisor” whose job is to protect residents’ interests and report to the Registrar and the Financial Markets Authority that the village is being operated in a financially prudent manner.
 - 10.3 The retirement village operator is required to provide intending residents with a disclosure statement that sets out the village’s ownership, financial position, status, and a range of other important information. This statement provides comprehensive guidance to ensure that a resident’s decision to move into a retirement village is an informed one.
 - 10.4 Before signing a contract (an “Occupation Right Agreement” or “ORA”), an intending resident must consult a solicitor who must explain the details of the contracts and sign an affirmation that they have provided that advice.
 - 10.5 The Code of Practice governs the day-to-day management of the village and the Code of Residents’ Rights ensures that residents are respected and consulted on material matters that affect their contracts.
11. The RVA is the sole auditing agency for its members’ compliance with the Retirement Villages Code of Practice 2008 (Code of Practice) and other regulations. Audits of RVA members are undertaken every three years by accredited auditing agencies.
12. There is also a Disciplinary Tribunal which hears complaints about member villages. This role was created at the RVA’s AGM in 2009. The Authority is chaired by Sir Ian Barker QC, a retired High Court Judge. At this stage there have been no cases brought to the Authority.

Population demographics

13. New Zealand, like many countries, has an ageing population. The 65+ age group is projected to make up over one-quarter of New Zealand’s population from the late 2030s, compared with only 12%

in 2005. The number of people aged 65 years and over is projected to increase from around 550,000 in 2009 to 1 million in the late 2020s, when they will outnumber children.¹

14. The ageing of the New Zealand population reflects the combined impact of:

- lower fertility;
- increasing longevity (thanks to advances in medical technology and increased survival rates from life-threatening diseases); and
- the movement of the large number of people born during the 1950s to early 1970s into the older ages.

15. The largest increases in the 65+ age group will occur in the 2020s and 2030s, when the large birth cohorts of the 1950s and 1960s (the “baby boomers”) move into this age group.

16. Within the Auckland region alone² there is estimated to be over 320,000 people aged 65+ by the year 2031.² Of these people, over 40,000 will be 85+. There will be a need for more rest homes and retirement villages, and in-home care services, in the years to come as the size of Auckland’s elderly population increases.

The importance of providing appropriate accommodation and care for an ageing population

17. In Auckland the industry’s penetration rate (i.e. the percentage of the population choosing to live in a village) is 12.8% of the population aged 75+. This is above the NZ average of 10.5%; itself an increase of 1% over the 12 months to December 2012.³

18. If the penetration rate continues at 10.5% we can expect to see a national demand increase for an additional 26,000 to 30,000 retirement village units. If the industry increased its penetration rate to 13% of the 75+ population, that demand can be expected to grow to between 41,000 – 47,000 units. That is around double the existing number of units.

19. The 2013 census shows an increase in the 75+ population projections of 315,800 people from 2013 to 2034. To put this into a simple, but conservative, retirement village scenario, assuming that 12% of this population chooses to live in a retirement village and an average new village size is 200 residents, this would require an additional 10 villages to be built each year for the next 20 years.

20. While this is a national figure, we would expect that, as new village builds in Auckland are currently 37% of the national total, around 70 new villages are going to be required in the Auckland region over the next 20 years.

21. At the same time as the aged population increases, the demand for villages is increasing due to:

- 21.1 a growing acceptance of the benefits of living in a village, improvements in the quality and offering of village developments,
- 21.2 a longer life expectancy and continuing demand for care, and

¹ Statistics New Zealand, Demographic Aspects of New Zealand’s Ageing Population, March 2006

² Statistics New Zealand, Mapping Trends in the Auckland Region.

³ Jones Lang LaSalle, NZ Retirement Village Database, May 2014.

21.3 an increasing demand for purpose-built, comfortable and secure dwellings.

22. Village operators are thus looking to expand their village portfolios dramatically throughout NZ in general and the Auckland region in particular. This demand will continue in areas with coastal views and in the main metropolitan regions. Auckland is fortunate that it combines both attributes.

Current purpose-built developments

23. The RVA has seen a marked change in retirement villages over the last 20 or so years. There are currently a range of purpose-built developments of different sizes and with different levels of on-site care and amenity provision.

24. As the population ages, the retirement village industry is seeing a greater demand for a 'continuum of care' in one location. While in the past lifestyle villages without care were relatively common, today many villages are being developed with some degree of residential care in their campus. Some villages are committed to a full continuum of care, from independent villas through to hospital and dementia facilities, while others focus on a smaller number of rest home beds that are available for residents if they are needed.

25. Another important trend is for operators to build serviced apartments, where a resident moves in and out of care as required but without having to move physically from their apartment. Many of these residents have signed an ORA to live in their apartments. As a result, they come within the retirement village regulatory regime.

26. These developments are a direct response to market demands. The sector is focused on providing a mix of independent living units and care facilities to meet the range of financial, social and other resources our residents have.

27. A number of operators also focus on providing social housing as part of their villages. This can be a mix of affordable ORAs and rental units.

28. Care-only facilities are increasingly rare. This is because under the current government funding regime for health care provision, it is not possible to justify the capital cost of building stand-alone residential care facilities. As a result, no residential care facilities, apart from extensions to existing facilities, have been built in the last five years or so.

29. All new rest homes and hospitals have been built as part of a retirement village. The Government has indicated that they are not planning any significant change in their funding policy in the short term.

30. In Auckland there are 19 registered villages with 1,432 units at some stage in the design, consenting or construction phase, with a further 16 villages and almost 4,000 units yet to be registered at some stage of this process. These figures represent 37% of the national total of villages and units in the development pipeline.⁴

⁴ Jones Lang LaSalle, NZ Retirement Village White Paper, May 2014

Social issues arising from the shortage of accommodation and care for the elderly

31. The demand for appropriate accommodation and care for the elderly is currently outstripping supply, with many of Auckland's older residents living in unsuitable accommodation. "Unsuitable accommodation" in this context can mean a couple or a single person living in a large house that is expensive and difficult to maintain and heat properly, has barriers to mobility such as stairs, or is built on a hill, or has a garden that is over-grown and ill-kempt. Unsuitable accommodation could also include housing that is of such a distance from key services and amenities that it limits the residents' access to their community and care needs.
32. In this context, it is important to note that retirement villages have a very different new-build pattern than the rest of the country's new-build housing stock.⁵ NZ's housing stock as a whole is dominated by three or more bedroom dwellings, as well as there being a "persistent increase in the size of the new-built housing stock over the last 30 years".⁶ Over the same time, the average household size has fallen from 3.5 people per dwelling in 1976 to 2.8 people per dwelling in 2013, while dwelling floor area has increased from around 115 m² (33 m² per person) to 200 m² (71 m² per person).
33. This means that the retirement village industry is building dwellings that match the needs of smaller households. As the dwellings are purpose-built for older people (i.e. they have flat access, are modern, warm and comfortable, and responsibility for their upkeep and maintenance falls on the village operator rather than the resident), they are uniquely placed to release large homes back to the community for new families to move into.
34. There is little doubt, supported by extensive research, that older people are particularly vulnerable to social isolation or loneliness because friends and family have either died or moved away, or they have restricted mobility or income. This isolation impacts on the individual's quality of life and well-being, adversely affecting their health and increasing their use of health and social care services. In exploring the prevalence of this matter, one study estimates that between 5 and 16% of people aged 65+ report loneliness while 12% feel socially isolated.⁷
35. Two key reasons given by residents for their move to a retirement village is an improvement in their security (however that may be defined) and for companionship. Villages provide a community of interest for their residents and directly combat isolation and loneliness felt by so many older people.
36. Longitudinal studies into recorded survival rates show that older people who are part of a social group have a better chance of living longer than those who did not. Australian studies suggest that retirement village residents live longer and happier lives than the same cohort the other side of the fence.⁸

⁵ CRESA, Retirement Village Housing Resilience Survey, June 2014

⁶ CRESA, op cit, p. 10

⁷ Social Care Institute for Excellence, Research Briefing number 39, Preventing Loneliness and social isolation : Intervention and Outcomes, October 2011

⁸ For example, studies undertaken by the Illawarra Retirement Trust, a retirement village operator based in Wollongong, NSW.

37. A failure to recognise and provide for aged care and accommodation for the elderly in future urban planning could impact on the mental and physical health and wellbeing of some of society's most vulnerable members, and have flow-on effects that will impact the wider community as a whole.
38. This presents a serious social issue, which must be managed for the social wellbeing of all New Zealanders.
39. Retirement villages are an important way to fight social isolation and loneliness effectively.
40. Facilitating the development of appropriate accommodation and care for the elderly and enabling older people to move into purpose-built, comfortable and secure dwellings not only improves the quality of life of these older people, but also has wider benefits for the community as a whole.
41. The improved health and wellbeing of retirement village residents alleviates pressure placed on health and social care services freeing up these resources for other community members. The movement of older people into retirement villages also releases existing housing stock for other families.

RESPONSES TO THE COMMISSION'S SPECIFIC QUESTIONS

Q1. What externalities should the Commission take into account?

The Commission needs to include aspects relating to the health, welfare and housing needs of an ageing population as part of the report. Older peoples' needs are not the same as a younger population or families, and retirement village development is a useful way to meet those needs.

Q4. Affordable housing

Retirement villages' business models (via the Licence to Occupy regime) are targeting home affordability (see paragraphs 32-33 above). In general, units are priced at around 70% of the average freehold home in the immediate area of the village, thereby allowing the incoming resident to sell their home, realise the equity, purchase an ORA for significantly less than they sold their home for, and bank the difference.

The following table compares the average amount paid for an ORA compared with the median house sale price.⁹

Region	Retirement village unit \$	Median house price \$	Difference \$
Northland	283,617	344,500	60,883
Auckland	450,786	592,000	141,214
Waikato	299,328	350,000	50,672
Hawkes Bay	256,474	305,000	48,526
Wellington	338,348	418,625	80,278
Canterbury	310,063	399,000	88,937
Otago	204,092	250,500	46,408

⁹ CBRE retirement village valuation database, March 2014.

CRESA is doing work around the impact of downsizing homes and the following table is a survey of 477 retirement village residents on the amount of equity they released when moving to a village. The report is not yet available publically.

Equity released	Number of residents	Percentage of total
\$0 - \$25,000	144	30.2%
\$25,001 - \$50,000	80	16.8%
\$50,001 - \$75,000	49	10.3%
\$75,001 - \$100,000	38	7.9%
+ \$100,001	166	34.8%

So far as retirement villages are concerned, we do not believe additional regulation is required to compel operators to build affordable homes, however that is defined.

Q11-13, Q16, Q21-26 Dealing with public notifications and planning rules

Retirement villages and related aged care are a residential use, and generally locate in residential areas where there is a demand from residents living there. Our members' experience is that elderly people want to stay in the communities where they currently live during their retirement. They want to remain close to their families, familiar amenities and other support networks. It is fair to say that the majority of retirement village residents come from within a 15 km radius of their village.

However, sites in existing residential areas which are appropriate for retirement village and aged care developments are extremely rare, due to size and location requirements. It is therefore important that development of retirement villages on appropriate sites is encouraged and enabled, and that existing sites (which are a recognised and accepted part of the communities they are located in) are suitably provided for and enabled to be further developed.

Disconnect between community expectations, existing planning provisions and retirement accommodation needs

Because of their functional and operational needs, retirement village and aged care developments tend to be larger than surrounding residential housing, for example in height and scale. Retirement village operators develop sites to be sympathetic to the amenity of surrounding neighbourhoods, and in particular to:

- Be visually attractive and suit their surroundings;
- Manage effects on the amenity of adjoining neighbours;
- Meet the care needs of residents;
- Provide high quality onsite amenities; and
- Ensure that the sites are used effectively and efficiently.

However, communities (and particularly neighbouring landowners) often have an expectation as to how large, vacant sites are going to be used. Typically, that expectation is not for medium or higher density retirement accommodation. In part, this is because, traditionally, some of the legacy planning provisions have not anticipated and provided for retirement accommodation needs within existing residential areas particularly well. For example, we are advised that larger village operators face continuing pressure to reduce the scale of their developments to address so called “residential urban design principles”. Such principles are generally developed for traditional housing typologies. These principles tend to ignore the reality of the extremely limited number of available sites, the need to use them efficiently and feasibility issues, if the needs of the elderly are to be met. As noted in the Auckland Council’s section 32 assessment:

Existing legacy plans do not provide the flexibility required by retirement villages to construct buildings that are ‘fit for purpose’ in terms of providing for a range of housing and care choices for older people and those requiring care or assisted living. As Auckland’s population continues to grow, it is important that a choice of housing is provided for older people, particularly in locations that provide good amenity and access to community services and facilities.

As a result, consenting of retirement villages has been unnecessarily complex and time consuming. The poor provision for retirement accommodation has led to substantial uncertainty and tension for operators and the communities where they develop and operate. In some instances, the legacy provisions have recognised this dilemma, and through a variety of techniques (special purpose zoning and Concept Plans, for example), have acknowledged, and made specific provision for further development of some established sites-recognising the importance of the existing social infrastructure.

Some Councils have attempted to deal with this problem by creating a “Retirement Village Zone”.¹⁰ However, we consider that in general, Councils’ Residential Zone objectives and policies need to be amended to acknowledge that retirement villages are a residential use, and that their development is actively supported in the residential zones.

Retirement village-specific rules

The Association does not support the conventional residential zone approach employed by many Councils, which focuses on density aligned to distance from town centres / public facilities. This approach does not match retirement village formats, which tend to be higher intensity uses than surrounding residential neighbourhoods (as evidenced by the location of many existing retirement villages across the city). The residents of these villages are typically former home owners and occupiers from the surrounding community. It is very important that Council plans do not limit retirement village options in a way that would lead to people needing to move away from their existing communities, loved ones and families at a critical time in their lives when they need more comprehensive care. As noted earlier, the majority of residents come from within a 15 km radius of their village, and the village reflects the general nature of the community in which it is based.

¹⁰ Refer to the Auckland Council’s Proposed Unitary Plan, for example.

Retirement villages have specific features and requirements, which differ from standard residential development. The imposition of general residential development rules on retirement village development will reduce flexibility and will stifle retirement village development. Specific development controls for retirement village developments are necessary.

The Association considers that retirement villages (existing and new) should be provided for by way of a stand-alone retirement village-specific rules framework. This framework should be incorporated into the residential zone rules, but sit as a separate set of rules specific to retirement village development. Such a framework should provide for:

- 1.1 The land use of a retirement village to be recognised as a permitted activity to make it clear to the surrounding community that such uses are part of the fabric of the residential zones and not challengeable in consenting processes. Our members often experience public submissions opposing its villages made on the basis that such villages are a commercial use or a hospital use which is not appropriate in a residential zone. We wish to avoid such misguided submissions in the future.
- 1.2 The building and operation of a retirement village as a restricted discretionary activity in the residential zones, and subject to underlying zone rules which control external effects relating to height, carparking and access, height in relation to boundary, yards, traffic generation, and noise.
- 1.3 The Overlay Rules of a Plan would also apply. However, a breach of any such a rule should only trigger a restricted discretionary activity status. Assessments of environmental effects at the resource consent stage should then be limited to the effect on the environment which the breached rule is designed to manage. The existence of an overlay on an appropriate site for retirement villages may substantially limit its use by appearing to take precedence in the Plan over the considerations of enabling of people's wellbeing, other positive social and economic benefits of retirement villages and the need to use available sites efficiently. We consider that those other considerations will often be more important than the strict protection of the feature that an overlay is designed to manage. The Association acknowledges, however, that effects on identified features in the Plan might be relevant in the overall balancing of a resource consent application when making a decision.
- 1.4 It is also important for Councils to recognise existing villages and their development opportunities under legacy plans and/or existing consents and any other underlying development controls where they are more permissive or enabling than the regime in practice in the general area where the villages are sited. The Association expressly supports more permissive or enabling rules adopted through the use of precinct plans which specifically provide for the continued use and development of existing facilities.
- 1.5 Other development controls, assessment criteria and special information requirements in the relevant planning regime should not apply to villages unless those controls are more permissive or enabling. The rules regime proposed by the Association is designed to manage specific external effects on the immediate environment and to limit considerations which may be applicable to typical residential developments, but which should not apply to retirement villages. For example, we strongly oppose controls over the design or internal layout of retirement village sites. Our members have decades of experience of building villages and know intimately the amenity and care provision needs of its residents. Members advise that they frequently come

across issues during consenting where councils attempt to influence the village's internal layout based on their understanding of design principles which only apply to traditional housing types. With respect, those councils do not understand how retirement villages function and operate. For similar reasons, the Association opposes the application of design manuals for traditional housing. When applied to retirement villages, such manuals will create unnecessary consenting debates and hinder design innovation.

- 1.6 Activities ancillary to retirement villages, such as alterations, additions and demolition, as permitted activities provided they comply with the building height, yards and height in relation to boundary, and maximum impervious area rules for the relevant zone where the activity takes place (to ensure external effects are managed). If they do not comply, they should be restricted discretionary activities subject to the same rules as for a new village.
- 1.7 Retirement villages to be subject to specific restricted discretionary activity criteria which address the key potential environmental effects of retirement village development, namely:
 - (a) Building design and external appearance, to address shading and privacy effects on adjacent properties. Councils' design discretion should be limited to external effects only;
 - (b) Landscape design, to manage the interface with the external environment;
 - (c) Traffic management and provision for parking and access to internalise these effects or to ensure the surrounding area has capacity to absorb any additional demand;
 - (d) Infrastructure and services to internalise these effects or to ensure the surrounding area has capacity to absorb any additional demand; and
 - (e) A breach of the retirement village rules as a restricted discretionary activity with discretion over the environmental effect of the breach. On this matter, the RVA considers it is important that the planning regime recognises that site features and development techniques can allow for effects to be appropriately managed despite a breach of a rule. As an example, earthworks will in some cases be acceptable outside the main earthworks season where sedimentation effects can be managed within the site. In addition, breaches of height rules should be acceptable if they do not create adverse shading and/or privacy effects on neighbours.

Q47 – provision of infrastructure

We note that the Council rates are made up of a number of different components, or Uniform Targeted Rates (General Rate, Roading, Stormwater, Library, Representation and Governance, Solid Waste, Swimming Pool, Sewer, and Water, for example), presumably so divided to reflect different uses made of that particular asset. Village rates usually include all these components multiplied by the standard charge for a conventional residential dwelling.

The ratio of people per dwelling nationally is 2.68 and Councils base their wastewater, water services, solid waste collection charges and other rate components on this basis. However, the ratio of residents

to dwellings in retirement villages nationally is between 1.14 in rural council areas to 1.3 in metropolitan areas. These ratios are less than half the standard dwelling ratio.

A report ¹¹ has analysed the NZ's dwelling stock and compared that with retirement village stock. The analysis shows that retirement village stock is "substantially different" from the country's dwelling stock as a whole. Almost a third of RV stock is made up of one bedroom, bed-sitting or studio units, and the dominant RV stock is a two bedroom unit, as the table below shows :

Number of bedrooms	Retirement Villages		NZ Dwelling stock	
	Dwellings	% stock	Dwellings	% stock
1 bedroom, bed-sit, studio	3,945	31.9	79,320	5.5
2 bedrooms	7,266	58.8	273,207	18.9
3 or more bedrooms	1,146	9.3	1,093,830	75.6
Totals	12,357	100	1,446,357	100

People in conventional dwellings make nine trips per day, based on two vehicles per household. Research undertaken by the Auckland Council and the Association shows three trips per day for retirement villages and two trips per day for aged residential care facilities. Clearly retirement village residents place a significantly reduced burden on Council roads and in the Association's view, this should be reflected in the rate demand.

In addition, retirement villages also maintain their own extensive roading network within the village, along with kerbs, channelling and underground services connecting the dwellings to the Council system, and at no cost to Council. These costs are met by the residents as part of their weekly fees.

The point we are making is that retirement villages impose a significantly reduced burden on Council services and reinforces the point that RV units are smaller, have fewer people living in them, and are clearly distinguished from conventional housing developments. We believe that it would be an incentive for village operators to build and maintain infrastructure if that saving to councils were reflected in the rates burden.

Q52 – Good practices involving development contributions

As noted above, retirement villages place a reduced burden on council services than a conventional housing development.

The Auckland Council (among others) recognises this and offers registered retirement village developers a 50% discount on most components of their development contribution, and a 70% on the transport component. Other councils that offer a discount include Tauranga City, Waipa District and Wellington City.

The cost savings are passed onto residents via a lower purchase price for their ORA.

¹¹ *Resilient Communities* – Retirement Village Housing Resilience Survey, CRESA, April 2014, p10, table 3.2

CONCLUSIONS

The Association welcomes the opportunity to comment on the Productivity Commission's *Using Land for Housing* paper and trusts these comments are of use to the Commission.

Retirement villages make a valuable contribution in the form of purpose-built, warm, comfortable and secure housing for our rapidly-growing ageing population, while at the same time releasing large family homes back into the market for new families to live in.

Many councils recognise the contribution villages make to their community and acknowledge that role through favourable planning and resource consent processes. However, welcome though as those concessions are, they are far from universal and this submission is intended to bring those to the Commission's attention.

We are happy to meet to discuss this submission with the Commission at your convenience.

A handwritten signature in blue ink, appearing to read 'John Collyns', with a large, stylized flourish on the left side.

John Collyns
Executive Director