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Bid to fix retirement village code

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Pressure is mounting on the Government to plug a loophole in the protection of elderly retirement village residents that has been exposed by the Christchurch earthquake.

A petition from more than 3600 retirement village residents from all over the country is in the mail to Building and Housing Minister Maurice Williamson, calling for residents to be guaranteed to get their money back in full if a retirement village is demolished and not rebuilt.

That guarantee was in the 2006 retirement villages code, but appears to have been accidentally dropped from the 2009 version.

Nobody seems to know why, and no one in the retirement village industry lobbied for it.

It appears that if Kate Sheppard Gardens, which was rendered unliveable by the Christchurch earthquake, is not rebuilt – and its statutory supervisor Covenant told Sunday Star-Times that remained a possibility – residents will get back only a portion of the money they paid for their units.

The 2009 code also allowed a two-tier insurance policy for villages, whereunder the insurer either funds a full rebuild, or if that does not happen, a payout at a lower "indemnity" rate.

Retirement village resident Ian Brown is spearheading the drive to get the earlier code's protection reinstated but said that even if residents got their original capital back, many bought their units so long ago their payouts would not buy them another unit.

The industry has rallied around Kate Sheppard Gardens residents and other villages have offered them places, but these come at a cost which in some cases looks like leaving the residents nothing to pass on to their kids. In most cases, people entering retirement homes buy a "licence to occupy" and get back around 70% of their money when they leave and a new licence to occupy is sold.

But Brown is not alone in wanting to go back to a solid guarantee for residents, though he is wary about the government not moving quickly as another big shake in Christchurch could leave other villages unliveable and unable to be rebuilt.

John Collyns from the Retirement Villages Association says the association wants change along similar lines, and said a consultation with the industry was needed.

Collyns left little doubt about his belief in an email to association members on May 11.

"As part of a press statement we plan to release in the next day or so we want to say that, in the situation where a village has been destroyed and will not be rebuilt, the RVA will recommend to government that the Code of Practice be changed to require operators to repay residents 100% of the original capital cost of their unit, without deductions."

That move, Collyns told members, recognised the important moral duties they have to residents. "This recognises that the industry has a responsibility to our residents to look after them, come what may."

It does not appear that members backed the plan as wholeheartedly as Collyns, as the next day the association released a press statement saying it was "talking to members about ways of giving residents peace of mind", rather than calling for the old guarantee to be brought back.

In a statement to the Sunday Star-Times, Williamson's office said: "The Minister is seeking advice from officials which will look at whether any changes are required to the Code of Practice 2008 after recent events in Christchurch, however any changes would not be retrospective."

Meanwhile Covenant has come to the defence of Kate Shepherd owner Lance Bunting, who TV reports suggested might make a substantial amount of money if he collected the insurance payout and did not rebuild the village.

Graham Millar from Covenant, which also supports bringing back the guarantee, said if the village could not be rebuilt, Bunting stood to lose money, not make any.

- Sunday Star Times