

Retirement Living Webinar – NSW Retirement Living Reforms announced on 24 June 2020: What this means for operators.

2 July 2020

Presenters: Donna Rayner, Rosemary Southgate, Rohan Harris, Sylvia Mansour and Lee Be



Webinar housekeeping

- All attendees will be on mute and their cameras turned off for the entire webinar.
- We have BD tech support live to assist with any technical issues.
- Use the chat function for any comments/technical issues.
- Use the Q&A function for specific questions related to the webinar content - Questions will be addressed at the end of the webinar.
- There will be a post webinar survey link sent at the end of the webinar, we value attendee feedback, presentation slides will also be sent to all attendees.
- This webinar is being recorded.

Disclaimer

The information contained in this presentation is intended as **general commentary only** and should not be regarded as legal advice.

Should you require specific advice on the topics or areas discussed, please contact the presenters directly.

Webinar Overview

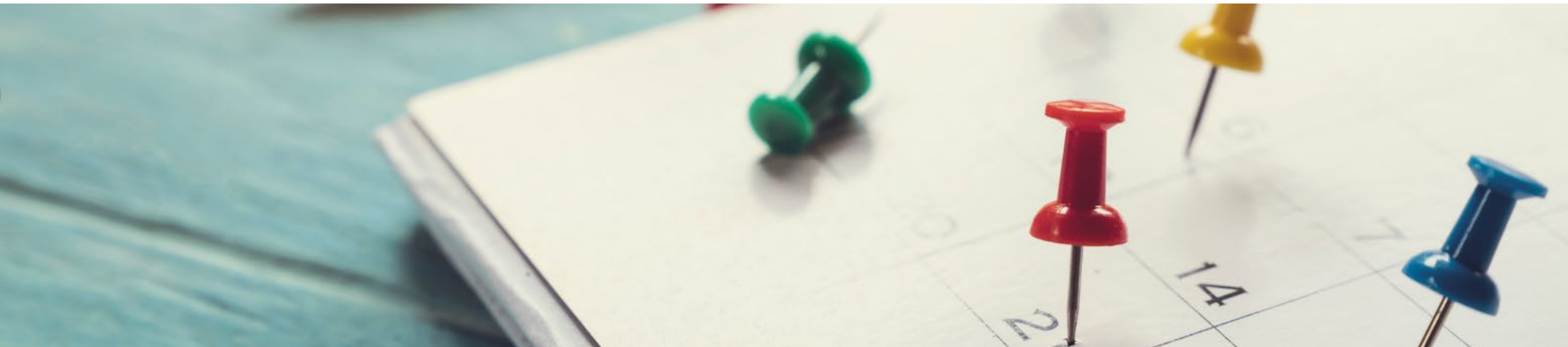
- An overview of the NSW Retirement Living Reforms
- The crucial differences between:
 - the discussion paper released in July 2019
 - the proposed reforms made on 24 June 2020
- Key issues
- Liquidity and Governance Risks
- Next steps & what you can do now
- Live Q&A

NSW Retirement Living Reforms - Sylvia

NSW Government announced final position on 24 June 2020

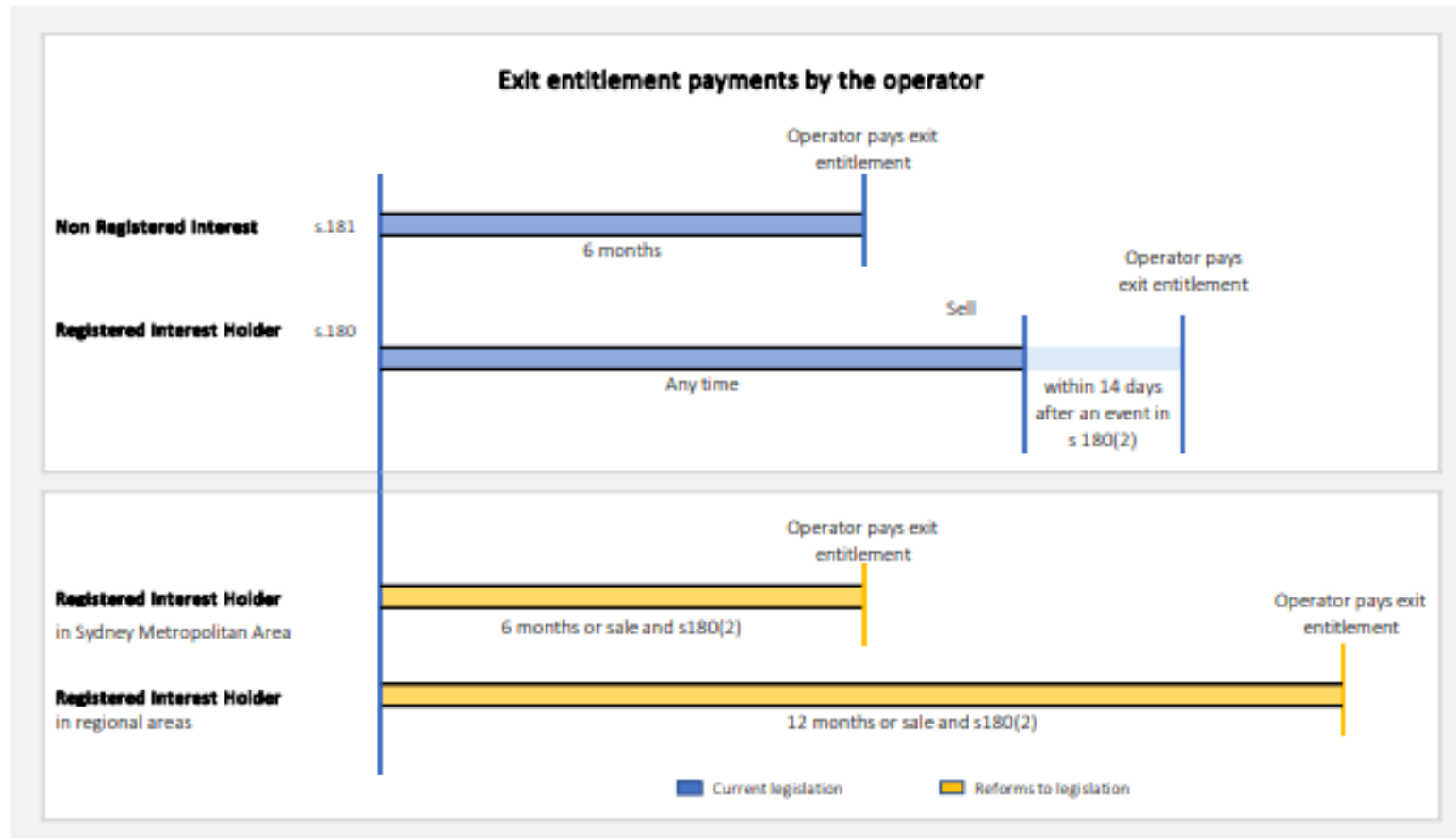
What are the reforms?

1. Timeframes for compulsory buy-backs
2. Registered interest holders' recurrent charges capped at 42 days
3. Seamless transition into aged care



Timeframes for compulsory buy-backs – Sylvania

- Resident entitled to exit payment if unit remains unsold after 6 months in metropolitan areas or 12 months in the regions
- If the operator has unreasonably delayed the sale of the property



42 day cap and seamless aged care transition

Registered interest holders' recurrent charges capped at 42 days and seamless transition into aged care

- Recurrent charges will be capped at 42 days after a resident moves
- The operator will need to cover a portion of the estimated exit entitlement - directly into a residents aged care provider, allowing a seamless transfer



NSW Retirement Living Reforms - Sylvia

What are the crucial differences between:

a) the discussion paper released in July 2019

b) the proposed reforms made on 24 June 2020

- Compulsory buy-back 'if the village operator has not taken reasonable steps to facilitate a sale'
- Operator to cover a portion of the estimated exit entitlement directly to the aged care provider, allowing a seamless transfer

NSW Retirement Living Reforms - Sylvia

- Fairer more transparent fees
- Key recommendations of the independent report into NSW Retirement Villages conducted by Kathryn Greiner AC
- New laws to be introduced at the end of the year
- How will this affect you?



Key issues - Rosemary

- Exit Entitlements – issues still to be addressed
 - Unreasonable delay in sale
 - resident makes application – what is the threshold requirement to make the application?
 - Then onus on the operator to establish **NO** unreasonable delay
 - Interaction with resident right to set sale price, appoint own agent, control over resale
 - Trigger for 6 month/12 month timeframe – dwelling is “ready for sale”

Key issues - Rosemary

- Exit entitlements – continued
 - Valuation of exit entitlement
 - Onus
 - Appointment of valuer
 - Costs of valuation
 - Right of appeal from decision of Secretary of the Department of Customer Service
- Aged care rule – similar to SA or Victoria?
 - Practical issues



Liquidity and Governance Risks - Rohan

- Directors of RV operators have an obligation to ensure financial commitments can be met as and when they fall due
- In simple terms – payment obligations need to be at least matched by new income or available reserves
 - Income from new residents
 - Income from other sources
 - Equity and cash reserves
 - Debt



Liquidity and Governance Risks - Rohan

Questions for Boards to be asking:

- Do we have the right offering/product for long term sustainability?
- Could our sales processes be improved?
- Have we stress-tested for a COVID-19 scenario?
- Are additional expense controls necessary?
- How can we access additional equity?
- When are our debt facilities up for renewal?
- Could we sell surplus assets?
- Is it time to hand in the keys?
- It is time to consider acquisition opportunities – economies of scale?

Next steps & what you can do now

- Releases state that legislation will be introduced at the end of 2020
- Assess financial risk through modelling
- Review your sales processes
- Webinar feedback survey – please complete & thank you for joining us



Q&A – Your Russell Kennedy Contacts



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