Types of retirement village arrangements

Different retirement villages offer different types of occupancy and ownership arrangements. The type of village you move into affects some of your rights and the costs you may have to pay under your contract.

This section gives a general overview of the common types of arrangements offered by operators. However, every village is unique and the information may apply differently in individual circumstances. Before you move into a village, make sure to get specific advice about your rights and obligations under your proposed contract.

Leasehold arrangements

Leasehold is an arrangement where the village operator owns the dwellings in the village and each resident signs a lease with the operator. Leases in retirement villages are commonly for 99 years or more. Any lease with a term of more than 3 years is required to be registered on the title deed held by Land and Property Information.

The amount you pay for the leasehold varies depending on the market, similar to if you were buying the unit. You also pay recurrent charges (for example, on a monthly or quarterly basis).

When you leave the village:

- your contract may require you to pay a departure fee or other amounts to the operator, such as ongoing recurrent charges while the unit is on the market
- if you were a registered interest holder, you have the right to set the selling price and choose the selling agent and you will usually have to pay some of the sale costs, such as commission and advertising. Your contract may also provide for you to share any capital gain with the operator.

Once your unit is re-leased or occupied, the balance of your refund must be paid to you within 14 days unless your contract provides for earlier payment.

Loan and licence arrangements

These arrangements are mainly offered by non-profit organisations such as church or charity village operators. You pay an ingoing contribution to the operator, usually in the form of an interest-free loan, part of which may be a non-refundable donation.

You also pay regular recurrent charges, for example on a fortnightly or monthly basis. Your village contract permits you to live in the unit, but you do not own it or have a registered interest in it (like you would with a registered lease).

Sometimes a separate loan agreement sets out matters relating to your loan. The permission to occupy the unit ends when your village contract is terminated. You are entitled to receive your refund within a fixed period set by the *Retirement Villages Act* (maximum 6 months) unless your contract provides for earlier payment. The refund may be reduced by a departure fee or donation if this was in your contract.

Strata or community schemes

Buying a unit in a strata or community scheme is another arrangement available in some villages. You pay the agreed purchase price to the owner of the unit (for example, the former resident or the operator) under a sale of land contract. This makes you the owner of the unit and you automatically become a member of the owners corporation or community association, as in any other strata or community scheme. You will have to pay levies, on a quarterly basis, to the owners corporation or community association to cover the cost of managing the common property.

You will be required to enter into a service contract (a type of village contract) with the village operator before you can move in and this will usually require payment of recurrent charges to the operator for their services.

There may also be an existing agreement in place between the operator and the owners corporation or community association. This agreement, often for the life of the village, is for the operator to assist the owners corporation or community association to carry out its functions in managing and administering the scheme´s common property. Any management fees would be covered by your levies.

You have the right to sell your unit at any price you like. You can appoint any qualified person, including a licensed real estate agent or the operator, to act as your selling agent. Under the terms of your service contract, you may have to pay the operator a share of any capital gains as well as departure fees and other charges.

You have rights and obligations under the *Strata Schemes Management Act 1996* or the *Community Land Management Act 1989* as well as under the retirement village laws. For more information, see the Strata schemes section of the NSW Fair Trading website.

Company title schemes

A small number of villages operate under company title. The village is owned by a company, in which you buy shares at market value. The shares give you the right to occupy the unit. You have similar selling rights as with strata villages. A Board of Directors, appointed by the shareholders, manages the property. You will be required to comply with the company´s constitution. In other respects, these villages operate in a similar way to strata villages.

Rental arrangements

A small number of villages offer units for rent to retired people. You sign a residential tenancy agreement and pay rent like other tenants in the general community.

The agreement may contain a term excluding you from the retirement village laws. If this is the case, your agreement will be covered by the *Residential Tenancies Act 2010* and not the retirement village laws. There are no ingoing contributions to pay under the tenancy law when you enter the village, or fees and charges to pay when you leave. You will generally pay a rental bond (maximum 4 weeks´ rent), regular rent payments and water usage (if you have a separate meter).

For more information, see the Renting a home section on the NSW Fair Trading website.

Registered interest holders and non-registered interest holders

Depending on the type of village contract you sign, you may be either a registered interest holder or a non-registered interest holder.

You are a **Registered Interest Holder** in a retirement village if you are:

- an owner in a strata scheme or a community land scheme retirement village,
- an owner of shares in a company title scheme giving you a residence right in a retirement village, or
- the holder of a registered long-term lease that entitles you to at least 50% of any capital gain that may be made when your unit is sold. A registered long-term lease is a lease that has a term of 50 years or more, or runs for the duration of your life.

If you live in a retirement village and do not fit into one of the categories above, then you are a **Non-Registered Interest Holder**. That is, you live in the retirement village under a rental, loan/licence arrangement or a registered lease that has a term of less than 50 years.

There are some important differences between the contractual rights and obligations and financial terms, depending which category you are in. Registered interest holders generally have more responsibility and independent decision making in relation to their property but may pay additional charges after leaving while their unit is on the market.For more information, see the Leaving a village section of the NSW Fair Trading website or contact Fair Trading for more information.