



**SUBMISSION ON THE FIRE AND EMERGENCY NEW ZEALAND BILL
(THE BILL)**

The Retirement Villages Association and New Zealand Aged Care Association wish to appear before the Committee to speak to their submission.

TO: THE GOVERNMENT ADMINISTRATION COMMITTEE

About us

The Retirement Villages Association (RVA) is a voluntary industry organisation that represents the retirement village sector throughout New Zealand. Our 340 member villages operate around 23,700 units that are home to approximately 31,000 older New Zealanders. This is approximately 96% of the industry by unit number.

The New Zealand Aged Care Association (NZACA) is a not-for-profit, national membership organisation which represents all parts of the aged-care residential sector. NZACA's membership comprises 590 individual facilities, which accounts for 34,000 beds in the sector or around 90% of total beds.

Our submission – in short

Buildings containing retirement village and aged care residents' homes should be treated as residential property when setting FENZ levies under the Bill (when it becomes law).

This is the position under existing law. However, the Bill in its current form is likely to categorise residents' homes as commercial property. This is not logical and we assume it is unintended.

If left unchanged, this could result in potentially significant increases in costs being passed on to these elderly New Zealanders. Many rely solely on government superannuation for their income.

A change to the definition of 'residential property' in the Bill should therefore be made to ensure residents are not adversely affected in this way.

This can be simply achieved by carrying over the following category of residential property from the existing law:

"Any building ... in New Zealand which provides long-term accommodation for the elderly, if the area of the building which provides long-term accommodation for the elderly constitutes 50 percent or more of the total area of the building..."

Our submission – in technical terms

Clause 104 of the Bill will enable differential levies to be set for residential property and commercial property. This links directly to the definition of 'residential property' in cl 70 of the Bill.

In its current form, the definition of 'residential property' in cl 70 turns on whether a building is a 'household unit' or 'residential land' (also defined in cl 70).

A household unit is limited to a building that is the home/residence of not more than one household – which doesn't work in a retirement village or aged care setting where many buildings contain a number of households.

We assume this is an oversight. Cabinet agreed that one of the principles that should apply in drafting the Bill is that the existing law should be retained unless no longer needed. There is no need for this change.

The simplest means of fixing this oversight is to amend the definition of 'residential property' in cl 70 to include a specific category of residential building from the current law. In full this category is:

Any building or part of a building (whether or not fixed to land, or to another building, part or structure) in New Zealand which provides long-term accommodation for the elderly, if the area of the building which provides long-term accommodation for the elderly constitutes 50 percent or more of the total area of the building, part or structure.

Reasons for our submission

There are a number of reasons why buildings that house retirement village and aged care residents should continue to be residential buildings for the purpose of setting levies.

1. It is not logical for these buildings to be treated as commercial buildings.

A building that solely or predominantly comprises residents' apartments or rooms is fundamentally a home. It should therefore be treated in the same way as a standalone residential dwelling.

It is not logical that this type of retirement village or aged care building should be regarded in the same way as a commercial office building or a factory when setting FENZ levies. There is a different risk profile for true commercial buildings, and the demand for services from the Fire Service is not alike.

Retirement village and aged care homes are akin to suburban homes in their use of the Fire Service. As such they should be treated in the same way as any other private dwelling.

2. Residents bear the cost of insuring these buildings.

Insurance costs (and therefore levies) are ultimately passed on to residents. The same is true of rates and other outgoings associated with their homes. If the buildings in which residents live are reclassified as commercial buildings, this could result in significantly higher levies being passed on to residents.

A large number of residents rely on government superannuation as their sole source of income. Increases in residents' living expenses will further consume these low incomes. It is difficult to justify how this is appropriate when the nature of their home and their use of the Fire Service will not change.

3. Truly commercial buildings will still be treated as such under our proposal.

If our additional proposed definition is adopted, retirement village and aged care buildings that are solely or predominantly commercial in nature will still be caught as commercial buildings for the purpose of setting levies.

We are not suggesting that every building at a retirement village or aged care facility should automatically be treated as a residential building. As an example, a building that is solely or largely used by an operator for administration purposes or as a function centre should in the ordinary course continue to be a commercial building for determining levies.

But those buildings which exclusively or principally contain residents' homes should be treated as residential buildings for the reasons set out in this submission.

4. Changing the basis for calculating levies does not require a change to how residential buildings are classified.

We recognise that one of the main drivers for a law change is to alter the basis on which FENZ levies will be set. Rather than being solely based on insurance for fire damage, this would be based on insurance covering physical damage to (or loss of) property. The argument is that this better reflects the range of services provided by the Fire Service.

That is not a reason to alter the basis for categorising residential property in the retirement village and aged care sectors. The reviews carried out on the Fire Service and the Cabinet papers on the proposed law change do not envisage a change to how retirement village and aged care buildings should be categorised. And the demand for the Fire Service from residents in retirement villages and aged care facilities remains residential in nature.

The Regulatory Impact Statements on the Bill recognise that:

- the main reason for 'de-linking' the definition of 'residential property' from the EQC Act is to set a cap on residential levies separate from the EQC levy – not to fundamentally change how residential property is defined;
- the levy rate should vary across residential and non-residential buildings, given residential policy holders currently pay more than twice the costs associated with fires at residential properties.

Our proposed change to the definition of 'residential property' wouldn't therefore affect this key objective of the Bill being achieved.

General

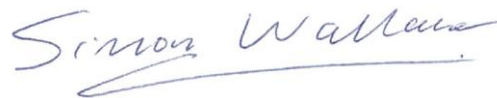
We note that levy rates (and potential maximums) on residential property under the Bill will be released for consultation at a later time. It may be appropriate for us to comment on those matters then.

Right now, it is important that buildings primarily housing residents in retirement villages and aged care facilities are clearly recognised as residential property under the Bill. That way, they can be included in the appropriate category when levy rates are set later.

Thank you for considering our submission. We look forward to speaking to the Committee and answering any questions you may have.



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