

**ADELAIDE HILLS COUNCIL
SPECIAL COUNCIL MEETING
Wednesday 1 August 2018
CONFIDENTIAL AGENDA BUSINESS ITEM**

PARTIAL MINUTE RELEASE 05 NOVEMBER 2018

Item: 7.2

Originating Officer: Natalie Westover, Manager Property Services

Responsible Director: Terry Crackett, Director Corporate Services

Subject: Retirement Village Review

For: Decision

1. Retirement Village Review – Exclusion of the Public

Pursuant to section 90(2) of the *Local Government Act 1999* the Council orders that all members of the public, except:

- CEO, Andrew Aitken
- Director infrastructure & Operations, Peter Bice
- Director Development & Regulatory Services, Marc Salver
- Director Corporate Services, Terry Crackett
- Director Community Capacity, David Waters
- Executive Manager Governance & Performance, Lachlan Miller
- Manager Property Services, Natalie Westover
- Consultant, Justin Hazell, Colliers International
- Governance & Risk Coordinator, Steven Watson

be excluded from attendance at the meeting for Agenda Item 7.2: (Retirement Village Review) in confidence.

The Council is satisfied that it is necessary that the public, with the exception of Council staff and contractors in attendance as specified above, be excluded to enable Council to consider the report at the meeting on the following grounds:

Section 90(3) (b) of the *Local Government Act 1999*, the information to be received, discussed or considered in relation to this Agenda Item is information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting, or proposing to conduct, business, or to prejudice the commercial position of the council and would, on balance, be contrary to the public interest.

Accordingly, on this basis the principle that meetings of the Council should be conducted in a place open to the public has been outweighed by the need to keep the information and discussion confidential.

2. Retirement Village Review – Confidential Item

SUMMARY

The purpose of this report is to seek a resolution of Council to enter into a Contract for Sale and Purchase for the divestment of the Council's retirement village portfolio to Clayton Church Homes Inc. (CCH).

Council staff undertook a review of the Council's Retirement Village portfolio as part of the Strategic Property Review and in response to the following CEO KPI for 2015-2016:

"Review Council's role, viability and community benefit in the provision of Retirement Villages and supported housing. Provide a recommendation to Council".

This report contains a summary of information and assessments undertaken by Council staff and consultants to review the Council's Retirement Village portfolio which support the recommendation for divestment.

Clayton Church Homes Inc., as result of extensive contract negotiations, and with the support and approval of their Board, has submitted a written and signed offer, by way of a signed Contract which is presented to Council for consideration. The Contract is considered to be a fair and reasonable offer for a transaction of this nature. It is important to note that should any amendments be proposed to the submitted Contract, there may be an impact on the purchase price or CCH's willingness to proceed.

RECOMMENDATION

Council resolves:

- 1. That the report be received and noted**
- 2. To enter into a Contract for Sale and Purchase (Contract) (*Appendix 2*) to sell the Council's retirement village properties being the villages located at:
 - a. Balhannah – 13 Junction Road (CT 5106-613) comprising 7 units**
 - b. Crafers – 2 Station Road (CR 5563-828 & CT 5389-555) comprising 6 units**
 - c. Gumeracha – 5 Albert Street (CT 5800-272) comprising 14 units**
 - d. Lobethal – 3 Jeffrey Street (CT 6017-705) comprising 14 units**
 - e. Woodside – 11 Nairne Road (CT 5463-774) comprising 16 units**for consideration in the amount of \$7,042,000 and in accordance with the conditions of the Contract.**
- 3. To enter into a Contract for Sale and Purchase with the State Government for the freeholding and purchase of the land contained in Crown Record 5563-828 being Allotment 20, 1 Station Road Crafers, for an amount of not more than \$580,000 with the final figure to be determined once the plan of division is finalised and a final valuation is obtained.**
- 4. To undertake a boundary realignment at the Crafers village between the land contained in Crown Record 5563-828 and the adjoining Crafers War Memorial Reserve contained in CR 5563-827 to rectify an encroachment of fencing and garden from the village onto the reserve, including any necessary amendments to the dedication of the reserve to reflect the boundary realignment.**
- 5. To enter into a Grant of Easement between the State Government and Council for the creation of service easements in favour of the Crafers village over the adjacent crown land reserve contained in CR 5563-827.**

6. **To terminate the joint venture arrangement with Renewal SA over units 1 to 6 at the Lobethal village contained in CT 6017-705 in consideration of the amount of \$200,000 as determined by an independent valuation and in accordance with the lease between Council and Renewal SA (as successor to South Australian Housing Trust).**
 7. **To serve on Clayton Church Homes Inc. a disclosure statement pursuant to Section 7 of the *Land and Business (Sale and Conveyancing) Act 1994*.**
 8. **To authorise the Mayor and CEO to sign all necessary documents, including by affixing the common seal, to give effect to this resolution.**
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1. GOVERNANCE

➤ Strategic Management Plan/Council Policy

Goal 1	Prosper
Strategy 1.9	We will work to make the district more age-friendly
Goal 3	Places for people and nature
Strategy 3.5	We will take a proactive approach, and a long term view, to infrastructure maintenance and renewal
Goal	Organisational Sustainability
Strategy	Financial Sustainability

The divestment of the Council's Retirement Village portfolio to an experienced retirement living housing provider will assist the Council in meeting its objectives to make the district more age-friendly by ensuring that housing options are provided to a reasonable and high standard and quality of life and service provision to our residents is at a high level.

The projected capital investment in the Retirement Village portfolio over the next 20 years is significant. The projected income from the divestment and the removal of the capital investment liability creates opportunities to deliver services to the broader Adelaide Hills Council residents in a financially sustainable manner.

➤ Legal Implications

The Retirement Village portfolio is subject to the provisions of the *Retirement Villages Act 2016*.

Resident rights under existing agreements are protected under the provisions of this Act.

➤ Risk Management Implications

The divestment of the Retirement Village portfolio will assist in mitigating the risks of:

Lack of a consistent and reasonable standard of service provision to residents in the Retirement Village portfolio leading to loss of confidence in Council and Council's ability to deliver Retirement Village housing

Inherent Risk	Residual Risk	Target Risk
Extreme (4B)	Low (1E)	Low (2D)

Ongoing subsidisation of the Retirement Village portfolio resulting in the allocation of funds away from other community facilities, services and initiatives and the reinforcing the community expectation that Council will provide ongoing subsidisation of retirement housing

Inherent Risk	Residual Risk	Target Risk
Medium (1A)	Low (1E)	Low (2D)

The financial sustainability of the Retirement Village portfolio leading to a greater financial commitment required by Council to meet mid-long term asset renewal requirements and service standards expected by residents

Inherent Risk	Residual Risk	Target Risk
Medium (1A)	Low (1E)	Low (1C)

The risks identified above would be resolved by the report recommendation. If the Council does not divest the Retirement Village portfolio, mitigation actions will be required to be implemented.

➤ **Financial and Resource Implications**

The divestment of the Retirement Villages affects a number of areas of financial management within Council. The following is a summary of the financial and resource implications:

Sale process financial summary

	Revenue cash (\$)	Revenue non-cash (\$)	Expenditure (\$)	Net proceeds from Sale (\$)
Sale Proceeds	7,042,000			
Resident liability released from Council		3,773,899		
Reserve liability released from Council (TBC following FY year end)		262,000		
Exit entitlement for Unit 6 Crafers			159,200	
Renewal SA termination of Lobethal joint venture agreement			200,000	
Purchase price for Crafers Crown Land (may be less than this amount)			580,000	
Cost of review and preliminary investigations			30,000	
Costs of sale including agents fees, legal costs, freeholding & joint venture termination costs, Crafers easement creation			200,000	
	7,042,000	4,035,899	\$1,169,200	\$9,908,699

It should be noted that the release of the resident liability and reserve funds that total \$4.035 million do not represent an improvement in available cash given the funds are already held by Council. The release will however result in a reduction in the liabilities held by Council and therefore a direct improvement in the Net Liabilities Ratio.

Capital Expenditure Impact

Council's Long Term Financial Plan projections for the next 10 years includes \$3.65M of building upgrades and renewals for the Retirement Villages which will not need to be undertaken by Council following divestment.

In this financial year, there is an allocation made for un-programmed capital works or upgrades to improve the general amenities of the villages of \$20k per year. Given the age of the villages and associated infrastructure, this figure should sit between \$30k - \$50k per year.

Based on the above, projections indicate that over a 10 year period, scheduled capital spend to be removed from the capital budget would be in the order of \$4.15M

Operating Expenditure Impact

As outlined in the 2018-19 Annual Business Plan, the net operating result for the retirement village portfolio provides for a surplus of \$88k and as such sale of the entire portfolio would result in a reduction to the operating result by this amount.

This reduction would however be offset by reduced interest expense of approximately \$280k based on the current floating Cash Advance Debenture (CAD) rate percentage and as such the operating result is likely to improve by a net amount of approximately \$162k per annum.

With the exception of the costs for the Council's agent and legal service provider, management of the divestment process has been undertaken within existing Council resources.

➤ **Customer Service and Community/Cultural Implications**

The Administration is confident that the divestment will have a positive impact on the service levels and quality of the experience of living in any of these villages.

CCH's mission, as detailed below, together with the provisions of the Contract provide a level of comfort that the residents of the villages will receive increased levels of customer service under ownership of CCH as the villages will be operated by fully resourced and experienced staff and will have access to a greater range of services and occupation options.

"Clayton Church Homes is committed to ensuring that the facilities and management emphasise the rights and dignity of all individuals. We are dedicated to the provision of safe and pleasant accommodation for residents, while enabling them to continue with their chosen lifestyle as much as possible.

Clayton Church Homes will continuously strive to introduce benefits and standards that are aimed at improving the physical well-being, self-esteem and lifestyle of all residents.

Clayton Church Homes will remain responsive to changing individual and community needs and seek to be of service to both.

Clayton Church Homes residential sites are accredited by the Australian Aged Care Quality Agency (AACQA) and undergo planned and unplanned validation visits. All sites remain fully accredited to the four Standards and 44 Outcomes of care.”

➤ **Environmental Implications**

Not Applicable

➤ **Engagement/Consultation conducted with Council Committee, Regional Subsidiary, Advisory Group, the Administration and Community**

The Retirement Village review has largely been undertaken in confidence however at meetings with the residents in May 2017, the residents were advised of the review that Council was undertaking and that divestment was one of the options that may arise.

At the Annual General Meetings with the villages in late 2017, an update was provided to the residents following the Council’s EOI process and that some submissions had indicated an interest in taking ownership of the villages. It was advised that the Council would be considering the information provided in those submissions.

Discussions undertaken between Council staff and other retirement village operators who have undertaken reviews and divestments indicated that during these divestment processes, residents can become concerned about the security of their tenure which can cause some distress.

To avoid unnecessary concern to the residents during the exploration of a possible divestment and prior to Council making a decision, it has been undertaken in confidence.

Council Committees: Not Applicable

Council workshops: 19 October 2016, 6 December 2017 and 19 June 2018

Advisory Groups: Property Advisory Group

Administration: Executive Leadership Team

Community: Residents of the Retirement Villages have been advised of the process that Council is undertaking and are aware that one of the options for consideration is a full divestment

2. BACKGROUND

Council has 6 retirement villages comprising 63 units located at:

- 13 Junction Road Balhannah (7 units) constructed in 1994
- 1 Second Avenue Bridgewater (6 units) constructed in 1994
- 2 Station Road Crafers (6 units) constructed in 1998
- 5 Albert Street Gumeracha (14 units) constructed in 1971-1973
- 3 Jeffrey Street Lobethal (14 units) constructed in 1974-1985
- 11 Nairne Road Woodside (16 units) constructed in 1981-1985

Occupation by residents in the villages is facilitated by a residence contract providing a licence to occupy through the payment of a premium under a debenture loan arrangement or by the payment of a weekly rent fee.

2004

In December 2004, Council commissioned Colliers International to provide a preliminary assessment and opinion in respect to how Council was managing its Retirement Village portfolio. Collier's opinion was that the fragmented composition of the portfolio was leading to cost inefficiencies. It was identified that returns were below acceptable levels, which was mainly due to an imbalance of debenture vs rental agreements and low maintenance fees.

2006

In 2006, Council commissioned Equity One Consultants to undertake a more detailed report in respect to the overall financial operation and future sustainability of the portfolio. In particular that report was asked to assess and provide commentary on the options of:

- Outsourcing the management of the portfolio
- Retaining the portfolio
- Selling the portfolio
- Managing the inefficiency changes by policy change

A summary of the key findings of that review is as follows:

1. 20 year forecast indicated that AHC would be in a cash positive position including estimated capital maintenance expenditure
2. Debenture loan arrangements are retained with Council retaining 20% of the premium and 100% of the capital gains
3. Recommended that Council pursue a mix of occupants to achieve of ratio of 80% under debenture loan agreements and 20% under rental agreements
4. Recommended that Council investigate the creation of a capital maintenance fund to be contributed to as an additional amount for new debenture residents
5. Ensure rents are set based on market value
6. Suggested finding a third party purchaser for the portfolio would be challenging with a Net Present Value set at \$700k to \$1.5M
7. Suggested Council's favoured position is to retain the portfolio based on:
 - Council was managing the villages on an efficient basis (not allowing for Council's corporate overhead expenses)
 - It would be difficult for an external manager to gain additional efficiencies due to the fragmented nature of the portfolio
 - An external manager would likely result in increased costs
 - Residents had indicated that they were happy with the way in which Council managed the villages
8. Maintenance fees should be increased in line with other operators and to work towards full cost recovery of operational expenses so that rental and debenture loan income could be applied to capital renewal/maintenance, development of additional housing options and other community objectives/outcomes
9. Additional sites should be investigated to develop additional villages to increase income and economies

At the 7 March 2006 meeting, Council resolved as follows:

11.2. AHC Retirement Villages Review
5/14/004-03 Karen Sinclair

Moved Cr Stan Evans **Carried**
S/- Cr Ian Bailey **43**

That Council adopts the following recommendations in respect to the ongoing management and operation of Council's retirement village portfolio:

- **Future Debenture Loan Agreements to be restructured so as to value units at a "market rate" on entry and exit.**
- **The current mix of debenture versus rental occupants to be gradually moved towards a mix of 80% Debenture Agreements and 20% Rental Agreements.**
- **An adjustment of existing maintenance levies be made to ensure that a break-even position is obtained within the next 4-5 year period.**
- **Equity One to conduct Workshop with Council & no feasibility study to commence until after the workshop**

A workshop was held with Council on 18 April 2006 at which Equity One discussed the various ways in which Council might consider expanding its existing retirement village portfolio. 5 sites were identified as being worthy of further investigation being:

- 100 Old Mt Barker Road Stirling (old school site)
- 7 Albert St Gumeracha (old Torrens Valley Community Centre site)
- 41 Jacaranda Drive Woodside (reserve)
- 20 Jeffrey Street Lobethal (excess AHBTC land)

2006

At the meeting of 6 June 2006, Council resolved as follows:

11.4. AHC Retirement Village Expansion Feasibility
5/14/004-03 Karen Sinclair

Moved Cr Jasemin Rose **Carried**
S/- Cr David Paschke

That Council Officers be directed to undertake a preliminary feasibility analysis on the suitability of Council owned sites for the provision of additional retirement village accommodation.

A Division was requested by Cr Jasemin Rose

The Acting Mayor set aside his ruling and called for a division.

In the affirmative (10) Crs Ron Nelson, Leone Taylor, Ian Bailey, Bill Spragg, Stan Evans, Kate Hosking, David Paschke, Andrew Stratford, Val Hall, Jasemin Rose

In the negative (1) Cr Wayne Gibbings

On the basis of the results of the division, the Acting Mayor declared the motion
Carried

2007

Feasibility studies were undertaken on the fore-mentioned sites and were presented to Council at the meeting of 21 August 2007 where Council resolved the following:

16.1.1. Retirement Village Land Report – Confidential Item
Shaun Matters 16.3.1

Released 21 May 2009

Moved Cr Bill Gale
S/- Cr Lisa Brinkley

Carried unanimously
220

That

1. After consideration of the Equity 1 report, Council not proceed with development of aged, disabled or community housing on sites at:
 - 100 Old Mt Barker Road Stirling (former Stirling East school site)
 - 7 Albert Street Gumeracha (adjacent existing units)
 - Jacaranda Dr Woodside
 - 20 Jeffrey Street Lobethal
2. Council not undertake the role of developer in the community aged and disabled housing area, and confine its role to that of Urban Planning through the Townships and Urban Areas Plan Amendment Report and act as advocate to State Government.

2009

A further report was presented to Council on 5 May 2009. The purpose of this report was to highlight the challenges in finding residents to enter into one bedroom units under the debenture loan agreement, which was resulting in units being vacant for significant periods of time, and to seek approval to rent out one bedroom units after a 4 month vacancy period which was in contravention of the Equity One report recommendation. At that meeting Council resolved the following:

10.1. Retirement Villages – Sales & Marketing
16.51.7 Liz Bok

Moved Cr Bill Gale
S/- Cr Geoff Purdie

Carried unanimously
B141

That Council approves the rental of one-bedroom retirement village units in circumstances where a sale cannot be achieved after a marketing campaign of more than 4 months.

2016

In response to the CEO KPI for 2015-2016 of “Review Council's role, viability and community benefit in the provision of Retirement Villages and supported housing. Provide a recommendation to Council”, Council staff undertook a review of the Council’s Retirement Village portfolio as part of the Strategic Property Review.

That review included internal investigations and also a report undertaken by URPS which collectively assessed:

- what other providers were in the Council or regional area and their operating model and costs
- the existing occupation agreement methods and how they compared to what other providers offered
- debenture and rent charges and how they compared to what other providers charged
- maintenance charges and whether there was full cost recovery and how they compared to what other providers charged
- how other Local Government authorities managed their villages and reasons they have divested or retained

A workshop was held with Council on 19 October 2016 which provided information on each of our villages and the Council area broadly in terms of ageing population projections and requirements for retirement living options. The workshop highlighted the following challenges for Council in operating its Retirement Village portfolio:

- resource intensive to operate at the same level as other providers and to meet legislative requirements
- long term financial allocation for upgrades and renewals
- greater expectation on Local Government to provide affordable housing options which creates sustainability concerns
- lack of retirement village options in the northern part of the Council area
- current values and rents were below market value
- current maintenance fees did not achieve full cost recovery
- substantial changes required for villages to be financially sustainable in the long term

At the Council meeting of 7 December 2016, Council resolved as follows:

5.3.1. Retirement Villages Review – Confidential Item

RELEASED 7 JULY 2017

**Moved Cr Val Hall
S/- Cr Ian Bailey**

277

Council resolves:

- 1. That the report be received and noted.**
- 2. To call for expressions of interest for the operation, maintenance and/or ownership of Council's Retirement Villages.**
- 3. That subject to the approval of the call for tenders, a further report be presented to Council on the outcome of the expression of interest process.**

Carried Unanimously

2017

In early May 2017, Council staff met with the residents of each Retirement Village to discuss Council's intention to approach other service providers to see what interest there may be in the market in the Council's Retirement Village operation. In addition to the meeting where this was discussed, each resident was provided with the flyer attached as **Appendix 3**. Other than seeking confirmation that their agreements were secure, Council did not receive any negative feedback from residents in relation to this process.

In early August 2017, Council called for expressions of interest in its Retirement Village operations/portfolio. Interested parties were asked to express their interest in the following options:

- Council retaining ownership and management with an external provider providing additional in-home support and home modifications as required by residents
- Council retaining ownership and a third party managing the villages
- Council divesting ownership of its Retirement Village portfolio
- Joint ventures to leverage more housing

As presented to a workshop with Council on 6 December 2017, Council received 6 responses to its call for expressions of interest.

The expression of interest process indicated that there are existing and experienced not-for-profit providers interested in purchasing the Council’s Retirement Village portfolio in accordance with the Council’s essential criteria.

At the meeting of 27 February 2018, Council resolved as follows:

19.1.1. Retirement Village Review – Confidential Item

Moved Cr John Kemp S/- Cr Jan Loveday	54/18
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Council resolves:

1. That the report be received and noted
2. To commence a divestment process to sell the retirement village portfolio being the villages located at:
 - a) Balhannah – 13 Junction Road (CT 5106-613) comprising 7 units
 - b) Bridgewater – 1 Second Avenue (CT 5488-788 & CT 5278-536) comprising 6 units
 - c) Crafers – 2 Station Road (CR 5563-828) comprising 6 units
 - d) Gumeracha – 5 Albert Street (CT 5800-272) comprising 14 units
 - e) Lobethal – 3 Jeffrey Street (CT 6017-705) comprising 14 units
 - f) Woodside – 11 Nairne Road (CT 5463-774) comprising 16 units

in accordance with the:

- Essential Criteria (*Appendix 2*)
 - Sale Process and Marketing Strategy (*Appendix 3*)
3. To make an application to the State Government, Crown Lands Department, to freehold the land on which the Crafers Retirement Village is located at 2 Station Road Crafers contained in Crown Record Volume 5563 Folio 828
 4. To make application to Renewal SA (as the successor to South Australian Housing Trust) to surrender the lease over the Lobethal Retirement Village and bring to an end the remaining obligations under the joint venture agreement
 5. That a further report be presented to Council detailing the outcome of the sales and marketing process and if successful, presenting the preferred purchaser and full details of the proposed sale for consideration
 6. To delegate to the Chief Executive Officer to undertake appropriate actions and sign all necessary documents to give effect to this resolution.

	Carried Unanimously
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3. ANALYSIS

Council’s role as a Retirement Village provider

Historical information indicates that Council was involved in the development of the Retirement Villages at a time when retirement living options in the Council area was

needed however there were no operators interested in developing villages in these locations at this time.

In the report presented to Council on 21 August 2007 (excerpt below), it was identified that Council's role in the delivery of retirement living accommodation was as a facilitator rather than a provider to ensure that support was provided without the risks and costs associated with ownership and resourcing.

Another relevant consideration is the role of Council versus State Government in these areas, as well as Council's strategic direction. The provision of aged and disabled accommodation for disadvantaged is largely a State Government responsibility.

Community feedback received via Council's Rates and Budget consultation continually flags roads and footpaths as major areas for additional resources and improvement. Council has expressed a strong desire to address these issues as part of its Strategic Plan preparation.

A number of Councils provide assistance to support aged and/or disabled accommodation in their areas. This is often undertaken with Council providing a parcel of land free of charge for a housing co-operative to build, own and manage the completed facility. This model is more difficult for Adelaide Hills Council, due to the lack of suitable land in Council's ownership that could be developed in this way and underlying land values.

One of the main areas where Council can support medium density accommodation suitable for aged and disabled housing is in providing suitably zoned land to allow the private sector to respond to the community and market needs. This is a current issue in the Adelaide Hills area and is being addressed through the Townships and Urban Areas Plan Amendment Report.

An "Affordable housing summit" has been organised by the State Government, SA Affordable Housing Trust, being held on 14 August 2007 (which is after the date of finalising this report). The Local Government association has circulated a briefing paper for this summit which outlines the draft LGA Policy position for the Local Government sector in this area. An extract of the current LGA "Housing" policy area is attached as Appendix 3.

Based on the above, it is recommended that Council not undertake the role of developer in the aged and disabled accommodation area, and confine its role to the Urban Planning area and as a facilitator, advocate and information provider.

This provides a framework where Council staff will facilitate where opportunities arise to link, for example, land holders or developers to the State Government funding areas and not for profit housing providers, that can provide aged or disabled accommodation. In this way Council will provide support for the area but not incur significant resource or property development and ownership risk.

The decision not to pursue a divestment at that time seems largely based on the opinion that a third party buyer would be challenging to find and that the portfolio was financially sustainable in the long term.

Workshops held with Council in 2016 and 2017 raised the question "given that there are now experienced providers operating in the Council area and keen to expand, is it Council's role and part of Council's core business to be a Retirement Village operator?". General discussion has indicated that the provision of retirement village living is not considered to be core business for Council and that if there are experienced operators providing affordable retirement living options in the Council area, Council is not required to fill that role as a provider.

Security of tenure for existing residents

The main issue when considering a divestment of the Retirement Village portfolio, is the ongoing security of tenure of the existing residents. In the development of the expression of interest, the following essential criteria was developed and used as the essential criteria to be met by a proposed purchaser in a divestment as set out below:

- Existing residents will be able to remain in their homes.
- All agreements as part of their licence to occupy remain in place and will be honoured.
- Retirement living housing remains affordable.
- Any increase in rents and/or maintenance fees would be phased in gradually over a reasonable period of time.
- Maintaining and enhancing the quality of life for residents.
- Priority access provided to local and Hills residents.
- Ability of your organisation to contribute to increasing the number of appropriate and affordable retirement living options in the Hills in the next 5 – 10 years.
- Ability to provide in-home support services; or to facilitate the provision of these, including a willingness to partner with Council's existing CSHP Services; to enable people to remain living longer at home.

Objectives

The objectives of the divestment process therefore include the desire to:

- Optimise realisation upon divestment
- Minimise risk
- Exit in a sensitive manner so as to avoid distress to existing residents and tenants
- Ensure compliance with legislation;
- Ultimately transfer the villages to a suitably credentialed organisation with a strong reputational standing

DIVESTMENT

Process

Following the Council resolution of 28 February 2018, Council engaged the services of Colliers International to undertake a confidential and comprehensive off market marketing campaign in relation to Council's retirement village portfolio.

A target list of over 20 existing operators was compiled including the operators that had expressed an interest through the Council's initial EOI process with all of these parties being approached to ascertain interest.

Interested parties were asked to sign a confidentiality agreement prior to being granted access to a data room containing high level information regarding the portfolio.

A 4 week confidential due diligence period was allowed for parties to the information contained in the data room and make their own investigations. There were 8 active parties in that process.

4 formal submissions were received by the end of the due diligence period.

Evaluation Criteria

Evaluation criteria for the assessment of submissions was developed, based on the essential criteria included in the EOI as follows:

- Existing residents will be able to remain in their homes
- All existing occupation agreements for residents remain in place and are honoured
- Retirement living housing remains affordable
- Any increase in rents and/or maintenance fees to be phased in gradually over a reasonable period of time
- Maintain and enhancing the quality of life for residents
- Priority access provided to local and Hills residents
- Ability to provide in-home support services, or to facilitate the provision of these, including a willingness to partner with Council’s existing CSHP Services, to enable people to remain living longer at home

Subject to meeting the above criteria, submissions would then be assessed on their price submission.

Assessment against the Criteria

All submissions addressed the essential criteria however there were varying degrees of emphasis to each of the criteria, so a balanced approach was required in the assessment phase to determine what the package outcome would be for both the village residents and Council for each submission.

Summary of submissions received

Party	Whole or Part Portfolio	Essential Criteria Met	Original Price Submission	Ranking
Clayton Church Homes Inc.	Whole	Yes	\$6.5M - \$7M	1
Party B	Part (Balhannah, Crafers & Bridgewater)	Yes	\$3M	2
Party C	Part (Gumeracha, Lobethal & Woodside)	Yes	\$3M	2
Party D	Whole	Yes	\$1.5M - \$2.5M	3

Evaluation

All parties were approached and given an opportunity to submit an amended offer if desired. Party C indicated that they may have some additional scope however did not formally amend their submission.

All price submissions were on the basis of the new operator assuming liability for all loan refund and rent bond liabilities.

Based on the assessment of the submissions against the essential criteria and price, Clayton Church Homes Inc. (CCH) was deemed to be the preferred party.

Additional negotiations

Further negotiations were undertaken with CCH in relation to their price submission. An additional 4 week exclusive due diligence period was offered to CCH who submitted an amended offer of \$7.5M.

Contract negotiations

Council staff and CCH and their respective legal representatives, and including Colliers International, have undertaken significant contract negotiations since 15 June to arrive at an agreed contract position that adequately addresses the essential criteria as well as the other commercial considerations for a transaction of this nature.

Additional Crafers Land

During negotiations, CCH advised that they would be interested in purchasing the vacant land adjacent to the Crafers village and submitted an offer of \$180,000. In line with Council's *Disposal of Land Policy*, a valuation was obtained from an independent valuer which assessed a value of the land at \$185,000. Allowing a +/- of 10% for the valuation, the offer is considered acceptable. This parcel of land has been incorporated into the land included in the Contract and the purchase price updated to reflect the same.

Bridgewater

The Bridgewater village comprises 2 titles, one on the corner of Second Ave & Mt Barker Road and the other adjacent on Second Avenue.

During the contract negotiations, CCH sought additional due diligence information to confirm when Council acquired each village and details of any consideration paid. In providing this information, it was discovered that a portion of the Bridgewater village, being CT 5488-788 on the corner of Second Ave and Mt Barker Road, is the subject of an unregistered charitable trust and is community land.

Whilst the Bridgewater village was purported to be excluded as community land in 2000, due to the existence of the unregistered charitable trust, the portion of the village contained on the title on the corner of Second Ave and Mt Barker road remains as community land.

As such it has been necessary to excise the Bridgewater village from the transaction at this time, however it has been agreed to provide CCH with a first right of refusal to purchase the land if the trust is able to be varied and the community land classification revoked.

The first right of refusal has been included in the Contract. A valuation for the Bridgewater village has been agreed at \$638,000 and the purchase price of the Contract has been updated to reflect the same. Additional advice is pending on this issue and a separate report is to be presented to Council in due course.

Outcome

The contract presented to Council for consideration, and as attached as **Appendix 2**, is considered to be an appropriate reflection of the proposed transaction with the key elements being:

- Meeting the Council’s essential criteria in an acceptable manner including ensuring that residents can remain in their homes under their existing agreements and that fee increases are managed appropriately
- Settlement to occur in a reasonable timeframe but subject to:
 - Revocation of community land for the Lobethal village which is currently with the Minister for Planning for assessment and will require a further report to Council to revoke the community land classification
 - Termination of the joint venture agreement with Renewal SA (as successor to SA Housing Trust)
 - Freeholding of the Crafers village land and creation of service easements in favour of the Crafers village
- A sale price (including the retention of monies held by Council) which adequately reflects the value of the asset

4. OPTIONS

Council has the following options:

- I. Resolve to sell the retirement village portfolio in accordance with the recommendation (Recommended)
- II. Resolve to sell the retirement village portfolio on alternate conditions to what is recommended which may result in an impact on the sale price or the willingness of CCH to proceed with the transaction (Not Recommended)
- III. Resolve not to sell the retirement village portfolio which will result in the retirement villages remaining in Council ownership and management (Not Recommended)

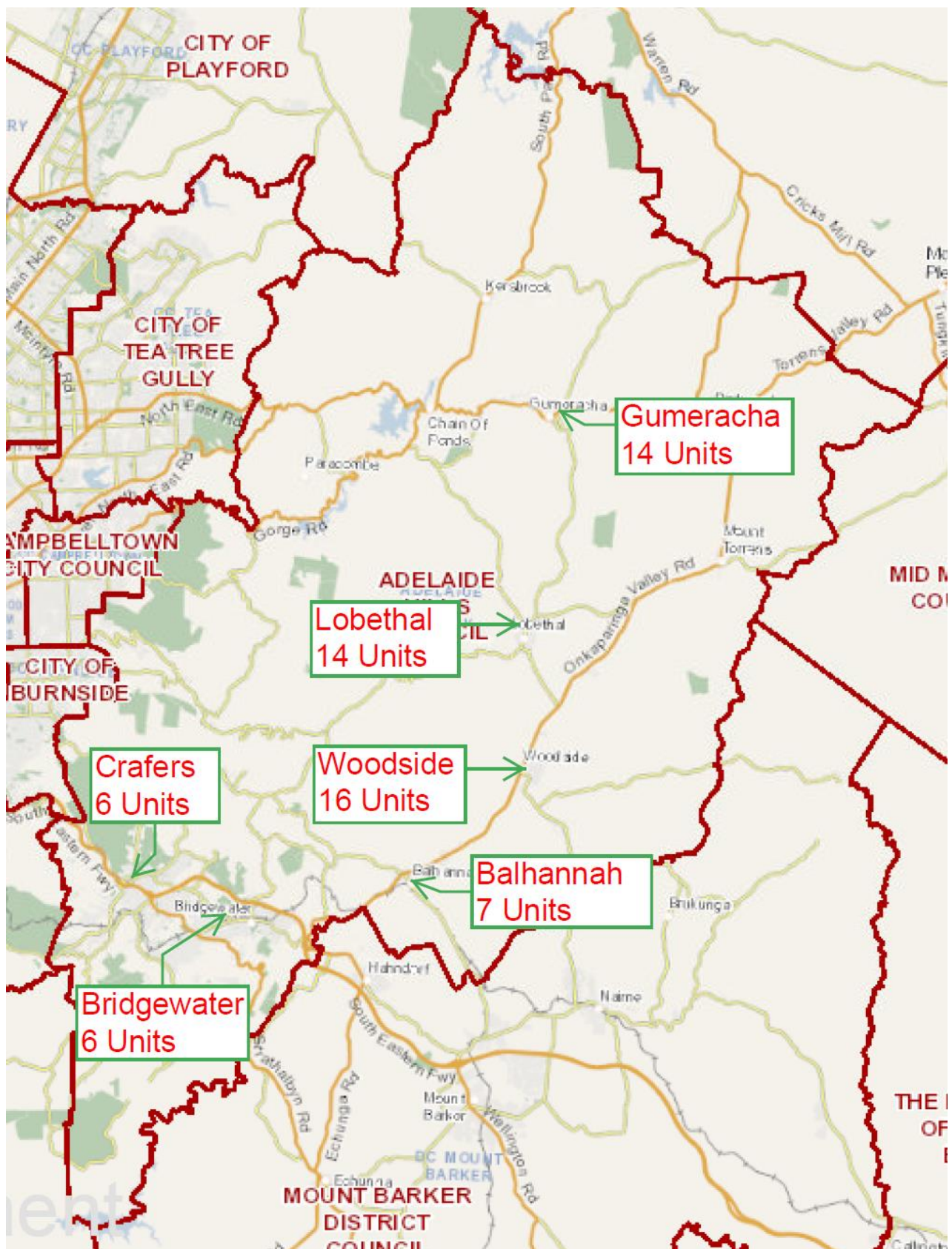
5. APPENDICES

- (1) Overview of location of the Villages
- (2) Contract for Sale and Purchase
- (3) Information flyer provided to residents in May 2017

Appendix 1

Overview of location of the Villages

Retirement Village Locations



Appendix 2

Contract for Sale and Purchase

Appendix 3

Information Flyer provided to residents in May 2017



Adelaide Hills COUNCIL

AGE FRIENDLY LIVING ENVIRONMENTS

“A Home for Life”

RESIDENTS’ INFORMATION SHEET

BACKGROUND

The Adelaide Hills Council has consulted with our community and providers of services to our older residents to prepare an Age Friendly Community Plan. This plan seeks to make the Adelaide Hills Council area an even better place to grow older. It focuses on the physical environment, health and well-being, housing and support services, social connection and participation.

Research for the Plan identified that there are limited affordable and appropriate housing options for people who want to remain in their communities as they age. The Plan seeks to find ways to increase the number and diversity of dwellings to meet the needs of older people.

The Plan also identified the need for Council to review the level of service provided to the retirement villages it operates to ensure that this is consistent with that provided by other not for profit housing providers.

PURPOSE OF OUR CONVERSATION WITH YOU

The Adelaide Hills Council has decided to explore the options available for funding, operation and management of our retirement villages to ensure these continue to serve our older community well.

The first step in this process is to begin a conversation with our existing residents about the things you consider to be important in providing housing that meets the needs of older people now and in the future.

We wish to outline a number of possible options which Council may consider. Council has established some clear guidelines for the way that the villages will be operated in the future, regardless of which option is supported.

GUIDELINES FOR OPERATION OF RETIREMENT VILLAGES

- Existing residents will be able to remain in their homes.
- All agreements as part of your license to occupy remain in place and will be honoured.
- Retirement living housing remains affordable.
- Any increases in rents and/or maintenance fees would be phased in gradually over a long period of time

MAKING SURE RETIREMENT LIVING UNITS CAN BE WELL MAINTAINED

Council has recently obtained new valuations on our retirement villages and have received advice on the contribution costs and rents required to maintain these properties to an acceptable standard.

All new residents entering our villages under the traditional licence to occupy agreement will pay these higher entry fees.

New residents entering our villages under a rental agreement after 1 July 2017 will pay these higher weekly rents.

Council has proposed changes to maintenance fees which will involve an increase of 10% which in most cases is between \$4 - \$5 a week this year. Council is also considering how to gradually increase weekly rents over a reasonable period of time to address the existing gaps between costs and income.

Council is committed to making sure that no residents are financially disadvantaged by these changes. Individual circumstances will be taken into account and arrangements made to ensure that you are not adversely affected.

Your housing is secure and all of your existing license agreements remain in place. This will be the case whatever the nature of future management arrangements.

POSSIBLE OPTIONS TO BE CONSIDERED BY COUNCIL

Following our conversations with residents and taking into account what we have heard, Council will seek Expressions of Interest from not-for-profit organisations that provide housing for older people regarding their willingness to assist Council with funding and/or management services that enable these retirement living opportunities to be available in the future.

These options could include partnership with another service provider to assist with management or undertake management on Council's behalf.

It may also be that one of these service providers expresses an interest in taking full ownership of Council's retirement village portfolio because they believe that this would help them to deliver more housing options. If this happens then Council would consider this on a case-by-case basis.

If there is no interest expressed by any of these service providers and Council continues to operate the villages, there will need to be changes to the fee structure as discussed above.

CONTACT COUNCIL'S TEAM FOR MORE INFORMATION

After you leave today you may find further questions or concerns arise for you. Please do not hesitate to contact one of the people identified below to discuss your issues. If you would like a face to face meeting with one of us please call to make a time. Please feel free to bring another person to that meeting if that would help you to feel more comfortable.

Phone contacts for team members:

Natalie:	8408 0546	Gaye:	8408 0447
Gen:	8408 0513	Angela:	0407 600 124.

3. Retirement Village Review – Period of Confidentiality

Subject to the CEO, or his delegate, disclosing information or any document (in whole or in part) for the purpose of implementing Council's decision(s) in this matter in the performance of the duties and responsibilities of office, Council, having considered Agenda Item 7.2 in confidence under sections 90(2) and 90(3)(b) of the *Local Government Act 1999*, resolves that an order be made under the provisions of sections 91(7) and (9) of the *Local Government Act 1999* that the report, related attachments and the minutes of Council and the discussion and considerations of the subject matter be retained in confidence until settlement with the exception of Appendix 2 which shall be retained in confidence until 31 July 2023.

Pursuant to section 91(9)(c) of the *Local Government Act 1999*, Council delegates the power to revoke the confidentiality order either partially or in full to the Chief Executive Officer.