

In Confidence

Office of the Associate Minister of Housing

Cabinet Economic Policy Committee

Retirement Villages Act 2003: Changes to the exit repayment provisions

Proposal

1. In relation to the Retirement Villages Act 2003 (the Act) I am seeking agreement from Cabinet to approve the following policy changes to some of Cabinet's November 2025 decisions related to the exit repayment provisions in the Act:
 - 1.1 replace the 12-month maximum repayment timeframe for a resident's net termination proceeds with a 9-month maximum repayment timeframe;¹
 - 1.2 replace interest payments with an initial 10 percent payment of a former resident's net termination proceeds within four weeks of exit.
2. I seek agreement to apply the revised exit repayment provisions to new contracts only after a one-year transition period.
3. Finally, I also seek agreement to delay the introduction of the Retirement Villages Amendment Bill (**the Bill**) until the next Parliamentary term.

Relation to government priorities

4. The Coalition Agreement between the National and New Zealand First parties includes a commitment to progress the review of the Act and to liaise with retirement village owners and occupiers to seek a mutually agreed way forward to safeguard the interests of the 50,000 plus New Zealanders living in retirement villages.

Executive Summary

5. Cabinet agreed to a comprehensive package of reforms to the Act to modernise the legislation, address consumer protection issues, and rebalance the rights and responsibilities of operators and residents [ECO-25-MIN-0199].

¹ Net termination proceeds are the upfront capital sum a resident pays for their occupation right agreement minus a fixed deduction and any other charges or deductions that might apply.

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6. The most contentious issue of the review has been requirements for exit repayments when a resident leaves a village. Cabinet agreed to the following changes that will apply to ORAs signed one year after Royal assent:
 - 6.1. a 12-month maximum repayment timeframe for exit repayments, with targeted exemptions and extensions to manage risk;
 - 6.2. interest applying to exit repayments from six months after exit; and
 - 6.3. establishing the hardship application scheme for residents who leave a village to live elsewhere and need early access to funds for specified needs before their unit is relicensed or the maximum repayment timeframe applies.
7. After listening to sector feedback and upon further consideration, I consider that the new exit repayment provisions may not go far enough to address residents' concerns about delays and fairness, and the interest payment requirement might be complex for operators to administer.
8. I propose to revise Cabinet decisions on the 12-month maximum repayment timeframe and interest payment requirement. I seek Cabinet agreement for a more resident-focused package, with:
 - 8.1. a 9-month maximum repayment timeframe; and
 - 8.2. an initial 10 percent payment to former residents who leave a village to live elsewhere.
9. These changes to the Bill will take time to prepare. I am therefore seeking Cabinet agreement to delay the introduction of the Bill until after the General Election to allow time for these policy changes to be fully developed, instructions for drafting prepared, and for the Bill to be drafted and settled.

Background

Cabinet made decisions in November 2025 on reform of the Act and regime

10. Cabinet agreed to a comprehensive suite of policy proposals to amend the retirement village legislative regime [ECO-25-MIN-0199]. In relation to the exit repayment provisions, Cabinet agreed to amend the Act to:
 - 10.1. introduce an application scheme for the early release of funds up to the full exit repayment to a former resident, where they demonstrate specific needs (such as needing to transfer to aged residential care);
 - 10.2. require that if a former resident's unit remains vacant after six months, the operator will be required to pay interest on the former resident's exit repayment; and
 - 10.3. introduce a 12-month maximum repayment timeframe for residents' exit repayments after ORA termination.

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11. For the application scheme and maximum repayment timeframe, Cabinet agreed to exemptions and extensions to ensure fairness and mitigate risk, including for smaller villages (i.e. those with fewer than 50 units). Cabinet also agreed the exit repayment changes would apply to ORAs signed one year after the Bill receives Royal assent.
12. The Parliamentary Counsel Office (**PCO**) has been drafting an amendment Bill to give effect to Cabinet's decisions. s 9(2)(f)(iv)
[REDACTED]
[REDACTED] The sector anticipates that the Bill will be introduced during the current Parliamentary term.

Why further decisions are needed now

13. After listening carefully to sector feedback on the November 2025 package, I now consider a revised package better meets the policy objectives of addressing consumer protection issues and rebalancing the rights and responsibilities of operators and residents. Cabinet decisions are needed before drafting can be finalised and the Bill introduced.

Issues arising with the November 2025 exit repayment package

14. Responses to the Cabinet-agreed changes to the Act have generally been positive, except regarding the exit repayment provisions. Overwhelmingly, residents have conveyed a sense of disappointment in the 12-month maximum repayment timeframe. They argue that 12 months is too long to wait for repayment of their owed funds. Because a high proportion of units are relicensed by 12 months, the maximum repayment timeframe would only benefit a small minority of residents. Residents also consider only applying the changes to ORA signed after the law changes come into effect is unfair.
15. In response to the policy announcements, I understand some operators have introduced the option for a maximum repayment timeframe of six months in new ORAs albeit with an increase of the fixed deduction, commonly referred to as the deferred management fee (**DMF**). The DMF is an amount deducted from the upfront capital sum paid by a resident for the right to live in the unit (the purchase price). The DMF covers the long-term maintenance of the village and the cost of refurbishing the unit. The DMF is usually capped between 25 percent and 35 percent of the initial purchase price.
16. Anecdotal evidence from the industry is that in the case of one large provider, new residents are opting for a 12-month maximum repayment timeframe (with a 30 percent DMF) over a specified 6-month maximum timeframe (with a 35 percent DMF). Of the 800 ORAs signed since they introduced maximum repayment options in December 2025, no incoming residents have opted for a 6-month guaranteed repayment timeframe at 35 percent DMF. Rather, residents have opted for a maximum 12-month repayment timeframe at a lower 30 percent DMF.

17. In terms of requiring interest payments on residents' owed funds after six months, the Retirement Villages Residents' Association do not consider this will incentivise earlier relicensing. Operators have advised that calculating interest for individual repayments is administratively difficult, partly because they would need to consider the income situation of each resident to determine the correct tax setting.
18. Recent data provided by the Retirement Villages Association shows that in 2024 approximately 59 percent of retirement village units were relicensed at six months, down from 77 percent in 2021 reflecting a slower housing market.² **Appendix 1** compares relicensing timeframes from 2020 to 2024.

Proposed revised exit repayment package

19. I seek agreement to revise the exit repayment provisions by replacing the interest requirement and 12-month maximum repayment timeframe with a simpler and more resident-focused package: an initial 10 percent payment to former residents, a retained hardship application scheme for specified needs, and a 9-month maximum repayment timeframe.

Reducing the maximum repayment timeframe from 12 to 9 months

20. I recommend reducing the maximum repayment timeframe from 12 to 9 months. This means the financial benefits of the timeframe would accrue to a greater number of residents (almost twice as many as under a 12-month timeframe).³ The reduced timeframe would also give greater certainty benefits to all residents and whānau. The requirements in the proposed Bill that operators take all reasonable steps to enter into a new ORA for a unit will be retained (e.g., to further encourage operators to relicense units promptly).
21. Cabinet previously agreed to extensions and exemptions in prescribed situations to mitigate financial risks and ensure fairness for villages with different models (such as villages with fewer than 50 units and villages that share capital gains with former residents). I do not consider any changes are needed to the extension and exemption decisions.

Replacing interest after 6 months with initial 10 percent payments

22. In terms of requiring interest payments on residents' owned funds after six months, residents do not consider this will incentivise earlier relicensing. Operators have advised that calculating interest for individual repayments is administratively difficult, partly because they would need to consider the income situation of each resident in order to determine the correct tax setting for each.

² Primary Purpose report, *Retirement Villages Association – Occupation Right Agreement Relicensing & Pathway to Care Report 2025*.

³ Officials estimate that between 9 - 20 percent (around 495 – 1,374) of exiting residents per annum would receive direct financial benefits from this option. This compares with only 5 – 10 percent (around 275 - 687) of exiting residents per annum who would receive direct financial benefits under a 12-month maximum repayment timeframe.

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23. I recommend introducing a requirement for operators to pay out 10 percent of the resident's net termination proceeds (broadly, the capital sum minus the DMF) to a resident who leaves a village to live elsewhere within four weeks of ORA termination. This payment shortly after exit is likely to be simpler for village operators to calculate and administer than interest payments and would have greater immediate benefits to residents.
24. Indicatively, a resident purchasing an average value retirement village unit in 2028 could expect to receive approximately \$58,900 within four weeks of moving out of their unit if the requirement of an initial 10 percent payment was introduced.⁴ This amount would be sufficient in most cases to address pressing needs, such as moving costs, and aged residential care or alternative accommodation costs.
25. The payment could reduce stress for residents and families at a difficult time, as exit repayment provisions are often activated when a resident moves into aged residential care. It would reduce the need for most residents to go through the application process to access their net termination proceeds via the hardship pathway.
26. I recommend the initial 10 percent payment would only be required to be paid to a former resident, not to a resident's estate beneficiaries. Limiting the requirement to former residents will address the main concerns of residents and keeps costs to operators manageable.
27. I also recommend exemptions from the initial 10 percent payment for villages where:
 - 27.1. the resident is responsible for finding a new resident for the unit and setting the price that the unit is marketed for; or
 - 27.2. 50 percent or more of the capital gain made from the sale of the unit are shared with the outgoing resident or their estate; or
 - 27.3. the village is in liquidation or receivership; or
 - 27.4. the village has fewer than 50 units.
28. Some Ministers have raised with me whether the timing of the initial 10 percent payment increases the risk of financial abuse of older people. There may be a potential risk for residents who leave a village to live elsewhere. I propose to consider this matter further and seek Cabinet agreement to make further policy decisions during the Bill drafting stage to ensure there are adequate safeguards.

⁴ This amount is estimated by calculating the average value of a retirement village in 2028 and deducting 25% for a fixed deduction, resulting in an average net capital sum of \$588,676 (for 2028). The amount is based on the February 2025 estimated capital value of \$697,774 in data provided by the RVA and adding 4% p.a. for growth in value.

Retaining the early access hardship application scheme

29. In November 2025 Cabinet agreed to a pathway for new ORAs to enable residents facing hardship (but not their estate beneficiaries) to apply for early access up to their full net termination proceeds. Currently, hardship arrangements are voluntary and inconsistent across the sector.
30. The early access hardship scheme assists residents to:
 - 30.1. enable the resident to move into or remain in aged residential care; or
 - 30.2. alleviate financial hardship; or
 - 30.3. meet a resident's need to access more suitable alternative accommodation.
31. If the statutory criteria are met the operator will only be able to decline an application in part or in full if the amount requested will cause the operator undue hardship, put the operator at risk of insolvency, or risk the continued provision of key services and amenities to village residents. If an application is declined the applicant will be able to apply to the statutory supervisor to reconsider the decision.
32. This scheme will benefit residents who have high upfront costs. For example, some residents might exhaust the initial 10 percent payment before they receive the remainder of their net termination proceeds and still have unmet financial needs.

Estimated costs of the new exit repayment package

The sector would need to build up capital reserves or arrange credit facilities

33. Modelling indicates that to meet the costs of both the initial 10 percent payment and the 9-month maximum repayment timeframe the sector would need to collectively hold or have access ultimately to between \$561 million and \$995 million per annum. This is estimated to cost operators between \$56 million and \$150 million per year (in terms of opportunity cost).⁵ This is the equivalent of between \$1,243 and \$3,311 per unit per year on average. The total estimated costs represent between 0.15 percent and 0.4 percent of the total estimated value of all retirement village units.⁶
34. I expect operators to start 'pricing in' the cost of the new repayment rules to new ORAs going forward. The potential increase in the capital sum to purchase an ORA or the fixed deduction, if an operator were to pass on all costs to a

⁵ These costs are the potential opportunity cost to operators, from holding aside this capital instead of investing it, for example in village upgrades, new units, or providing returns to shareholders.

⁶ Officials estimate the total value of retirement village units in 2028 is approximately \$38.5 billion, calculated by multiplying the estimated number of units in 2028 (49,070) by the projected average unit value in 2028 (\$784,901). The total value of the retirement village sector will be much higher but cannot be estimated with certainty because comprehensive information on sector-wide assets and liabilities is not available. While the total number of units can be estimated, data on the value of the underlying land, communal facilities, aged-care facilities, or other assets held by retirement villages is not available.

resident, is estimated to be between \$10,938 and \$29,134. These costs will vary for individual villages depending on the size of the village, the prices of the village's ORAs, relicensing timeframes, how well-capitalised the village is, and the cost of borrowing.

35. The estimated cost impacts for the previous Cabinet-agreed package compared with those for a 9-month maximum repayment timeframe and my proposed package are set out in the Table 1.⁷ These modelled costs are based on an assumption the changes take effect from 2028, aligning with Cabinet's decision to implement the changes one year after the legislation takes effect (based on the assumption the legislation passes in 2027).

Table 1: Estimated costs of exit repayment provisions

Estimated costs ⁸		Indicative capital adequacy costs per annum (all operators)	Indicative opportunity cost per annum (all operators)	Indicative cost per unit per annum (per operator)	Potential increase in capital sum/fixed deduction per unit ⁹
Changes agreed in 2025 Cabinet-agreed exit repayment package (hardship scheme, interest payments and 12-month maximum repayment)	Hardship application scheme	unknown (likely to be low)	unknown (likely to be low)	unknown (likely to be low)	Unknown (likely to be low)
	Total costs	\$313 m - \$392 m ¹⁰	\$31 m - \$59 m ¹¹	\$890 - \$1,910	\$7,833 - \$16,801
New option Proposed 9-month maximum repayment only	Total cost	\$439 m - \$784 m	\$44 m - \$118 m	\$989 - \$2,649	\$8,701 - \$23,307
New option Proposed new exit repayment package (hardship scheme, initial	Hardship application scheme	unknown (likely to be low)	unknown (likely to be low)	unknown (likely to be low)	Unknown (likely to be low)
	Total costs	\$561 m - \$995	\$56 m - \$150 m	\$1,243 -	\$10,938 -

⁷ The extent to which operators can pass on costs to new residents will also depend on demand elasticity and competition with other operators.

⁸ Due to the assumptions used and buffers built in, the modelling takes a conservative approach. It is not possible to estimate the costs with certainty due to the variability in the range and price of ORAs, relicensing timeframes (which are correlated with the housing market conditions), and the length of time residents live in units.

⁹ Operators may not pass on all costs. The actual extent to which they are able to pass on costs to new residents will depend on demand elasticity and competition with other operators.

¹⁰ Note no capital adequacy requirement costs are expected to be incurred for introducing interest payments.

¹¹ Note no opportunity costs are expected to be incurred for introducing interest payments.

Estimated costs		Indicative capital adequacy costs per annum (all operators)	Indicative opportunity cost per annum (all operators)	Indicative cost per unit per annum (per operator)	Potential increase in capital sum/fixed deduction per unit
10 percent payment and 9-month maximum repayment) ¹²		m		\$3,311	\$29,134

36. **Appendix 2** sets out the detailed estimated costs and benefits of the proposed new exit repayment package.

Managing cost, implementation, and viability risks of new exit repayment package

37. The measures Cabinet agreed to in November 2025 for managing risk and to make the exit repayment provisions equitable across villages with different operating models include:
- 37.1. exemptions where the resident is responsible for finding a new resident for the unit and setting the price that the unit is marketed for;
 - 37.2. exemptions where 50 percent or more of the capital gains made from the sale of the unit are shared with the outgoing resident or their estate;
 - 37.3. exemptions where the village is in receivership;
 - 37.4. exemptions where the village has less than 50 total units;¹³
 - 37.5. extensions to the maximum repayment timeframe (up to six months extra) on specified grounds; and
 - 37.6. the ability to decline an application or waive a payment where this would result in a serious risk of village insolvency or place the continued provision of key services and amenities to residents at serious risk.
38. For the initial 10 percent payment, I propose the same exemptions apply (as those in paragraph 37.1. – 37.4. above).
39. I do not propose to add specific exemptions for not-for-profit villages with 50 or more units. I will be interested to hear any feedback from operators during the select committee stage on the impact of the exit repayment provisions on different types of villages.

¹² Applying the changes to current residents would not increase costs but would bring those costs forward for operators, as they would apply to all residents from the date the change comes into force.

¹³ Officials estimate villages with less than 50 units account for approximately 10 percent of units collectively.

40. I also do not propose to change the one-year transition period that Cabinet agreed to previously. This time will allow operators to prepare for the changes (for example, adjust their business models and draft new contracts).
41. I do not propose to revise other changes Cabinet agreed to make to exit repayment provisions including:
 - 41.1. stopping weekly fees and stopping fixed deductions from accruing further after termination of an ORA;
 - 41.2. preventing operators passing marketing and sale expenses to former residents unless the former resident is responsible for the sale of their unit;
 - 41.3. monthly reporting on sale progress;
 - 41.4. limiting former residents' share of capital losses to the extent they are entitled to a proportion of capital gains, if any; and
 - 41.5. requiring operators to pay a former resident their net termination proceeds via the statutory supervisor.

Applying changes to current contracts

Applying exit repayment provisions to current contracts (referred to as 'retrospectivity')

42. The Retirement Village Residents' Association and many residents are actively campaigning for the new exit repayment provisions to apply to residents with existing ORAs. s 9(2)(h)
[REDACTED]
[REDACTED]
[REDACTED]
43. I am aware of the equity issues with applying the changes to current ORAs. Firstly, current residents have signed their ORAs after receiving legal advice about the terms and conditions including when they could receive their funds after ORA termination.
44. Secondly, it means current residents will get the benefit of the changes, while the costs will be mostly shouldered by future residents. Operators are likely to pass on the costs through increased ORA prices or DMFs to future residents, whereas they do not generally have the ability to charge current residents more. Operators may also look to save money elsewhere to improve cashflow, for example they may spend less on improving amenities like bowling greens, rephase maintenance, or slow down construction of new units and investment in aged care provisions.
45. Applying the changes to existing ORAs means the capital adequacy requirements will be much more immediate for operators, as operators will need to have access to capital for all exiting residents from the date the changes take effect, rather than just those who sign ORAs after that date. If the

maximum repayment timeframe only applied to new ORAs, operators have longer to build up capital reserves. This is because residents live in their unit on average for eight years, so operators would have a longer period to build up the full capital reserves needed to cover the costs of the new exit repayment requirements. While operators will face initial cash-flow pressures and will need to build up additional reserves, this will be a transitional issue.

46. I acknowledge the concerns raised by residents relating to fairness and the prospect of residents within the same village having different terms and protections. I also note the genuine concerns of operators around the sanctity of contracts and financial implications of applying the proposed exit repayments provisions to current contracts.

Compliance and enforcement

47. To support compliance with the exit payment requirements, I propose the Bill includes two new civil liability provisions, each with a maximum pecuniary penalty of \$25,000 (for an individual) and \$50,000 (in any other case), as follows:

- 47.1. operator failure to pay a former resident the initial 10 percent payment within four weeks,
- 47.2. operator failure to pay a former resident or their estate their exit entitlement within the maximum repayment timeframe.

Alternative repayment timeframes

48. The Retirement Village Residents' Association, Consumer NZ and many residents are also campaigning for a 3-month maximum repayment timeframe.
49. I do not consider a shorter repayment timeframe feasible from an operator or cost of living perspective.
50. I am concerned that a repayment time shorter than 9 months (for example, a 3- or 6-month timeframe) would result in substantially increased costs for operators, a reduction in the level of services, amenities, and maintenance in villages impacting current residents, and slower development of new villages and aged care facilities (with resulting impacts on the broader health sector). It could put the financial stability of some retirement villages at risk. Ultimately increased costs will likely be pushed onto new residents and massively impact the affordability of retirement village living.
51. Based on modelling by the Ministry for Cities, Environment, Regions and Transport, the sector would collectively need to hold or have access to between \$3.2 billion and \$4.1 billion for a 3-month maximum repayment timeframe. This could result in a per unit per annum impact of \$7,000 to \$13,000. To cover additional costs, operators could increase the upfront capital sum to purchase an ORA by \$62,000 to \$117,000.¹⁴ Alternatively, operators could increase the

¹⁴ *Regulatory Impact Statement: Retirement Villages Act Review – Financial Exit Matters* November 2025

DMF (the percentage of the upfront capital sum paid to the operator when residents terminate their ORA).

Table 2: Estimated costs of 3- and 6-month maximum repayment timeframes

Estimated costs	Indicative capital adequacy costs per annum (all operators)	Indicative opportunity cost per annum (all operators)	Indicative cost per unit per annum (per operator)	Potential increase in capital sum/fixed deduction per unit ¹⁵
3 month maximum repayment timeframe	\$3,265m – \$4,081m	\$326m – \$612m	\$7,126 – \$13,362	\$62,699 – \$117,560
6 month maximum repayment timeframe	\$1,649m – \$2,061m	\$165m – \$309m	\$3,600 – \$6,750	\$31,672– \$59,386

Cost-of-living Implications

52. The changes will result in increased cost to operators, and these may be passed on to current residents through increased weekly fees, and likely to be passed onto future residents through increased upfront capital sums, fixed deductions and/or weekly fees.
53. Where retirement villages do not offer fixed weekly fees, fee increases for current residents are subject to consultation requirements set out in the Code of Residents' Rights and the Code of Practice.
54. Future residents will have choice as to whether collective and ongoing costs (the upfront capital sum, fixed deductions, and weekly fees) of the retirement village are acceptable.

Financial Implications

55. There are no specific financial implications associated with the decisions sought in this paper.

Legislative Implications

56. The proposals in this paper will be given effect through the Retirement Villages Amendment Bill, s 9(2)(f)(iv)
[REDACTED]
57. However, I am now seeking Cabinet's agreement to delay introduction until the next Parliamentary term, to implement the changes in this paper. There will be some disappointment from operators and residents with this delay.

¹⁵ Operators may not pass on all costs. The actual extent to which they are able to pass on costs to new residents will depend on demand elasticity and competition with other operators.

Impact Analysis

58. Impact analysis requirements apply to the proposals in this paper. Officials prepared a Regulatory Impact Statement (RIS) to assess exit repayment options for the purpose of informing Cabinet decisions in November 2025 (Financial Exit Matters RIS). A panel assessed the information and analysis in the Financial Exit Matters RIS as meeting the Ministry for Regulation's Impact Analysis quality assurance criteria.
59. The Financial Exit Matters RIS assessed various options for incentivising or requiring earlier financial repayments to a resident when they move out of a village. The Ministry's preferred package of options in the RIS is set out in the table below, compared with my preferred package, including the proposed changes in this paper.

Table 3: comparison of exit repayment options

Option	Ministry's preferred option in 2025 RIS	Changes recommended in this Cabinet paper
Introduce an application scheme for early repayment for specified needs	Former residents <u>and</u> estate beneficiaries	No change - former residents only (<u>not</u> the estate)
Introduce an initial 10 percent repayment requirement	For former residents within <u>5 days</u> of occupation right agreement termination	For former residents within <u>four weeks</u> of occupation right agreement termination
Introduce a mandatory repayment timeframe	Considered 9 months feasible to implement and would give certainty benefits for all residents, but noted the direct financial benefits are low compared with the likely costs (i.e. the financial benefits would accrue to less than 20 percent of exiting residents in any given year, but all future residents would have increased costs)	Shorten Cabinet agreed maximum repayment timeframe of 12 months to <u>9 months</u>
Require interest payments after six months	Interest rate increases over time	Remove flat rate interest rate requirement (previously agreed)
Commencement and application of key changes	Key changes apply to new contracts only, after a <u>two year transition</u> (allows operators to make financial arrangements).	No change - key changes apply to new contracts after a <u>one-year transition</u> .

60. The Climate Implications of Policy Assessment (CIPA) team was consulted on the proposals in the Cabinet paper *Review of the Retirement Villages Act 2003: Legislative reform proposals* [ECO-25-MIN-0199] and confirmed the CIPA requirements did not apply to the proposals.

Population Implications

61. The current target population for retirement villages is generally people aged 75 and over, though some residents are younger. The proposals in this Cabinet paper seek to improve consumer protections for people who choose to make a retirement village their home, while maintaining the viability of the sector to continue its role in providing secure, connected, and supported housing options for older people.
62. Women have longer overall life expectancy than men and make up a larger proportion of the over-75 age group. Although women tend to have lower retirement savings, demographic trends and sector insights indicate women make up the majority of residents in retirement villages.
63. Māori and Pacific Peoples make up a very small percentage of retirement village residents. Cultural conceptions around land and housing (such as living alongside whānau on land with whakapapa or cultural significance) make retirement village living less appealing. Lower rates of home ownership and shorter average life expectancy further impact entry to retirement villages.
64. Retirement villages in rural areas tend to be smaller and are therefore more likely to meet the proposed exemption threshold of 50 or fewer units for maximum repayment timeframes. For example, there are approximately 74 retirement villages in townships with less than 10,000 inhabitants, and around 60 percent of these have fewer than 50 units.

Human Rights

65. These proposals are consistent with the rights and freedoms contained in the New Zealand Bill of Rights Act 1990. Formal vetting will be undertaken during the drafting of the Bill.

Consultation

66. The Ministry has consulted on this Cabinet paper with the following agencies: the Office for Seniors, Ministry for Regulation, Ministry of Business, Innovation and Employment, Ministry of Health, Treasury, Ministry of Justice, Retirement Commission and Commerce Commission. ACT and New Zealand First oppose applying financial exit provisions outlined in this paper to existing ORAs.

Communications

67. I propose to publicise decisions in this paper through a Ministerial press release at an appropriate time.

Proactive Release

68. I propose proactively releasing this Cabinet paper within 30 business days of decisions being confirmed by Cabinet, with any appropriate redactions. Redactions will be applied as appropriate under the Official Information Act 1982.

Recommendations

I recommend that Cabinet:

Changes to the exit repayment provisions

- 1 note on 19 November 2025 Cabinet agreed to a package of changes to amend the Retirement Villages Act 2003 (the Act), which included:
 - 1.1 establishing an application scheme for early repayment of residents' funds with details as set out in Appendix B to the paper under ECO-25-SUB-0199;
 - 1.2 requiring that, if a former resident's unit remains vacant after six months, the operator will be required to pay interest on the former resident's net termination proceeds; and
 - 1.3 introducing a 12-month maximum repayment timeframe for residents' net proceeds after occupation right agreement termination (with extensions and exemptions to mitigate financial risks to villages and ensure fairness);
- 2 note that Cabinet agreed the proposals in paragraphs 1.1, 1.2, and 1.3 above would apply to occupation right agreements signed one year after the Retirement Villages Amendment Bill receives Royal assent [ECO-25-MIN-0199];

Maximum repayment timeframe

- 3 agree to rescind the decision referred to in recommendation 1.3 above (in respect of the 12-month maximum repayment timeframe);
- 4 agree to amend the Act to introduce a 9-month maximum repayment timeframe for residents' net proceeds after occupation right agreement termination (with no changes to the extensions and exemptions to mitigate financial risks to villages and ensure fairness that Cabinet previously agreed to);

Replacing the interest payment requirement with an initial 10 percent payment

- 5 agree to rescind the decision referred to in recommendation 1.2 above (in respect of the interest payment requirement);
- 6 agree to amend the Act to introduce a requirement for operators to pay out 10 percent of a resident's net termination proceeds to a resident exiting the village to live elsewhere within four weeks of occupation right agreement termination ('initial 10 percent payment');
- 7 agree, for the initial 10 percent payment, to apply the same exemptions that Cabinet previously agreed to in relation to the 12-month maximum repayment timeframe, that is where:

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- 7.1. the resident is responsible for finding a new resident for the unit and setting the price that the unit is marketed for; or
- 7.2. 50 percent or more capital gains made from the sale of the unit are shared with the outgoing resident or their estate; or
- 7.3. the village is in receivership; or
- 7.4. the village has less than 50 total units;
- 8 agree the changes apply after a one-year transition period to allow operators time to prepare for the changes (for example, adjust their business models and draft new contracts);

Application of changes to new occupation right agreements

- 9 agree to apply the exit repayment provisions to new contracts after a one-year transition period;

Compliance and enforcement

- 10 agree the Bill includes the following two civil liability provisions to support compliance, each with a maximum pecuniary penalty of \$25,000 (individual) and \$50,000 (in any other case):
 - 10.1. operator failure to pay a former resident the initial 10 percent payment within four weeks;
 - 10.2. operator failure to pay a former resident their exit entitlement within the maximum repayment timeframe;

Next steps

- 11 invite the Minister responsible for the Bill issue drafting instructions to the Parliamentary Counsel Office (PCO) to make changes to the Retirement Villages Amendment Bill (the Bill) to reflect the agreed decisions in this paper, including any minor, technical, or consequential changes that arise during drafting to ensure workability;
- 12 authorise the Minister responsible for the Bill and the Minister for Seniors to make further policy decisions during the Bill drafting stage to ensure safeguards for residents who are exiting a village to live elsewhere (other than to enter an aged residential care facility or to move to another retirement village);
- 13 authorise the Minister to make any further decisions needed on appropriate fines and penalties, consistent with penalties previously agreed by Cabinet in ECO-25-MIN-0199 and the policy intent of this paper;
- 14 authorise the Minister to make further policy decisions consistent with the policy proposals in this paper;

IN C O N F I D E N C E

Introduction of the Bill

15 s 9(2)(f)(iv)

16 agree to delay introduction of the Bill the next Parliamentary term.

Authorised for lodgement

Hon Tama Potaka

Associate Minister of Housing

Appendix 1: Relicensing timeframes for 2020 to 2024

The Retirement Villages Association commissioned research from Primary Purpose Ltd to estimate average relicensing times for units that have been vacated.

Table 4: Comparison of average relicensing timeframes

	2020	2021	2022	2023	2024
Percentage relicensed in less than six months	75 percent	77 percent	74 percent	63 percent	59 percent
Percentage relicensed in more than six months	25 percent	23 percent	26 percent	37 percent	41 percent
Sample size	3,127	3,147	3,042	3,210	2,742

The percentages were calculated based on units that were empty at the start of and vacated in a particular year, that were then relicensed within that year. For example, for the 2024 percentage, units that were vacated but not relicensed by the end of 2024 were excluded.

1.

Appendix 2 – Estimated benefits and costs of new exit repayment package¹⁶

9-month maximum repayment timeframe

1. The table below shows the indicative capital adequacy requirements and associated opportunity costs to operators from holding aside the capital required to meet a 9-month maximum repayment timeframe.¹⁷ It also shows the indicative cost per unit per annum and the potential increase in capital sum per unit for future residents.

Table 5: estimated costs to operators and residents of 9-month maximum repayment timeframe excluding villages with less than 50 units

	Indicative capital adequacy requirement (all operators)	Indicative opportunity cost per annum (all operators)	Indicative cost per unit per annum (per operator)	Potential increase in capital sum / fixed deduction per unit if operator passed on all costs
Implementation 2028 (one year transition)	\$439m - \$784m	\$44m - \$118m	\$989 - \$2,649	\$8,701 - \$23,307

2. The table below shows the estimated benefits to residents of introducing a 9-month mandatory repayment timeframe.

Table 6: estimated benefits to residents of a 9-month maximum repayment timeframe excluding villages with less than 50 units

	Percentage of residents benefitting (getting funds earlier than they would have) ¹⁸	Estimated financial benefit (for residents who get their funds repaid earlier than they would otherwise)	Estimated number of residents who would receive a direct financial benefit per year compared with status quo
9-month maximum repayment timeframe	9% – 20%	\$10,302 - \$28,158	479 – 1,331

Initial 10 percent payment for exiting residents within four weeks

3. The table below outlines the indicative capital adequacy requirements and associated opportunity costs to operators of holding aside the capital required

¹⁶ All figures are based on applying the changes to new ORA only, unless specified.

¹⁷ The potential opportunity cost to operators from holding aside this capital instead of investing it, for example in village upgrades, new units, or providing returns to shareholders.

¹⁸ The percentage depends on the housing market.

for an initial 10 percent payment to residents. It also shows the indicative cost per unit (per annum) and the potential increase in capital sum costs per unit for residents.

4. Cost modelling relies on assumptions about the cost of an occupation right agreement, the fixed deduction on exit, and the likely proportion of exits due to a deceased estate (as the initial 10 percent payment would not be made to estates). Impacts for individual villages will vary. Additionally, any significant changes in housing market conditions would impact the accuracy of expected costs.

Table 7: estimated costs to operators of an initial 10 percent payment for exiting residents (for all villages except villages with less than 50 units)

	Indicative capital adequacy requirement (all operators)	Indicative opportunity cost per annum (all operators)	Indicative cost per unit per annum (per operator)	Potential increase in capital sum/ fixed deduction per unit if operator passed on all costs
Implementation 2028 (one-year transition)	\$122m - \$211m	\$12m - \$32m	\$254 - \$662	\$2,237 - \$5,827

5. Indicatively, a resident purchasing an average value retirement village unit in 2028 could expect to receive approximately \$58,900 within four weeks of moving out of their unit if the requirement for a 10 percent partial early repayment was introduced.¹⁹ This amount would support residents to address pressing needs in most cases, such as moving costs, and aged residential care or alternative accommodation costs.

Application scheme for early access to net termination proceeds

6. Because it is difficult to predict how many applications would be made that meet the criteria of an early repayment scheme, it is not possible to model the costs for operators. However, overall applications and costs are expected to be relatively low because:
 - 6.1 Some operators currently choose to provide partial early repayment of funds on an ad hoc basis.²⁰
 - 6.2 The application scheme is focused on meeting specified needs, for example, expenses related to a serious illness.

¹⁹ This amount is estimated by calculating the average value of a retirement village in 2028 and deducting 25% for a fixed deduction, resulting in an average net capital sum of \$588,676 (for 2028). The amounts are based on the February 2025 estimated capital value of \$697,774 in data provided by the RVA and adding 4% p.a. for growth in value.

²⁰ The proposed application scheme broadly reflects similar elements of the remit passed by the RVA at their 2022 AGM.

- 6.3 For most residents, the automatic initial 10 percent payment will be sufficient to address the resident's needs ahead of their former unit being relicensed and the full repayment being made (e.g. to meet ongoing weekly aged residential care or rental costs).
- 6.4 The number of exits per annum due to the need to move to more suitable alternative accommodation is likely to be low.²¹
7. A key benefit of the application scheme is that it gives former residents the ability to access their owed funds early, in the rare case where the former resident requires more than 10% of their owed funds to meet their needs.

Combining the estimated costs of initial 10 percent payment and 9-month maximum repayment timeframe for operators and residents

8. Table 8 combines the estimated costs in tables 5 and 7 to show the full potential impact on operators and residents.

Table 8: estimated costs to operators and residents of both a 9-month repayment timeframe and an initial 10 percent payment excluding villages with less than 50 units

	Indicative capital adequacy requirement (all operators)	Indicative opportunity cost per annum (all operators)	Indicative cost per unit per annum (per operator)	Potential increase in capital sum/ fixed deduction per unit if operator passed on all costs
Implementation 2028 (one year transition)	\$561m - \$995m	\$56m - \$150m	\$1,243 - \$3,311	\$10,938 - \$29,134

Caveats

9. Several factors mean it is not possible to estimate costs with absolute certainty. These factors include: the price of occupation right agreements (which increase over time in line with the housing market), relicensing timeframes (which are correlated with housing market conditions because residents typically need to sell their home to move into a retirement village), and the variable length of time residents live in their units.
10. The figures provide an indication of average costs. Costs for individual villages and residents will differ depending on the size of a village, its occupation right agreement prices, relicensing rates, how well-capitalised a village is, and the cost of borrowing.
11. The actual costs for the 9-month maximum repayment timeframe and initial 10 percent payment are likely to be lower than those estimated in tables 5 and 7. This is because the modelling:

²¹ Data for New Zealand is not available. However, data from Queensland, Australia indicates that 6 percent to 10 percent of residents exit their retirement village unit to live elsewhere.

- 11.1 uses estimated average values of occupation right agreements for 2028. Occupation right agreements purchased before 2028 have a lower average value. Operators would require less capital than the modelling indicates for repaying residents who purchased their occupation right agreements before 2028, and
- 11.2 assumes an average fixed deduction of 25 percent. This figure is increasingly out of date, as most operators are now charging a 30 percent fixed deduction.
- 12. In addition, ongoing cash inflows are generated each year from units that are re-licensed at prevailing market values. Those cash inflows would help offset the financial impact of the policy change for operators.