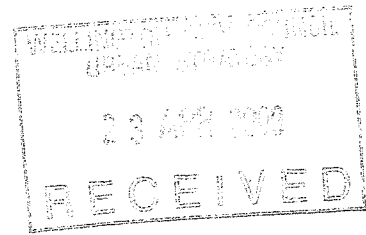


Rec. 23/4/09.



17th April 2009

Laura Willoughby
Acting Manager – Local Area Planning
Wellington City Council
PO Box 2199
Wellington

Dear Laura

**MALVINA MAJOR RETIREMENT VILLAGE, 118 BURMA ROAD, WELLINGTON
DEVELOPMENT CONTRIBUTIONS**

I refer to our recent conversations and previous correspondence relating to payment of development contributions that remain outstanding. This has been an issue that has been ongoing for sometime now as a result of a number of staff changes and we are anxious to conclude the matter between us and as amicably as possible.

The most recent assessment demand from Wellington City Council (WCC) totals \$107,493.75. It is our position that this assessment mostly treats us as typical residential household and does not consider the special and unique circumstances of the development of a comprehensive care retirement village.

WCC has assessed each suite in the retirement village as a typical residential household and applies 1 Household Unit Equivalent (HUE) per suite. WCC policy does not allow for a comprehensive retirement village and has accepted that we should be considered a special and unusual circumstance. Therefore it is very important that the village is assessed as a special circumstance applying fair and reasonable judgement.

It is also important to note that we have agreed a number of financial and development contributions with many local authorities in New Zealand over the last 18 months. We applied the same methodology to this assessment to determine the HUE of the demand on infrastructure generated by the development. It is also important to note that this has been completed at the request of WCC as the offer to half the \$107,493.75 excl GST was refused. This was in favour of the more accurate calculations based on evidence and precedent.

Contribution assessments need to fairly and reasonably reflect the development permitted by the consent. There has to be a clear casual nexus between the particular development for which consent was being granted and the demand on the infrastructure created by the development for which the contribution is required.

Consideration must be given to principles of the Local Government Act 2002 when calculating development contributions essentially summarised below as it applies to this specific case;

- The authority must demonstrate that it has attributed units of demand to particular developments or types of developments on a consistent and equitable basis.
- Be assessed for its effect on or demand for infrastructure, and an appropriate contribution required.
- Have an actual requirement for infrastructure as a result of the development.

We are both responsible to ensure that development contributions are fair and reasonable, reflect the demand on infrastructure that will be created by the residents in the retirement village, reflects legislation, case law and is consistent as possible with agreements reached with local authorities throughout the country. As you know, development contributions are not

a tax on development, they ensure council can recover the cost impact of development on the provision of infrastructure. It is important to note that the extension has been operating for some time now, and we are not aware of any additional or upgraded infrastructure that has been provided or required as a result of the extension to the retirement village.

We have built up a good working relationship with WCC and hope to reach a prompt resolution. I appreciate the council's efforts to ensure that we work together and agree a fair and reasonable contribution based on generation of demand on infrastructure. It is our view that if the development contribution is assessed on the above basis, then we will reach an amicable agreement, the contribution will reflect demand and a development contribution sub committee will not be required.

To better understand this matter, I have briefly described our resident's requirements, care provided and factual information that makes us unique from most, if not all other residential and lifestyle retirement villages in the area.

It is very significant that, based on other villages operated by Ryman Healthcare throughout New Zealand, occupancy is only 1.3 residents per independent unit rather than 2.6 people per household assumed for the standard occupancy per HUE in Wellington. The population of the independent living suites that are subject to assessment is as detailed below.

Unit Mix	Unit	Population
Independent Townhouse	0	0
Independent Living Suites	46	59.8
Assisted Living	0	0
Rest home, Hospital, Dementia	0	0
Total	46	59.8

There are 46 additional units at Malvina Major Retirement Village with a population of 59.8 residents. This calculates 23 HUE's (59.8/2.6).

The subject development is a comprehensive care retirement village. It is not a typical residential subdivision. There is also a significant difference between a Ryman Healthcare comprehensive retirement village and a lifestyle retirement village.

Residents that live in a comprehensive care retirement village have a significantly less active lifestyle and need the range of care and amenities provided within the village. A large proportion of the residents that we care for are either non active or have a very limited activity level outside the village. The average age a comprehensive retirement village resident is mid 80's plus compared to mid 60's for a lifestyle village. Malvina Major offers a continuum of care for residents that are becoming more frail requiring varying levels of day to day care to a residents passing away.

Ultimately, contribution costs are passed directly onto our residents. Residents are frail elderly people that have all contributed to the local community for most, if not all of their lives. We have an obligation to our residents to ensure contributions reflect their demand at a time in life when they will generate the least pressure on infrastructure.

Residents that move into a retirement village do so out of necessity. It usually follows a significant event in a resident's life such as the death of a husband or wife, illness, an accident that a resident is unable to fully recover from, or simply age related frailty or memory impairment. Lifestyle, needs and demands for these residents are very different than general population living in conventional residential houses.

Malvina Major Retirement Village provides a full range of care services to residents of Wellington. These include independent living suites, assisted living serviced care apartments (ALSCA), rest home and hospital care.

Offering choice gives residents a feeling of independence and control over their own living conditions. This is a fundamental principle to Ryman Healthcare as a leading and responsible operator of Retirement Villages. Whilst developers are building what they term "Retirement Villages", they are simply a lifestyle village. These are effectively an independent townhouse or apartment development. They have a minimum level of care enabling a claim that care is provided. The care provision is very limited a very small part of the overall development. It is not comparable to the range or provision of care provided in a comprehensive retirement village.

Ryman Healthcare own and operate comprehensive care retirement villages. We retain a long term interest in the success of the village and consider ourselves to be part of the local community.

Whilst residents independence, ability and frailty vary greatly, all residents recognise that they require some form of assistance to carry out day to day living tasks that many take for granted. Moving into a retirement village allows residents to feel more independent, secure, and gives peace of mind knowing that services are accessible as dependency and frailty increase with age over time.

Demand on all infrastructure is significantly reduced due to the occupancy levels, age, frailty and reduced overall activity of residents. Residents take part in the village community and as a result rely on the communal amenities and care provided within the village.

WCC are concerned that the Malvina Major Village could close down allowing apartments to be sold on the open residential market therefore reducing potential development contribution revenue. This view is fundamentally flawed and indicates revenue raising approach to the assessment and not assessing demand.

- We received resource consent for a retirement village. If the village was to change use to a residential housing scheme, then a resource consent is required giving WCC another opportunity to "top up" the development contribution to reflect typical residential demand.
- The village can not be utilised as a typical residential housing in its current form. It is specifically designed and built as a comprehensive care retirement village. Communal living arrangements are part of this design. A change of use would require significant structural works that would require a building consent on top of the resource consent. This gives WCC a further opportunity to reassess the development contributions at this time.
- Ryman Healthcare is an owner and operator of more than 23 comprehensive care retirement villages. Ryman is one of the largest companies in New Zealand with a very strong financial security. We have absolutely no intention to sell a successful core business operation into residential housing.
- Malvina Major Retirement Village is a registered retirement village under the Retirement Villages Act 2003. This is registered on the certificate of title. This protects the residents by giving them security that the village will remain as a village for as long as residents are living in the village, effectively preventing a change of use from a village. This protection prevents Ryman Healthcare, any other owner and even a bank from changing its use.

Development Contribution Schedule

Reserves

All demand for recreational use is provided for onsite by the village's communal amenities.

Demand from residents occupying independent living suites is significantly reduced and I have summarised some of the main reasons below:

- Low resident occupancy per suite compared to the assumed standard residential unit. Occupation rate for independent living suites within the village is 1.3 compared with the standard housing unit of 2.6 in WCC.
- Low demand generated by residents through significantly reduced activity ability.
- Indoor and outdoor amenity infrastructure provided onsite due to residents reduced lifestyle, activity and reduced physical ability. Demand on local services is reduced by residents utilising the amenities provided within the village. Some of these include bowls green, pétanque course, swimming pool, gym, bar, village lounge, library, café, hair

saloon, beauty therapy, physio therapy, village shop, extensive outdoor landscaped gardens & 2 indoor atriums.

- Recognition that the residents in the village have already contributed greatly towards Wellingtons existing infrastructure throughout their lives as part of the local community. I am aware that this is not considered important by the local authority and councillors as it has the potential to reduce development contribution revenue; however it is fair, reasonable that it should be considered. The assessment should recognise that Wellington is enjoying the environment provided throughout the lives of the residents that are living in the Malvina Major Retirement Village.

We reluctantly accept that residents that live in an independent living suite could potentially generate some demand on reserves. However this demand is significantly reduced as described above and fair judgement needs to be applied instead of WCC concentrating on revenue.

To reflect this, we propose to base the contribution on the independent living population and apply a reduction of 75% to the calculated HUE to account for onsite infrastructure and reduced demand generated by the development.

This is calculated as 46 independent living suites x 1.3 / 2.6 = 23.

The fair and reasonable total number of reserve HUE's is 5.75 after allowing a 75% reduction for onsite amenities and extremely low demand (if any) as detailed above.

Transportation & Rooding

The Traffic assessment submitted from Traffic Design Group (dated 1 September 2007) confirms that a retirement village is a very low traffic generator stating a total traffic generation of 2.5 vehicle movements per day per unit. Please note that this is total traffic generated by the units and includes movements from residents (if any), visitors and service deliveries. This is undisputed and accepted by WCC in a letter dated 23 October 2007.

A typical residential household generates 10 vehicle movements per day.

Based on the above, total traffic movements generated by the village extension is 115 (46 units X 2.5) calculating an HUE of 11.5 (115/10).

Stormwater

Each independent living suite is not a household unit. It is a very simple calculation to determine the stormwater HUE.

WCC engineering standards details that each HUE is 65m² of impervious area.

The impervious area for the consented building is its footprint being 1309.71m².

This calculates 20.14 HUE's. (1309.74/65).

Water Supply and Sewage

A significant factor in the very low daily water demand per resident is mainly due to low occupation rates, a very much reduced active lifestyle and communal style living. This also contributes to the low peak water demand as our residents do not go to work every morning, therefore most water usage generated by the village is off peak.

The letter dated 19 September 2007 clearly shows the village peak flow usage being just 6.4% of a typical household. It appears that this information has not been considered by your engineers at all and I trust you can appreciate our frustration.

The table below shows the actual total water usage at Malvina Major Retirement Village over the last 12 months. The information is taken from water meter readings and charges from WCC. It shows a very low total water usage per person at the village of around 100 litres per person per day.

	Residents	From	To	Days	m3	m3/day	Litres per person per day
Malvina Major	292	3/03/2008	1/04/2008	29	952	33	112
Meter Numbers:	292	1/04/2008	1/05/2008	30	932	31	106
840527	292	1/05/2008	3/06/2008	33	962	29	100
9764515	292	3/06/2008	1/07/2008	28	816	29	100
9498927-03	292	1/07/2008	1/08/2008	31	906	29	100
9823880-06	292	1/08/2008	5/09/2008	35	883	25	86
9823024-06	292	5/09/2008	1/10/2008	26	822	32	108
Wellington City Council	292	1/10/2008	6/11/2008	36	967	27	92
<i>Charged monthly</i>	292	5/11/2008	3/12/2008	28	804	29	98
	292	1/12/2008	6/01/2009	36	1,096	30	104
	292	6/01/2009	2/02/2009	27	911	34	116
	292	2/02/2009	2/03/2009	28	913	33	112

- WCC engineering standards allows a typical household usage of 780 litres per household per day.
- WCC occupancy per typical household is 2.6.
- Water usage calculates a total daily usage of 300 litres per person per day (780/2.6) for a typical residential household in Wellington.

The actual water demand generated by the village residents of 100 litres per resident per day is only 33.33% (100/300) of a typical residential unit.

Your engineers advise that infrastructure needs to provide for fire fighting. WCC is relying on this statement not to consider our low demand on infrastructure. It is evidence that WCC are not considering actual demand generated by the village. This is the legal basis that development contributions must be assessed. Development contributions are not a tax on development.

Your engineering standards of 780 litres per household per day allows for total water usage. This includes an element for sporadic demand for fire fighting. This demand is unpredictable and water used in each fire event is insignificant compared to predictable daily water usage per HUE. Otherwise there would be a development contribution charge for fire fighting.

In addition, the village has a much higher protection against fire risk than a typical residential household. The village is fully fitted with smoke detectors, fire hose wheels, fire alarm, and a full fire sprinkler system. This is far in excess of a typical household. The fire system protects the building and residents from fire with early detection of fire allowing its elimination before it spreads.

It is be fair to expect that concessions should be made in the assessment to reflect a far superior fire protection to that of a typical household. As fire is detected and eliminated promptly, the overall anticipated demand on water infrastructure is significantly reduced. In other words, less water (less demand) would be used to fight a fire in a building that is fully alarmed and fitted with fire sprinklers for immediate action than a typical household that would have to wait until assistance from fire engines arrived.

To calculate the demand generated by the development, two adjustments must be made. The first for population, the second for demand generated per resident.

There are 46 additional units at Malvina Major Retirement Village with a population of 59.8 residents. This calculates to 23 HUE's (59.8/2.6).

Based on population and an adjusted reduced water usage compared to the WCC engineering standards, the number of HUE's is 33.3% (100/300) of 23 (59.8/2.6) HUE's totalling 7.67 HUE's for the village.

An alternative way to calculate the low population and low demand generation is to say it will take 7.8 (780/100) of our residents to reach the engineering standards of 1 typical household. This calculation works out to as 7.67 HUE's also. ($46 \times 1.3 = 59.28$, $59.28 / 7.8 = 7.67$)

Conclusion

Ryman Healthcare is very pleased and proud to own and operate the Malvina Major Retirement Village. We are grateful that so many residents and families trust us to provide care to their parents at a time in life when our residents are very vulnerable. It is part of our responsibility to ensure our residents are protected and treated fairly and reasonably at all times.

Ryman Healthcare is passionately committed to providing high quality care to local residents in a quality environment. This improves resident's quality of life. We provide a full range of care to serve residents with different levels of frailty and dependence, not just independent living residents like lifestyle retirement villages. No other retirement village operator is providing the level and range of care that we provide in all of our retirement villages.

Generation of demand on infrastructure is significantly less than conventional residential development due to the frailty of residents, amenities provided within the village and occupation levels in the village.

I trust that you consider the above comments and proposals fair and reasonable. It reflects demand generated by the village on local infrastructure and is consistent with what we discussed and/or agreed. I have summarised the contribution payable in the table below.

Purpose	HUE	Rate excluding GST	Total
Parks & Reserves	5.75	\$460.00	\$2,645.00
Roading	11.5	\$635.00	\$7,302.50
Stormwater	20.14	\$156.00	\$3,141.84
Waste Water - City	7.67	\$215.00	\$1,649.05
Waste Water - Catchment	7.67	\$1,185.00	\$9,088.95
Water Supply	7.67	\$214.00	\$1,641.38
		Subtotal	\$25,468.72
		Total Incl GST	28,652.31

I look forward to receiving your acceptance of the above at your earliest convenience. Once this is received, I can ensure full payment is made within days to conclude this matter.

Please contact me if you have any queries or require any further information.

Yours faithfully
for RYMAN HEALTHCARE LIMITED



Andrew Mitchell
Development Manager

CC : Dougal List