NDIS Specialist Disability Accommodation

Pathway to a mature market

pwc

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Contents

List of acronyms:

CHP - Community housing providers

CRA - Commonwealth Rent Assistance

DSP - Disability service provider

LALC - Local Aboriginal Land Councils

NDIA - National Disability Insurance Agency

PPP - Public-private partnership

RRC - Reasonable Rent Contribution

SDA - Specialist Disability Accommodation

Foreword

It is with great excitement and optimism that PwC and the Summer Foundation release this report into a new housing market for people with disability.

Five years after the start of the National Disability Insurance Scheme (NDIS), we are seeing a housing market develop for people with disability that will radically transform thousands of lives.

We have a vision for the future where people with disability have genuine choice over where they live, who they live with and how they are supported. In other words, people with disability will have the same housing choices as every Australian.

Australia is turning away from segregated and institutional disability housing and moving towards genuine choice and community inclusion through NDIS' Specialist Disability Accommodation (SDA) market.

The SDA policy will give around 28,000 people with disability an annual payment towards the cost of their housing. With payment rates benchmarked against market costs, this approach harnesses the role of the market to meet people's housing needs.

This is a market moving rapidly from infancy to maturity. Providers in this market will need to access additional capital over the next five years.

Our report aims to assist the market's growth by articulating a comprehensive vision and framework for the SDA. We hope this can be the scaffolding around which the market matures.

We look forward to continuing to working with everyone involved to provide thought leadership on this exciting and important new market.

By working together we believe that Australia can step up to the challenge of providing high-quality housing for people with disability across the country.

Rosalie Wilkie

PwC Partner – Social Impact

Di Winkler

CEO Summer Foundation

Executive summary

This paper shares our vision of a mature, properly functioning disability housing market as well as discussing pathways that need to be in place to reach it.

In July 2016, the National Disability Insurance Scheme (NDIS) introduced a funding provision with the potential to allow 28,000[1] Australians with disability to move into accessible and affordable housing, called Specialist Disability Accommodation (SDA).

This policy gives everyone involved in the sector an opportunity to create new housing that is accessible and affordable, including options that enable people with disability to live with their partner and/or children.

The current status of the disability accommodation market is fragmented and underfunded. As a result, it is an inflexible market where consumers have limited choice in their housing options.

The features of the current market for disability housing can be summarised as follows: limited availability of housing stock, few funding sources for development, minimal transparency of potential tenants, a new and uncertain regulatory regime with insufficient future guarantees, and inadequate understanding of the SDA regime by developers, investors, contractors, property managers, disability service providers, people with disability and their families, and in some cases, various levels of government.

In sharp contrast, the key features of an effective and mature SDA market can be summarised as follows:

1. A sufficient supply of various forms of dwellings that meet the requirements of a range of accessibility needs in a variety of locations

2. A large variety of financing options (both debt and equity) and financing terms, including banks, institutional investors, high net worth individuals, families of tenants, developers and other innovative forms of financing (e.g. social infrastructure bonds) underpinned by a good understanding of the vacancy risk

3. A transparent portal allowing consumers to locate and adequately assess available SDA dwellings and property managers (or developers) of SDA dwellings to identify potential tenants

4. A stable and transparent regulatory regime that encourages investment, including supportive planning and zoning regulations, release of government land in suitable locations, privacy protections for tenants, and secure tenancy laws supporting the rights of tenants and enabling appropriate and efficient dispute-resolution processes with property managers and owners

5. A strong understanding of the SDA regime by all market players, including certainty of SDA pricing, scope and availability of SDA rental payments, potential tenants for housing in various locations and cost of building SDA compliant dwellings

6. Efficiency and safety in providing disability support services in SDA dwellings, including consideration of geographic location and close alignment and coordination between SDA owners and property managers, disability service providers and tenants and their families.

This paper also shares lessons learned from other markets, some related (community housing) and some not (financial deregulation) and what to look out for as the SDA market matures.

This joint Summer Foundation–PricewaterhouseCoopers (PwC) paper provides a broad overview of a mature SDA market from different perspectives. Members of Summer Foundation contributed their deep knowledge of the NDIS and SDA, while PwC contributed viewpoints from teams including Consulting, Debt & Capital Advisory, Infrastructure, Legal and Real Estate Advisory.

This report is the start, rather than the end of the conversation. We welcome feedback and reflections from across the community on how to achieve the vision for housing in the NDIS.

Contributors and contact details can be found at the end of this paper.

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1. Department of Social Services (2015), Housing and the National Disability Insurance Scheme submission to the Parliamentary Joint Standing Committee on the NDIS.

Specialist disability accommodation

The National Disability Insurance Scheme (NDIS) is being progressively rolled out across Australia. The NDIS will fund housing for people with disability who have very high support needs. This will be delivered through an ongoing subsidy for people with disability to access housing.

The NDIS approach to housing relies on a market-driven model where providers create and maintain housing for people with disability across the country. The NDIS has an annual recurrent budget of $700m for Specialist Disability Accommodation (SDA).[2]

The SDA policy is an ambitious initiative. It requires the market to find an additional $5 billion to build housing over the current $5 billion stock.[3] All this investment relies on the National Disability Insurance Agency (NDIA) SDA subsidy.

The SDA policy is also transformational. It turns the previous system of rationed institutional and government-owned housing on its head.

By providing people with disability their own funding for housing, it creates a user-driven market. It empowers people with disability to decide where they live and who they live with.

This housing funding is designed only for people under 65 with very high disability-support needs. This is around 6 per cent of all NDIS participants. They receive a package of support that includes annual funding to pay for the cost of their housing. The participant has a separate amount in their package to pay for reasonable and necessary support to live independently in the community.

NDIS Participants & housing

The SDA policy is designed to support housing for 28,000[4] people.

- 16,000[5] currently live in some kind of disability accommodation, often funded by state governments. This SDA policy will enable older and less accessible housing to be renovated or redeveloped.

- 12,000[6] people will have access to housing for the first time. These 12,000 people require the highest levels of support and include those living at home

with ageing parents, people residing in hospitals and young people living in residential aged care facilities.

The 28,000 people expected to be involved under the SDA policy have a variety of needs and preferences. The SDA policy is well designed to support the range of housing needs that people with disability have. The policy will enable a wide range of properties to be built – from one-bedroom apartments to five-person shared houses. It also supports a range of different accessibility levels, depending on the person's needs.

The NDIS has an annual recurrent budget of $700m for Specialist Disability Accommodation (SDA).

$700 million

The SDA policy is designed to support housing for

28,000 Australians

2,4,5,6. Department of Social Services (2015), Housing and the National Disability Insurance Scheme submission to the Parliamentary Joint Standing Committee on the NDIS.

3. National Affordable Housing Consortium (2016) Disability Housing Futures Working Group: Final Report

NDIS Housing payment system

The SDA payment from the NDIS is a standardised yearly amount that is calculated based on the dwelling's location, size and level of accessibility. SDA providers will only be paid for dwellings that are occupied by NDIS participants. Critically, the provider bears the vacancy risk should they be unable to find a tenant.

In addition to the SDA payment from the NDIS, the SDA provider will also receive a Reasonable Rent Contribution (RRC). This RRC is paid by the tenant and is limited to 25 per cent of the Disability Service Provider (DSP) related amounts, in addition to any Commonwealth Rent Assistance (CRA).

It is anticipated that the SDA pricing framework will continue for 20 years and at the end of this period the property will revert to the general market. This returns capital to the SDA in an amount that enables a competitive market return on the property.

When combined, the revenue from SDA payments, the RRC and proceeds from the sale value of the property should sufficiently cover the initial investment, all maintenance, and outgoing and management costs, as well as providing an 'institutional' return on equity.

Vision for a mature market

A vision for housing through Specialist Disability Accommodation

SDA has the potential to transform the lives of people with disability. Current regulations will need to be reformed and a new approach to safeguarding people with disability needs to reflect and support a very different and much more positive housing landscape in the future.

We need to begin with a vision for this bright future. Without a clearly articulated vision, we risk developing a regulatory framework that is not aligned with our aims. For example, there is a risk of encouraging more segregated and institutional housing, rather than housing integrated into communities.

The vision for SDA as described by the NDIA is a vibrant, multifaceted, open and competitive marketplace operating sustainably to meet the housing demands of NDIS participants with very high needs who require a specialist solution.[7]

A fully functioning SDA market will have the scale and diversity of supply to match demand and preferences. Central to the future of SDA is the emergence of a willing and competitive market that will be more cost-effective for governments and provide better quality housing for people with disability.[8]

An effective SDA market must meet the needs of consumers and provide attractive economic (and social) returns to investors. Furthermore, the role of government and the NDIA as 'market stewards' should be focused on ensuring the market is effective for people with disability and those providing SDA – and not overstep into paternalism prescribing where they live and who they live with.

A consumer-driven market

Through the NDIS, housing and support is moving from a block-funded government-controlled model to an open market. By allocating payments to the individual, rather than directly funding the SDA provider, people with disability will be able to make choices about their housing.[9]

In a consumer-driven SDA market, the current limits of choice and control will be progressively removed as individuals use their SDA payments to choose housing options that best meet their specific goals. A dynamic and flexible housing market will enable people with disability to access different options according to their changing needs throughout their lives.

In this new market system, providers will focus on improving their value proposition, and success will be tied to the extent to which they are meeting consumers' housing needs and preferences.[10] In an effective market, providers will compete to deliver the best outcomes for tenants. Providers of quality and innovative housing will be recognised and rewarded. Providers of poor housing and tenancy management will be remediated, sanctioned or go out of business because of high vacancy rates.

7, 8, 9, 10. NDIA (2016), NDIS Market Approach: Statement of Opportunity and Intent.

A diverse range of quality housing in the community

Ideally, an effective SDA market will mean that accessible and affordable housing is readily available to meet the diverse needs of people with disability, allowing them to find vacancies and get timely access to housing.

NDIS participants in a mature SDA market will be able to secure housing near the services they use and where they work or study. Proximity to shops, transport and other services is critical to enabling people with disability to easily get out of their home and have meaningful lives. Being located near family and friends in a familiar neighbourhood is also essential for maintaining relationships and fostering community inclusion.

The location of housing should be dispersed throughout neighbourhoods, not congregated in particular locations. The market and NDIA will need to work together to address any market failures and to ensure that housing is readily available to NDIS participants living in rural and remote locations, where the likelihood of market failure is higher.

An informed, responsive and innovative market

For an effective market to emerge and thrive it must be seen as a viable business proposition that is not hindered by unnecessary regulation or a lack of clarity around roles and responsibilities. A flourishing market will require stability and certainty as to SDA policy, rules and payments.

SDA providers will have access to high-quality and timely market information to determine new

> " For an effective market to emerge and thrive it must be seen as a viable business proposition that is not hindered by unnecessary regulation or a lack of clarity around roles and responsibilities. A flourishing market will require stability and certainty as to SDA policy, rules and payments. "

supply requirements. In addition, this information will enable market shareholders and prospective providers to better understand the areas of expected demand growth and characteristics of particular markets around Australia.

SDA market infrastructure will also be readily available to facilitate interactions between participants and providers with minimal search effort and transaction costs.

A fully functioning SDA market will constantly innovate to create higher quality housing options. Quality will increase in a market where providers can share lessons about their experiences and work collaboratively as a sector to achieve the best outcomes for people with disability. Providers will invest in design and evaluation frameworks that assess the costs and impact of different designs and configurations on the quality of life of tenants.

This evidence base will help SDA providers to improve quality and reduce vacancies, and therefore costs. There will be sector-wide acknowledgement of what best practice in housing and support looks like and a better understanding of how to deliver it.

A mature SDA market will avoid creating many specialist dwellings with institutional features, and instead use designs that adapt and accommodate a wide range of individual preferences and abilities. Highly specialised housing that is segregated is often only worth the value of the land that it sits on because it cannot readily be sold or rented on the open market. Housing created for people with disability that private buyers and renters also find desirable is more attractive to investors.

Consumers are empowered, informed and supported

In the new SDA market, people with disability will be supported where necessary to exercise meaningful choice over their housing options, including where and with whom they live, and the ability to change their Disability Service Provider (DSP) without moving house. They will no longer be forced to put up with an ineffective DSP or a poor housing situation.

People with disability will be able to access timely, relevant information to inform their decisions about housing and disability support.[11] Appropriate safeguards and support will be in place, particularly for people who have difficulty advocating for themselves or difficulty understanding information and taking action related to their tenancy.

Principles for SDA regulation

With a clear vision of an effective SDA market front and centre, we can consider principles for future regulation and safeguards. These principles will protect the most vulnerable and set high

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11. NDIA (2016), NDIS Market Approach: Statement of Opportunity and Intent.

expectations for quality while also creating conditions that will enable the fledgling SDA market to flourish.

The following principles will underpin an effective regulatory framework for the future SDA market:

Mainstream regulation and safeguards are accessible and applicable to people with disability.

People with disability should be adequately protected, like all Australians, through the Building Code of Australia and state tenancy laws. Additional regulations should be provided where existing mainstream safeguards are inadequate. For example, the protections in the Residential Tenancies Act in Victoria, which currently exclude residential disability services, should be afforded to all Victorians. Mainstream legislation should be updated to account for SDA.

Capacity building is at the centre of safeguarding.

People with disability should be supported to build their capacity to make informed decisions, know their rights and meet their responsibilities as tenants. Safeguards should support informed decision-making through information resources, peer support, training resources and access to advocacy.

Innovation and investment is promoted while maintaining safety standards.

Regulation should be reasonable and necessary for safety while maximising investment in new, innovative housing in the community. For example, a regulation that requires housing to be on the ground floor will prevent innovative developments in apartment style living. Given that 'no one was ever regulated to excellence',[12] regulation should be in place where it is necessary and pulled back where it risks damaging the market and reducing consumer choice. This ensures the laws of quality supply and demand push the market to excellence.

The diverse needs of tenants are recognised and responded to.

Market regulations should recognise the diversity of the cohort that will be accessing SDA payments and respond accordingly with the necessary support where needed.

Roles and responsibilities are clearly defined.

There will be a range of players responsible for SDA implementation, including housing providers, DSPs, tenancy managers, support coordinators and investors. Obligations and responsibilities with respect to compliance with regulations need to be clearly and appropriately defined.

Complaints are welcomed and disputes are easily resolved.

Complaints are an opportunity to improve the quality of SDA. Complaint mechanisms must be easily accessible, free and non-litigious to improve outcomes in the long run.

The above principles must be at the foundation of the quality and compliance framework to support the transition from the current block-funded care model of today to the effective SDA market of tomorrow.

These principles call on the NDIA and governments to play their role of active stewardship by developing appropriate safeguards and clearly articulating the rights and responsibilities of all players.[13] They must build the capacity of consumers to safely and successfully navigate the market, and support the market to more effectively respond to consumer needs.

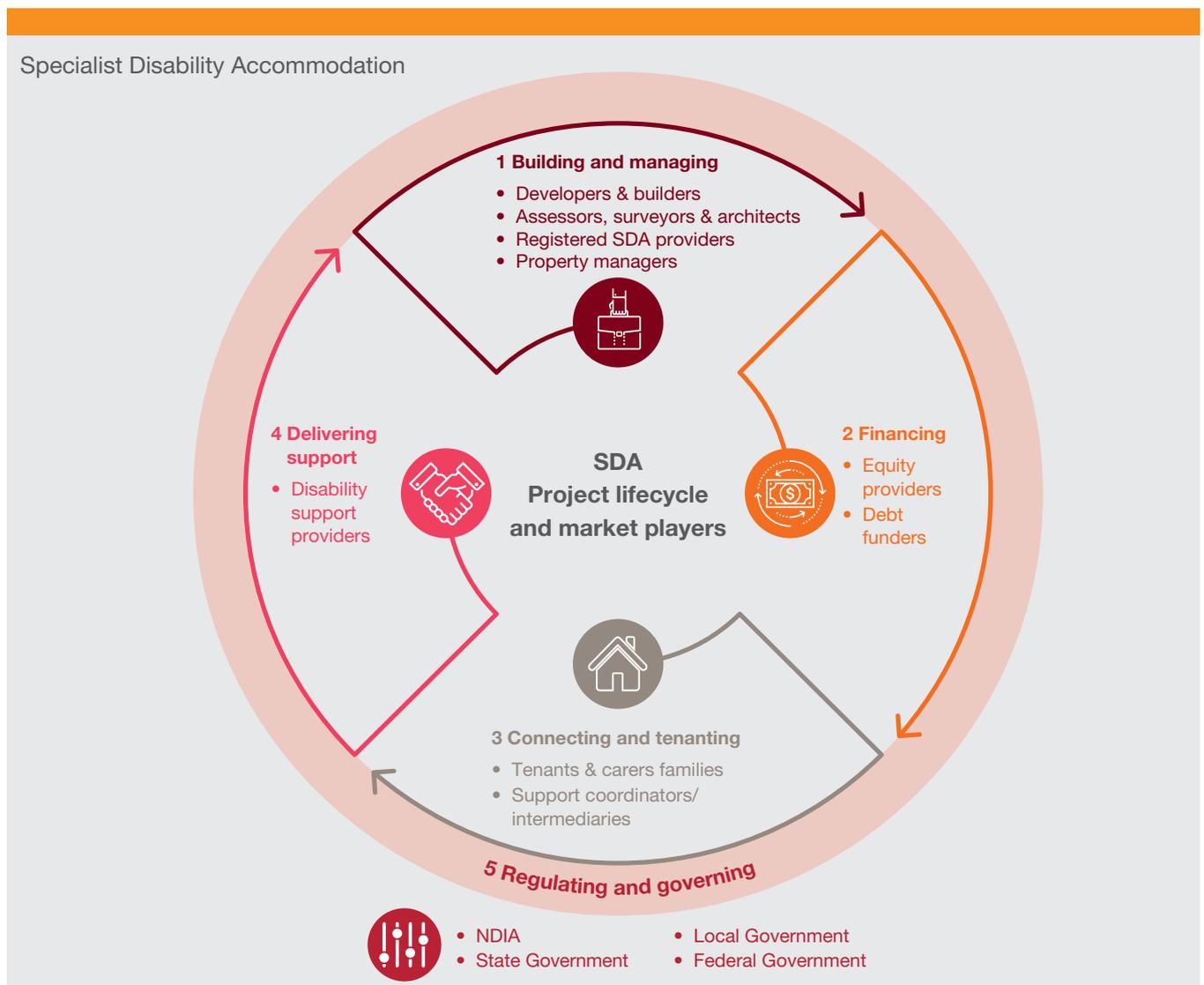12. Birmingham, S (2015), Keynote Address, Times Higher Education World Academic Summit.
13. NDIA (2016), NDIS Market Approach: Statement of Opportunity and Intent.

Overview of market players

The SDA market is made up of a variety of different organisations playing very different roles. We have grouped these together under five distinct role themes in the SDA lifecycle:

1. *Building and managing*
2. *Financing*
3. *Connecting and tenanting*
4. *Delivering support*
5. *Regulating and governing*

This section breaks down the key stakeholders involved in the SDA. We are aiming to be as clear as possible about these different roles. In practice, one organisation can simultaneously deliver multiple roles. For example, the same organisation could be the developer, registered SDA provider and property manager.

Specialist Disability Accommodation

1 Building and managing
- Developers & builders
- Assessors, surveyors & architects
- Registered SDA providers
- Property managers

SDA Project lifecycle and market players

2 Financing
- Equity providers
- Debt funders

3 Connecting and tenanting
- Tenants & carers families
- Support coordinators/ intermediaries

4 Delivering support
- Disability support providers

5 Regulating and governing
- NDIA
- State Government
- Local Government
- Federal Government

1 Building and managing

Organisations that create the supply of SDA properties across Australia play a central role in the SDA market.

These include the entities in the supply chain who create new SDA housing stock (developers) and those providing design input (Livable Housing Australia assessors and building surveyors). This also includes organisations that manage the interface between the SDA property and the NDIA (registered SDA providers) and organisations that manage the relationship with the participant (property managers).

Stakeholder	Role
Developers and builders	• Constructs SDA stock as part of business as usual • Modifies plans to build SDA stock, driven by SDA owners or purchasers
Assessors and surveyors	• Provides advice on design • Classifies and certifies building (occupancy permits) • Certifies design (Livable Housing Australia + SDA requirements)
Registered SDA providers	• Manages compliance with SDA requirements • Reports and claims from NDIA • Provides capital to fund home modifications • Manages and plans for fire and other safety risks • Manages exits from SDA market and de-commissioning of SDA stock • Tenant selection and vacancy management
Property managers	• Manages tenancies with tenants • Addresses maintenance issues • Keeps records and ensures compliance with SDA

2 Financing

Creating new SDA properties requires large amounts of finance. More than $5 billion in capital is needed over the next five years alone to create new housing stock in SDA. In total, SDA housing stock is expected to be worth $10–12 billion.

This capital is available either in the form of a loan from a debt funder (for example a loan from a bank) or from an equity provider (for example, an organisation investing its own money into a development or a property trust that directly owns properties).

Stakeholder	Role
Equity providers	• Takes financial risk to own stock and takes vacancy risk • Understands and commissions housing that meets market need
Debt funders	• Provides loans to SDA providers • Provides loans to participants and families to build their own SDA dwellings • Ensures loans perform

3 Connecting and tenanting

People with disability are at the centre of this market. The fundamental purpose of the SDA market is to provide housing to people with disability.

People with disability have a role as tenants of SDA properties, and in some cases will be supported in this role by family, friends and other informal supports. People with disability are likely to be assisted by support coordinators and other intermediaries to navigate the market and determine SDA eligibility.

Stakeholder	Role
Tenants & supporters/ families	• Expresses housing needs and preferences • Navigates the SDA market and negotiate with SDA providers • Fulfils tenancy obligations • Provides input into tenant selection for other tenants
Support coordinators/ intermediaries	• Assists participants to express housing goals and preferences • Assists participants to navigate market (SDA provider connection) and negotiate with providers • Assists SDA providers to connect with participants • Assists participants and support providers to co-design support models • Determines participants' needs for home modifications, aids and equipment, and assistive technology

4 Delivering support

Funding for disability support and disability housing are separated in the NDIS. This is designed to enhance participant choice by allowing a participant to change their DSP and remain living in the same house.

DSPs are only responsible for the delivery of support, such as supported independent living.

Stakeholder	Role
Disability Support Providers	• Makes decisions on providing support to tenants • Delivers support for tenants

5 Regulating and governing

SDA is a market created by government and one where governments regulate the market in a myriad of ways.

All three levels of government, plus the NDIA, are involved in the SDA market.

- The NDIA has the most direct role in setting the rules and providing market stewardship for the SDA.
- The Commonwealth provides most tenants with Commnowealth Rent Assistance through Centrelink and regulates many providers' charitable status.
- State governments retain responsibility for a range of policy settings that interact with SDA, such as building codes and tenancy laws.
- Local councils are involved through their role in land use and planning.

Stakeholder	Role
NDIA	• Establishes SDA rules and pricing • Sets standards (SDA design requirements) • Registers providers and enrols properties • Market stewardship and development (market engagement and championing SDA, information sharing, research, responding to market failure, reviewing standards) • Decisions on 'reasonable and necessary' supports for participants (funding for assistance in their home, exploring housing options and SDA)
Commonwealth Government	• Building standards and codes • Payment of Disability Support Pension and Commonwealth Rent Assistance • Taxation arrangements • Charitable status arrangements (Deductible Gift Recipient and Public Benevolent Institution status)
State Government	• Tenancy laws • Building codes • Acting provider of last resort, in some jurisdictions • Taxation arrangements (stamp duty and land tax) • Interaction with mainstream services (health services in the community, community and public housing)
Local Government	• Local planning and zoning rules • Determining development applications • Local amenities • Local government rates

Lessons learnt from other developing markets

The principles underpinning a mature SDA market should centre on creating environments that nurture and enhance the lives of people with disability. It should afford people with disability the same level of choice, access and opportunity as all Australians.

In prioritising these aims, diverse models of development and outcomes need to be considered – including how the dwellings are funded, designed, constructed, owned and operated. With a diversity of models comes a diversity of housing types – and this is essential given the range of needs within this community. Providing a wide range of *choice* for those in need will then enhance inclusion and equity.

Lesson learnt #1: A stable and robust policy framework supported by State and Federal Government.

Sector: Community housing

Why this is important:

The community housing provider (CHP) sector has been subject to inconsistent and fragmented approaches between jurisdictions and insufficient leadership at the Federal level. Improvements in this area are needed. More stable policy needs to be established and supported at all levels of government. It is essential that all aspects of the sector support

and enable each other, for example, in areas of funding and financing, housing supply and management frameworks. This means collaboration between the levels of government and their support of CHPs.

How it happened:

Community housing is a subset of social housing – affordable rental housing provided to people on low incomes, where rent is capped at a percentage of tenant income (usually 25 per cent). CHPs have grown steadily in number and scale over the last decade.

CHPs were previously regulated differently in each jurisdiction, which reduced scalability and imposed significant compliance costs for cross-jurisdictional expansion. To combat this, housing ministers agreed to a blueprint for a national regulatory system for community housing providers in 2011. After public consultation the finalised legislation was past in NSW in 2012, with other states and territories following over the next couple of years. This has resulted in less red tape and greater harmonisation across jurisdictions.

Building on the National Regulatory System for Community Housing, Housing Ministers nationally have now agreed that community housing providers should manage a minimum of 35 per cent of social housing in the short-term future. Transfer of government stock has been a key driver of sector growth.

How this translates to SDA:

1. Growth of the SDA market will rely on a clear compliance and regulatory system. The National Regulatory System for CHPs is an example of how national harmonisation in regulation and registration can help develop this market.

2. Development of an SDA market entirely separate from the CHP market would likely take at least a decade, and even then only provide separate levers that are analogous to the levers the CHP already have in place. Given that CHPs are a natural provider and manager of complex housing, a possible way to develop an SDA market is to leverage the already-existing CHP market, including compliance frameworks. This is consistent with state governments' preference for CHPs to be present within bidding consortia in the context of SDA transfers. CHPs may, however, be challenged to access the large amount of capital required to meet the SDA vision.

3. The SDA sector faces a mammoth effort to access the capital needed to meet the demand created by the NDIA. The CHP experience shows how strategic financing and management support, asset and management transfers from government (various jurisdictions), and the NSW Social and Affordable Housing Fund can help SDA providers leverage existing infrastructure to invest in redevelopment or new stock.

Lesson learnt #2: Intermediaries with strong understanding of the sector and relationships to bring together needs and opportunities

Sector: Local Aboriginal Land Councils

Why this is important:

The successful delivery of housing for those in need is reliant on various stakeholders across the government, not-for-profit and commercial sectors. Identifying who in the community is in need, what their needs are, what type of housing is required and where this might be located will lead to delivery.

Local Aboriginal Land Councils (LALCs) are one of the largest landholders in NSW, often holding vacant land. However, there is often disconnect between the provision of their assets and the delivery of housing for target population groups. The use of brokerage is therefore an important step towards housing delivery, working with brokers who are trusted and knowledgeable in residential development, the financial viability of projects, and community needs, while understanding who is most appropriate to manage and provide services to tenants. They need to be able to bring a social, cultural and economic lens to any potential development.

How it happened:

Brokering in the LALC sector is still in its infancy. Nevertheless, successful examples are emerging, where land opportunities are identified and the needed housing is delivered. The well-established LALCs are beginning to approach developers (both private and government, such as UrbanGrowth) to coordinate and collaborate on the best use of each site. Collaboration with a third party (usually a not-for-profit) for management and service provision through the use of a commercial broker would ensure that all stakeholder needs are addressed.

How this translates to SDA:

1. Given the number of stakeholders in the SDA market, a trusted and knowledgeable broker to coordinate collaboration and provide the optimal outcome seems essential. A broker can minimise conflicts of interest by identifying vacant land (or land for redevelopment), connecting with the appropriate developer to deliver housing to meets the needs of the tenants, and then connecting tenants to the appropriate service providers.

2. Ensuring the SDA market works in regional and remote communities is a particular challenge for governments. There is opportunity to connect LALCs to the SDA sector to use LALC vacant land for SDA housing where this will help to avoid market failure.

Lesson learnt #3: Broad-based community support for reform

Sector: Banking and finance

Why this is important:

Making long-term change requires support to ensure that change is sustainable and that all stakeholders involved are brought along for the journey. Financial deregulation in Australia's banking sector started in the 1970s and took over 13 years to complete. It was a big change to the way Australia's banking sector operated. It had a significant impact on Australian individuals, as well as companies and investors. The reforms were responsible for creating a market-based sector. Controls on banks had been reduced, 'foreign banks had been allowed to enter the market and the exchange rate had been floated.'[14]

How it happened:

In Ric Battellino's (then Deputy Governor of the Reserve Bank of Australia) speech on deregulation, he spoke of the importance of harnessing 'public and community support for change'.[15]

Without support for significant reform, the change may not be sustainable, and lack of certainty or confidence will reduce investor appetite and increase costs.

While there were multiple reasons for the type of financial regulation in place in the 1970s, a major one limiting systemic risk, even though this resulted in a banking market where capital was not being deployed based on market supply and demand.

As an example, the rates banks could lend to borrowers and interest paid to depositors was controlled. These constraints lead to an inefficient market that limited innovation and left some creditworthy borrowers without funds.

How this translates to SDA:

The transformation from a heavily regulated and inefficient banking sector to a market-based one with limited regulation is similar to what is currently happening with SDA. While there are pockets of support for a mature SDA market, it is not yet widespread. Potential market participants can be incentivised to become involved in the SDA through marketing efforts, building momentum for the shift to a mature SDA market.

14, 15. Ric Battellino speech on Australia's Experience with Financial Deregulation, www.rba.gov.au/speeches/2007/sp-dg-160707.html
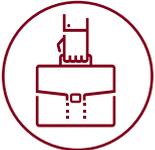
Framework for market development

The table below sets out the key features of the existing structure and the framework for development of a mature SDA market. It outlines each stage of the SDA project development lifecycle and the relevant market players.

In some areas, there may be tension between some of the different aims of a sophisticated and mature SDA market. This means that certain components of a mature SDA market may have to take priority over others. For example, greater flexibility in tenancy arrangements may increase the demand risk borne by developers and financiers. Alternatively, less flexibility and longer tenancies will create greater certainty in terms of cash flows for financiers and developers, but reduce the flexibility of tenants to move freely from one SDA provider to another. In most cases, there will be a middle ground where the needs of consumers do not compromise the requirements of developers, financiers and other market players.

Project Lifecycle: Market Players	Where they are today	Where they will be in a mature SDA market
1 Building and Managing **Developers and Builders** **Assessors and Surveyors** **Registered SDA Providers** **Property Managers**	• Limited relevant development • Limited knowledge of the disability housing sector • Limited knowledge of economic benefits of investment in disability housing • Limited knowledge of market demand for SDA resulting in not knowing what types of products to build • Focus on analysing the operating environment and the most efficient operating model • Property managers only have insight into properties that they manage and not a broader market view of vacancies and rental returns • Developers taking existing operating models (e.g. CHPs and traditional group homes) and applying those to SDA market (which may or may not be efficient)	• SDA considered in all relevant property developments • SDA developments viewed as an alternative stable revenue stream • Good knowledge of market demand for the different SDA products • Known standards of efficient SDA property building configurations and quality • A sustainable operating model has been developed • Accesses an all-encompassing database of potential tenants • Capacity to address tenant breaches of contract, while safeguarding tenants • Rewarded though higher demand and possible economic benefits if providing quality service • Market forces address poor quality providers and inappropriate housing

Project Lifecycle: Market Players	Where they are today	Where they will be in a mature SDA market
2 Financing **Equity Providers** **Debt Providers**	**Equity** • Very limited supply to own and no experienced providers selling stock into equity funds • Complex array of organisations examining market (CHPs, retirement villages, DSPs) and lack of consensus on business models • No baseline data on SDA risks and returns, including unknown economics and stability of income and vacancy assumptions **Debt** • Very little direct debt funding to SDA properties • Likely to apply CHP lens, resulting in very low loan-to-value ratios • Lack of understanding of how to address reputational risk at point of default • Limited knowledge of economics and risks	**Equity** • Proven exit strategy options (e.g. refurbishment for market sale, similar to Defence Housing Australia) • Financiers will understand and be comfortable with cash flows from SDA • Data of vacancy performance under the SDA • Developed, fair and known rights of property owner and tenants • Comfortable that economic returns can be modelled • Comfortable that no significant changes will be made to SDA pricing or regulatory environment **Debt** • Comfortable with risks, which are outweighed by stable cash flows • Comfortable that future market vacancies will follow historical performance • Comfortable with enforcement regime and related reputational risks
3 Connecting and Tenanting **Tenants and Carers/Families** **Support Coordinators/ Intermediaries**	• No effective market choice as SDA being built out • No information available on choices • Long wait times to find suitable housing • Lack of clarity on how to find SDA or on NDIA process to access SDA payments	• Central location that provides various tenancy options for residence • Long-term rental option • Ease of movement between properties • Surrounding areas are easy to access • Information/market feedback on quality of SDA properties • Clear and responsive NDIA process for receiving SDA subsidy
4 Delivering Support **Disability Support Providers**	• DSPs are considering options on the real estate they own or control, such as consolidating with other DSPs • Lack of clarity on how the NDIA will operationalise the separation of housing (SDA) from support (DSP)	• Separation of disability support provision and housing to maximise choice and control for participants • DSPs have efficient operational models that both provide financial returns to DSPs and maximise choice and control for participants receiving support • Good communication between DSPs and SDA providers
5 Regulating and Governing **NDIA** **Commonwealth Government** **State Government** **Local Government**	• 'Wait and see' approach to market development • Land transfers and grants provided without a strategic framework or understanding of how to maximise public investment • Acknowledgement that existing compliance and rules are not fit for purpose in SDA	• Targeted government intervention that supports, rather than hinders, market growth • Minimal changes in future SDA payments, with clear, transparent and predictable approaches to reviews • Quality and safeguarding regimes that enable participant choice and market certainty

What to look for as the SDA market develops

A progressive shift by the market to a new paradigm

To achieve a mature SDA market that realises the policy vision articulated in this document, and is called for by sector stakeholders more broadly, key players must progressively shift from the historical paradigm over time.

The successes and failures of market players in the coming years will affect the sector as a whole, but will have the greatest impact on the lives of people with disability.

A coordinated, cohesive sector that delivers success stories will help all stakeholders move with confidence towards the future vision for SDA. And that is ultimately in all stakeholders' interests.

What to look for – key enablers that impact a range of players in the SDA value chain

While there are a range of market scenarios that may ultimately unfold, there are key enablers and strategies which market players might need to manage as the market develops.

Some of the key issues – *what to look for* – highlight the need for action and coordination by multiple parts of the sector. They are summarised in the table below, then discussed in turn.

What to look for	1 Building & Managing	2 Financing	3 Connecting & Tenanting	4 Delivering Support	5 Regulating & Governing
1 Consumer information and empowerment			✓		✓
2 Organisation of SDA provider market	✓	✓	✓	✓	✓
3 Sector ownership of regulatory reform agenda	✓	✓	✓	✓	✓
4 Ease of access to market information for providers (demand)			✓		✓
5 Consumer outcomes and data (supply & demand)	✓		✓	✓	✓
6 Sufficiency of regulated pricing and future pricing certainty	✓	✓			✓
7 Priming the supply market		✓			✓
8 Capital recycling to leverage new SDA stock	✓	✓			
9 Planning for SDA in major developments	✓				✓

1. *Consumer information and empowerment* – promoting the support that people with disability may be entitled to through the NDIS empowers people to seek package support, and subsequently exercise choice and control over their future housing. This is critical to realising the principles of self-direction and determination in the early stages of NDIS roll out.

For example, resources that help people with disability explore a range of innovative housing options and consider what could be possible when they have choice and control over where they live and who they live with.

2. *Organisation of SDA provider market* – greater organisation of the sector will strengthen the ability of all players in the SDA market (providers, financiers and participants) to articulate a future policy vision for the sector, influence policy makers and regulators, and share success stories and other information.

For example, a coordinated network, able to present how sector issues affect the entire value chain, will strengthen the voice of all market players. This could be facilitated in a number of ways, including by building the capacity of existing peak bodies and networks that are 'natural leaders' in the sector, and by creating networks for new providers who are not catered for by existing networks.

3. *Sector ownership of regulatory reform agenda* – as the market for SDA develops and success stories and challenges are shared, the subject of regulatory reform to progressively reduce red tape will come into focus.

The sector – including both consumers and providers – should drive self-regulation, rather than waiting for government to intervene.

Regulatory reform has the potential to reduce red tape, costs and risks in the SDA market. There is also potential to achieve greater convergence across regulation of the social and community housing sectors, for a more efficient sector in the future. This may extend to issues such as registration and other requirements, planning, design and build guidelines.

4. *Ease of access to market information for providers (demand)* – greater transparency and granularity around funding outcomes for NDIS participants can help providers anticipate demand as the NDIS is rolled out. Lifting the knowledge of SDA providers (supply market) around funded support packages (demand market) will reduce market uncertainty and help supply come online at the right time to meet demand.

As SDA providers organise and present a view to the NDIA, the evolution of market position statements, real-time information sharing by NDIA, and other information should evolve over time to address information gaps, and reduce service provider uncertainty.

5. *Consumer outcomes and data (supply & demand)* – how consumers exercise choice and control in the new funding and operating paradigm is untested and will develop over time, with high potential for a fragmented view of SDA demand, preferences and outcomes.

Digital platforms that consolidate available SDA have the ability to provide a holistic view of the market (housing type, location, age, features, price), preferences of consumers and other sources.

6. *Sufficiency of regulated pricing and future pricing certainty* – while the intent of the NDIA's pricing model is to stimulate supply of SDA, evidence that this is occurring needs to be carefully evaluated and, where necessary, revisited.

The NDIA Pricing Framework and timing of pricing decisions may need to be refined over time, with consideration given to maximising certainty to funders and investors, for example by enshrining key pricing principles in regulatory instruments.

7. *Priming the supply market* – in addition to making new build funding available, the ability to prime the supply market will encourage participation. Where government choose to prime supply through direct investment, this should focus on markets where SDA supply lags (e.g. regional and remote areas), rather than crowding out investment in more competitive markets (e.g. capital cities).

Developing case studies and indicative financial models for CHPs and private providers to understand the financial model for new builds and major refurbishments (lifecycle costs and revenue streams) can help investors understand the risks and returns of SDA.

8. *Capital recycling to leverage new SDA stock* – leveraging existing assets will be a stepping stone towards institutional investment into SDA, while the market develops there will be a perception of greater risk for assets that have not been managed by those investors previously.

Strategies by CHPs to leverage their tenanted stock to enable investment in tenanted assets (potentially by aggregating stock from a range of CHPs), will free up funds for investment in new SDA stock

9. *Planning for SDA in major developments* – where the market is unable to deliver, there is potential for state or local government planning requirements to mandate targets and design guidelines to enable outcomes, in the same way other major developments are designed to achieve a range of outcomes for their communities (access to services, parks and recreation, affordable housing, critical infrastructure, and so on).

Including SDA within future property developments has the potential to provide a strong signal to our society about how people with disability should live within our communities.

Conclusion:

We are at the start of a transformational journey, where the end goal is high-quality accessible housing for 28,000 people with complex support needs.

This journey will involve multiple market players, including government, finance providers, real estate developers and people with disability. The transformation is about replacing the old model of segregation and congregate care with a new model of community inclusion, where people with disability decide where they live and who they live with.

Achieving this transformation will require the many potential market players to consider what role they can play. We hope this paper will stimulate conversation and bring about action so that we can all get to work and make this vision a reality.

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The Summer Foundation's mission is to resolve the issue of young people living in nursing homes.

We support the housing, disability, health and aged care systems to work more effectively with younger people in, or at risk of, entering aged care. We focus on building the market for housing that meets the needs of young people with disability including by prototyping innovative Specialist Disability Accommodation.

We support people with disability and their families to share their stories and empower others to avoid or leave aged care. We also develop practice guides, training materials and new models for government and non-government organisations to work together to resolve this issue. We undertake academic and applied research to make sure there is a strong evidence base for what works.

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