Setting up Specialist Disability Accommodation for success

Based on AHURI Final Report No. 310: Understanding Specialist Disability Accommodation funding

What this research is about

This research examined the Specialist Disability Accommodation (SDA) program and the attitudes of industry to investment and participation in that program. It questioned developers, investors, providers, prospective tenants and governments on how the SDA program will generate new supply that meets the needs and preferences of people with disability.

The context of this research

The Specialist Disability Accommodation (SDA) program provides a subsidy to support eligible individuals to meet their needs in the housing market, and aims to encourage investment and growth in housing supply so as to add to the diversity of accommodation available to people with disability. It is envisaged that SDA will provide additional accommodation for 8,000 people in need of specialist disability housing.

Access to SDA is determined as part of the National Disability Insurance Agency’s (NDIA) assessment process, with the Agency seeking to promote real choice and control for people with disability around where and with whom they live.

The research responds to an expressed need amongst policy makers to better understand the operation of the SDA, what the incentives and drivers are for the various participants in the program, and how risk is apportioned, assessed and managed.

The key findings

Most organisations active in SDA—or currently focused on SDA opportunities—are part of the not-for-profit sector. There is interest in SDA across the broader property and finance sector, but engagement is limited and appears to have waned over the past year in response to NDIA-provided advice on the types of accommodation it is seeking to support.

Demand risk

Interviewees identified the lack of high quality data available to providers (including area-level data), on both the current supply of dwellings and the number of National Disability Insurance Scheme (NDIS) packages being approved with an SDA component as a significant risk. This is due to a lack of clarity around how individuals are determined to be eligible for SDA funding—with the process described as opaque, complex, administratively tedious and unpredictable. It was very difficult to predict with any certainty which applicants would be approved for SDA and which would not, with informants describing situations where NDIS participants for whom SDA approval seemed almost certain on the basis of need had their applications refused for no clear reason.

Vacancy risk

Housing providers are unhappy carrying the financial responsibility for vacancies arising from the removal of SDA eligibility, a change in a tenant’s circumstances, a tenant choosing or having to move or the death of a tenant. They feel the risk should belong to the Specialist Independent Living (SIL) providers as they are responsible for tenancy and ongoing tenancy management. Other interviewees felt that having housing providers responsible for vacancy risk ensures they are responsive to demand and offer a quality product of choice to participants.

Policy risk

A number of informants expressed concern about the long-term funding viability of SDA and whether the government would guarantee a sustainable funding stream beyond the short to medium term. Such ‘unknowns’ acted as a barrier to the implementation of organisational plans and sector-wide progression towards the take-up of SDA.
Adequacy of returns

Most interviewees felt that some providers could achieve adequate returns under some circumstances, but that not every provider could achieve a satisfactory return under all circumstances. Some also felt that the returns may not be proportionate to the risks, particularly those related to their capacity to raise investment funds or loans for SDA and carry that capital cost into the longer term.

The market is perceived as highly uncertain, creating challenges with respect to securing finance and convincing investors. The specialised nature of the asset makes it difficult to price, and therefore difficult to value. Furthermore, returns are customer dependent and the complicated approval processes tend to diminish return expectations.

NDIA processes

A consistent message across all interviews was the pressing need for better, more consistent information on the SDA program and its processes, in that they are overly complex, lacking in transparency and liable to generate uncertainty for investors. This perception was widespread across the finance sector, property developers, CHPs, disability service providers and consultants working in the field. There was a common perception that the NDIA could do more to provide information to all industry stakeholders, while still acting in a way that was impartial and did not distort the market.

Organisations had reacted in one of two ways: some invested time and money—sometimes in considerable amounts—in becoming expert in the field in order to proceed with SDA ambitions, while other businesses chose to withdraw from the market and wait for greater clarity or until the sector matures.

Tension over roles and responsibilities

While most CHPs viewed the separation of disability support provision from choice of housing provider as a positive development, they also noted that the respective roles of housing and SIL providers were not well articulated in SDA.

Inconsistencies in the policy framing of SDA provision

The NDIA frames housing provision for NDIS participants as being founded upon independence and choice. This has proved incompatible with the legislative basis for SDA plans which specify that the process consider what is ‘reasonable and necessary’ in housing. The reality is that the complex and high needs of individuals with SDA plans are costly to meet and that housing decisions frequently come down to what is financially viable (e.g. shared support and accommodation) rather than client choice.

Lack of understanding or capacity within the NDIA

CHP interviewees felt that the NDIA did not understand housing and could not engage with the concerns of CHPs with respect to affordable housing and housing markets. Specifically, they noted a lack of funding and capacity within NDIA to manage the various requirements for SDA rollout, including specialised housing expertise with which to provide guidance on the complex issues being faced by CHPs.

Many for-profit sector interviewees felt that the NDIA had an obligation to educate the sector, as only through such action would an affordable and adequate supply of housing be secured. As a first step, it was suggested that the NDIA should work with industry bodies and lobby groups such as the Urban Development Industry of Australia, the Property Council and the Master Builders Association.

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Figure 3: Key lessons and challenges for Specialist Disability Accommodation

Many impediments to SDA success are within governmental control

In particular, the process of defining SDA eligibility in participants’ plans is a critical area of delay and inconsistency, but also one that can be relatively easily remedied. Similarly, other areas of uncertainty, such as the risk of continued regulatory change and policy inconsistency, lie within the direct control of government.

SDA is about housing as well as disability

Housing is a complex product, even more so when building for people with complex needs. Successful delivery requires financing and service provider knowledge. Informants argued that the NDIA lacks the necessary understanding of housing-specific issues, and have largely left these complexities to the market. This approach fails to acknowledge the Australian Government’s role in creating and shaping this system of housing supply, and in turn calls for on-going oversight to ensure effective market operation.

Providing choice and control requires creativity and innovation

The philosophy underpinning the NDIS and SDA is one of choice and control for people with disability themselves, yet CHPs involved in SDA have limited capacity to move far from their existing model of community housing delivery. To-date there have been few signs of creative pathways for the use of SDA funding, such as models that bundle housing and support options for clients in new ways.

Barriers to SDA

The absence of data (e.g. properties already enrolled/committed, expressed and approved demand) was the key barrier to the supply of accommodation under the program. Some CHP interviewees noted the NDIS represented a strong opportunity to build a database of relevant information on eligibility, needs and current housing developments. Such a database could be managed within the NDIA or by an independent agency.

For-profit sector developers also reported that the absence of clear information, on top of the stigma associated with SDA, limited investment opportunities as it creates risk, especially when adjusted for return. They felt there was a need for more information on the assessment process as such knowledge would help for-profit investors make better decisions in assessing the feasibility of SDA projects. The documentation produced by the NDIA in general is also perceived to be complex and difficult to read, especially regarding building specifications.

What this research means for policy makers

Government agencies, including the NDIA, need to take on a stewardship role and actively work to shape/direct the emerging SDA market. Its current position places too great a reliance on the capacity of markets to emerge by themselves. There is a clear need for government to create the conditions that make all the elements (choice, control, innovation, long-term planning/commitment, responsiveness to need/demand/aspiration) of NDIS/SDA both possible and available to the target population.

The impact and efficiency of the SDA sector would be considerably enhanced by organising and centralising information flows across the sector. This would include building information systems with key information around demand and supply (number of SDA packages awarded, targets, expectations, locations) that is focused on sector needs. Some of this is work only the NDIA can do because they are the data custodian, but other tasks could be outsourced to an independent body.

There is a need for more resources for crucial processes, especially around eligibility assessment/approval. Solutions could include simple measures such as developing and making templates/assessment tools available to planners to structure and clarify their decision-making.

The NDIA should work towards greater clarity around roles and responsibilities, including collection and facilitation of access to data, and better delineation between SIL and SDA, including how to
facilitate flexibility around changed client needs/desires. The NDIA should also seek to develop performance measures, including data on those functions that are not being delivered adequately.

The Australian Government needs to address the policy environment around very complex clients who are not an attractive investment proposition to SDA providers but who have some of the greatest needs (e.g. tenants with complex challenging or aggressive behaviours that may lead to significant property damage). This work should also address the accommodation needs of the 94 per cent of people in receipt of NDIS support who are not granted SDA accommodation subsidies as part of their package.

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The disability housing sector needs to explore the scope for innovation in housing provision, including design; tenure arrangements; integration with care; bundling of housing and support; the provision of different types of built form; making greater use of other housing funding in NDIS (e.g. home modifications); consumer-controlled models; partnerships/shared funding with other affordable housing programs, e.g. Indigenous housing organisations; and ways of matching tenants in shared settings to enhance compatibility.

Finally, there is a need to deliver both cultural change and community education that addresses the stigmatisation of disability-focused housing and the sector overall, as well as raising awareness within the community of what is possible in terms of both built housing for people with disability and the capacity of people with disability to control their housing outcomes.

Methodology

This research drew on the expertise of an Investigative Panel, as well as interviews with 27 informants drawn from the major Australian banks, specialised finance providers, large property developers, CHPs, SIL agencies and consultants working across the industry. It also gathered data from an industry workshop and an on-line survey with 74 respondents, 26 from for-profit organisations and the remainder from not-for-profit agencies.

TO CITE THE AHURI RESEARCH, PLEASE REFER TO: