AHURi Australian Housing and Urban Research Institute

Understanding Specialist Disability Accommodation funding

AUTHORED BY

Andrew Beer
University of South Australia

Kathleen Flanagan
University of Tasmania

Julia Verdouw
University of Tasmania

Braam Lowies
University of South Australia

Elizabeth Hemphill
University of South Australia

Gina Zappia
University of Tasmania

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Acronyms and abbreviations used in this report

AHURI	Australian Housing and Urban Research Institute Limited
CHP	Community Housing Provider
CSTDA	Commonwealth State Territory Disability Agreement
NDIA	National Disability Insurance Agency
NDIS	National Disability Insurance Scheme
NPV	Net Present Value
SDA	Specialist Disability Accommodation
SIL	Specialist Independent Living

Glossary

A list of definitions for terms commonly used by AHURI is available on the AHURI website www.ahuri.edu.au/research/glossary.

Executive summary

Key points

- Industry sources and experts in the provision of accommodation for people with disability welcomed the Specialist Disability Accommodation (SDA) scheme as an important initiative.

- SDA has attracted substantial interest amongst the property sector, large financial institutions, specialist financial institutions, community housing providers, and disability service providers.

- Industry informants noted barriers to the take up of SDA opportunities, including uncertainty around the eligibility of individuals to secure SDA support and poor knowledge of the detailed geographical distribution of those eligible for SDA funding.

- Informants also noted a perceived fluidity in the administrative policy settings applied by the National Disability Insurance Agency (NDIA) and the limited scale of the program.

- Enterprises interested in SDA had invested time and other resources in acquiring knowledge to inform their investment decisions.

- Overall, more than 100 for-profit sector and not-for-profit enterprises are engaged with SDA and there is potentially sufficient private capital to enable large-scale investment. Greater clarity around the location and volume of demand and the processes for assessing individuals for SDA support is needed for this potential to be realised.

Key findings

This research was initiated in response to an expressed need amongst policy makers for a better understanding of both the operation of the SDA program and the attitudes of industry to investment and participation in that program. The research builds a deeper understanding of Australia's National Disability Insurance Scheme (NDIS), established 'to provide reasonable and necessary supports to people with a permanent and significant disability' (NDIA c. 2016). The NDIS was developed due to documented inadequacies in support provision for Australians with disability, which meant that many people, especially those on low incomes, lacked access to the level of funding, services, housing and support required for them to live a decent life (Productivity Commission 2011; Hinton 2006).

The Specialist Disability Accommodation (SDA) program was developed to encourage investment and growth in housing supply which would also add to the diversity of accommodation available to people with disability. Access to SDA is determined as part of the National Disability Insurance Agency (NDIA)'s assessment process. If, during this process, SDA is identified as one of the 'reasonable and necessary supports' required by an NDIS participant, then that person receives funding as part of their NDIS plan. The goal of this funding is to cover the cost of the physical environment an individual needs in order to receive the support they

require for day-to-day living. There is evidence that impediments to the success of the SDA program have emerged, with a joint submission to the NDIS Pricing and Payments Framework by providers and financiers identifying a number of challenges (Ability SDA, Access Housing et al. 2018).

This study drew on the expertise of members of a specially-convened Investigative Panel, as well as interviews with 27 informants drawn from the banking and property sectors, specialist independent living (SIL) agencies, and community housing providers (CHPs). It also gathered data from an industry workshop and an on-line survey with 74 respondents. It found that:

- Industry is able to operate with an affordable housing market model driven by client choice and without a safety net for investors. Many industry informants would prefer the government to take some of the risk, or have risk more clearly assigned between the SIL providers and the accommodation providers. However, there is a consensus that under most circumstances the model can be made workable.

- Markets are able to match client need, but need more and better information on the nature and location of demand to do so efficiently. There is a clear need for the NDIA to develop mechanisms that provide better data to providers, and which do so in an open and transparent way.

- The investment sector is responding positively to the SDA program. Investors are able to both identify opportunities and access finance. There is uncertainty around the SDA pricing formulae and the types of dwellings that the NDIA is willing to place SDA recipients into. However, there is a sense that the maturation of this market and the clarification of some processes and rules would enable a depth of market interest to emerge.

- Our informants did not identify major additional costs in accessing finance. The greatest cost barrier appears to be those additional costs associated with acquiring specialist knowledge on SDA and its implementation.

- Informants acknowledged that the design requirements of SDA affect cost structures and therefore finance. They reported a degree of risk arising out of the potential for cost 'blow outs' as they seek to build housing for specific needs. The industry felt that over time they would become more experienced and more effective in managing these issues, and that they did not represent a major barrier to SDA overall.

- Security of cash flows was not a barrier to the implementation of SDA, with the prospect of NDIA-provided income streams able to support financing costs.

More broadly, the research found that:

- Many impediments to SDA success are within governmental control. One of the key themes to emerge from our research is that there is a diverse but networked SDA 'sector' with a keen interest in participating in SDA. Simultaneously there is a concern that many of the key impediments facing this sector are generated by government rather than the for-profit market or its segments. 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 remedied relatively easily. Similarly, other areas of uncertainty, such as the risk of continued regulatory change and policy inconsistency, lie within the direct control of government.

- There is significant cost shifting and inefficiency represented by the replication of effort across a number of organisations as they 'wrangle' multiple aspects of the system internally and from scratch. This includes individual organisations simultaneously collecting and collating data, building information systems, advocacy pathways and administrative processes, interpreting and 'translating' NDIA documentation and procedures, educating and informing developers and investors on the issues involved in housing for people with disability, and negotiating support arrangements. Some of these tasks are being

appropriately undertaken by individual providers or on a case-by-case basis, but others would be more efficiently and effectively managed in a centralised way. The current dispersed and ad-hoc approach disproportionately favours organisations with the resources and capacity to invest in these tasks. Providing a central and accessible source of information would create a more equitable playing field for smaller and less traditional providers.

- The provision of a specialised housing asset makes the SDA program unique within the NDIS. Informants throughout this project argued consistently that the NDIA lacks the necessary knowledge or understanding of housing-specific issues. There are two aspects to this:

  — SDA is focused on housing as well as disability and all segments of the SDA sector indicated that housing is a complex product, even more so when building for people who have a range of complex and high-level needs. Housing for people with disability is a specialised asset associated with multiple layers of risk at each point along the pathway from design to occupancy. Successful delivery of housing requires providers to negotiate the initial pricing of SDA housing properly, understand planning and building requirements (which vary widely across and within jurisdictions), predict unintended building costs associated with changing needs, predict future cash flows arising from changes in the occupant's circumstances, and carrying the reputational risks associated with changing or defaulting tenancies.

  — There is a perception that funding is driven by the balance between supply and demand within the market, and is thus outside government influence. Our informants have argued this approach fails to acknowledge the Australian Government's influence in creating and shaping the housing market. The reality of the government's contribution calls for on-going oversight to ensure effective market operation.

- Providing choice and control requires creativity and innovation, and these qualities are not yet evident within the implementation of SDA. The philosophy underpinning the NDIS and SDA is one of choice and control for people with disability. This research clearly indicates access to both of these has been critically compromised in the SDA program.

- Our informants argued that the structure of the sector exerts a critical influence on the implementation of the SDA program, with the not-for-profit sector largely leading the rollout of this program and the delivery of housing. Participants in this study noted that the current industry structure is unlikely to change given the small scale of the investment being supported by the SDA and felt that this fact needs to be both acknowledged and built into the further evolution of the program.

- Industry participants observed that a number of different risks are evident in the structure of the SDA program, and these include vacancy risk, the risks associated with changing NDIS and SDA policies, and the risks associated with limited information on the balance between supply and demand. Housing providers in particular noted that considerable uncertainty is built into the structure of the SDA, as it is not always clear which individuals will be eligible for the SDA support. It is also possible that some individuals will see their SDA support withdrawn as their circumstances change.

- Overall, industry informants considered the potential returns on SDA housing were adequate and certainly sufficient to attract investment from a range of parties. There was a degree of disagreement amongst the informants about the adequacy of returns relative to the risk profile.

- Those active or considering investment in the SDA program were concerned about the relatively slow pace of NDIA approval processes and the lack of transparency associated with key aspects of program administration.

- There was a clearly articulated view amongst informants to this study that better information is needed to ensure the adequate and effective delivery of the SDA program. Respondents reported a need for simple and clear documentation, which should be accompanied by insights into the level of demand and supply at the regional scale to better inform investment.

- Finally, it is worth noting that informants considered the SDA program to be a welcome and long overdue investment in disability housing, and the overwhelming majority of informants were confident that the SDA program would mature into a robust and valuable system of accommodation supply.

Policy development options

This research has identified a number of policy development options that have the potential to deliver significant gains for Australian society and people with disability.

- There is the opportunity for the government, through the NDIA, to take on a greater leadership role and actively work to shape and direct the emerging SDA market. Its current position places too great a reliance on the capacity of markets to emerge by themselves. As a number of industry informants noted, markets in services have emerged in other areas of social policy, but they have tended to be far larger program areas—such as the introduction of Consumer Directed Care for older Australians—and have not been reliant on substantial capital investment into relatively inflexible assets. There is a clear need for government to create the conditions that make all the elements of NDIS/SDA both possible and available to the target population (choice, control, innovation, long-term planning/commitment, responsiveness to need/demand/aspiration).

- 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) that is focused on sector needs. This information would be used to facilitate communication across and between the different parts of the SDA sector. Some of this is work only the NDIA can do because they are the data custodian, but some tasks could be outsourced to an independent peak body or be carried out by state agencies.

- There is a need for more resources for crucial processes, especially around eligibility assessments and approvals. Industry informants saw this as the single biggest source of failure in the system, and one driven by the assumption that the market determines supply and demand and that governments do not need to be involved. Solutions could include simple measures such as developing and making templates and assessment tools available to planners to structure and clarify their decision-making.

- The NDIA could consider mechanisms to achieve greater clarity around roles and responsibilities, including collection and facilitation of access to data. It may also seek to develop performance measures, including data on those functions that are not being delivered adequately. Some of these roles clearly sit with government, while others could be outsourced. Other areas of necessary work include:

  — development of planning and building requirement overlays for different jurisdictions

  — addressing uncertainty within the social housing supply sector about which standards and codes to follow

  — the achievement of a better delineation between SIL and SDA, including how to facilitate flexibility around changed client needs and desires, and

— the differentiation of the different types of vacancy risks, including greater transparency and guidance around who carries risk arising from property damage (this latter risk drives conservative decision-making amongst many providers).

• The Australian Government may choose 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 on further refining policy around the provision of housing for people with disability should also address the accommodation of those in receipt of NDIS support who are not granted SDA accommodation subsidies as part of their package. This group represents 94 per cent of NDIS recipients, but current policy settings do not provide a solution to the difficulties many confront in the housing market.

• The disability housing sector as a whole 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 or shared funding with other affordable housing programs (e.g. Indigenous housing organisations), or ways of matching tenants in shared settings to enhance compatibility. There is a role for governments to lead this exploration, and it could be undertaken as a joint exploration by the Australian, state and territory governments, possibly informed by further AHURI research.

• Finally, there is a need to undertake further work that delivers both cultural change and community education. It should address 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.

The study

This research included a number of data collection strategies, which sat alongside, and informed, three meetings of an expert Investigative Panel made up of SDA stakeholders. The Panel meetings were designed to develop an understanding of the implementation of SDA, with one meeting taking place in Sydney in May 2018, a second meeting in Melbourne in September 2018 and a final meeting in November 2018, also in Melbourne. The Investigative Panel was an important part of the overall project because of its capacity to generate fresh insights and knowledge drawn from the experience and practical concerns of the panel members.

The purpose of the Panel was to help the research team develop a detailed understanding of the implementation of the SDA program from a range of viewpoints. Panellists were asked to share their insights, knowledge and experiences, from the perspective of their respective sectors (disability, housing, property, government) across three in-depth meetings facilitated by the research team. They also participated in a workshop that included a wider range of stakeholders. Panel members were chosen for their expertise and knowledge on the subject. Inevitably, there were some changes in Panel membership across the life of the research owing to role changes within organisations and—in the case of the inclusion of consumer representatives—in response to input from the Panel.

The research drew on four data collection elements:

1 A policy and grey literature review informed the initial Panel meeting, and its findings are largely captured in the introductory Chapter 1. Relatively little written material exists in

relation to SDA, although more has been produced since the project commenced. Much of what does exist is descriptive rather than analytical or critical.

2   A short online survey of industry and consumer representatives was conducted between June and September 2018. It was designed to provide a snapshot of awareness and understanding of SDA across stakeholder groups. The survey was conducted electronically. It was deliberately kept to 25 primarily closed questions (i.e. a 10-minute completion time) to maximise participation, and the link to the online platform was circulated via email through researcher and Panel member networks. We received 74 responses, which is reflective of the small number of organisations and individuals with a current active engagement in SDA and related issues.

3   Twenty-seven in-depth, semi-structured interviews were held by telephone with selected stakeholders associated with SDA. Interview participants were drawn from the online survey or identified as key organisational representatives and individuals by the Panel members. They included SDA providers and consultants, small, medium and large-scale CHPs, disability support provider (DSP) organisations, banking and financing institutions, the construction industry and building developers. The interview themes focused on the drivers of participation in the SDA market; perspectives on, and strategies associated with, the SDA funding model; attitudes to integration with other forms of social housing; and decisions being taken by stakeholders with respect to SDA take-up, including the risk and barriers associated with engaging in SDA provision and development in Australia. Interviews were not recorded or transcribed, but the researchers took comprehensive notes during interviews to capture the relevant and key information (these notes form the basis of the quotes used to illustrate key points in this report). Some interviewees had a high level of involvement in and knowledge of SDA, while others reported only limited experience—while they were aware of it in a very general sense, they lacked detailed information or a strategy for engaging with this segment of the market. To a degree, we see this outcome as indicative of a wider knowledge gap in the sector.

4   An industry and consumer stakeholder workshop was held in Melbourne on 24 September 2018. The sectors represented largely overlapped with those responding to the survey and involved in an interview, but the workshop was designed to promote cross-sector engagement and discussion on the emerging research findings, including the indicative results of the survey and interviews. The workshop included both small group and whole group discussion, with exchanges recorded by scribes seated with each group for later analysis.

1   Introduction to this research

- The introduction of the Specialist Disability Accommodation (SDA) program within the National Disability Insurance Scheme (NDIS) represents an important development in social policy in Australia.

— The SDA program provides a subsidy to support eligible individuals to meet their needs in the housing market.

— It is envisaged that SDA will provide an additional 8,000 accommodation opportunities for people in need of specialist disability housing.

- The SDA program is new to Australia. Policy makers are uncertain about the levels of awareness of, and interest in, the program in the for-profit sector, and about whether the program design will encourage sufficient industry investment.

- This chapter provides a background to the SDA program, introduces the key research questions, and explains the research methodology, including the role and functioning of the Investigative Panel.

1.1   Why this research was conducted

This Report is the outcome of research undertaken in response to a brief developed by housing policy makers interested in a better understanding of whether the SDA program offers transferable lessons for attracting private investment into social housing. The research set out to:

- assess awareness of the SDA program among the property, finance and land development sectors

- gauge the current level of engagement with the program, and

- draw conclusions on the potential for the design of SDA to inform other areas of housing policy.

The National Disability Insurance Scheme (NDIS) has provided funds for Specialist Disability Accommodation (SDA) in order to encourage existing and new providers into a specialised asset class. The SDA program and the housing it provides is targeted at eligible NDIS participants who require specialist housing solutions to assist with the delivery of supports that cater for their significant functional impairment and/or very high support needs. The SDA program is an explicit attempt to improve housing outcomes for Australians with disabilities that adversely affect their ability to live independent lives. Earlier research has shown that this group within the population experiences very poor housing outcomes, including high housing costs for themselves and their households, limited housing choices and insecure housing, with few entering home ownership, and in some instances, relying on institutional accommodation (Beer and Faulkner 2011). There is evidence that in congregate living high quality staff and active programs of support can positively affect the quality of life of people with disability (Bigby and Beadle-Brown 2018), but many people with disability have negative housing experiences.

Through the SDA program the National Disability Insurance Agency (NDIA) seeks to promote real choice and control for people with disability around where they live and whom they live with. The SDA program is relatively new and thus both the potential supply response from investors

and developers, and the demand from NDIS participants, are unknown. However, it is estimated that fewer than 10 per cent of NDIS participants nationally—and less than 2 per cent of the national population—will be eligible for SDA. More than half the stock to be made available under the SDA program will be accounted for by existing housing, primarily in the form of group homes, and it is likely that for this housing SDA will be used for improvement and renovations.

Critically, SDA housing is targeted at individuals eligible for support by the NDIS. Access to SDA assistance results from the broader NDIS assessment process, with those undertaking the assessment determining whether an individual needs access to specialist housing support in order to be able to live independently. Importantly then, access to this form of housing support is determined through a bureaucratic process.

This research set out to gather the perspectives of developers, investors, providers, prospective tenants and governments on how the SDA program will generate new supply that is non-congregate, and that meets the needs and preferences of people with disability. The research was initiated in response to policy interest in what can be learned from the development of SDA, whether the further development of the SDA program can be informed by experience in other markets, and whether there are lessons for investment in social housing and affordable housing (for rent and purchase) more generally. Policy makers were keen to understand how demand is understood, what the incentives and drivers are for the various participants in the SDA program, and how risk is apportioned, assessed and managed.

In initiating this research, policy makers expressed their interest in better understanding:

- How does the market view an affordable housing model driven by client choice without a safety net from government that would underwrite returns on the investment?

- How does the market response match client need? What role do governments play in this? To what extent should governments direct where supply should be built, provide demand data, etc.?

- How is the investment sector responding to the opportunity? Is this driving competitive pricing and new supply? How responsive is the market in terms of timing, and depth of interest?

- What costs of finance are being seen? What does this suggest about investment into specialist residential classes? What interventions would reduce the costs of finance?

- Do the specific design requirements of SDA impact upon the cost of finance and investor interest?

- How is the security of cash flows being managed? What impact has this had on investor appetite?

The Report draws on the findings of original research, including an industry survey and a series of in-depth, semi-structured stakeholder interviews, which were used to inform and structure deliberations by an Investigative Panel of industry experts. The research findings and Panel discussions were then brought together to generate insights and understandings of the SDA experience that can be used to inform and develop government policy.

The research was conducted because the SDA is a significant innovation in housing for people with disability in Australia, and its implications and potential are little understood. The goal of the program is to leverage the financial resources, skills and expertise available within the mainstream economy in order to ensure adequate, affordable and appropriate accommodation for people with disability. To be successful, it will require the coordinated activity of a complex network of stakeholders, including those in the property, finance and support services sectors, who are able to respond to the wishes and needs of individual tenants and the aspirations articulated by their families and advocates. The focus of the research, therefore, was on

exploring the implications of the way the program has been designed and is being implemented for the different sectors involved (see Figure 1 below). Given the underlying objective of SDA is to unlock investment in housing for people with disability, this focus was skewed particularly towards the response of the market. There is evidence that some impediments to success have emerged within the sector, with a joint submission of providers and financiers to the NDIS Pricing and Payments Framework identifying a number of challenges to the effective delivery of accommodation (Ability SDA, Access Housing et al. 2018).

Figure 1: Diagram of the research questions and their relationship to stakeholder groups
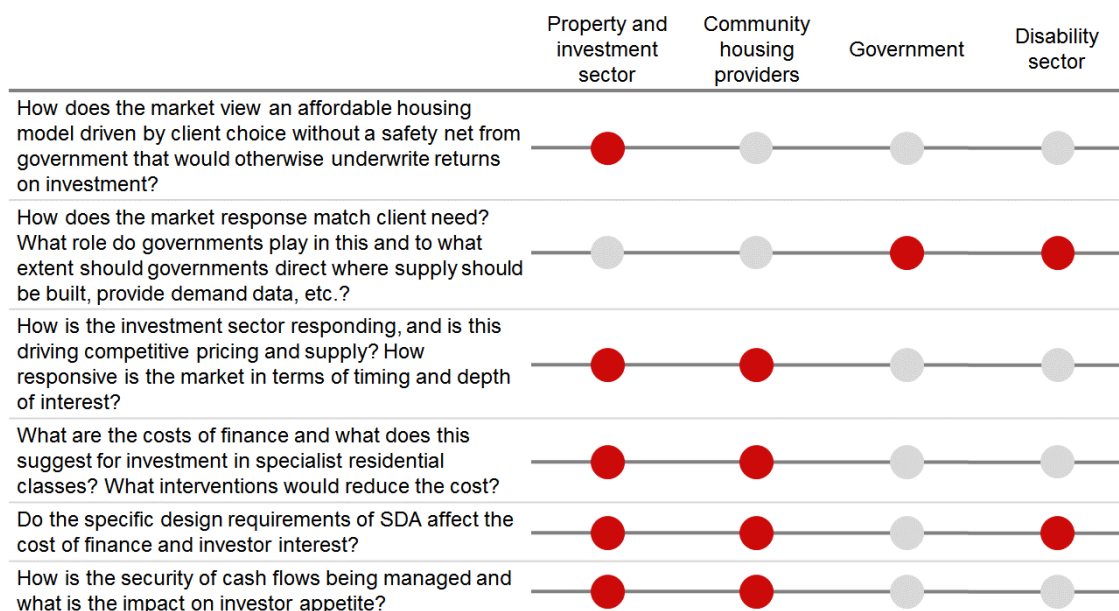
Source: Authors.

1.2   Background: the SDA program

People with significant disability are some of the most economically and social disadvantaged Australians and are affected by low incomes, limited access to paid work (Kavanagh, Krnjacki et al. 2013), poor access to affordable and appropriate housing (Beer and Faulkner 2011) and—under previous policy regimes—a reliance on family and other informal carers to meet their needs (Productivity Commission 2010, 2011). These inequalities can be more acute for women than for men (Kavanagh, Krnjacki et al. 2015), as well as for Aboriginal and Torres Strait Islanders (Grant, Zillante et al. 2017) and may vary according to type of disability and the source of the impairment. People with a disability are often concentrated in social housing, including large-scale estates (Tually, Beer et al. 2011), and often under circumstances that do not meet their needs (Kroehn, Hutson et al. 2008).

More recently, the Australian Government has sought to reform and enhance the provision of assistance for people with disability. This process began with a series of highly influential reports from the Productivity Commission (2010, 2011). Through the introduction of the NDIS, the Australian Government sought to establish a form of personalised care that focused on providing affected individuals with the services they need. The purpose of the NDIS is 'to provide reasonable and necessary supports to people with a permanent and significant disability' (NDIA c.2016). It was established due to documented inadequacies in support provision for Australians with disability which meant many people, especially those on low incomes, lacked access to the level of funding, services, housing, and support required for them to live a decent life (e.g. Productivity Commission 2011; Hinton 2006).

The NDIS was designed to ensure that individuals with disability were given the maximum opportunity to exert control over the design and delivery of their support, including exercising choice over which services they received. This choice would be facilitated by the establishment of a diverse, competitive and responsive service system, delivering a range of options from which the individual recipient could choose (Jacobs, Hulse et al. 2016).

Currently, people with disability have limited options with respect to their accommodation (see Senate Community Affairs References Committee 2015) and the NDIS was not developed with a primary focus on meeting housing or other capital needs. The SDA program was established to fill this gap for one group of people with disability—those who cannot live in 'standard' housing because of the nature of their disability—and encourage investment and growth in housing supply. SDA was also developed to add to the diversity of accommodation available to people with disability.

Under the program, SDA funding will be provided by the NDIA to eligible individuals as part of the overall package they will receive. Critically, not all persons assessed as eligible for NDIS support will be provided with SDA-related funding—those who will be are only a small minority. People who do receive this support are able to purchase housing in the rental market. Some $700 million annually over ten years has been allocated to subsidise the cost of building (including the purchase of land) and ongoing maintenance of around 16,000 purpose-designed additional housing units (Randolph, Troy et al. 2018: 11). These measures are intended to provide assistance to approximately 28,000 households, or around 6 per cent of projected NDIS recipients (PwC and Summer Foundation 2017).

SDA funding is an adjusted contribution to the cost of building supply (including land) and is intended to ensure that participants do not pay more for housing because of their disability. The funding is intended to leverage an additional $5 billion in investment from the market (PwC and Summer Foundation 2017). An SDA pricing strategy has been released to provide guidance on cost benchmarks for different types of housing in different locations (Randolph, Troy et al. 2018; NDIA 2018). Residents in SDA will pay 'a reasonable rent contribution', limited to 25 per cent of their disability support pension, plus applicable Commonwealth Rent Assistance (PWC and Summer Foundation 2017). In addition, they may be required by the SDA provider to pay board (NDIA c.2016).

Access to SDA is determined as part of the NDIA's assessment process. If, during this process, SDA is identified as one of the 'reasonable and necessary supports' required by an NDIS participant, then that person receives funding as part of their NDIS plan. The goal of this funding is to cover the cost of the physical environment an individual needs in order to receive the support they require for day-to-day living. According to the program's operational guideline (NDIA n.d.: s. 1):

> *SDA is intended to be a specialist solution for participants with a very high need for constant or immediately available supports, and/or those participants with extreme or complete functional impairment in a core area (self-care, mobility or self-management) where key activity limitations remain even following the use of assistive technologies, home modifications or capacity building supports.*

That is, SDA funding is not a routine provision for everyone with disability, but is confined to those individuals whose receipt of care depends on access to a specialised living environment. The operational guideline indicates that participants are considered to have very high support needs if they have previously lived in SDA-like accommodation which has affected their ability to transition to an alternative style of housing, or they require, for significant periods of the day, support that is either constant or immediately available, and they lack informal support networks with sufficient availability, capacity, capability or sustainability. They are also considered to have very high support needs if they are at risk (or could present a risk to others) and this risk could

be mitigated through provision of housing under the SDA (NDIA n.d.: s. 5). Participants for whom SDA is not identified as a reasonable and necessary support may be eligible for alternative forms of assistance such as equipment, home modifications or assistive technology. These people will continue to rely on non-SDA housing, including social housing provided by governments or community housing providers (NDIA c.2016).

1.3   Housing and disability: an overview of previous research

There is now an emerging body of work on housing for people with disability in Australia, with 22 per cent of individuals aged between 18 and 65 living with disability or long-term health conditions (Beer and Faulkner 2011). Researchers have shown that people with disability have poorer housing outcomes than the Australian population as a whole, with significant differences associated with the type of disability, the way in which the disability was acquired and the severity of disability (Beer and Faulkner 2009; Kroehn, Hutson et al. 2008). Further work has highlighted the differential outcomes between men and women (Kavanaugh, Krnjacki et al. 2013, 2015) and the significant disadvantage experienced by Aboriginal and Torres Strait Islanders (Grant, Zillante et al. 2016).

People with disability are at greater risk of homelessness (Beer, Baker et al. 2014) and this risk is especially acute for Aboriginal and Torres Strait Islanders (Grant, Chong et al. 2014). Households in which one or more members have a disability frequently find it difficult to secure appropriately located accommodation, and often therefore live on the urban fringe, in less expensive regional communities and at some distance from public transport and other services (Kroehn, Hutson et al. 2008). Tually, Beer et al. (2011) noted the challenges of social exclusion associated with outer suburban communities with a significant concentration of people with disability. Of the 28,000 people who will be supported through SDA, 16,000 already live in some kind of for-purpose disability accommodation, and the funding is intended to renovate or redevelop this housing, which is often older and less accessible. The other 12,000 are those living in circumstances that are unsuitable for their level of need, including at home with elderly parents or in institutional settings like hospitals or residential aged care facilities (PwC and Summer Foundation 2017).

1.3.1   Disability and the social housing sector

The provision of housing for people with disability has profoundly changed over the past 20 years, with the introduction of the SDA program part of a long sequence of policy reforms to the funding and delivery of social services across Australia (Bostock, Gleeson et al. 2001). In addition, all aspects of disability service provision have been reshaped by the rise of a 'rights-based' approach to support (Jacobs, Hulse et al. 2016), of which the delivery of assistance to individuals under the NDIS is an example.

At the start of the 21st century, support for people with disability was provided through a mix of government-funded programs (Productivity Commission 2011), with services largely funded by states and territories and some support from the Australian Government via the Commonwealth State and Territory Disability Agreement (CSTDA). Access to services was rationed, with many individuals and families provided with no, or very little, support (Zakharov and Minnery 2007). State government-supported institutions met the needs of those with the most acute disabilities—often within an institutional setting (Bostock, Gleeson et al. 2001)—and specialist not-for-profit disability organisations assisted both persons with disability and their carers. Unpaid family and other carers were pivotal to the provision of both assistance and housing for people with disability, with the Productivity Commission (2011) estimating that informal carers provided more than $9 billion in assistance each year. This set of arrangements generated significant challenges to policy and program delivery, including that:

- the CSTDA funded support for only a small proportion of people with disability, resulting in additional cost burdens for state governments, and depriving many people with significant needs of the support they required (Tually 2007; Productivity Commission 2011)

- families providing informal care were confronted by reduced household incomes, higher medical and other disability-related expenses, and challenges in securing appropriate and well-located housing (Kroehn, Hutson et al. 2008; Beer and Faulkner 2009; Hinton 2006, 2007), and

- state and territory-provided group homes and associated congregate living arrangements were a poor match for the needs and preferences of many (Kroehn, Hutson et al. 2008; Connellan 2018), but the reliance on family carers to provide other housing generated considerable long-term uncertainty. Additionally, many ageing parents of people with disability were concerned about where and how their family member would be accommodated if their family carer died (Kroehn, Hutson et al. 2008).

The Productivity Commission's (2010, 2011, 2017) ongoing reports were successful in recasting the provision of support for people with disability, effectively creating a government-funded market for the supply of disability supports (the NDIS), with the SDA program nested within it. In keeping with international evidence on best practice, the Australian Government sought to balance supply and demand-side approaches to the provision of housing for people with disability (Jacobs, Lawson et al. 2016). In designing the NDIS the Australian Government did not seek to provide housing for all recipients, instead looking to both conventional social housing and the market to provide accommodation. As noted above, the SDA program was established to meet the needs of a forecast small group of people with disability for whom specialist housing was necessary for the delivery of their care. The NDIS broadly, and the SDA program specifically, has sought to create better, more appropriate housing for people whose disability generates specific housing needs (Wilkinson, Brackertz et al. 2018).

It is important to acknowledge the extent and breadth of parallel changes in the wider social housing sector, and especially the growth of CHPs over the past two decades. The stock of CHP-provided accommodation has grown rapidly, both in number and as a percentage of the total housing stock (Pawson, Milligan et al. 2013). However, much of the growth has occurred through the transfer of stock from the public to the community housing sector (Pawson, Martin et al. 2016), rather than representing a net increase in overall social (community and public) housing supply. Expansion in the CHP sector has been accompanied by increased professionalism and competence in property development and management, which has meant that many housing associations have well-developed relationships with financiers, land developers, builders, architects, local governments and others active in the marketplace. Some CHPs have established a specific focus on accommodating people with disability—such as Housing Choices Australia—while others have sought to provide accommodation to the eligible population at large. However, the processes for allocating social housing have resulted in a concentration of people with disability being housed within this sector (Tually, Beer et al. 2011). To a degree, social housing has served as a preferred landlord for many households and individuals affected by disability because it is more affordable and offers the potential for greater housing stability (Kroehn, Hutson et al. 2008).

1.3.2   Choice and control

The SDA program follows the NDIS model of choice and control in a competitive, diverse service system. It is intended to encourage providers to invest in housing supply to provide a range of options to SDA-eligible NDIS participants (NDIA c.2016). The aspiration is that SDA funding would lead to significant innovation, including the development of options allowing people with disability to live together with their partner and/or children, and that it will result in a genuinely consumer-driven market in which 'current limits of choice and control will be

progressively removed' (PwC and Summer Foundation 2017: 7). Previous research has identified the benefits of giving people with disability input into the design of their home prior to construction, such as reducing the cost of future modifications should the dwelling not meet their needs (Wiesel, Laragy et al. 2015).

The NDIA has stipulated that the purpose of SDA is to ensure that participants are provided with 'homes... and not just simply a building where they live'—therefore the program's guidelines restrict the number of residents per house to a maximum of five in a single dwelling (NDIA 2017). Many people with disability currently live in shared supported accommodation, referred to as 'group homes', and previous research (e.g. Wiesel, Laragy et al. 2015) has identified a number of issues with this form of living. Outcomes for residents are generally more positive when compared to those evident among residents living in institutional settings, but they vary widely depending on context. The most significant problem has been a lack of choice for residents regarding both the location of their housing and the identities of the other people with whom they share. In addition, housing provision and support delivery are usually delivered by a single organisation in a group home setting—that is, the housing provider and the support provider are the same, which has limited the capacity of individuals to seek alternative support provision while remaining in the same home, or retain the same support provider after moving house (Wiesel, Laragy et al. 2015). In addition, a large number of younger people with disability continue to live in aged care settings, and over the past decade this number has remained constant at approximately 6,000 individuals.

There are design strategies that can maximise privacy and thereby reduce some of the tensions that can arise in shared living environments (Wiesel, Laragy et al. 2015), but Wiesel and Habibis (2015) recommended that NDIS-aligned housing assistance would need to include allocation procedures that facilitated 'meaningful choices' by residents about who they lived with, and that this would introduce operational challenges that providers would need to be prepared to meet. More broadly, research on the scope for enhancing consumer choice in the housing market has found that in practical terms, the experience and effectiveness of 'choice' as a mechanism for driving improvements is greatly limited when there is inadequate investment in housing supply, rationing of existing service provision and restrictions on the availability of resources' (Jacobs, Hulse et al. 2016). More recently, however, the NDIA has indicated that SDA approvals will largely be restricted to shared accommodation models rather than single-person apartments.

1.3.3   Access

The SDA pricing framework covers each dwelling for a 20-year period. After this, the dwelling will revert (i.e. be sold) into the market. The proceeds, along with the SDA funding and tenant's reasonable rent contribution, should cover the costs of construction, maintenance, management and a competitive rate of return (PwC and Summer Foundation 2017). These provisions make the SDA program financially viable and sustainable, but also make long-term commitment to adequate levels of funding absolutely critical. Similar time limits have applied to other market-led responses to housing need, such as the National Rental Affordability Scheme (NRAS). The discontinuation of the NRAS program means that these properties have started to 'roll off' funding support and out of the affordable housing system. This has resulted in a considerable net loss to Australia's affordable housing supply.

SDA will by necessity be a targeted program. It has previously been estimated that by the full rollout of the NDIS in 2019, there will be unmet need in affordable housing of between 83,000 and 122,000 of the scheme's participants (Wiesel and Habibis 2015). As SDA recipients will only number 28,000, this implies that SDA will be confined to those participants whose accommodation needs are the most complex and for whom it is essential that their housing is integrated with support they receive. The operational guidelines for SDA bears this out. The

high and complex needs of participants point to the importance of ensuring that SDA is adequately customised to meet the nature of individual demand.

1.3.4 Demands on the market

A report by PwC and the Summer Foundation (2017) identified the following as 'the key features of an effective and mature SDA market':

- diverse, adequate supply: a range of dwelling designs and building types in a range of locations

- a range of financing options and terms, with contributors 'including banks, institutional investors, high net worth individuals, families of tenants, developers and other innovative forms of financing... underpinned by a good understanding of the vacancy risk'

- an easily-navigable portal to enable participants and providers to locate and assess, respectively, available properties and prospective tenants

- stable, transparent, enabling regulation that provides adequate protection to tenants, including appropriate, efficient dispute resolution mechanisms

- detailed understanding among stakeholders of the SDA system, including its funding mechanisms and requirements, and

- efficient, safe and well-coordinated support provision within SDA dwellings.

There is a registration process for providers wishing to deliver SDA. Providers will need to meet certain requirements, including compliance with statutory and regulatory obligations, specifications as to dwelling suitability (bedroom to resident ratios, for example), density restrictions and building certifications. Dwellings are to be permanent structures and provide long-term accommodation. There are also jurisdictional variations in compliance requirements, reflecting differences in state and territory codes and laws (NDIA 2017). For the SDA program to reach its full potential, however, the accommodation provided will need to do more than meet base-level requirements. The Summer Foundation, for example, has an 'aspiration vision' for its apartments which is that they will deliver outcomes for tenants that encompass social inclusion, physical independence, a home-like environment, high amenity and affordability (see Wilkinson, Brackertz et al. 2018: 22). Previous research on the housing aspirations of people with disability found that participants wanted permanency and security in their housing, which means that housing design needs to be adaptable in order to permit ageing in place, even for people without current issues with respect to their personal mobility (Wiesel, Laragy et al. 2015).

According to the NDIA's operational guideline, SDA will fall into one of five building types—apartments; duplexes, villas or townhouses (including 'granny flats'); houses; group homes for four to five residents; and legacy stock for six or more residents—and one of five design categories—basic, improved liveability, fully accessible, robust construction, and high physical support. New construction is not to include 'legacy' or 'basic' stock; these categories are included only in recognition that some participants are already living in this type of accommodation and want to stay there or may not have alternatives available to them now or in the future. The guideline states that 'the NDIA understands that most of the larger residential centres will be phased out over the next few years' (NDIA n.d.: s. 6). Delivering quality housing within these categories would require considerable specialist expertise and consumer input. In April 2018 the NDIA released the Specialist Disability Accommodation Provider and Investor Brief (NDIA 201 8) and the content of this document has cast uncertainty over demand for some building types.

1.4 The research project methods and data collection

The research was developed to include a number of data collection strategies, which sat alongside, and informed, three meetings of an expert Investigative Panel made up of SDA stakeholders.

Investigative Panels are a research technique developed by AHURI and designed to bring about direct engagement between experts from the research and policy communities, and practitioners from the industry and community sectors, to interrogate a specific policy or practice question. It is a research method drawing together elements of key informant interviews and focus group approaches, to generate new understandings through the discussions of experts. The Investigative Panel model can deliver policy-relevant knowledge through structured inquiry and deliberation, and stimulate new avenues for research and policy development.

For this project, a key objective was to bring together representatives from the private sector—financiers, property developers and housing providers, as well as persons from housing associations active in the provision of accommodation for persons with a disability. Finally, we also sought representation from state governments, as they continue to perform an essential role in setting policy and in the direct provision of housing for persons with a disability. In selecting the industry and government participants, it was important to recruit participants with expertise from many parts of Australia, as both housing market conditions and policy frameworks vary jurisdiction by jurisdiction.

It is important to note that additional empirical research was a component of this study and it was used to inform the deliberations of the Panel. However, the diverse perspectives and views of the Panel participants represents an important contribution to evolving research and literature on the SDA program and its capacity to meet the housing needs of people with disability.

1.4.1 The role of the Investigative Panel

The Panel meetings were designed to develop an understanding of the implementation of SDA. The Panel was seen as an important part of the overall project because of its capacity to generate fresh insights and knowledge drawing upon the experience and practical concerns of the panel members. An overview of the integration between the data collection and Panel processes is shown in Figure 2 below.

The purpose of the Panel was to help the research team develop a detailed understanding of the implementation of the SDA program from a range of different stakeholder viewpoints. Panellists were asked to share their insights, knowledge and experiences, from the perspective of their respective sectors (disability, housing, property, government), across three in-depth meetings facilitated by the research team. They also participated in a workshop that included a wider range of stakeholders. Panel members were chosen for their expertise and knowledge on the subject. Inevitably, there were some changes in Panel membership across the life of the research owing to role changes within organisations and—in the case of the inclusion of consumer representatives—in response to input from the Panel. This Report reflects the views, conclusions and findings of the research team and these should therefore not be attributed to individual Panel Members.

The Investigative Panel deliberations were guided by the research questions, which informed all aspects of the project:

- How does the market view an affordable housing model driven by client choice without a safety net from government that would underwrite returns on the investment?

- How does the market response match client need? What role do governments play in this? To what extent should governments direct where supply should be built, provide demand data, etc.?

- How is the investment sector responding to the opportunity? Is this driving competitive pricing and new supply? How responsive is the market in terms of timing, and depth of interest?

- What costs of finance are being seen? What does this suggest about investment into specialist residential classes? What interventions would reduce the costs of finance?

- Do the specific design requirements of SDA impact upon the cost of finance and investor interest?

- How is the security of cash flows being managed? What impact has this had on investor appetite?

1.4.2   Selection and formatting of the panel

For this research, it was important to convene a panel with participants able to canvas a wide range of research, policy and professional perspectives on the experience of working with the SDA program specifically, and property markets and the disability sector more broadly.

On this basis we sought and obtained Panel members including:

- a consultant working in disability housing who previously led one of the State Housing Authorities

- the CEO of a very large social housing provider based in NSW

- the CEO of a large social housing provider with a specific focus on people with disability, headquartered in Victoria

- a staff member from the South Australian Housing Authority, representing public housing providers and policy makers from across the nation

- the CEO of a disability advocacy organisation active in disability housing

- a staff member of the Property Council of Australia, representing the land, commercial property and housing industries

- a currently serving Director of a state housing authority, and

- a representative from the Queensland Disability Network (QDN), a consumer advocacy organisation.

A representative from AHURI was invited to all the Panel meetings to participate in an *ex officio* capacity, and the research team members were also actively involved in the discussions.

It is important to note that in initially inviting members onto the Panel, the research team did not prioritise the selection of consumers—persons with a disability either seeking accommodation through the SDA program or in accommodation from that source—as the research questions and the brief developed by policy makers emphasised gaining a perspective on the views of private sector and other investors. At the first meeting, however, Panel members expressed the view that it would be appropriate to include a person with disability on the Panel, and the Queensland Disability Network representative was invited to join as a result, and to share her insights from both professional and personal experience.

1.4.3   Ethics approval and anonymity of participants

Ethics approval governing the recruitment of participants and the management of the Investigative Panel meeting was provided by the University of South Australia's Human Research Ethics Committee, with the approval then endorsed by the Human Research Ethics Committee at the University of Tasmania.

As part of the ethics protocol governing the Investigative Panel, care was taken to ensure the anonymity of comments made by all participants, including those who participated on the Panel.

According to this protocol, and the principle of 'Chatham House Rules', the majority of the quotes contained in this report are not attributed to particular individual participants.

Figure 2: Investigative Panel methodology: interaction between Panel process, reporting and data collection activities
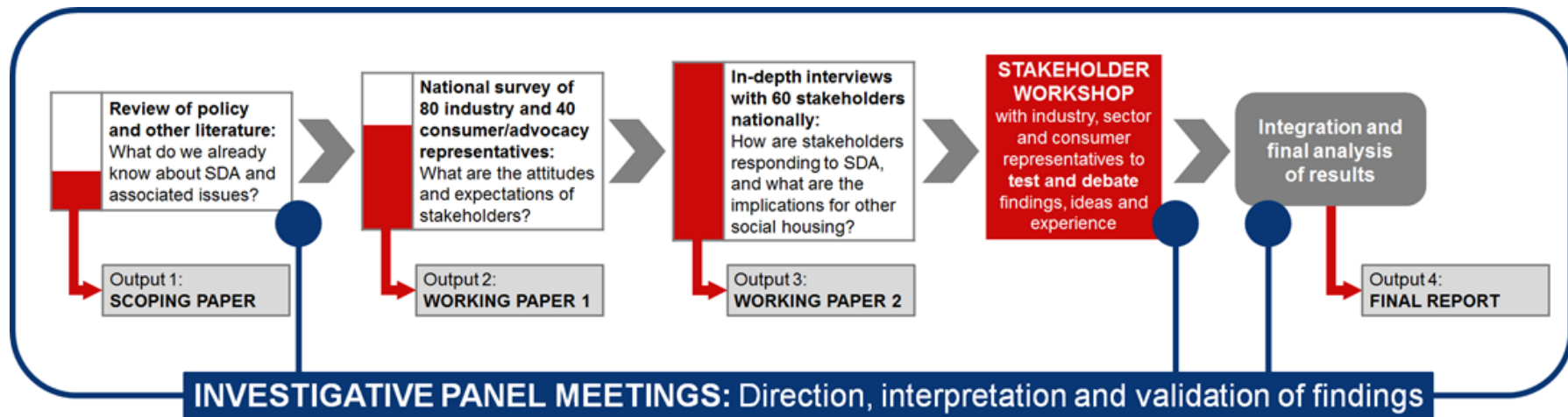
Source: Authors.

1.4.4   Research for discussion papers

In addition to the Panel meetings themselves, the research for the various papers produced by this Investigative Panel was undertaken in the following four ways:

1   A **policy and grey literature review** informed the initial Panel meeting and its findings are largely captured in this report in the introductory Chapter 1. Relatively little written material exists in relation to SDA, although more has been produced since the project commenced. Much of what does exist is descriptive rather than analytical or critical, and this reflects the recency of the SDA program and its implementation.

2   A **short online survey of industry and consumer representatives** was conducted between June and September 2018. It was designed to provide a snapshot of awareness and understanding of SDA across stakeholder groups. The survey was conducted electronically. It was deliberately kept to 25 primarily closed questions (i.e. a 10-minute completion time) to maximise participation, and the link to the online platform was circulated via email through researcher and Panel member networks. We received 74 responses, which is reflective of the small number of organisations and individuals with a current active engagement in SDA and related issues.

   The survey was directed to individuals and groups known to be interested in the provision of housing to people with disability, as well as service providers, the banking sector, state government providers, consultants and community groups. Therefore the emphasis was on those involved—or with the potential to be involved—in the supply of housing to people with disability, and we did not seek the direct input of potential clients. We note that other publications and sources have more directly addressed the perspectives of housing consumers with a disability (Ability SDA, Access Housing et al. 2018; Summer Foundation 2018; Wilkinson, Brackertz et al. 2018).

3   A series of **in-depth, semi-structured interviews were held by telephone with selected stakeholders** associated with SDA. Interview participants were drawn from the online survey or identified as key organisational representatives and individuals by the Panel members. They included SDA providers and consultants, small, medium and large-scale community housing providers (CHPs), disability support provider (DSP) organisations, banking and financing institutions, the construction industry and building developers. The interview themes focused on the drivers of participation in the SDA market; perspectives on, and strategies associated with, the SDA funding model; attitudes to integration with other forms of social housing; and decisions being taken by stakeholders with respect to SDA take-up, including the risk and barriers associated with engaging in SDA provision and development in Australia.

   In total, 27 interviews were conducted over the life of the project. They were not recorded or transcribed, but the researchers took comprehensive notes throughout all interviews to capture the relevant and key information (these notes form the basis of the quotes used to illustrate key points in this report). Some interviewees had a high level of involvement in and knowledge of SDA, while others reported only limited experience—while they were aware of it in a very general sense, they lacked detailed information or a strategy for engaging with this segment of the market. To a degree, we see this outcome as indicative of a wider knowledge gap in the sector.

4   An **industry and consumer stakeholder workshop** was held in Melbourne on 24 September 2018. The sectors represented largely overlapped with those responding to the survey and involved in an interview, but the format of the workshop was designed to promote cross-sector engagement and discussion on the emerging research findings, including the indicative results of the survey and interviews. The workshop included both

small group and whole group discussion, with exchanges recorded by scribes seated with each group for later analysis.

Participants in the workshop came from across Australia and included:

— members of the banking sector

— consultants working at the interface between property development and the disability sector

— state government officials

— representatives of community housing providers

— advocates within the disability sector

— private developers, and

— industry peak bodies.

This combination of methods, alongside the insights generated by the Investigative Panel itself, were used to establish a comprehensive and inclusive evidence base in a relatively short time. There is a large and growing literature on the use of mixed methods in social research (see Johnson, Onwuegbuzie et al. 2007; Greene 2008), with the capacity to shed light on questions of 'real world' or practical significance (Denscombe 2008). Mixed methods have been used in research on housing and homelessness (see, for example, Brown, Kennedy et al. 2013), including in pilot projects (Henwood, Rhoades et al. 2017). In common with Investigative Panels, these approaches seek to acquire a wide range of information in a short timeframe and provide the context within which more in-depth analyses and discussions may be framed.

2   Perspectives on the SDA: survey findings

- Individuals and organisations in the property sector, finance institutions, disability sector and providers of community housing were sent a 25 question, 10 minute survey, which was distributed electronically.

- Of the 74 responses:

— 28 per cent were from for-profit organisations and 72% from not-for-profit organisations

— 70 per cent of respondents said they were actively involved in the development of disability accommodation although 60% were not currently providing accommodation under SDA

— 53 per cent are actively considering the SDA program as part of their on-going operations

— 65 per cent are moderately to highly aware of the risks associated with investment in SDA housing

— 50 per cent said they were aware of the barriers to investing in SDA.

- Key impediments to investing in SDA included the absence of access to capital upfront, payment uncertainty, the lack of transparency over long-term commitments, unclear pricing and inadequate information on the balance between supply and demand at the local level.

- Respondents reported that communication from the NDIA was less than desirable.

The purpose of the online survey was to obtain a snapshot of industry awareness of the SDA program, while also obtaining an indication of stakeholders' level of interest in this initiative and any issues and challenges that have arisen from their engagement with SDA. Although it was only brief, the survey nonetheless collected a considerable volume of data. This chapter of the report presents the most relevant findings. Unless otherwise identified, all data presented are drawn from the survey, and reflect the full 74 responses received, of which 26 were drawn from for-profit organisations and the remainder from not-for-profit agencies. As requested by the Investigative Panel, the data presented here are disaggregated into the not-for-profit and for-profit sectors.

In considering the results, it is important to acknowledge that the data cannot be construed to be representative of the broader population of enterprises active, or potentially active, in SDA accommodation. The challenge of identifying the potential population of respondents, and the need to acquire information in a timely fashion, means the responses we have received are best considered a 'purposive sample' (Teddlie and Yu 2007) or 'accessibility sample' (Olsberg, Perry et al. 2004). In large measure the data were collected to:

- inform the discussions of the Investigative Panel

- provide a snapshot of those active in the sector, their business type, current level of activity and intentions for the future

- canvas issues around the uptake of the SDA program, and

- assess the maturity of the 'SDA market' and the adequacy of information sources for those seeking to invest.

It is evident that the relatively small number of responses, and the fact that the data do not constitute a representative sample, imposes significant limitations on the analyses that can be undertaken and the conclusions that can be drawn. The results, however, have value in and of themselves, providing insights into the nature and composition of the sector not available elsewhere. The sections below summarise the key findings from the survey, with the final section discussing the implications for policy and for further analysis to answer the project's research questions.

2.1   Respondents

Of the 74 respondents, 80 per cent worked in organisations already actively involved with the NDIS and 70 per cent in organisations already involved in the SDA program. Less than half (41%) of those involved in SDA were already providing accommodation under the program however; of these, half were providing housing to more than 50 people, and a quarter to between 21 and 50 people.

All Australian jurisdictions were represented, with South Australia somewhat over-represented, while all other states and territories were represented in proportion to their respective populations. Most not-for-profit respondents worked for human services or housing services providers, and there was a small representation of financiers, property developers, consultants and intermediary firms. Consultants were the single largest group among the for-profit sector, and it is reasonable to assume that they would provide services to both the for-profit and not-for-profit enterprises (Figure 3 below). Representatives from both very large (more than 250 staff) and very small (one to five staff) organisations participated (31% and 20% respectively), with just over half (51%) of respondents in total from larger organisations (more than 100 staff) (Figure 4 below).

Figure 3: Type of organisation by respondent and sector
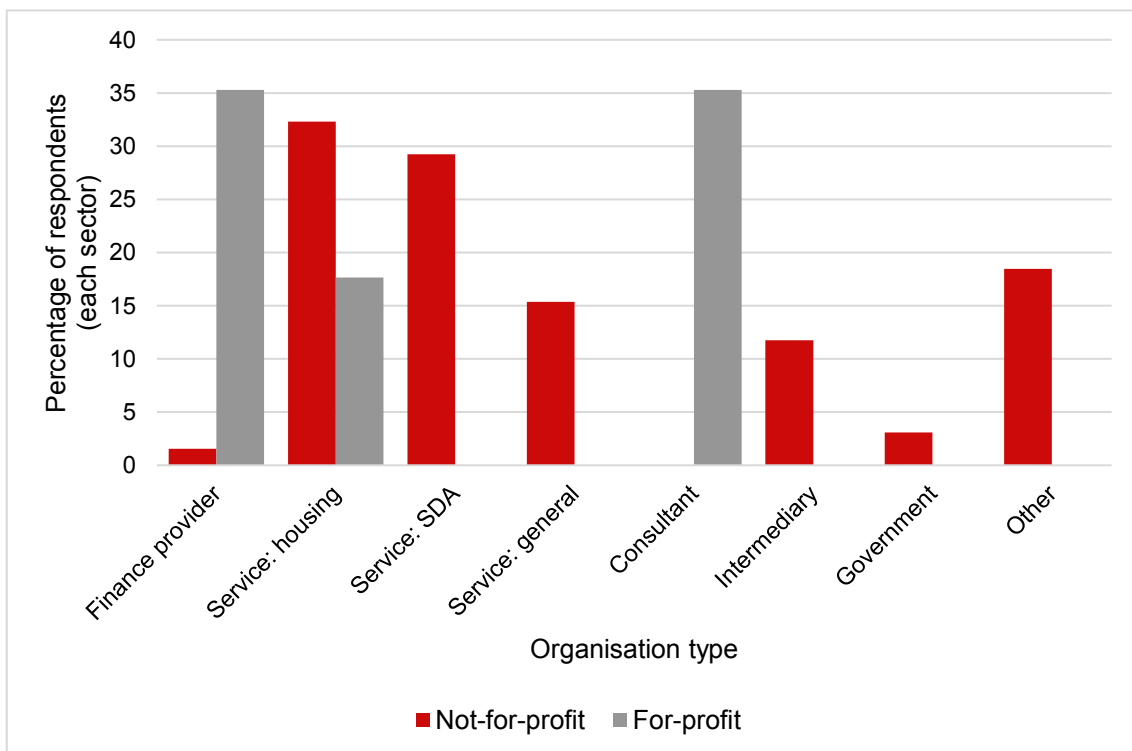
Source: Authors.

Figure 4: Size of organisation by respondent and sector
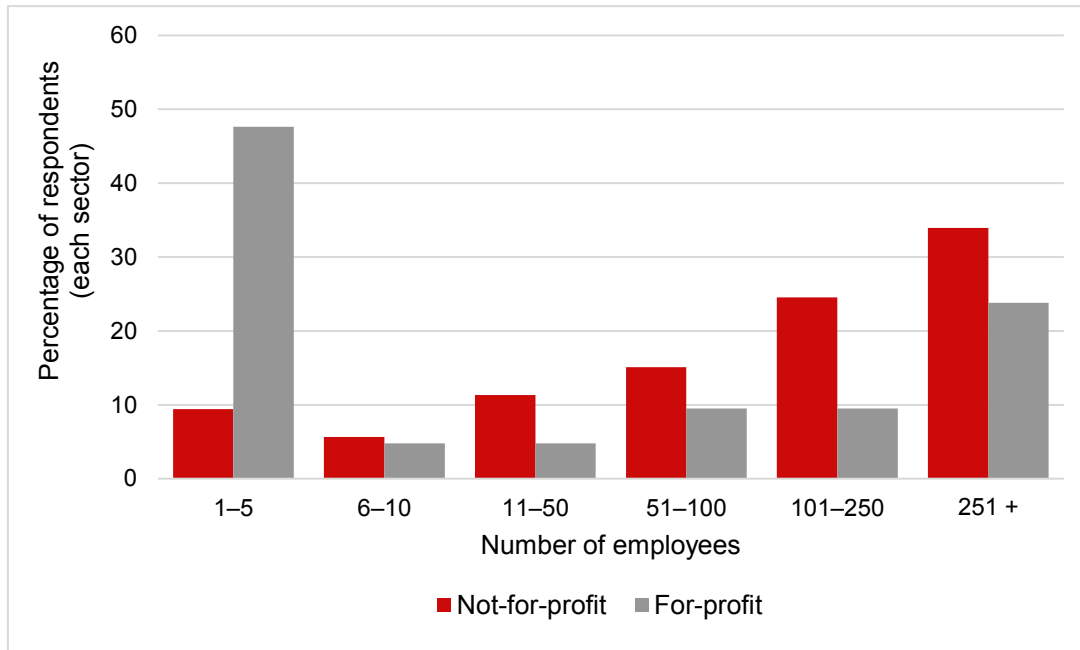
Source: Authors.

2.2   Survey findings

2.2.1   Stakeholder awareness

Respondents to the survey reported that SDA featured in their long-term plans (Figure 5 below), and this applied to both the for-profit and not-for-profit respondents. This suggests that SDA is a pivotal part of the strategic direction of a significant number of organisations active in the sector. It also implies that organisations need to adopt a long-term view if they are to invest in SDA properties.

Figure 5: Degree to which SDA features in short, medium and long-term plans of respondent organisations, by respondent and sector
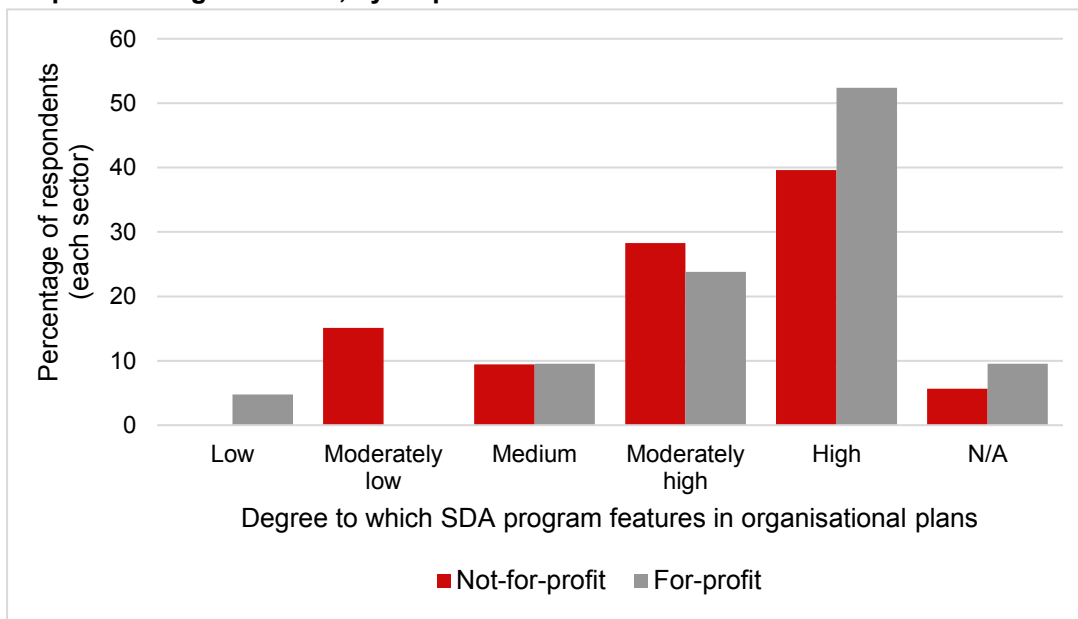
Source: Authors.

Respondents also reported high levels of awareness of the SDA program, including the risks associated with SDA investment (Figure 6 below). For-profit respondents appeared to be more aware of the risks, and this may reflect the role of consultants in advising businesses on how, when and where to invest. They also reported reasonably high levels of awareness of social housing more generally as a potential area of investment (Figure 7 below). Respondents' awareness of SDA demand was not as well developed, however, with fewer organisations reporting a high level of awareness of this demand, along with a commitment to meeting it. This may be a product of the low number of SDA funding approvals achieved to date, and this is discussed in the next chapter.

Figure 6: Awareness of risks associated with investment in SDA, by respondent and sector
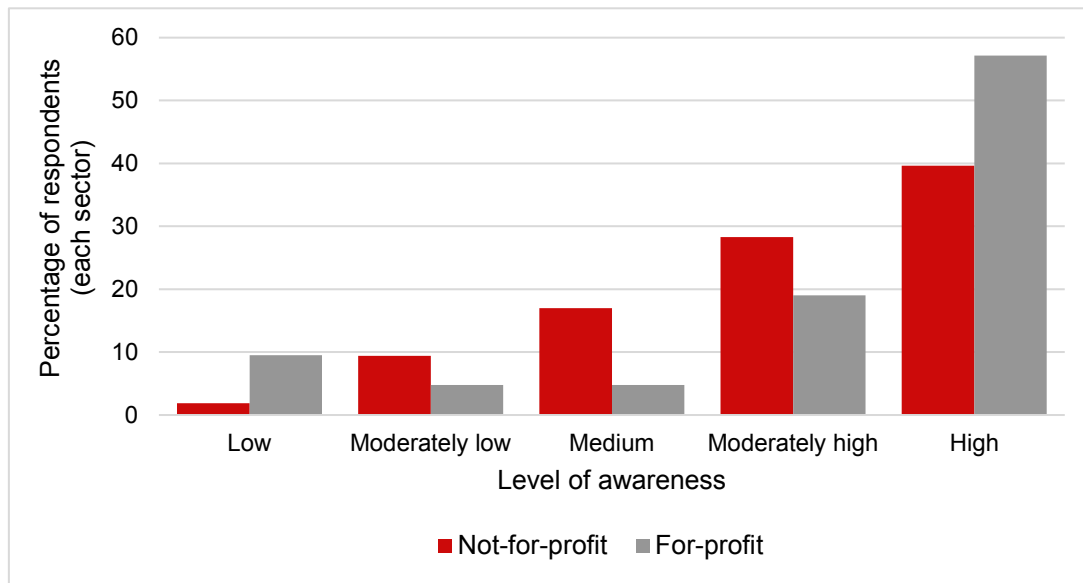
Source: Authors.

Figure 7: Awareness of social housing as potential investment, by respondent and sector
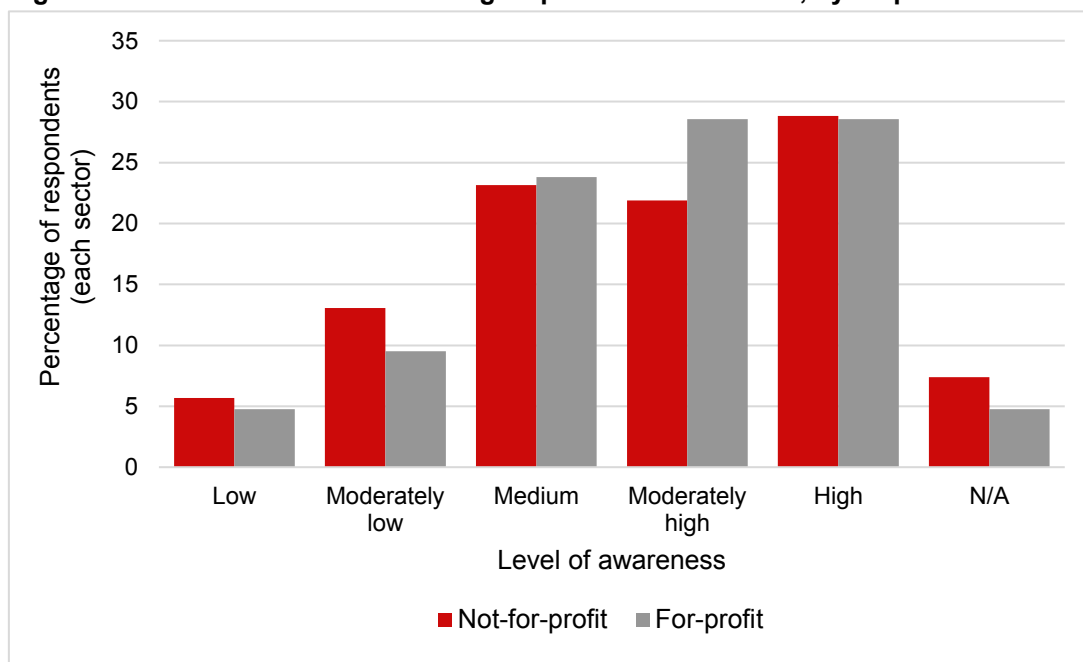
Source: Authors.

It appears from the data that for many respondent organisations, engagement with SDA was linked to an organisational commitment to social responsibility (Figure 8 below). This was very much the case for not-for-profit organisations. When asked to provide an indicator of their level of agreement with the statement that social responsibility was a core part of the operation of their organisation, two thirds of respondents (69%) indicated a high level of agreement and 21 per cent a moderately high level of agreement. The remainder indicated a medium level of agreement or selected not applicable (8% and 1% respectively).

Figure 8: Degree to which social responsibility is core to the operation of the organisation, by respondent and type
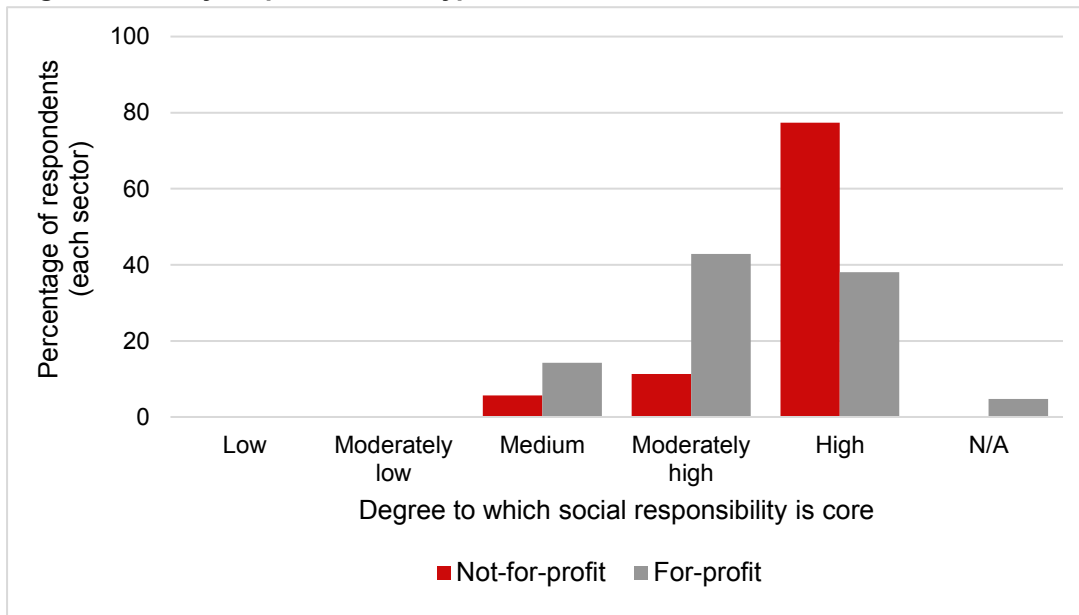
Source: Authors.

2.2.2 Track record, experience and capacity

Overall, survey respondents came from organisations with relatively low levels of experience in investing in the private housing market, but considerable experience in the social housing sector (see Figures 9 and 10 below). This differentiated experience is significant, as it speaks both to the appetite for risk and the types of stock turnover and management strategies organisations may be comfortable in deploying. It also implies that for many organisations, SDA represents an extension of existing business models.

When disaggregated by sector, for-profit organisations were more experienced in the private sector, and not-for-profit organisations were familiar with the social housing sector. While this outcome is predictable, it underlines both the diverse skills sets and experiences of stakeholders working in this sector, and speaks to the capacity of the SDA to bring together diverse interests.

Figure 9: Level of previous investment by organisation in the private rental market, by respondent and sector
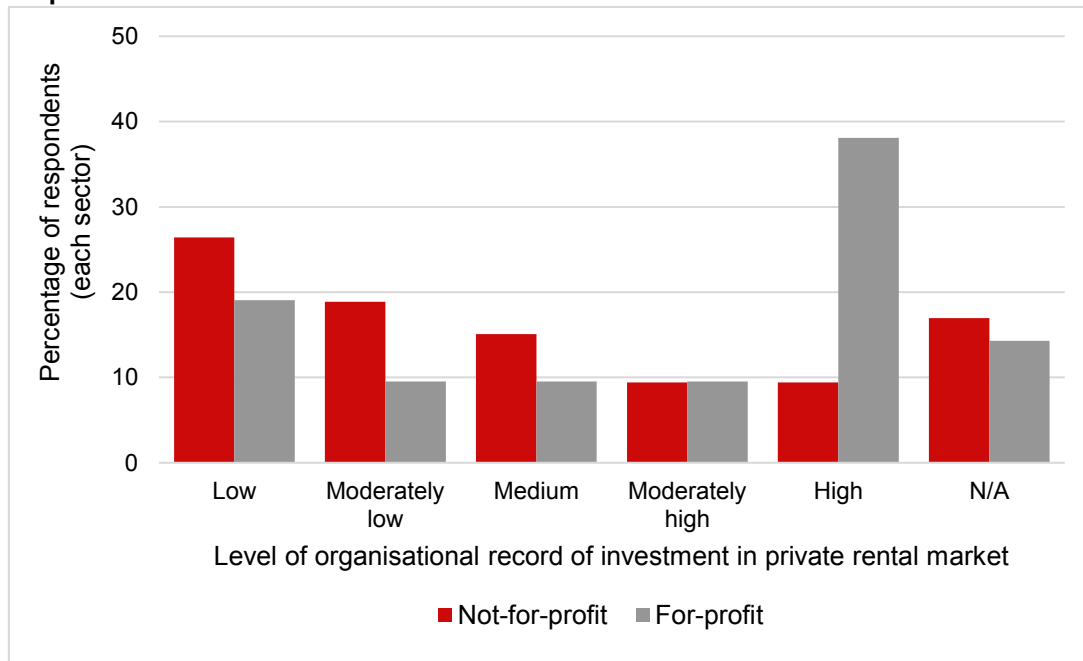
Source: Authors.

Figure 10: Level of previous investment by organisation in social housing, by respondent and sector
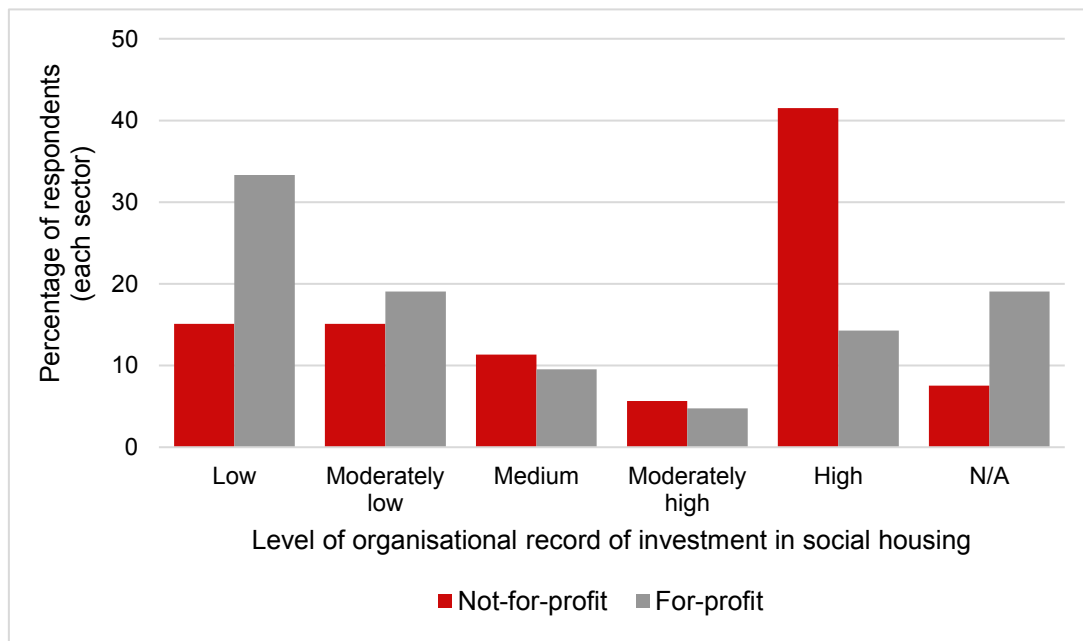
Source: Authors.

As well as a strong track record of social housing investment, respondents reported considerable expertise in SDA (Figure 11 below) and an even greater level of expertise in the NDIS more generally (Figure 12 below). This observation applied to both not-for-profits and for-profit respondents, though it was most strongly expressed in the for-profit sector. It is worth noting that many respondents who did not claim competence with respect to SDA also provided services to, and worked for, social housing providers and disability support services.

Figure 11: Level of organisational expertise focused on SDA, by respondent and sector
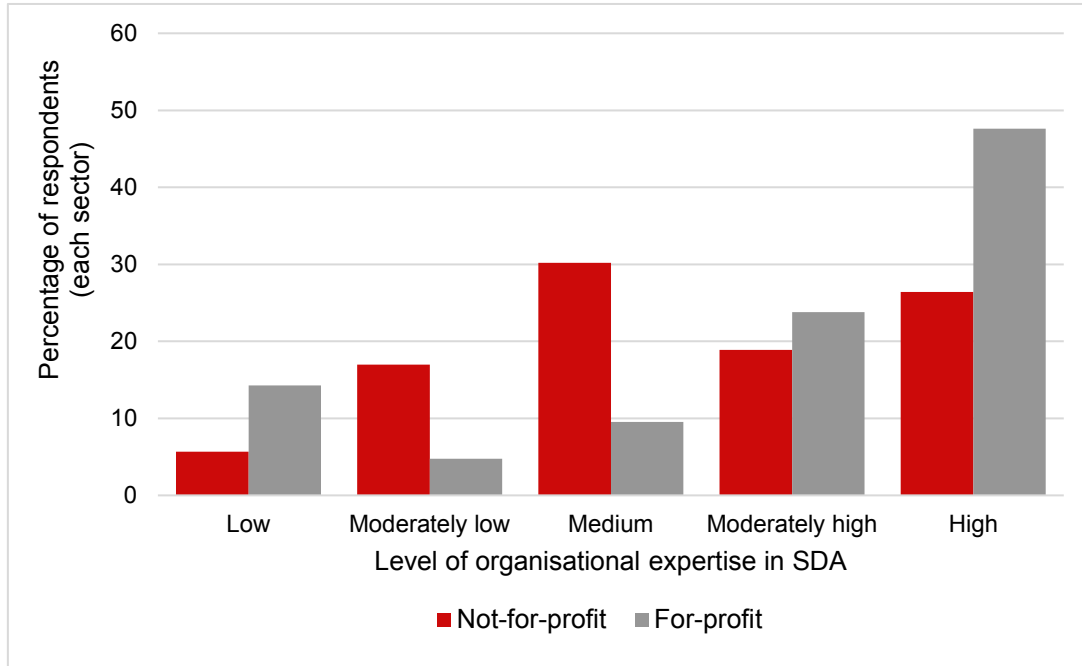
Source: Authors.

Figure 12: Level of organisational expertise focused on NDIS, by respondent and sector
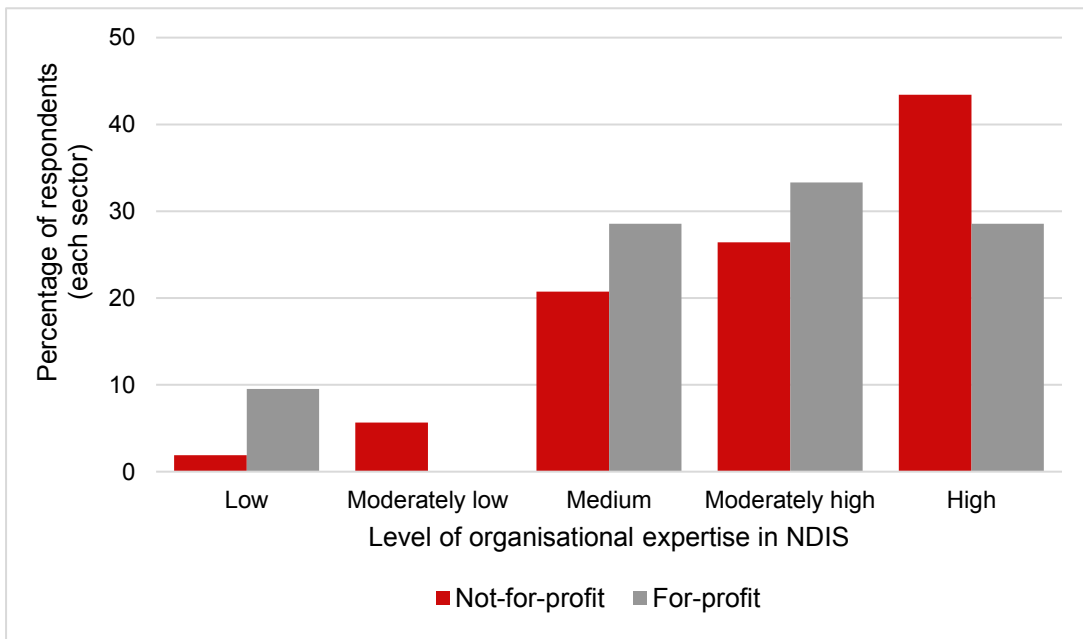
Source: Authors.

Alongside expertise, the announced capacity to invest in SDA was high—35 per cent of respondents expressed a high level of agreement with the statement that their organisation had such capacity, 21 per cent a moderately high level of agreement, and 15 per cent a medium level of agreement (Figure 13 below). Just 18 per cent expressed low or moderately low agreement, and a further 11 per cent said the question was not applicable. This indicates that there is a considerable latent pool of investment in this type of asset.

Figure 13: Level of agreement that organisation has the capacity to invest in SDA, by respondent and sector
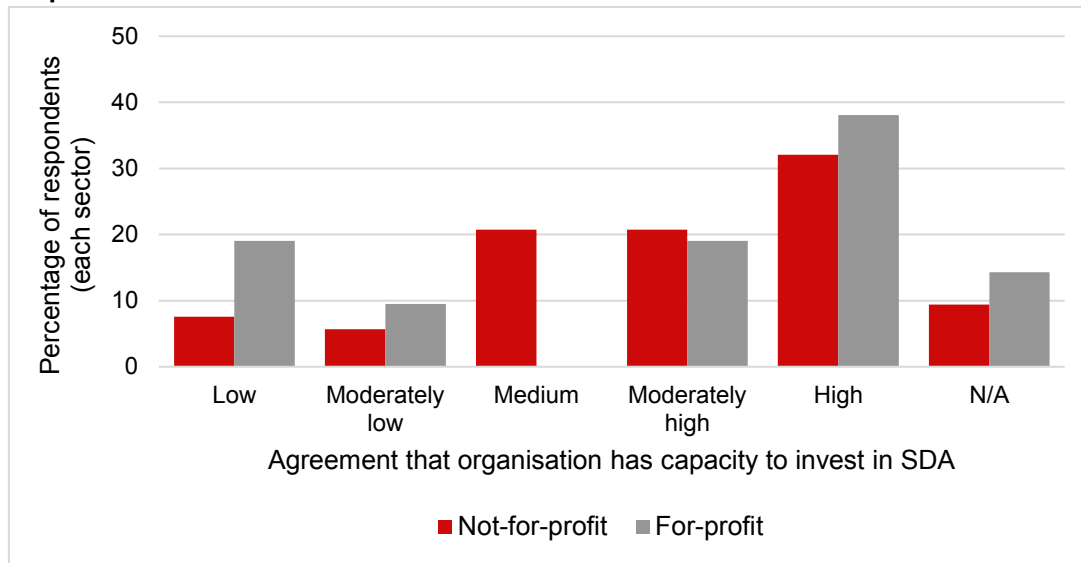
Source: Authors.

2.2.3   Views of SDA design

Survey respondents were generally positive about the potential of SDA as an asset class, although the strength of this view was somewhat moderated (Figure 14 below). When asked if SDA was likely to result in lower returns to investors than other types of investment, relatively few respondents (14%) expressed high or moderately high levels of agreement, compared to 31 per cent indicating a medium level of agreement and 28 per cent a moderately low or low level of agreement. Thirty-seven per cent were in high or moderately high agreement with the statement that SDA was a good investment opportunity for mainstream financial institutions and property providers, with a further 26 per cent expressing a medium level of agreement (Figure 15 below).

Figure 14: Level of agreement that SDA is likely to result in lower returns to investors than other available investment opportunities to your organisation, by respondent and sector
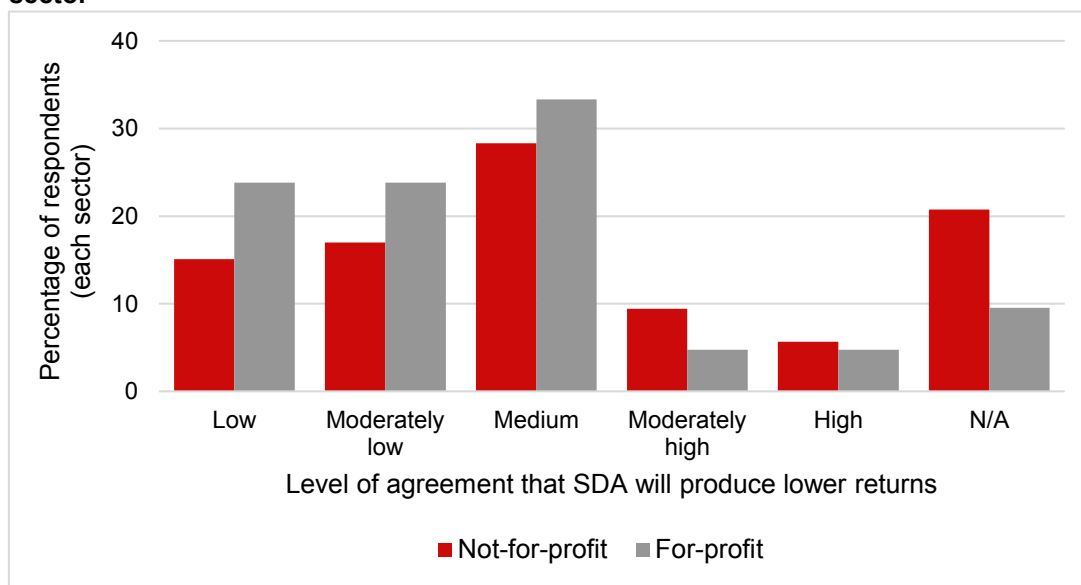
Source: Authors.

Figure 15: Level of agreement that SDA is a good investment opportunity for mainstream financial institutions and property developers, by respondent and sector
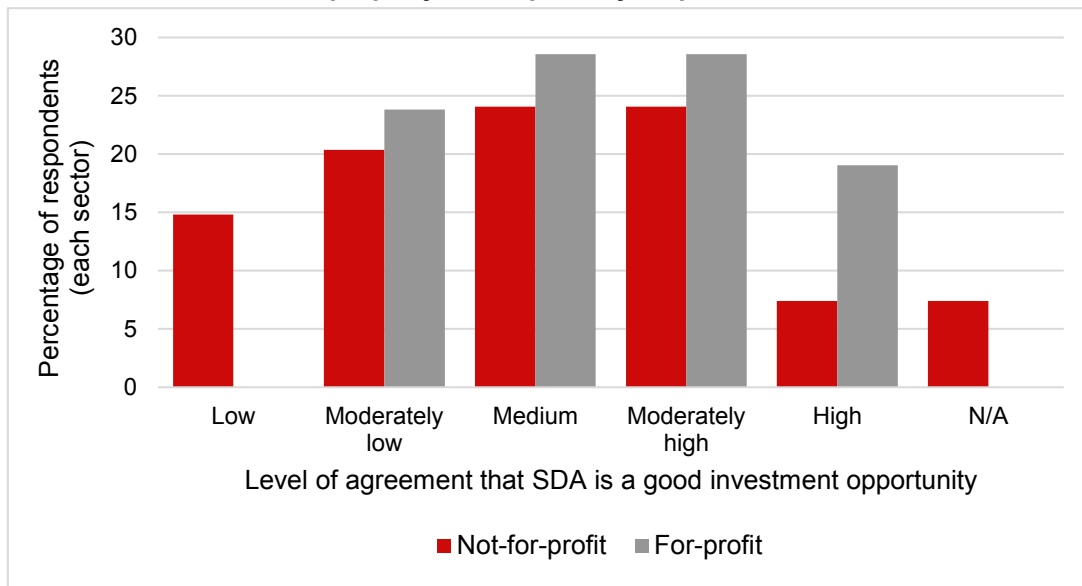
Source: Authors

Figure 16: Level of agreement that organisation is aware of demand for SDA and is taking steps to meet that demand, by respondent and sector
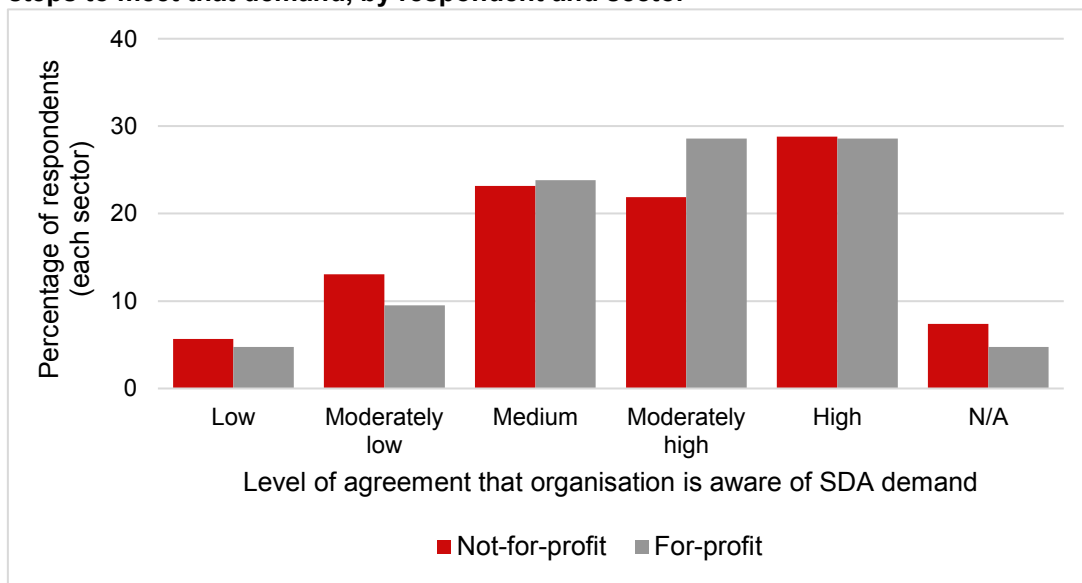
Source: Authors.

However, one of the clear messages to emerge from the survey was that more could be done by the NDIA to provide information on the SDA program to the CHP, disability services, and most critically, the for-profit investment sectors (Figure 17 below). When asked to indicate agreement with the statement that more could be done to provide information on the SDA program in their sector, 73 per cent of respondents indicated their agreement was high, and a further 16 per cent, moderately high. Only 3 per cent of respondents (n=2) expressed a low or moderately low level of agreement.

Figure 17: Level of agreement that more could be done to provide information on SDA in your sector, by respondent and sector
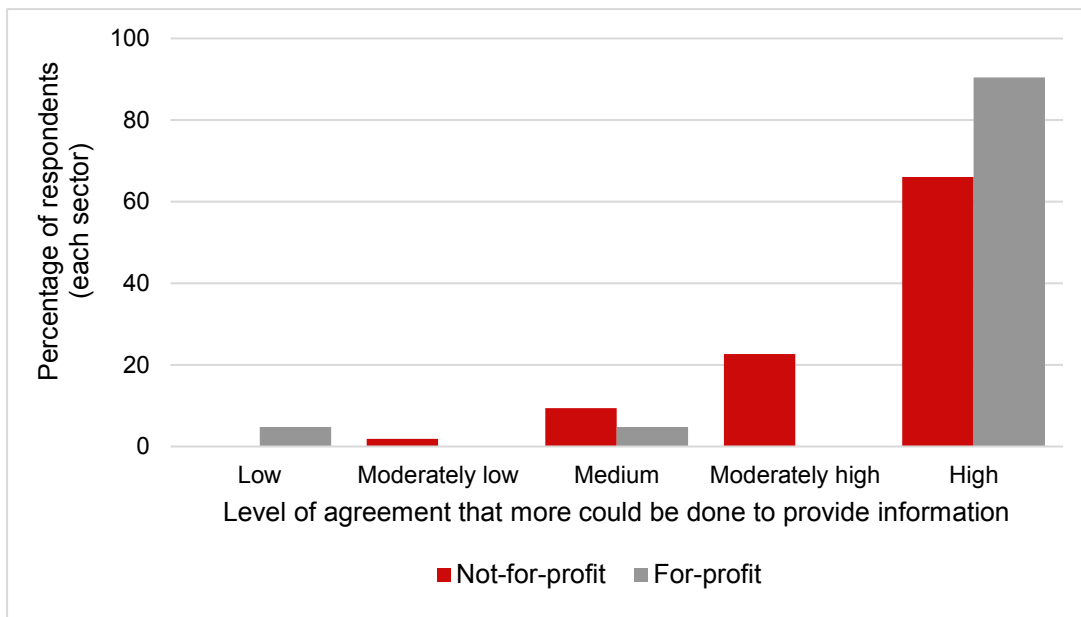
Source: Authors.

More broadly, the survey indicated that respondents were well aware that there were barriers to their organisation participating in the SDA program (Figure 18 below). Half (49%) of the respondents reported a high level of awareness of these, and 16 per cent a moderately high level of awareness, compared to just 14 per cent indicating a low or moderately low level of awareness. The nature and extent of these barriers is explored in the following chapters of this report.

Figure 18: Level of awareness of barriers that would prevent your organisation from investing in SDA accommodation provision, by respondent and sector
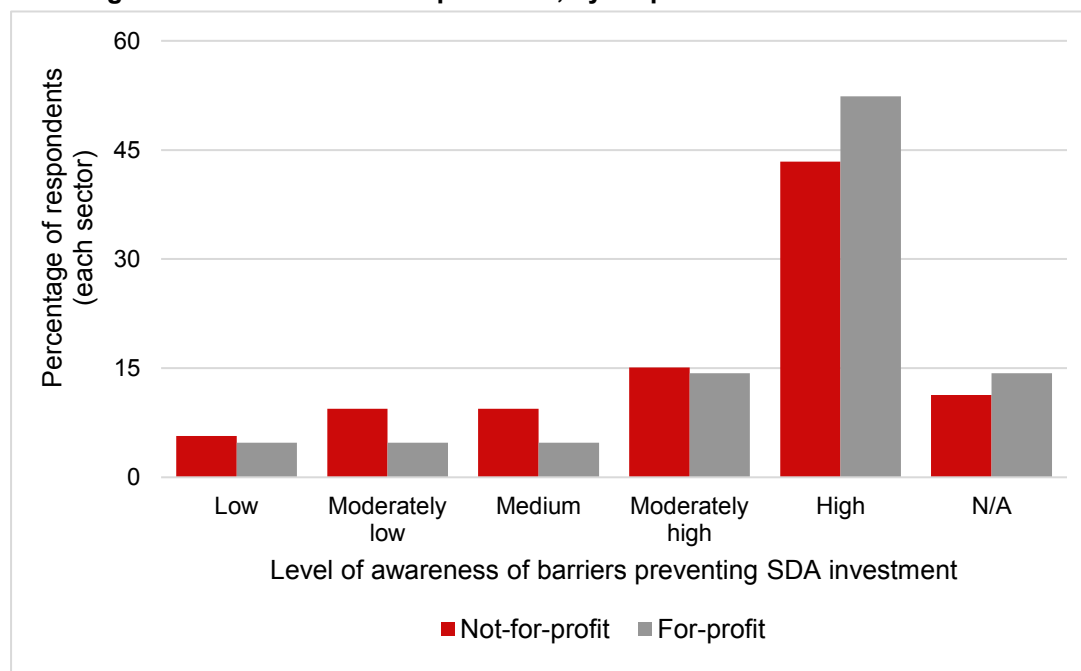
Source: Authors.

2.2.4   Summary of survey findings

Overall, the results of the survey sketch out the broad dimensions of industry engagement with SDA, presenting a narrative of considerable potential for the delivery of SDA. The survey showed that a wide range of actors in all states and territories:

- are both aware of the SDA program and are actively planning to invest in SDA as a central aspect of their organisation's operations in the short to medium term

- see this area of investment as a social responsibility that is integral to their organisational missions

- have experience of investment in comparable areas of social housing provision or the delivery of social services

- believe they have the relevant expertise, and

- have a high level awareness of the barriers that would prevent them from engaging in SDA.

By implication, particularly given the snowball approach taken to recruiting survey participants, the respondents are also networked with other key actors in the sector.

2.3   Policy development implications

The findings of the survey highlight the largely constructive and pro-active posture of the wider sector towards the SDA program. There is a general agreement that the SDA program is necessary and will meet a social and capital need of people with disability. Many organisations are including SDA in their forward-planning to some degree. There is also a broad willingness to be actively involved in SDA, either by contributing relevant expertise or through engaging and investing in the program through resourcing and capital.

However, notwithstanding the constructive attitude evident amongst respondents, the results also suggest that stakeholders are highly aware of significant barriers to their involvement. In particular, the lack of a reliable flow of information to all sectors on SDA and the details of its implementation is a significant issue.

3 Perspectives on the SDA: interviews

Twenty-seven in-depth, semi-structured interviews were conducted by the researchers, and participants included major Australian banks, specialised finance providers, large property developers, CHPs, and consultants working across the industry.

The key themes that emerged included the following:

- Risks identified by industry informants included uncertainty over the level and location of demand; vacancy risk; the absence of integration between the roles of housing provider and disability service provider; changing external environments; doubts over the adequacy of the available return on investment, overly complex NDIA processes that lack transparency—all of which generates uncertainty for investors.

- There is a need for better and more consistent information on SDA and its processes.

- Pricing arrangements—specifically the nature and level of the subsidy for accommodation provided under SDA—are shaping the structure of SDA provision with respect to the nature of dwellings and their location.

- Currently engaged actors are mainly drawn from the not-for-profit sector. There is limited engagement and knowledge within the for-profit sector, but a strong level of interest that may be realised once some of the risk factors are addressed. NDIA funding rules impede further diversification among SDA providers.

- The scale and capacity of many CHPs provides the competence to pursue the opportunities made available by SDA payments.

This chapter considers the key themes that emerged from the 27 in-depth, semi-structured interviews conducted as part of the research. The discussion is necessarily focused on key themes and therefore not reflective of the full range of matters raised by the interviewees. However, the chapter does cover the most pressing concerns of the informants and provides insights into some of the critical questions that inform this research.

3.1 Industry structure

According to informants, the structure of the industry is a critical issue affecting the implementation of the SDA program. On the one hand, SDA is open to a variety of participants across the country, but in the context of the NDIS as a whole, it is a small scheme providing a highly-specialised set of products. This research identified that 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.

Critically, many for-profit companies had limited knowledge of the SDA program and its implementation; some of those contacted were completely unaware of SDA at all, while others had limited information that was not sufficient to warrant the investment of further time or capital. Some developers interviewed saw engagement with SDA as an important part of their broader commitment to community-building in new developments and remained eager for further involvement in future. A significant percentage of interviewees from for-profit companies noted that their involvement in SDA was as a sub-contractor: they built SDA homes for CHP providers with the resources to assemble finance and land. These firms had not considered a more active approach to direct provision of SDA homes.

Those not-for-profit organisations active in SDA, or seeking to be active in SDA, had varied histories. Some had a focus on the provision of disability services, while others had been housing providers or larger organisations active across a broad spectrum of social service and housing provision. Their perspectives had also been shaped by the jurisdiction(s) within which they had operated.

Several interviewees from both not-for-profit and for-profit sectors noted that there had been for-profit sector interest in SDA because of the attractive rates of return on investments potentially available. However, the pricing structure published by the NDIA has meant that the most profitable segment of the market lies in single-person apartments built to 'high physical support'. While a number of firms have sought to enter this market, the greatest proportion of the demand for accommodation under SDA is likely to be for 'improved liveability', for which the returns under the pricing structure are much lower. It was therefore argued that the majority of demand would be met by charitable organisations because they 'are more interested in outcomes for the people'.

Other informants felt there was scope to further expand the range of housing providers under the SDA program but the feasibility of this was limited by the funding rules applied by the NDIA. For example, one SDA provider argued that retirement villages could easily include SDA properties in new developments. However, current NDIA rules prohibit more than 15 people in a cluster (albeit for good reasons), effectively ruling out large-scale developments. Therefore:

> Pretty much every project needs a block of land, design done for that block, construction, and so on. That is, block by block, and that doesn't work for large-scale, traditional, seniors' living type arrangements. There are people who specialise in purpose-designed villages etc., but that whole class of traditional provider has been taken out due to the cluster rule.

Some informants were critical of for-profit involvement in SDA, with one stating that:

> Lots of providers have branded themselves as SDA, but they are just property guys trying to figure it all out (i.e. they've made money from childcare centres, now they aim to make money out of this).

Some informants felt that developing and demarcating the different roles and interests of SIL providers, CHPs, and SDA providers was important, but that achieving this clarity was taking some considerable time. Others felt that 'uncertainty is opportunity' for organisations who can be proactive.

A number of CHPs interviewed argued that scalable models have increased the chance of successfully implementing SDA. They noted the growing reality that large and specialised players are advantaged in the affordable housing market, and that these are better able to access SDA funding because they have the capacity to develop the specialised processes and knowledges required to implement the program in their organisations. That is, to the extent that SDA can become 'core business' to CHPs, the capacity to take on SDA will expand for those organisations. The smaller CHPs interviewed were more sceptical about involvement in SDA,

opting to wait and 'see what happens'. Without the capacity to build specialised skills in SDA processes and procedures, the impact of the program's opaque and uncertain processes (see Section 3.2.3 below) was magnified, and acted as a barrier to the take-up of SDA. The CEO of one small provider, who felt SDA was not currently working well and whose board had opted to put potential involvement on the 'backburner', noted:

> There is too much complexity in terms of building the requirements for disability within the guidelines and in a cost efficient way—it is too unknown.

In this sense, the scale and capacity of large CHPs has meant they are able to view SDA as an additional investment opportunity within a broad portfolio of activities and capital commitments. Larger CHPs also acknowledged the lack of clarity with SDA processes and stated that the system was tedious to engage with; they too suggested that smaller affordable housing providers will not engage with SDA at all due to the comparable ease of investment in other activities. One larger provider noted their decision to invest in SDA was a proactive and intentional one:

> From the beginning, our experience is that we've had to build the system as we've progressed.

This set of perspectives was echoed by other medium to larger-sized CHPs. Their capacity building has included employment of additional staff, developing internal information and training systems, seeking their own customer base, and educating their for-profit market finance and construction partners around disability housing so that they too can understand the demand for SDA housing and the details of its implementation in a more nuanced way.

This last point is important and speaks to the issue of scale. The larger CHPs again were able to develop longer-term not-for-profit and for-profit sector partnerships and saw these as a worthwhile investment, both in terms of education and resourcing. The smaller providers interviewed grappled with the risks associated with the SDA process. In many cases they had engaged with local developers but did not feel in a position to further the relationship until market certainty could be more strongly established.

A consultant working on SDA argued that the industry structure was partly affected by geography—the uncertainty of the pricing structure, together with a different understanding across regions of how people are assessed, has contributed to considerable spatial differences in the makeup of the industry. For example, the Queensland Government has adopted a 'hands off' approach to SDA, while New South Wales and Victoria, together with South Australia, are more enabling in their regulatory regime. From the consultant's perspective:

> The current feeling is that, on a personal and transactional level, the structure around pricing and the funding stream is understood well, but at an actual housing level uncertainty prevails. Regarding the general understanding of the structure of the industry the feeling is that the broader community in the property sector do not understand the SDA scheme and its structure. Most market players know very little, while very few market players know a lot; therefore there is price uncertainty and subsequent risk.

The influence of pricing arrangements on the structure of the industry was a key theme to emerge from the interviews. The current model has created uncertainty around future cash flows and many industry interviewees have only a vague understanding of the funding model. In addition, SDA is considered to be a very specialised asset that has created the tendency for big developers to sit on the fringes of the sector rather than actively participate. There is a perception that with an improved understanding of the industry such investment may be lucrative, but as one informant noted, the 'devil, however, is in the detail'.

3.2   Experiences with SDA

3.2.1   Risk

The recognition of risk in the system was a key theme in the interviews. For many informants, SDA involved multiple risks that combine into a system too complex and too difficult for them to navigate at this stage of its implementation. These risks fell into three broad categories.

Demand risk

At the industry workshop, attendees pointed to the importance of distinguishing between need (the number of people with disability currently without appropriate accommodation), expressed demand (the number of NDIS participants applying for SDA as part of their individual plans) and approved demand (NDIS participants assessed as requiring SDA support and for whom payments were now made available). In the discussion of 'demand', inevitably these categories are not always distinct. However, for many stakeholders any sort of demand for SDA housing is currently both unknown and unknowable. 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. Most CHPs, for example, were certain that demand existed and that they had capacity to deliver housing supply if the demand were known, but argued that there had not been an effective translation of this demand into eligibility through the establishment of SDA plans, and as a result of this lack of approved demand, there was little certainty around who needed housing, where they needed it, and when to supply it.

A significant aspect of this risk is the lack of high quality data available to providers (see Section 3.2.4 below), including area-level data on both the current supply of dwellings and the number of NDIS packages being approved with an SDA component. Many of our informants noted there was considerable variation in the geographic distribution of demand, with one South Australian respondent arguing that demand was far less than they had originally forecast and planned for.

A consultant working on SDA developments argued that there appears to be 'a major disconnect between SDA and the independent assessment process'. Informants said it was very difficult to predict with any certainty which applicants would be approved for SDA and which would not. Some informants described situations where NDIS participants for whom SDA approval seemed almost certain on the basis of need had their applications refused for no clear reason. Some SDA providers reported that properties had been designed and constructed for particular individuals in anticipation that they would be approved, and that these would now either have to be rented on the open market to a person without a disability or left vacant:

> *There will be a lot of properties in the next 12 months that will be coming online and properties available now that are sitting empty because the people have applied for SDA and are not eligible.*

This disjuncture meant that there was now the perception amongst CHPs, disability service organisations and finance industry representatives of a high and unavoidable risk that prospective participants might not get the funding they need. As well as preventing organisations from engaging with the program, this perception also contributed to anxiety that dwellings constructed to meet the needs of an initial tenant may not be re-let into the SDA program because others with comparable disabilities would not be granted access to SDA, producing subsequent cash flow uncertainty.

Vacancy risk

In SDA, the need for providers to carry 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, has not been well accepted. In a number of interviews,

informants made reference to a CHP who has rejected this policy. In other instances, housing providers had made successful arrangements with SIL providers whereby both the risk of tenants damaging properties and the vacancy risk was transferred to the latter. These providers viewed the vacancy risk as being too great ('unmanageable'), due to both the financial impact and possible reputational damage. Informants felt that the SIL provider should carry these risks because suitability for tenancy and ongoing tenancy management is their responsibility. However, other informants argued that there were good reasons to allocate vacancy risk to providers—doing so ensures that providers will be responsive to demand and offer a quality product of choice to participants as a way to mitigate that risk. Assigning the risk to SIL providers allows the accommodation provider to carry on as usual, even if 'as usual' is not what NDIS participants want or need.

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. As one phrased it, the government only goes so far as to guarantee 'in good faith' that the product is viable into the long term. The ever-changing policy environment around the disability sector was a source of some discomfort because it was considered likely to affect SDA funding into the future. For example, informants noted the possibility of new policy directions being introduced in response to political pressures, which could alter priorities and targeting within the SDA program (e.g. a decision to emphasise a particular cohort, like people living at home with ageing parents). Such 'unknowns' acted as a barrier to the implementation of organisational plans and sector-wide progression towards the take-up of SDA.

The ongoing process of reviewing the SDA and its implementation had also created considerable uncertainty and risk, effectively freezing investment. For example, many in the sector were waiting in anticipation of the outcomes of the KPMG review in case this produced a radical change in policy or program design. The NDIA's April investor briefing was cited as another example of uncertainty. One informant described how one significant party in SDA had purchased 100 apartments off the plan, financed through a large bank (a $75 million commitment). However, the banker walked away after the NDIA issued a statement saying they would not approve participants for one-bedroom apartments. The informant noted of the April investor briefing:

> ...two sentences in an eight-page document that completely spooked the market. And until all of that gets sorted, there's no money, there's no participants, and therefore there is virtually zero new activity taking place.

Many informants felt that the risks associated with SDA had a considerable impact on the for-profit sector, especially property developers. Price uncertainty is embedded in many aspects of SDA and this means that, 'maintaining future cash flow from an investment in SDA projects is perceived as a major risk because of the uncertainty of future cash flows'. Many of the cash flow risks were associated with the complicated approvals process, as tenancies are not secured in the long run. An improved approvals process, together with finding ways to eliminate revenue uncertainty, was a priority for many interviewees, and something perceived as having the potential to unlock greater investment from the residential property sector. The newness of the SDA sector was also problematic—some informants pointed to the risks associated with exceeding budgets when building new accommodation because of the difficulty of accurately costing some specifications due to sector inexperience.

3.2.2   Adequacy of returns

Many informants had strongly developed views on the adequacy of returns to investors available through SDA. Broadly, most felt that some providers could achieve adequate returns

under some circumstances, but that not every provider could achieve a satisfactory return under all circumstances. Informants from the finance sector felt that the returns were attractive enough to have resulted in a flow of proposals as developers and CHPs investigate opportunities.

However, some informants 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. Finding an appropriate balance between risks and returns is important as it shapes the behaviour of for-profit enterprises, and is also considered by not-for-profits who also need to evaluate the opportunity costs of their investments.

As one provider described it, SDA pricing calculations assume 40 per cent cash equity for each project. If the cost per bed or unit plus ancillaries including land is $250,000 and some 12,000 new places are to be established, there is a total demand for $5 billion in investment, of which $2 billion needs to be equity. There would be no return until the property is sold at the end of 20 years. As this informant observed:

> There is no appetite for that. We scoured wealthy families, foundations, super funds, etc. and they all said "you've got to be kidding". There is a lot of money around for SDA, but none that will wait 20 years before the first hint of a return—and if the return requires sale of the property, then that brings with it reputational risk for the investor (e.g. "bank sells home of person in wheelchair").

There were differing views of which configuration of SDA dwellings offered the most attractive investment. One informant argued that the most profitable built form was single-person apartments. Another argued that the SDA model that will likely provide adequate returns given high occupancy levels in all locations, and which is therefore the most feasible investment opportunity for not-for-profit and for-profit providers alike is a two-bedroom unit with one resident receiving SDA. This informant indicated that their organisation's modelling suggested that more robust returns (as measured by Net Present Values (NPVs)) was associated with clusters of two-bedroom homes on single land parcels.

For-profit sector informants noted that although adequate returns on SDA housing are possible, with one to two-bedroom houses on larger land parcels or tandem provision of SDA and retirement housing perceived as particularly feasible options, there are obstacles in the way of receiving the expected return. 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.

3.2.3   NDIA processes

The problems with delays in demand approval have been noted above (see Section 3.2.1), but concerns about NDIA processes extended beyond this. Many of our informants considered NDIA processes to be 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. As one informant observed:

> The rules are written in such a complex way that most people find it hard to interpret them. Providers have to invest considerable time/effort/IP in facilitating a pathway for people through these processes in order to be sure that they will have someone to live in their home at the end of it.

Organisations had reacted to these challenges 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 their SDA ambitions and be capable of acting in an informed way. Other

businesses chose to withdraw from the market and wait for greater clarity or until the sector matures.

It is worth emphasising that even those informants who were highly critical of the way in which the NDIA was managing the SDA program were at pains to point out the importance of the NDIS to the lives and wellbeing of Australians with disability and their families. Their criticisms were made in the hope of improving the system, and they did not want them to be taken as evidence of a lack of support within the sector for the concept of the NDIS. However, they did consider that the NDIA was under-resourced given the challenge it faced, and that the agency lacked the expertise necessary to deliver on SDA, particularly given the other pressing issues it was dealing with. Some informants also acknowledged the adversarial culture that had developed by necessity in the sector—historically organisations working with people with disability have 'taken all steps necessary to get the best outcomes for their clients' including strategies like media engagement or 'going to the Minister'. The deployment of similar tactics toward the NDIA has made for a complex operating environment and the development of a 'bunker mentality' within the NDIA because the agency perceives itself to be under attack. This defensiveness impedes the development of constructive working relationships that might assist in the resolution of problems.

The housing providers interviewed as part of this study had a number of clear messages regarding the NDIA. First, all of them, even those which had decided not to take up SDA, recognised the scale of opportunity provided by the SDA for the sector. They acknowledged the national importance of the scheme, with no comparable opportunities historically with the same potential to reshape the landscape of disability housing and fulfil the housing requirements of people with high and complex needs. They also acknowledged that the scale of the scheme has required new administrative languages, frameworks, legislative standards and processes:

> The NDIA is creating an entire national structure from scratch. Setting up the infrastructure and policies, and then having to implement an individual plan for every single person—building processes simultaneously. The practical set up task for this to function well is mammoth.

Among some informants, there was a strong feeling that although the problems and challenges associated with the rollout and uptake of the SDA were challenging, they were predictable given this is a system that is yet to reach maturity, and they were also therefore temporary. Other informants, however, were concerned that such an attitude masked the seriousness of the problems facing the SDA program, arguing that these were not just 'teething problems' but were fundamental issues that needed urgent resolution.

The CHPs involved in this research outlined a number of challenges in their sector's interface with NDIA processes regarding SDA, some of which have broader resonance. These issues included:

- *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. The requirement for articulated support alongside SDA funding generates a complex set of variables with regard to responsibilities, and many of the issues arising from this are being negotiated in situ as they arise rather than being addressed by SDA policy.

- *Inconsistencies in the policy framing of SDA provision:* The NDIA frames housing provision for NDIS participants as being founded upon independence and choice (see Section 1.2). 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, our informants argued, 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 fully express client choice (e.g. independence).

- *Lack of understanding or capacity within the NDIA:* CHP informants had the view 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. CHPs pointed to considerable variance within NDIA in terms of policy communication and systems and processes requirements. For example, there are inconsistencies in knowledge transfer depending on the region of the NDIA office. The lack of leadership from the NDIA means that providers are filling the gaps by employing their own staff to navigate and build systems to enable SDA in their organisations. Given the replication of effort occurring across organisations, this is highly inefficient, and providers argued that there needed to more direction and knowledge provided by the NDIA.

Others working in SDA also noted that the program is not well understood at all, with very different levels of understanding evident across the property sector. A small minority had undertaken their own research, investing considerably in learning SDA process and thus were able to express some confidence in the system, while noting that the participant approval and review processes are complex and difficult to navigate. Other informants reported that the level of understanding in the property sector is poor to non-existent. They cited examples of developers being provided with few concrete facts, different answers to difficult questions and a high level of miscommunication, presenting these as evidence of both NDIA shortcomings and the difficulties confronting the sector.

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. There was also a feeling that government should play a larger role as a creator of markets and communicator in establishing processes that will lead to a higher (approved) demand and more certainty.

3.2.4 Information needs

A consistent message across all interviews was the pressing need for better, more consistent information on the SDA program and its processes. 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. Such leadership could also help bridge communication gaps between industry groups; as one consultant observed:

Each sub-sector involved in SDA speaks a different language.

For this informant, as for many others, it was the absence of data (e.g. properties already enrolled/committed, expressed and approved demand) which was the key barrier to the supply of accommodation under the program. Some CHP informants noted that while there has not been an historical nationally consistent approach to disability housing needs, the NDIS represented a strong opportunity to build such 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 such as a peak body. In reality, such a resource is neither available nor under development, negatively affecting sector and industry knowledge about eligibility and demand with consequences such as dampened provider and investor confidence in the uptake of SDA.

A consultant specialising in SDA matters explained the problem:

The information to all market participants is insufficient. The current investor brief is uninformed and negative and there is a need to improve documentation that, in simple terms, explains how people are assessed. This is particularly important when it comes to different NDIS regions, as each region has a different understanding of the process. Furthermore, a lack of information on zoning and planning by local governments, and the vast differences between them, creates confusion and contributes to a lack of investment appetite.

For-profit sector developers also reported that the absence of clear information—on top of the stigma associated with SDA—limited investment opportunities. For the for-profit sector, limited information creates risk, especially when adjusted for return. These informants indicated that the 'funding model is not clear as little information is available'. In particular 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.

3.3   Perspectives on the future

When asked for their view of the future, informants focused on both the potential of the SDA program and the impediments to its successful implementation. Many felt that the implementation of SDA needs to be urgently reformed if it is to achieve its goals, with one SDA provider arguing:

If they want scale then these things need to be sorted, because at best in the next decade we'll get 500 SDA[dwellings] but there's no way we can get to 12,000. Other people have to be in the game and these things will slow the progress.

Others argued that 'we are reaching a crisis point—a real danger of market failure' and that the NDIS is designed around insurance principles—the cost savings are based on not blocking spaces in hospitals. If these savings do not come through (due to lack of approved demand leading to SDA market failure) the NDIS will be critically undermined, and potentially fatally.

Most CHPs conveyed a cautious optimism that the SDA system will eventually mature, although not in a linear fashion, nor without significant challenges or even possible political crises. For many, the maturing of the system will only be possible when eligibility assessment and other processes come into better alignment, providing greater clarity on demand which will enable a quicker CHP and wider market response. At the present time, it was generally accepted that the maturing of the SDA market had slowed significantly due to the current uncertainty over approved demand, and this is preventing housing being built for appropriate occupancy.

Some CHPs felt their role as providers of SDA should also draw on the historical roots of community housing organisations as advocates for those with high needs who are overlooked by governments and mainstream housing organisations. They, along with informants from other sectors, argued that while SDA was an excellent opportunity for high needs tenants with disability, the other 94 per cent of NDIS participants who were not eligible for SDA still required housing and support, and current housing shortages for this cohort were not being adequately addressed. Some informants were concerned that the focus on SDA would detract from the needs of non-SDA eligible tenants, especially those who had only just 'missed out', preventing the development of other adequately-funded housing solutions.

A consultant working in the SDA sector argued that in general, because the initiative is a federal government one, it is therefore perceived as trustworthy. However, the future of the program is in balance because of the price uncertainty and vacancy risk it poses to prospective investors. The future participation of property developers and banking organisations was therefore highly

contingent on government action. This informant insisted that it was greater consistency and transparency in SDA processes that was needed: the government should 'clean up the framework and let the market respond'.

For for-profit sector developers, SDA presents a very specialised asset class. Therefore, clarity on where it is positioned in the market is essential if the sector is to develop. At a macro level there will be high future demand, but at the micro level the risk profile is more significant. These informants felt that the residential property industry was dealing with a latent asset—one which is present and capable of emerging but is not now visible, obvious or active. Although a market with higher demand may eventually emerge, the underlying theme of price and eligibility uncertainty and subsequent valuation issues were seen as major stumbling blocks for the property industry, and significant impediments to investment.

For these for-profit sector informants, the future success of the SDA is dependent on the willingness of government to absorb risks into the future. Governments need to step in to actively build a high demand market, with a clear framework and careful oversight, and then step back as that market matures. Financial institutions in Australia play a major part in housing provision and therefore the future of the SDA process is also dependent on the awareness of these institutions of the goals and aspirations of SDA. As one informant stated:

> *Reputational risk is an issue with these institutions so their social awareness has to be increased.*

3.4 Policy development implications

The findings from the in-depth, semi-structured interviews reinforce the view that not-for-profit organisations are currently central to the rollout of the SDA program, although they work in close partnership with a range of for-profit sector enterprises, including large general banks and specialised finance providers. However, there is a need for government agencies, including the NDIA, to take on a stewardship role in the development of the SDA market.

Effective take-up of this role requires attention to a number of areas of concern. There is a critical lack of accurate and reliable data on supply and demand, yet this is vital to enable investors to make informed decisions. The processes associated with SDA, especially with respect to demand approval, are opaque and generate uncertainty. The assignment of risk between the accommodation and SIL providers is contentious. Together, these areas of uncertainty, risk and complexity have restricted active involvement in the SDA market to established providers and other industry organisations willing and able to invest time and resources to acquire specialist knowledge. In part, this works against the goal of adding to the supply pipeline and compromises diversity within the sector, reducing the choices available to NDIS participants. It is important to acknowledge that NDIS participants are ultimately the most exposed to the consequences of problems, inefficiencies and failings in the SDA market.

4   Policy development options

4.1   Policy lessons

This research set out to answer six specific questions around industry attitudes to the SDA program and in large measure it has been able to shed light on these issues (Table 1 below). As the outcomes of our enquiries into these specific questions show, SDA remains a program with considerable potential, but some challenges associated with the early stages of its implementation. The impediments that have slowed the take up of SDA have not been those identified in the research questions, instead they have been finer-grained challenges, that often relate to the fine detail of funding rules and program regulation.

Table 1: Research questions and associated findings

Research question	Finding
1 How does the market view an affordable housing model driven by client choice without a safety net from government that would otherwise underwrite returns on investment?	The market is able to operate with an affordable housing market model that is driven by client choice but does not provide a safety net for investors. Many industry informants would prefer the government to take some of the risk, or have risk more clearly assigned between the SIL providers and the accommodation providers. However, there is a consensus that under most circumstances the model can be made to be workable.
2 How does the market response match client need? What role do governments play in this, and to what extent should governments direct where supply should be built, provide demand data, etc.?	Markets are able to match client need, but need more and better information on the nature and location of demand to do so efficiently. There is a clear need for the NDIA to develop mechanisms that provide better data to providers, and which do so in an open and transparent way.
3 How is the investment sector responding and is this driving competitive pricing and supply? How responsive is the market in terms of timing and depth of interest?	The investment sector is responding positively to the SDA program and is able to both identify opportunities and access finance. There is current uncertainty around the SDA pricing formulae and the types of dwellings that the NDIA is willing to place SDA recipients into. There is a sense that the maturation of this market and the clarification of some processes and rules would enable a depth of market interest to emerge.
4 What are the costs of finance and what does this suggest for investment in specialist residential classes? What interventions would reduce the cost?	Our informants did not identify major additional costs in accessing finance. The greatest cost barrier appears to be those additional financial burdens associated with acquiring specialist knowledge on SDA and its implementation.
5 Do the specific design requirements of SDA affect the cost of finance and investor interest?	Informants acknowledged that the design requirements of SDA affect cost structures and therefore finance. They reported a degree of risk arising out of the potential for cost 'blow outs' as they seek to build housing for specific needs. The industry felt that over time they would become more experienced and more effective in managing these issues, and that they did not represent a major barrier to SDA overall.

Research question	Finding
6 How is the security of cash flows being managed and what impact has this had on investor appetite?	Security of cash flows was not a barrier to the implementation of SDA, with the prospect of NDIA-provided income streams able to support financing costs.

Source: Authors.

More broadly, the data and analysis drawn together in this project (literature review, survey, in-depth semi-structured interviews, industry workshop and Panel meetings) together suggest that the SDA program has made some progress in capturing the imagination of the sector, but the sector is experiencing significant challenges in translating the promise of funding into the reality of housing. These challenges reflect the concerns of organisations in multiple jurisdictions and across a range of sectors, but the substantial common ground suggests that there are a number of significant issues that require policy attention.

Lesson 1: Many impediments to SDA success are within governmental control

The key theme emerging from our data is that there is a diverse but networked SDA 'sector' with keen interest in participating in SDA and contributing to its success, but simultaneous concern that many of the key impediments currently facing this sector are generated by government rather than the for-profit market or its segments. 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.

There is significant cost-shifting and inefficiency represented by the replication of effort across a number of organisations who 'wrangle' multiple aspects of the system internally and from scratch. This includes individual organisations simultaneously collecting and collating data, building information systems, advocacy pathways and administrative processes, interpreting and 'translating' NDIA documentation and procedures, educating and informing developers and investors on the issues involved in housing for people with disability (RQ7), and negotiating support arrangements. Some of these tasks are appropriately being undertaken by individual providers or on a case-by-case basis, but others would be more efficiently and effectively managed in a centralised way. The current dispersed and ad-hoc approach also disproportionately favours organisations with the resources and capacity to invest in these tasks. Providing a central and accessible source of information, tool kits and templates would enable smaller organisations to participate more effectively, enhancing diversity and choice across the SDA sector.

Lesson 2: SDA is about housing as well as disability

All segments of the SDA sector indicated that housing is a complex product, even more so when building for people who have a range of complex and high-level needs. Successful delivery of this product requires providers to, among other things, negotiate the initial pricing of SDA housing properly, understand planning and building requirements (which vary widely across and within jurisdictions), predict unintended building costs associated with changing needs, predict future cash flows arising from changes in the occupant's circumstances and carrying the reputational risks associated with changing or defaulting tenancies (RQ5 and 6).

The provision of a specialised housing asset as central to the SDA makes the program unique within the NDIS, particularly in terms of facilitating its implementation in an already functioning marketplace. Yet informants throughout this project argued consistently that the NDIA lacks the necessary knowledge or understanding of housing-specific issues, and have largely left these complexities to the market. This is in part driven by a perception that funding is driven by the

balance between supply and demand within the market, and is thus outside the sphere of government influence. Our informants have argued that this approach to policy design and implementation fails to acknowledge the Australian Government's role in creating and shaping this system of housing supply, and this in turn calls for on-going oversight to ensure effective market operation.

Lesson 3: 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. This research clearly indicates that in relation to SDA, access to both of these is critically compromised. The existing policy settings favour some types of providers, such as larger CHPs with high levels of resourcing and capacity to specialise in SDA (or older traditional services such as group homes) over others (smaller CHPs, including those with a historic focus on housing people with disability). They have also favoured CHPs over other housing providers due to the additional concessions CHPs can access, such as not-for-profit tax concessions which other (e.g. for-profit) sectors cannot leverage (RQ6). The imbalances produced in the SDA sector as a result are not intentional, but they have implications.

The growth of the community housing sector was accompanied by considerable discursive emphasis on the sector's capacity for flexibility and innovation while being directly connected to and engaged with the needs of local communities. With professionalisation, growth and standardised regulatory requirements, some of this capacity has been lost. There is little evidence that CHPs involved in SDA have the capacity to move far from their existing model of community housing delivery, yet a standard, one-size-fits-all approach is not necessarily consistent with the desire of people with disability and their advocates for genuine choice and control over their housing, including those who wish to enter owner-occupation rather than rent. 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 to better leverage funding opportunities, consumer-controlled models, mixed-use developments, inclusionary zoning strategies, shared equity, or wider use of home modification opportunities. Yet it is this kind of innovation that expands choice for participants.

4.2   Policy options

This research has identified a number of policy development options that have the potential to deliver significant gains for Australian society and people with disability.

- There is the opportunity for the government, through NDIA, to take on a greater leadership 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. As a number of industry informants noted, markets in services have emerged in other areas of social policy, but they have tended to be far larger program areas—such as the introduction of Consumer Directed Care for older Australians—and have not been reliant on substantial capital investment into relatively inflexible assets. There is a clear need for government to create the conditions that make all the elements of NDIS/SDA both possible and available to the target population (choice, control, innovation, long-term planning/commitment, responsiveness to need/demand/aspiration).

- 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. This information would be used to facilitate communication across and between the different parts of the SDA sector. Some of this is work only the NDIA can do because they are the data

custodian, but some tasks could be outsourced to an independent peak body or be carried out by state agencies.

- There is a need for more resources for crucial processes, especially around eligibility assessment/approval. Industry informants saw this as the single biggest source of failure in the system, and one driven by the assumption that the market determines supply and demand and that governments do not need to be involved. 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. It should also seek to develop performance measures, including data on those functions that are not being delivered adequately. Some of these roles should sit with government, while others could be outsourced. Other areas of necessary work include:

  — development of planning and building requirement overlays for different jurisdictions

  — addressing uncertainty within the social housing supply sector about which standards/codes to follow

  — the achievement of a better delineation between SIL and SDA, including how to facilitate flexibility around changed client needs/desires, and

  — the differentiation of the different types of vacancy risks, including greater transparency and guidance around who carries risk arising from property damage (this latter risk drives conservative decision making among many providers).

- 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 on further refining policy around the provision of housing for people with disability should also address the accommodation of those in receipt of NDIS support who are not granted SDA accommodation subsidies as part of their package. This group represents 94 per cent of NDIS recipients, but current policy settings do not provide a solution to the difficulties many confront in the housing market.

- The disability housing sector as a whole 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. There is a role for governments to lead this exploration, and it could be undertaken as a joint exploration by all Australian governments, possibly informed by further AHURI research.

- Finally, there is a need to undertake further work that delivers both cultural change and community education. It should address 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.

4.3   Final remarks

The NDIS is one of the most important social policy initiatives undertaken in Australia in the 21st Century. The SDA component of the program answers a pressing need for better and more affordable housing for people with disability (Wiesel, Laragy et al. 2015; Kroehn, Hutson et al. 2008). This Final Report shows that industry participants remain poised to take up the opportunities embedded within the program, but are looking to the Australian Government and its agency—the NDIA—to remove some specific impediments to the effective operation of this new market. Chief amongst these needs is the desire for more and better information on the nature and location of demand, greater clarification on the types of property that will be supported and greater transparency—and therefore predictability—around which individuals will be supported through the SDA program. This greater flow of information will 'de-risk' the program for many stakeholders, allowing them to invest and leverage greater resources into a sector which sorely needs additional investment.

A number of our industry informants observed that the Australian Government's policy objectives call for $5bn in new investment in specialist disability accommodation, with SDA the vehicle to leverage and guide that investment. To date, only a small fraction of that total has flowed into the sector, but there is substantial evidence of considerable willingness amongst for-profit sector interviewees—including property developers—to move into the sector once the market is proven and administrative arrangements finalised. Not-for-profits—both community housing providers and specialist independent living agencies—will be an important mechanism for bringing about the maturation of the SDA market. They have the willingness, the capacity and the knowledge needed to be early market leaders in this important new field. Policy reforms that allow them to develop the SDA market will be essential for the realisation of the government's aspirations for the provision of support for people with disability, especially accommodation.

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