

# GET BUILDING SDA

The Specialist Disability  
Accommodation  
Initiative



## Financing SDA

This resource is a guide only. It is essential that all SDA investors seek independent financial and legal advice.

## Background

The critical undersupply of housing for people with disability has led to an NDIS policy solution that is designed to encourage the private sector to build housing for people with the highest need. The policy solution, Specialist Disability Accommodation (SDA), has been designed to facilitate market investment in the disability housing sector.

SDA will result in people with disability and their families being able to secure, long term housing, many for the first time. SDA is designed to operate similar to all other NDIS supports, that is, SDA providers will secure tenure over suitable housing either by developing and building themselves or via partnerships with investors, developers and builders and the SDA provider will offer housing to NDIS participants who are eligible to receive SDA payments as part of their NDIS plans.

Investors may contribute finance to the SDA market via a number of different approaches including:

- providing direct finance to developers / builders
- developing property to be leased to SDA providers
- creating special purpose financial instruments such as managed funds and alike

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# SDA Prices

SDA payments are known as SDA benchmark prices and are derived in accordance with the SDA Framework ([ndis.gov.au/providers/price-guides-and-information/sda-pricing-and-payments#sda-pricing-and-payments-framework](https://www.ndis.gov.au/providers/price-guides-and-information/sda-pricing-and-payments#sda-pricing-and-payments-framework)) and adopt a number of principles including:

- **Sustainability:** Best whole-of-life outcomes with efficient whole-of-package costs, consistent with the insurance principles underpinning the NDIS and to support the most people possible based on value for money.
- **Inclusion:** To assist participants to have the same housing opportunities, choices and responsibilities as the broader community through stimulating market supply.
- **Independence:** Maximise independence and social and economic participation, consistent with the vision of the NDIS.
- **Choice and control:** To allow participants their choice of providers of housing and of support services, and the way in which they will be provided.
- **Continuity:** Provide an orderly and managed transition of existing SDA into the NDIS. Over time, support a transition from historic accommodation options and service models to approaches that support independence and social and economic participation.
- **Innovation:** To encourage innovation and investment in new SDA.

The development of the SDA benchmark prices acknowledged that there is significant unmet demand for SDA and it is unlikely that private individuals and not-for-profit organisations will have the capacity to finance and build the required number of dwellings within a reasonable timeframe without assistance from third party (“institutional”) investors. SDA benchmark prices are published in the SDA Price Guide, the latest version of which can be found here: ([ndis.gov.au/providers/price-guides-and-information/sda-pricing-and-payments#sda-price-guide](https://www.ndis.gov.au/providers/price-guides-and-information/sda-pricing-and-payments#sda-price-guide))

Institutional investors could potentially include superannuation funds, trusts, high wealth individuals, or companies with a desire to invest in socially beneficial projects.

The SDA benchmark price payments have been set to provide returns sufficient for these institutional investors, assuming a level of both debt and equity financing. The SDA benchmark prices are set to provide an incentive to a broad range of potential investors to respond quickly in constructing new properties to provide for unmet SDA demand.

The timeframe for the pricing has also been aligned with the expected investment horizon of institutional investors (20 years). When combined, the revenue from SDA payments, Reasonable Rent Contribution (RRC) and the sale value of the property will be sufficient to recover the initial investment, all maintenance, outgoing and management costs, and return on debt and equity.

To demonstrate the potential income from an SDA investment, the following simple example shows the SDA related income for a 3 bedroom house, located in Hunter New England, Fully Accessible with Onsite Overnight Assistance (OOA):

<b>SDA Base Price:</b>	\$24,097 (per person)
<b>Fire Sprinklers:</b>	1.9%
<b>Location factor:</b>	0.94 (New England and North West NSW)
<b>SDA Income:</b>	$(24,097 \times 1.019 \times 0.94) \times 3 = \$69,244$
<b>RRC:</b>	$\$8,300 \times 3 = \$24,900$
<b>TOTAL:</b>	\$94,144 per year (for 20 years)

Note: RRC is the Reasonable Rent Contribution and is set at 25% of the Disability Support Pension plus 100% of any Commonwealth Rental Assistance (CRA).

## How SDA Payments Work

SDA payments commence when the tenant moves into the dwelling. No accommodation related payments are received prior. As highlighted earlier, the NDIA expects the developer/provider to fully fund the development/acquisition of SDA dwellings and assume the vacancy once a participant moves out. Vacancy risk from when the dwellings are first registered remain with the provider.

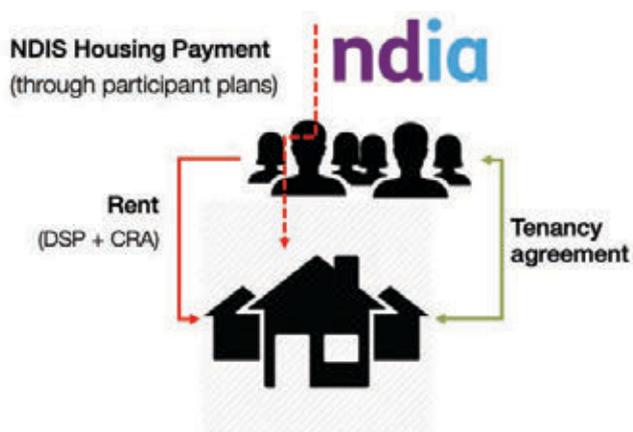
SDA providers claim payments via the NDIS portal and at this point it is considered to be monthly although there is some move towards quarterly.

SDA prices can only be claimed by a Registered Provider when:

1. the Registered Provider owns or leases a dwelling that has been enrolled as SDA with the NDIA (and the NDIA has provided written acknowledgment of this enrolment); OR if the SDA dwelling is leased, the dwelling can only be enrolled by the provider if the dwelling owner has provided written acknowledgment that the property is being enrolled as SDA and has not separately enrolled the property as SDA; and
2. the Registered Provider has met and maintained all of the minimum requirements, including all relevant certifications and declarations, that are required to claim payments, as described in the *Specialist Disability Accommodation Addendum to the Terms of Business for Registered Providers* and the *Guide to Suitability for Specialist Disability Accommodation*; and

3. the claim is made in relation to a participant that has long term residence at the SDA dwelling; and
4. there is a written agreement regarding SDA between the Registered Provider and the participant, in accordance with the *Specialist Disability Accommodation Addendum to the Terms of Business for Registered Providers*; and
5. the claim is for no more than the price per participant that applies to the enrolled property as described in this Price Guide for SDA.

Note that the RRC payment of 25% of the disability support pension + 100% of any Commonwealth Rental Assistance (CRA) payments is made direct from the tenant to the SDA provider.



## SDA Finance Approaches

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

This capital is available either in the form of a loan from a debt funder (for example a loan from a bank) or from an equity provider (for example, an organisation investing its own money into a development or a property trust that directly owns properties). The following sections outline some more information on possible sources of SDA finance.

### Existing Housing Providers

Prior to the NDIS, housing for people with disability was mostly provided by governments or not-for-profit providers and was funded using upfront capital grants. Income was reliable, and providers often didn't have to consider financial viability as market scarcity lead to a stream of residents who had few choices available.

Many existing disability accommodation assets that accommodate people at the time of transitioning to the NDIS are being registered as Existing SDA and receive SDA payments at a reduced level. The SDA prices for existing assets can be found within the SDA price guide.

## Bank Finance

Australian banks are starting to lend money to finance SDA projects. The increased comfort of retail banks reflects the journey banks have undertaken to learn about the disability sector and SDA.

Banks are now providing the following financial products in the SDA market:

- Home loans for participants
- Investment loans for family, friends and engaged/value aligned investors
- Shared equity loans for participants and families
- Commercial loans for Community Housing Providers (CHPs) and other SDA providers

Typical ranges of finance available are below (guide only), LVR means Loan to Value Ratio:

### Home loan

- Bank LVR 60% to 80%
- Shared equity LVR up to 100%

### Investment loan

- Bank LVR 60% to 80%

### Commercial loans

- Bank LVR from 60%-70% depending on valuation methodology and risk analysis

### Mezzanine finance

Some institutions may consider mezzanine finance in some commercial loans only.

Mezzanine finance provides the ability to debt finance up to 100%

(or more) of the property value. Key considerations include:

- Provides project gap funding to 100%+ LVR
- Maximum 10-year term
- Reasonable cost (circa 10%)
- Social purpose organisation

Strong SDA cash flow enables higher cost debt, if required, without jeopardising viability.

# Participants/families

Traditionally, people with disability have been shut out of the housing market leaving them unable to enter the housing market and build the wealth, and stability, that Australians strive for.

SDA has the potential to enable homeownership for some NDIS participants for the first time. Building property that is designed specifically for individuals, and enables people with disability and their families to explore innovative models should lead the way for great SDA solutions.

Families have been waiting for opportunities and many have been first movers in adopting the SDA model. The financial risks for people with disability and their families are important to consider. One difference between families and institutional investors is that some families may not face the same vacancy pressures, and are not managing the scale of properties that other developers are considering. For the most part, once a participant qualifies for SDA, their SDA payments can be utilised towards mortgage payments, mirroring typical mortgage arrangements.

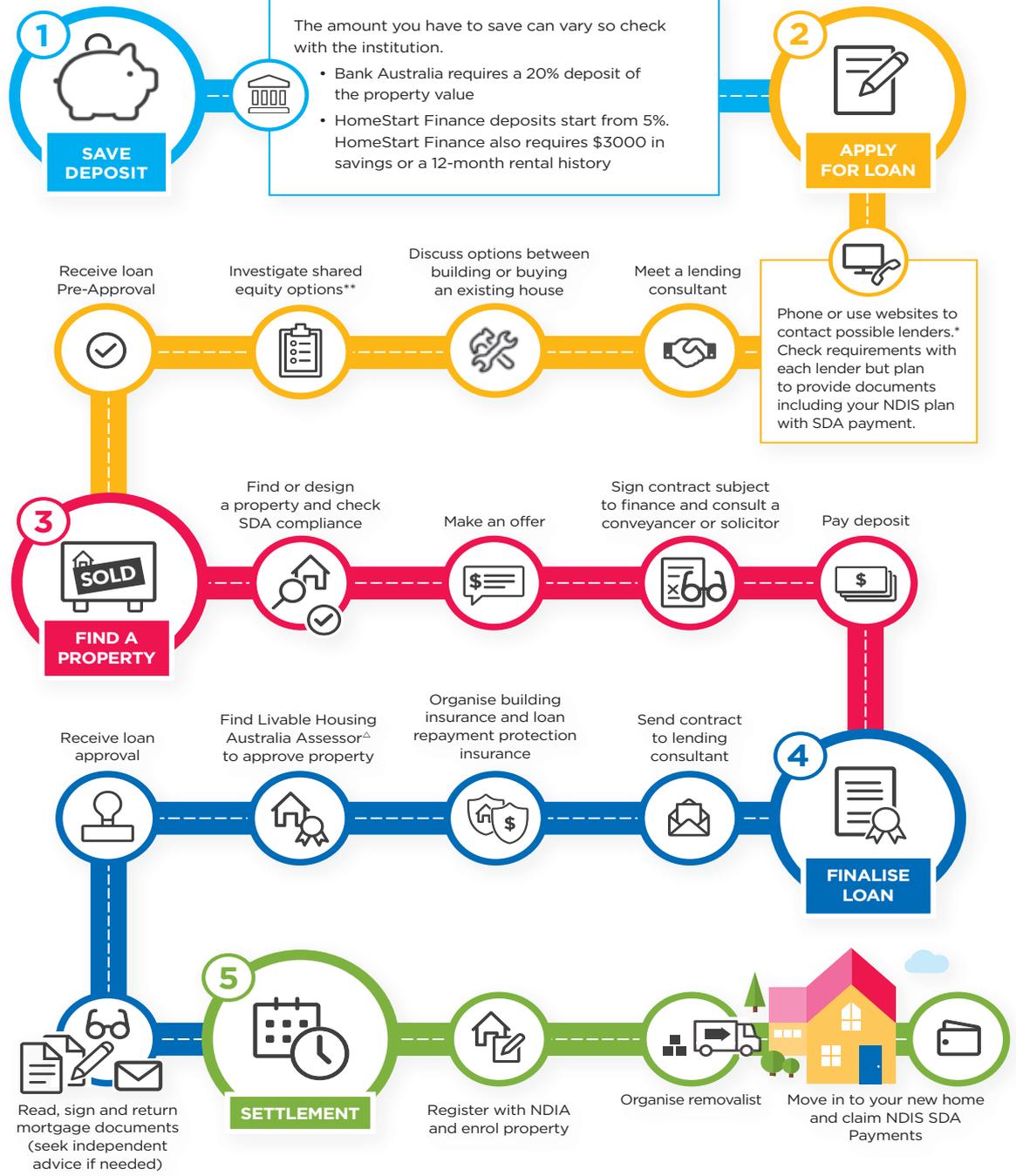
Banks have been hesitant to lend to developers for SDA builds, but this is less so for people with disabilities and their families. Despite previous policy uncertainty, the guarantee of payments for 20 years has been enough for banks to finance individuals and families. The Big Four banks have been slow to approve SDA finance, but the smaller lenders, such as Bank Australia may take a more flexible approach.

For some people, even a 5% deposit may be out of their reach, but that doesn't mean they are locked out of SDA homeownership. Many developers are building for the long term and want to contribute to better outcomes for people with disability.

As the market grows, some SDA providers may want to assist their tenants to become homeowners in the market, and new models such as 'rent to buy' could emerge over time.

While the prospect of being your own SDA provider may be daunting (and yes that means registering with NDIA as a provider and all of the paperwork and hoop jumping that accompany it), some families have already achieved it and their loved ones have moved in to their own brand new home.

Keep checking the Get Building SDA website [here](#) for case studies, and for opportunities to meet those who have already succeeded.



# USING SDA TO BUY YOUR OWN PROPERTY

FOR PEOPLE RECEIVING SPECIALIST DISABILITY ACCOMMODATION PAYMENTS (& THEIR FAMILIES)

Check with your lender if and how SDA Price Guide reviews (every five years) will impact your loan. Bank Australia will extend loan periods to reduce payments. HomeStart Finance is for properties in South Australia only.

\* [www.homestart.com.au](http://www.homestart.com.au) or [bankaust.com.au](http://bankaust.com.au)

\*\* HomeStart Finance provides a handy overview here: [www.homestart.com.au/MyStart/MyStart/Articles/Shared-equity-loans-sharing-the-home-ownership-dre](http://www.homestart.com.au/MyStart/MyStart/Articles/Shared-equity-loans-sharing-the-home-ownership-dre)

△ [www.livablehousingaustralia.org.au/assessment/findassessor.aspx](http://www.livablehousingaustralia.org.au/assessment/findassessor.aspx)

# Dwelling enrolment and provider registration

There are two key considerations for establishing and ongoing SDA compliance: registration of SDA dwellings with the NDIA and registering as a SDA provider with the NDIS Quality and Safeguards Commission.

## Dwelling Enrolment

Before payment for SDA can be claimed by a registered provider, each SDA dwelling must be enrolled with the NDIA. Enrolment information must be emailed to the NDIA using the [Dwelling Enrolment Form](#) (Excel), which must be submitted independently of the provider registration process. Refer to the [Introduction to SDA](#) for more information.

Dwelling Enrolment Forms must be submitted by an authorised representative of the registered provider and include a declaration regarding the information provided in the form. Completed Dwelling Enrolment Forms must be emailed to: [SDARegistration@ndis.gov.au](mailto:SDARegistration@ndis.gov.au).

Dwelling enrolment can take between 4 to 8 weeks.

## SDA Provider Registration

Once a property has been registered as SDA with the NDIA there are, or will be, ongoing requirements for the physical maintenance of the property as well as requirements in line with Quality & Safeguards framework.

The NDIA's [Quality and Safeguards framework](#) issued in December 2016 can be located [here](#).

Key requirements for establishing and maintaining ongoing SDA registration include :

- Provider to have a third party accredited Quality and Safeguarding manual/ procedures/policy and maintain records of the systems use. Note that certification of the provider system will be required for ongoing registration of the provider.
- Procedures for both urgent and routine maintenance requirements requested by the tenant.
- An annual declaration regarding maintenance and servicing attesting that the property remains in a suitable condition.
- Details of any works performed that result in a change to registration category.
- Tenancy agreement that complies with the requirements of the NDIA.

More details on the requirements for a SDA provider can be found [here](#).

# Understanding demand for SDA

When considering investment in SDA, it is essential to get an understanding of supply and demand in target geographies.

As the provision of disability housing previously sat with the states before transition to the NDIA, there are wide variations of demand and supply across Australia.

The key sources of data on SDA demand and support are:

	<b>SDA SUPPLY</b>	<b>SDA DEMAND</b>
<b>NDIA Quarterly Report</b>	Properties enrolled with the NDIS by: <ul style="list-style-type: none"> <li>• Region (SA4)</li> <li>• “New” vs “existing”</li> <li>• Design category</li> <li>• Maximum number of residents enrolled</li> </ul>	NDIS participants with SDA approved by: <ul style="list-style-type: none"> <li>• Region (SA4)</li> </ul> NDIS participants with SIL approved by: <ul style="list-style-type: none"> <li>• Region (SA4)</li> </ul>
<b>Social Ventures Australia and Summer Foundation SDA Supply in Australia</b>	Disability accommodation service places prior to the NDIS by: <ul style="list-style-type: none"> <li>• Region (SA4)</li> </ul> SDA places currently under construction by: <ul style="list-style-type: none"> <li>• Region (SA4)</li> <li>• Design category</li> <li>• Dwelling type</li> <li>• Provider type</li> <li>• Quarter of delivery</li> </ul>	Undersupply of SDA using a per capita distribution by: <ul style="list-style-type: none"> <li>• Region (SA4)</li> </ul> People with disability accessing accommodation service prior to the NDIS by: <ul style="list-style-type: none"> <li>• Region (SA4)</li> </ul>
<b>SGS Economics and Summer Foundation SDA Market Insights</b>		Potential demand for SDA – combining together people with disability in aged care and living in non accommodation settings by: <ul style="list-style-type: none"> <li>• Region (SA4)</li> </ul>

Detailed demand data for NSW is available at Appendix A.

## Risks

Any property investment venture has risks and SDA is no different. The principle risks on the return in SDA property are vacancy risk, and the failure to adhere to the strict compliance requirements demanded by the NDIA.

As SDA is new, there is not a lot of data on vacancy for the disability housing market, other than what is reported by traditional disability housing providers. While general vacancy rates across Australia are about 1%, the estimated disability housing vacancy rate (across 20 properties in 2015-2017<sup>1</sup>) was 0.1%. Some broader social housing providers report a 1.4% vacancy in the same period. The vacancy data highlights that previously most people with disability stayed in their accommodation far longer than the general property due to the poor supply of suitable housing.

To mitigate against vacancy risk it is wise to start identifying potential tenants early in your SDA project. You can start the process by advertising on [www.thehousinghub.org.au](http://www.thehousinghub.org.au) or at [www.gonest.com.au](http://www.gonest.com.au) which are property advertisers for disability real estate. Preferably, you may identify potential tenants via working in partnership with a disability support provider.

The greater risk is for developers to misunderstand the market and not build what people want. The concept of 'ordinary life' as part of the NDIS, that people with disability should have the same opportunities to meet the life milestones the general Australian public expect, means that people with disability will demand housing that reflects Australian society.

Ensuring that you understand the detailed specifications and payment arrangements in SDA requirements is key to a viable outcome. Early pioneers of SDA have made errors in land title, design, and accessibility which have been costly to resolve. Anyone considering an SDA build must be meticulous in understanding the requirements to mitigate financial misfortune.

1. *SDA Investment Insights - Specialist Disability Housing explained*, Wealth Advisor, page 12.  
[www.springfg.com/wp-content/uploads/2018/11/SDA-investment-insights-specialist-disability-accommodation-explained.pdf](http://www.springfg.com/wp-content/uploads/2018/11/SDA-investment-insights-specialist-disability-accommodation-explained.pdf)

## Appendix A: Demand Data for SDA across NSW

SA4	POPULATION	TOTAL EXISTING SDA RESIDENTS <sup>2</sup>	NATIONAL DISTRIBUTION OF PLACES (PER CAPITA) <sup>3</sup>	SDA SHORTFALL (PER CAPITA) <sup>4</sup>	RESIDENTS IN RAC <sup>5</sup>	HIGH SUPPORT NEEDS NOT IN SDA <sup>6</sup>	RAC + HIGH SUPPORT NEEDS	POTENTIAL DEMAND PER CAPITA (PER 10,000)
Capital Region	224288	153	259	106	67	216	283	44.1
Central Coast	335309	208	387	179	109	341	450	26.9
Central West	210762	253	243	-10	81	288	369	70.1
Coffs Harbour - Grafton	138904	87	161	74	41	178	219	30.7
Far West and Orana	116795	159	135	-24	32	155	187	44.5
Hunter Valley exc Newcastle	269668	176	312	136	51	260	311	44.8
Illawarra	303701	256	351	95	63	293	356	63.5
Mid North Coast	215590	129	249	120	90	322	412	75
Murray	117783	111	136	25	44	123	166	38.2
New England and North West	185787	155	215	60	56	199	255	54.8
Newcastle and Lake Macquarie	370182	675	428	-247	101	404	507	39.5
Richmond - Tweed	245164	160	283	123	95	281	376	46.7
Riverina	159794	100	185	85	54	324	378	63.5
Southern Highlands and Shoalhaven	150676	170	175	5	60	150	210	28.2
Sydney - Baulkham Hills and Hawkesbury	235083	235	271	36	29	210	237	38.5
Sydney - Blacktown	350356	170	405	235	49	379	428	35.5
Sydney - City and Inner South	337069	102	390	288	110	201	311	35.1
Sydney - Eastern Suburbs	285418	71	331	260	27	140	167	11.5
Sydney - Inner South West	598454	300	692	392	195	790	985	65.4
Sydney - Inner West	308268	180	357	177	138	267	406	37.9
Sydney - North Sydney and Hornsby	424906	233	492	259	61	250	311	29.8

## Appendix A (continued)

SA4	POPULATION	TOTAL EXISTING SDA RESIDENTS <sup>2</sup>	NATIONAL DISTRIBUTION OF PLACES (PER CAPITA) <sup>3</sup>	SDA SHORTFALL (PER CAPITA) <sup>4</sup>	RESIDENTS IN RAC <sup>5</sup>	HIGH SUPPORT NEEDS NOT IN SDA <sup>6</sup>	RAC + HIGH SUPPORT NEEDS	POTENTIAL DEMAND PER CAPITA (PER 10,000)
Sydney - Northern Beaches	266344	225	308	83	51	172	223	23.1
Sydney - Outer South West	269272	150	311	161	33	306	340	34.8
Sydney - Outer West and Blue Mountains	314886	289	364	75	123	392	515	86
Sydney - Parramatta	467161	497	541	44	157	452	608	50
Sydney - Ryde	190161	210	220	10	48	161	208	18.7
Sydney - South West	421654	138	487	349	82	504	586	40.5
Sydney - Sutherland	225427	143	261	118	45	248	293	26

<sup>2</sup>Administrative data is sourced from the annual Disability Services National Minimum Data Set compiled by AIHW and is for the period 2013-14 for NSW and ACT and for the period 2015-16 for all other jurisdictions.

<sup>3</sup>SGS Economics and Summer Foundation: SDA Market Insights

<sup>4</sup>SGS Economics and Summer Foundation: SDA Market Insights

<sup>5</sup>Administrative data on people under 65 years living in residential aged care is from the AIHW National Aged Care Data Clearinghouse, as at 30 June 2016.

<sup>6</sup>Administrative data is sourced from the annual Disability Services National Minimum Data Set compiled by AIHW and is for the period 2013-14 for NSW and ACT and for the period 2015-16 for all other jurisdictions



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An initiative to grow Specialist  
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