**Inconnect Homes Pty Ltd**

**SDA Issues Submission**

**InConnect Homes (“InConnect”) background**

InConnect is a registered SDA provider and has commenced building SDA homes in Greenacre, Villawood, Pagewood and Mascot. These new builds are due to start being completed in September 2018 and will provide accommodation for 27 tenants. They are being built to the highest level design category, “High Physical Support”. The houses are designed to support the SIL provider with carer rooms, lockable kitchens and other features to ensure ease of work. The houses also provide two indoor living areas to allow some privacy for the tenants and their visitors, and each tenant bedroom is designed with its own ensuite. Our intent is to ensure the houses are of premium quality and built to last.

Further, we are partnering with Disability Services Organisations (DSO) who are providing the SIL to the tenants. InConnect will work with the DSO’s before each house is built to identify the future tenants, their needs and then ensure the house is customised to meet those tenants’ needs.

InConnect has commenced discussions with possible funding partners who are interested in the opportunity to invest a substantial amount of capital sufficient to construct between 150 and 200 houses Austra;ia-wide, providing accommodation for between 750 and 1,000 tenants in the first phase.

**Issues with the Current NDIA processes**

InConnect has partnered with a prominent NSW based DSO for our first 6 houses. That DSO’s experience of attempting to get SDA approved for the prospective new tenants has shown that there are a number of issues in the way the NDIA is processing participant plans to approve SDA funding. These include:

- A lack of transparency and consistency in decision making;

- An unwillingness to begin approval of the homes for SDA payments until they are complete; and

- An indeterminate length of time to complete participant plan approvals, taking up to a year to complete.

Our business plan sensibly relies on the fact that the tenants are pre-identified before construction commences. The lack of transparency around the criteria required to approve tenants for SDA funding means that the DSO’s can no longer be certain that their tenants will be funded to live in the house when it is completed.

Further, because the SDA approval for the house cannot commence until the house is completed, the time taken before the approval is a period without income for the investors. If this time becomes unreasonably long, this will discourage the investment and the viability of the business plan. At this time there is no certainty that the time taken will not end up being of a duration that discourages the investors.

Finally, the time taken to approve SDA in the tenant’s plans is another risk to the rent free period.

**Summary**

The InConnect business plan hinges on a number of key features:

- the high end specification of the houses;

- partnering with DSO’s to identify tenants and their needs before embarking on a house;

- a reasonable degree of certainty that when built, the houses will be able to be tenanted immediately as planned in a time frame that doesn't impact the economic viability.

**In summary**, the NDIA need to change the way the NDIS currently operates so that:

* ***NDIS Participants whose plans are approved with SDA funding can be “pre-approved” as tenants for a particular home being built so that when and if the home is built to the SDA design category that was approved at the commencement of the build, the tenants can move in immediately upon completion of the home.***

**General Comments on the recent SDA Provider & Investor Brief**

The Brief put out by the NDIA in April 2018 can be found at <https://www.ndis.gov.au/medias/documents/sda-provider-investor-brief-pdf/SDA-provider-investor-brief.pdf>

We have the following comments (in blue) on some of the statements (reproduced in italics below) made in the Briefing document:

* **Page 6**
  + *A transparent and stable funding system is critical to stimulate new supply of high quality, fit for-purpose and innovative dwellings, and for the funding approach to be commercially viable and attractive for investors.*
  + Comment: There is absolutely no stability or certainty about the SDA funding at present. We have spoken to many large financiers in the Australian market and ALL are paranoid about the Government either pulling out of the Scheme or reducing Pricing and or Location Factors when the first large review comes around in 2020. This makes it virtually impossible to get scale funding on SDA business plans.
* **Page 7**
  + *Price limits provide a “ceiling” up to which providers can negotiate with Participants for the provision of SDA”*
  + Comment: SDA providers need certainty of income before the substantial investment and construction. The concept of negotiation now promoted by the NDIA is ridiculous and does not help business planning or the attainment of funding.
* **Page 9** 
  + *Participants will negotiate with providers within their determined SDA budget and the published price limits for SDA. This may mean that the provider of a dwelling that is enrolled as ‘high physical support’ (a higher cost category) can reach a tenancy agreement with a participant who has an SDA budget aligned with ‘improved liveability’ (a lower cost category) in their plan. In this case the participant will have negotiated to make payments that are within the ‘improved liveability’ price limit rather than ‘high physical support.’*
  + Comment: It is almost impossible to construct a home with different resident categories internally; only individual accommodation can do this which is now not being supported.
* **Page 10**
  + *In addition to innovations in design and development of SDA, providers can also now easily implement flexible arrangements that include non-SDA and non-NDIS participant tenants in SDA dwellings. While SDA funding is only able to be spent on an enrolled SDA dwelling from a registered SDA provider, an SDA compliant dwelling could be used in a ‘mixed tenant’ arrangement, together with non-NDIS participants and/or participants with a different profile and level of need.*
  + Comment: As with the previous comment, this will be almost impossible for an SDA provider to achieve, given the likely lower LVR’s that the financiers will provide, and the increased cost of debt and equity.