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**ADAPT – Identified Issues and Observations**

**Prices and Payments**

1. Apart from the items documented below, ADAPT sees the pricing structure and fair and reasonable, and set at rates which should deliver reasonable investment returns in a mature system, commensurate with the risk of investment.
2. Having spent a significant effort investigating the availability of land for future development in suburban and regional areas, ADAPT recognises that the variability in land price is not well reflected in the Locational Factors under the Price and Payments framework.

An example of the nature of this variance is the availability of suitable land in outer Grafton in northern NSW is around $160,000, while a similar sized block in Kingscliff / Tweed Heads ranges from $380,000 to $600,000.

1. Review of the Pricing Schedule – given the nature of the investment and the uncertainty around a long-term exit strategy for investors (e.g market resale), investors will be looking for a long-term tenancy arrangement (5-10 years) with a well understood rental stream.

Any review of the Pricing Schedule that could result in downward movement of rental streams is a risk that many investors would be unwilling to take. Such a review should occur no earlier than 5 years and needs to contain protection against any revenue downside.

1. Investment decisions need to be made on the basis of confidence in the number of participants to be housed in a SDA property, along with the category that those participants fall under (e.g. Fully Accessible/Robust etc). The current participant planning process, and the resulting plan documents do not deliver clear information on these aspects at this time. (Refer Item 8). This is a roadblock to investment.

The recent published reluctance of the NDIA to approve single participants to reside in a single dwelling further complicates the process.

**Investment and Supply**

1. Market certainty – there is no practical evidence to support the demand projections of the NDIA, especially in light of the changing projections in the commissioned review undertaken by the Summer Foundation and the subsequent informal briefings held by members of the government.

Furthermore the slow progress in delivering approved SDA plans does not provide additional confidence in these demand statistics.

The nature of the investment proposition for new build SDA properties is such that the level of certainty required to make such an investment does not exist at present and any consideration of a “Build and they will come” approach is unfounded. ADAPT does expect that when the sector is functioning effectively and efficiently there will be a portion of the investment community that will invest in advance of specific tenant engagement, but this is a long way off.

1. Investment won’t be introduced until participants exist for new builds.

At present, there are currently too many areas of uncertainty on what funding will be available for investment in a specific property to facilitate a flow of investment. These are driven primarily from 2 aspects:

* 1. Lack of approval of new participants; and
  2. Lack of clarity of what approval participants are getting.

The following points elaborate on these.

1. There is a lack of SDA approvals coming through the pipeline for a number of reasons:
   1. Slow decision making by Local Area Coordinators due to uncertainty of their roles and lack of experience/training. It is noted that a number of these organisations have only recently been re-awarded contacts to provide these services, and lack of certainty of future engagement may have delayed decision-making.
   2. Government uncertainty of funding in light of increasing demand for SDA against a fixed NDIS budget (refer 50,000 national demand as in the recent Summer Foundation briefing)
   3. In this context, SDA planning meetings are held with participants with no support from independent experienced advocacy – the emergence of a specialist consulting industry in SDA planning is essential to improve the possibility of successful getting SDA approval.
   4. Minimal funding exists for the pre-planning elements of the SDA plan
   5. Participants seeking SDA approval are assisted by government SDA planners who then seek plan approval from further within the NDIA organisation. This lack of independence is driving negative plan outcomes consistent with the current uncertainty.
   6. SDA remains a low priority in participant discussions - Care and other service providers are both inexperienced when it comes to discussing SDA with participants, and secondly have been too involved in ensuring their own services are covered first to address the more complex and poorly understood issue of SDA.
   7. It appears that participants are unlikely to want to discuss SDA at subsequent plan reviews, fearful that the outcomes to their existing services will be negatively impacted.
2. Lack of clarity as to what approved participants are entitled to, or getting approval for:
   1. Recent approval statistics in NSW indicate that most of the SDA approvals originate through the grandfathering process, where those participants, historically living in supported accommodation are given SDA approval provided that they remain in that accommodation which is often not built to the individual’s required SDA standards. This uncertainty is counter-productive to freeing up accommodation and investment options.
   2. The SDA plan process itself is frustrating and often requires information that is not yet available to proceed to full SDA plan approval. Approval is sometimes given for SDA “quote required”. This then requires a fully identified and costed solution before the full information about the number of participants and type of dwelling is able to be determined. It delivers a circular problem that will deter investment.
3. Lack of certainty in the above areas also makes the investment proposition more difficult for the financing institutions. Given that the period of traction with the major banks for the NRAS investment proposition took a long time to generate, it is essential to get the banks on board through:
   1. providing more certainty around the investment proposition, along the lines of the points raised previously; and
   2. the NDIA directly engaging with the major financial institutions to educate and provide confidence in the market.

This is especially important due to the complexity of the investment proposition relative to standard residential investment properties and those under the NRAS.

**Innovation and Quality**

1. ADAPT recognises that the initial focus has been on transferring existing participants in supported housing into the SDA scheme. The downside of this approach is that although these participants are given grandfathered SDA approval, they remain in potentially substandard accommodation. ADAPT is ready to provide new build housing for such tenants but the system and framework are not supporting transition of such participants at this time for the many reasons above. Therefore, at this time, there is no innovation.
2. ADAPT designs are platinum / fully accessible and our investors are willing to fund these higher quality products if longer term tenancy is delivered. This aligns with ADAPT’s long term strategy to repurpose such properties to aged care or provisions for open market housing if the SDA demand declines.

**Choice and Control**

1. Concern about the potential negative outcomes of plan reviews is driving participants from seeking transfer from existing housing when they have grandfathered SDA approval status.
2. Use of supported living accommodation which does not meet the detailed SDA specifications continues, such that no choice has effectively been given to the participants. Buildings are not specialist built and in most situations are older style.
3. The NDIS position on the conflict of interest between service provider and housing provider has softened, limiting the choice of participants.
4. Choice is controlled by service provider to maximise other service provision and participant numbers.
5. Lack of understanding of SDA by both participants and those supporting the plan development (e.g. care providers) means that the system is not being utilised.

**Value and sustainability**

1. The transition period (including transition of state government ADAHC housing stock in NSW) is causing provider and participant stress, with transitional contracts forcing providers to pay higher than average market rent for old ADAHC housing. Some stock is out-dated and Service Providers are paying up to $70000pa for duplex existing stock. Participants are paying approximately $260 per week for existing stock compared to $165 per week as reasonable rental contributions. Often these properties are not compliant with the new SDA regulations.
2. The SDA system should provide long-term support to the community housing sector by replacing non-satisfactory disabled housing with specialist new builds and enabling the repurposing of the existing accommodation as community housing to address the extensive waiting lists in this area.

