



**SPECIALIST
DISABILITY
ACCOMMODATION
ALLIANCE**



SDA PRICING: SUMMARY REPORT

Prepared by:

**SPECIALIST DISABILITY ACCOMMODATION ALLIANCE
URBIS**

February 2023



ABOUT SDA ALLIANCE AND URBIS

SDA ALLIANCE

As a peak body, the Specialist Disability Accommodation (SDA) Alliance brings together some of the nation's most committed SDA providers, investors and downstream market supports (including specialist SDA Support Coordinators, Allied Health professionals, online platform providers, builders, developers, architects and financiers). In doing so, the SDA Alliance provides a unified voice to better support development of a diverse and sustainable SDA market.

The SDA Alliance and its members are committed to the principles of:

- **Collaboration:** Respecting diverse perspectives, seek to work constructively with all relevant stakeholders to build a sustainable, mature SDA market that meets the expressed needs and preferences of NDIS Participants.
- **Maximising Choice & Control:** Ensure Participant choice and control is a central consideration in the design and delivery of all SDA services, to enable people with a disability to govern their own home life.
- **Excellence & Innovation:** Define and promote quality and best practice in person-centered SDA provision.

The SDA Alliance aims to constructively engage with governments and other key stakeholders to support the growth of a mature, diverse and sustainable NDIS SDA market. In doing so we seek to enable the provision of excellence in New Build SDA that empowers people with disability to live full and vibrant lives as active members of their communities facilitated by increased housing choice and control.

As a relatively new organisation, the SDA Alliance has grown over our four years, to now include 61 Founding/Full Members, Associates, Supporters and Sponsors working across Australia. Our membership has experience with all aspects of the SDA supply chain. A survey undertaken in 2022 captured data on 240 SDA development projects including 637 SDA dwellings. These projects are located around Australia as illustrated by Figure 1, overleaf.

For more information about the SDA Alliance please visit our website: <https://www.sdaalliance.org.au/>

URBIS

Urbis is Australia's preeminent advisor on cities and communities, with offices located in Sydney, Melbourne, Brisbane, Gold Coast, Perth, Parramatta and Geelong.

At Urbis, we have one simple goal – to shape the cities and communities for a better future. It's something we achieve by drawing together a network of the brightest minds. Urbis is a creative community of practice experts, working to deliver fresh thinking and independent advice and guidance – all backed up by real, evidence-based solutions. Our experts extend across the areas of economics, planning, design, heritage, policy, valuations, transactions and research, to connect our clients to a better outcome, every time.

At Urbis, and through our international business Cistri, we seek to collaborate and partner with clients who are making the places we live and reshaping the way we live there. Urbis works hard to understand what clients want to achieve and help them see what's possible.

SDA SUPPLY

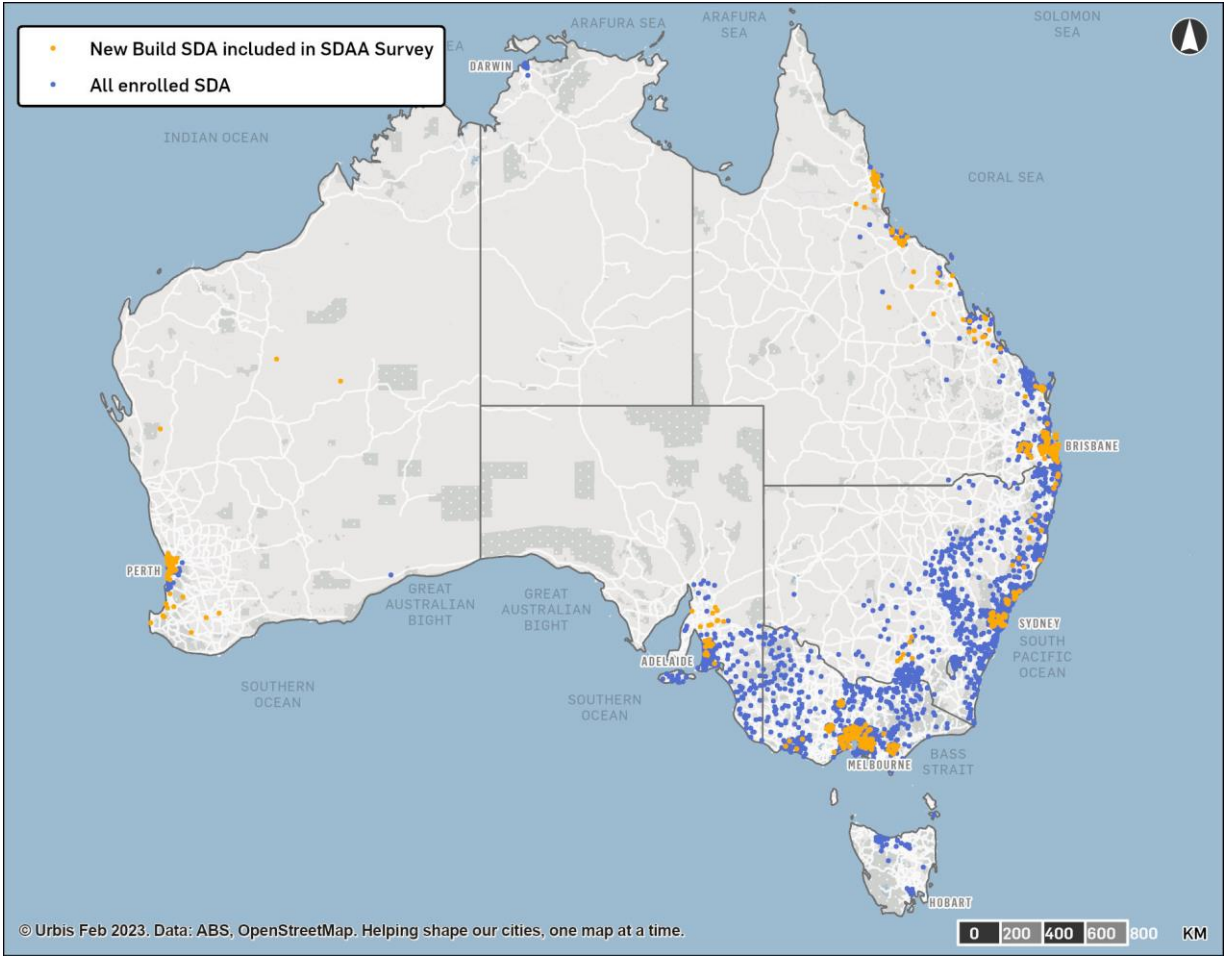


Figure 1: New Build SDA included in SDAA Survey and all enrolled SDA from NDIS data.

Source: SDAA, Urbis, NDIS Data Insights



WHAT IS SDA?

Specialist Disability Accommodation (SDA) is a range of housing for eligible people with disability. The National Disability Insurance Agency (NDIA)¹ explains that:

“SDA is one of the supports that may be funded under the National Disability Insurance Scheme (NDIS) for some participants. SDA funding is provided to participants who require a specialist dwelling that reduces their need for person-to-person supports, or improves the efficiency of the delivery of person-to-person supports. SDA funding is only provided for participants who meet the eligibility criteria. Participants who meet the eligibility criteria will have an extreme functional impairment and/or very high support needs.

*As at 30 June 2022, a total of **19,358 participants** in **7,086 dwellings** were receiving SDA supports funded through their NDIS plans. In total, **\$271 million** was spent from participant plans on SDA supports over the 12 months to 30 June 2022.*

The legislative framework for providing SDA to participants under the NDIS, including the criteria for when a participant will have SDA included in their NDIS plan, the dwellings that can be used for SDA and the payments that will be paid to providers of SDA are set out in the National Disability Insurance Scheme Act 2013 (the NDIS Act) and the NDIS Rules under the Act, including the NDIS (Specialist Disability Accommodation) Rules 2020 (SDA Rules) and the NDIS (Specialist Disability Accommodation Conditions) Rule 2018 (SDA NDIS Q&SC Rule), which incorporate the NDIS (Specialist Disability Accommodation Conditions) Amendment Rules 2020.”

The NDIA^{2,3} further explains that:

“...SDA dwellings have accessible features to help residents live more independently and allow other supports to be delivered better or more safely.

More information about SDA and eligibility is in the [SDA Operational Guideline](#).

SDA helps to stimulate the market to produce high quality, contemporary, accessible, well-designed housing for participants with SDA funding in their plan. SDA funding is paid directly to SDA providers to cover the building and maintenance costs. Participants pay a reasonable rent contribution and other day to day living costs such as electricity bills...

...Most of the requirements and obligations for SDA are in the [NDIS \(Specialist Disability Accommodation\) Rules 2021 \(SDA Rules\)](#).

The SDA Rules require all providers to be registered NDIS providers and for all dwellings to be enrolled with the NDIA. The SDA Rules outline [dwelling enrolment](#) requirements such as design categories, building types and other features that affect prices...

...The SDA Design Standard outlines design requirements and gives providers the flexibility to respond to participant needs and preferences. The SDA Design Standard is a detailed set of requirements for all new Specialist Disability Accommodation that covers 4 categories of SDA design:

- Improved Liveability (IL)
- Robust...
- Fully Accessible (FA)
- High Physical Support (HPS)

In addition to the Design Standard, SDA must also comply with Australian National Construction Code (NCC). Visit the [SDA Design Standard](#) page [for more information]

...Providers must be registered through the [NDIS Quality and Safeguards Commission](#) to enrol an SDA dwelling. The NDIA has online systems for enrolling dwellings and notifying the NDIA of dwelling vacancies...”

CURRENT SDA PRICING FRAMEWORK & THE SDA PRICING REVIEW

The NDIA⁴ explains that:

“The [Specialist Disability Accommodation Pricing and Payments Framework](#) (“the Framework”), which was approved by the Commonwealth and all state and territory ministers in 2020, sets out the long-term pricing and payments framework for the funding of the land and built elements of SDA under the NDIS. Under the Framework, the National Disability Insurance Agency (NDIA) is responsible for setting the pricing arrangements for SDA and is required to set the funding amounts for SDA at a level sufficient to cover the full lifecycle costs of appropriate accommodation, after accounting for a reasonable rent contribution from the participant and land price inflation. The NDIA is also required to undertake a review every five years of the specific underlying assumptions that underpin the pricing methodology for SDA.

The current pricing arrangements for SDA are set out in the [NDIS Pricing Arrangements for Specialist Disability Accommodation 2021-22](#).”

The NDIA is currently undertaking the 5 yearly SDA Pricing Review. This is the first ever comprehensive review of the underlying assumptions and methodology that are used to calculate the price limits that apply in SDA. The NDIA reports that the “...timing for this review has been brought forward in order to properly consider recent changes in housing market conditions and affordability.”⁵

The NDIA released the SDA Pricing Review [Terms of Reference](#) on 22 August 2022. The SDA Pricing Review must

“...examine, through submissions, consultations, research and analysis, whether the existing assumptions that underpin SDA prices will support a sustainable SDA market that fosters choice and control, encourages innovation, provides options for participants, continuity of supply and financial sustainability for governments, participants, investors and providers”⁶

The NDIA has now commenced both targeted and public consultation following release of the SDA Pricing Review [Consultation Paper](#) in October 2022. With support from Urbis, the SDA Alliance has made a comprehensive submission to the SDA Pricing Review. This report summarises the SDA Alliance submission and provides further background information to support a broader audience to understand SDA pricing and changes required to achieve the aims of the SDA Pricing Review and to support the ongoing development of “a sustainable SDA market that fosters choice and control, encourages innovation, provides options for participants, continuity of supply and financial sustainability for governments, participants, investors and providers”⁷.

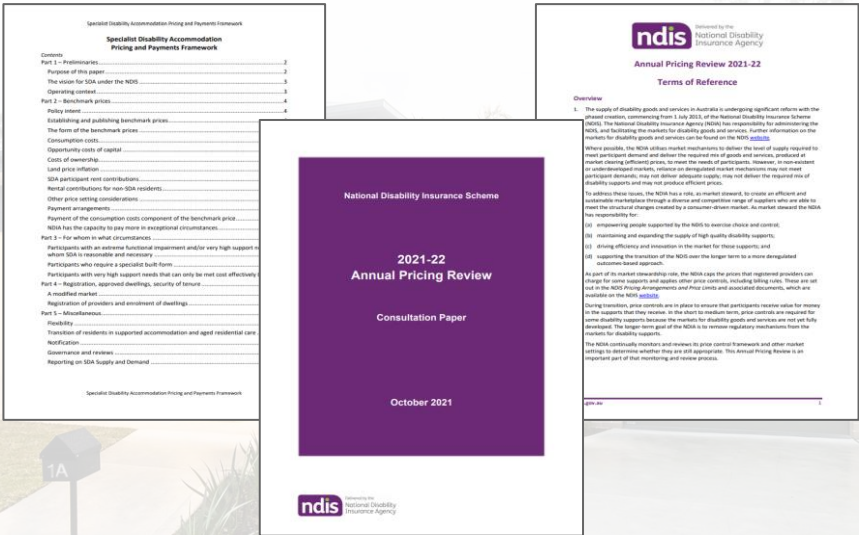


Figure 2: SDA pricing review and relevant documents.
Source: NDIA, DSS



CURRENT SDA PRICING: WHAT'S WORKING & WHAT'S NOT

The NDIS has already fundamentally changed the lives of people with a disability across Australia with the majority of NDIS Participants reporting that it has been positive. SDA has resulted in promising outcomes, with the Framework providing for choice of housing setting and support providers, as well as subsequent employment, social, health and wellbeing benefits once housed.

We greatly admire the work of the NDIA and other relevant government bodies since the inception of the NDIS, working through challenging political, media and operating environments, as well as a global pandemic. What has been achieved to date is to be congratulated.

In particular, the SDA Pricing and Payments Framework ('the Framework') is world-class. Building on learnings from around the globe, including Australia's own National Rental Affordability Scheme (NRAS), the Framework revolutionises the provision of housing for people with extreme functional impairments and/or very high support needs resulting from disability. It does this by enabling institutional investors to support the development of a new asset class, growing impact investment in Australia.

Since government first began consulting to develop the SDA policy settings, many industry players have stepped up, working cooperatively and collaboratively to actively support these efforts. From its initial inklings, savvy players saw the opportunity in SDA to support people with disability, providing financial, social and environmental returns. There has clearly been strong interest in the opportunity presented by SDA, with institutional capital already invested and 337 organisations now registered as SDA Providers. Of these, a significant portion are clear best practice market players (i.e. SDAA Members). These best practice organisations continue to support both:

- The ongoing development of this new asset class, and
- Government's ongoing development of appropriate policy, pricing, legislative, operational and

regulatory settings.

With a steep learning curve and at great expense, best practice SDA players have undertaken very significant market development and education. With these building blocks already in place, increased government market stewardship would serve to build investor and participant confidence in SDA at this crucial juncture.

There have been significant changes to the market since SDA pricing was first announced in 2015/16. The market for land and housing has shifted quickly. The cost of building materials has increased at the fastest rate ever recorded in some States/Territories. But most importantly, we now have several years of experience designing, building and maintaining SDA to draw on. We now have a much better understanding of the peculiarities and subtleties of developing and managing SDA properties.

We extensively surveyed SDA Alliance (SDAA) Members during 2022 in response to the SDA Pricing Review Terms of Reference and consultation questions. Data and information from those surveys was analysed in partnership with Urbis and formed the basis of our SDA Price Review submission, and this Summary Report. The SDA Alliance and our members are also able to provide additional data and information, upon request. The full list of SDAA Submission recommendations is provided at the end of this report.

The core finding from this work is that New Build SDA costs are significantly higher than originally modelled. This is due to a combination of costs and markets changing in different ways than anticipated, assumptions not holding true in the SDA market, and new unexpected costs and effects. Ownership costs, build costs, and land costs are higher than anticipated, with vacancies taking longer to fill. Financing, indexation and taxes have similarly diverged from the modelled costs or were not reflected at all.

CURRENT SDA PRICING: WHAT'S WORKING & WHAT'S NOT

There are three additional key findings where there are feedback loops putting upward or downward pressure on the pricing assumptions:

The level of supply in the market will be affected by how exits (notional disposal of SDA upon New Build term expiry) and refurbished dwellings are treated. Both exits and refurbished dwellings are currently rare among SDAA members, and if handled well will be able to increase supply and reduce costs.

The way design is treated is important to creating dwellings that improve the lives of participants and therefore support Scheme sustainability:

- Multi-Design Category dwellings are more flexible, support participant choice and may decrease vacancy risk.
- Fire sprinklers should be carefully mandated for future New Builds. While this will increase costs, it will improve safety for participants and care staff, and therefore also shore up confidence of impact investors.
- The NCC Livable Housing Design Standard (while welcome) is unlikely to have an appreciable impact on SDA demand and should not be assumed to put significant downward pressure on costs.

There are opportunities for innovation, greatly improved stewardship and additional data to strengthen SDA so as to relieve current upward pressure created by uncertainty, mixed policy signals and high vacancy. Creating further flexibility and encouraging adaptability within the Scheme will result in better outcomes. Better market stewardship and data availability (including supply and demand forecasting) will improve market functioning.

The SDA market requires sustained institutional equity to grow and mature. Beyond being financially sound (the purpose of the Review mechanism), the SDA market and NDIA needs to be predictable and consistent to promote and sustain confidence. Volatility (actual and/or perceived) increases risk, which increases the required return for investors. It is critical that the first SDA Price Review results in outcomes meeting expectations and upholding the intended/communicated returns for the asset class. Adhering to the insurance principles of the Scheme, SDA should represent an efficient use of capital (SDA payments), so should promote models and settings which achieve this.

Most critically, SDA needs to be Participant-focussed, safe, dignified and well-regulated in order to enable choice and control (including full separation of housing and support), promote the best outcomes and avoid risk to Participants.

We support additional market guidance (data and explicit communications), stewardship (including Participant pathway activation) and governance (including operational efficiency, barriers to entry for SDA Providers and direct property investors along with appropriately material sanctions/penalties for breaches).

THERE HAVE BEEN SIGNIFICANT CHANGES TO THE MARKET THAT HAVE LED TO NEW BUILD COSTS HIGHER THAN ORIGINALLY MODELLED

BUILD COSTS

Under the Framework, all assumed costs associated with the efficient building of a New Build SDA dwelling are totalled. Based on this, the NDIA developed an assumed Baseline Build Cost for each Build Type (i.e. Apartment, Villa/Duplex/Townhouse, House, Group Home). This Baseline Build Cost assumption was then used (in concert with other assumed non-build costs) to formulate the SDA Pricing, and therefore annual SDA Payment amount for each Building Type/Design Category/Location configuration of SDA dwelling.

Since the original SDA pricing was formulated, it has become evident that there are several shortcomings in relation to these Baseline Build Cost assumptions. Some have been created by external market factors, and some are specific to SDA buildings.

External market factors include the rapid escalation of building costs over the last few years, both trade and building materials. As seen in Figure 3, construction costs rose by 11% in the year to September 2022, with input prices rising 16%.

Location variances are also substantial, with costs in different areas often varying in ways not reflected by the current Location Factors (location cost assumptions). This includes increases to standard costs (such as travel costs, local contractor markups, etc.) as well as markedly different infrastructure charges from local councils.

SDA-specific factors affecting build costs include:

- Design factors, such as the need for many builds to adhere to Class 3 requirements and the new SDA Design Standard and ongoing clarifications.
- Higher costs for certain configurations of Design Category and Building Type, such as Robust and Improved Liveability.
- Additional common cost types that were not originally anticipated and therefore not included in the current Baseline Build Cost calculations.

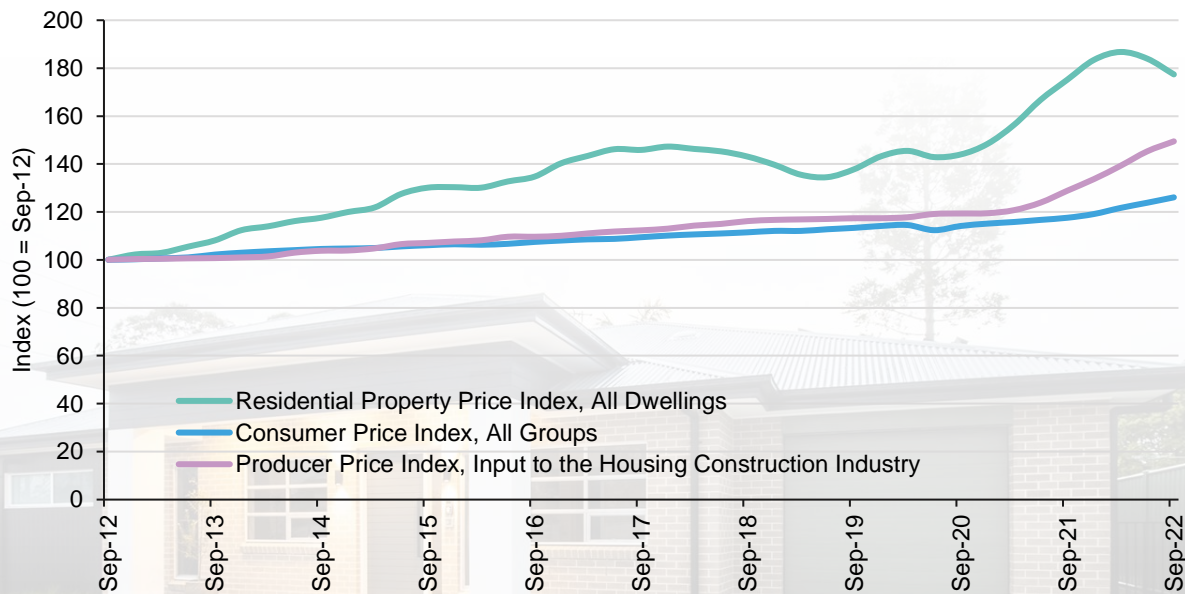


Figure 3: Price Indices Comparison (September 2012 – September 2022)

Note: ABS ceased the release of Residential Property Price Index after December 2021. Quarterly growth rates of the “Value of Dwelling Stock Owned by Households in Australia” dataset has been used as a proxy thereafter.

Source: Urbis, ABS

THERE HAVE BEEN SIGNIFICANT CHANGES TO THE MARKET THAT HAVE LED TO NEW BUILD COSTS HIGHER THAN ORIGINALLY MODELLED

LAND COSTS

The Framework used the median cost of purchasing undeveloped, vacant, unimproved land in each ABS Statistical Area 4 (SA4) as the Land Cost assumption for the development of New Build SDA. Based on this, the NDIA developed an assumed Land Cost for each Build Type using their assumed square meterage rate required per Build Type. This Land Cost assumption was then used (in concert with other assumed non-land costs) to formulate the SDA Pricing, and therefore annual SDA Payment amount for each Building Type/Design Category configuration of SDA dwelling.

Land costs have risen dramatically across Australia. Median house prices are up by around 12% annually over the past three years, significantly above the annual CPI price adjustments. This has created the situation where many potential SDA supply projects are now simply uneconomic to commence or complete, as SDA payments are currently only indexed to CPI.

In addition, while the SDA pricing assumes that developments will be built on vacant, undeveloped land, that is not true for the majority of projects. Only 26% of SDAA member New Build developments are on vacant land, meaning most projects bear additional costs such as demolition, site remediation (e.g. asbestos removal etc.) and site preparation, as well as the acquisition cost reflecting an existing dwelling on the property. Land sizes are also larger than average residential developments and some current NDIA assumed meterage, due to Class 3 requirements or Robust building requirements.

The current location factors have always been insufficient to enable New Build development in most inner and middle ring suburbs of capital cities (except some sole occupancy HPS apartments and some large group homes). Some SA4 areas also include massive variation in land cost within them, creating a perverse incentive to build on fringe locations of the SA4 with lower amenities and diminished wellbeing for participants.

The SDAA Member Survey showed that the proportion of brownfield (vs. greenfield) SDA developments is approximately:

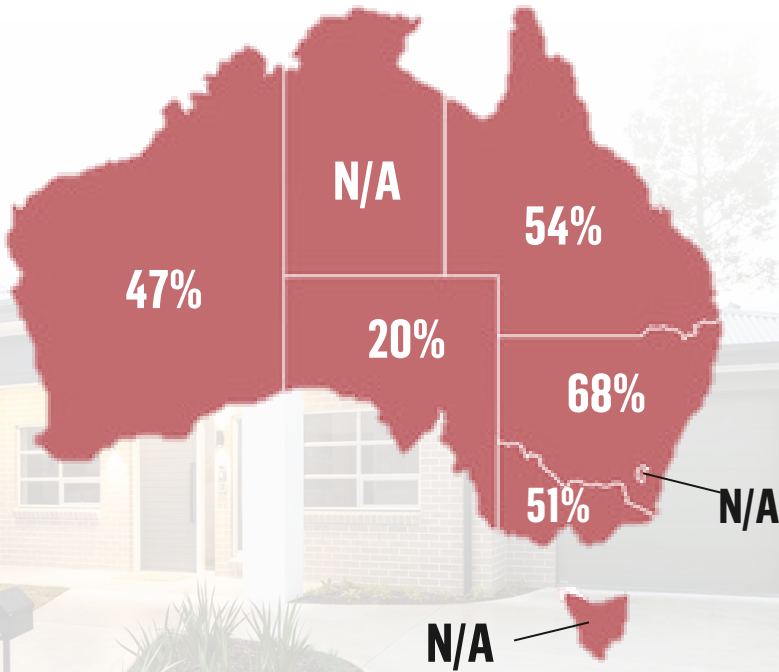


Figure 4: Percentage of New Build SDA brownfields development (vs greenfield development).
Source: SDAA, Urbis

THERE HAVE BEEN SIGNIFICANT CHANGES TO THE MARKET THAT HAVE LED TO NEW BUILD COSTS HIGHER THAN ORIGINALLY MODELLED

OWNERSHIP AND VACANCY COSTS

Under the Framework, all assumed necessary and legally required costs associated with ownership of a New Build SDA dwelling are meant to be included in the ownership cost calculations. Based on this, the NDIA developed Ownership Costs and assumed vacancy rates. These Ownership Cost and vacancy assumptions were then used (in concert with other assumed non-ownership costs) to formulate the SDA Pricing, and therefore annual SDA Payment amount for each Building Type/Design Category/Location configuration of SDA dwelling.

The NDIA's current pricing assumptions regarding ownership costs and vacancy impacts were developed prior to the commencement of the New Build SDA market. Now that several years have passed, there is richer data available on the true quantum and types of costs associated with ownership of SDA and of the real burden of vacancy. This has revealed that these costs are much higher and diverse than expected, with SDA imposing additional tenancy management, vacancy and property management costs (see Figure 5).

Vacancies in particular are higher and more costly than anticipated. It is taking longer to fill initial vacancies (an average of 6 to 9 months) and ongoing ad-hoc vacancies (an average of 5 to 6 months). These delays can be largely attributed to participant factors such as compatibility, logistical coordination with providers, and decision delays with the NDIA. Additional market stewardship and operational improvements could significantly reduce vacancy cost.

The NDIA's current Ownership Costs assumptions also do not appear to cover all common actual

SDAA Members reported average vacancy rates of:



The NDIA has assumed vacancy rates ranging only from 3% to 10%.

ownership cost sub-types. For instance, many SDAA Members employ additional staff solely to undertake tenancy management, due to the intensity of activity required for many participants/their representatives. SDAA Members also employ additional staff or contractors solely to liaise with the NDIA and NDIS Commission to achieve SDA Provider Registration, SDA Dwelling Enrolments, report vacancies, support participants to navigate the SDA eligibility process and to achieve SDA Payments owed. Again, operational improvements could significantly reduce such ownership costs.

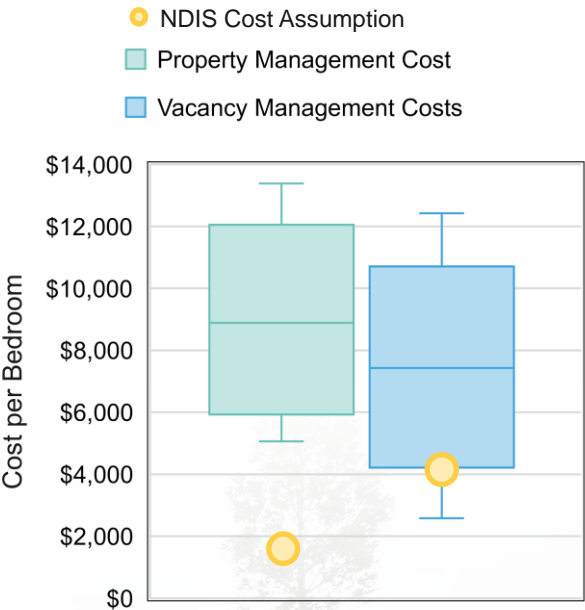


Figure 5: Property and vacancy management costs
Note: Cost data based on SDAA Member Survey. Tails indicate the 20th and 80th percentile while the box indicates the 40th, median and 60th percentile for each cost area.
Source: Urbis, SDAA, NDIS

Figure 5: Reported vacancy rates vs. assumed vacancy rates.
Source: Urbis, ABS

THERE HAVE BEEN SIGNIFICANT CHANGES TO THE MARKET THAT HAVE LED TO NEW BUILD COSTS HIGHER THAN ORIGINALLY MODELLED

TAXES

Under the Framework, taxes are required to be considered. However, significant common taxes are not being accounted for in current SDA pricing. GST credits are not currently able to be claimed in the majority of cases. This is due to the common investment structures in use (required to retain and attract scale institutional capital). This adds significant extra tax cost. The best method to address this would be legislative change to the GST-free Determination. If this change is not undertaken, SDA pricing will need to be amended to reflect the cost of GST and to enable equitable tax treatment of SDA development.

Stamp Duty and Land Tax are also not accounted for in current SDA pricing, with the nature of ownership under common investment structures meaning that most purchases incur stamp duty of some form and land tax is payable (with the exception of some states). Further, where larger investors in SDA have attracted capital from foreign investors, they are impacted by surcharges in most states.

The maximum general rates for stamp duty in each state / territory are:

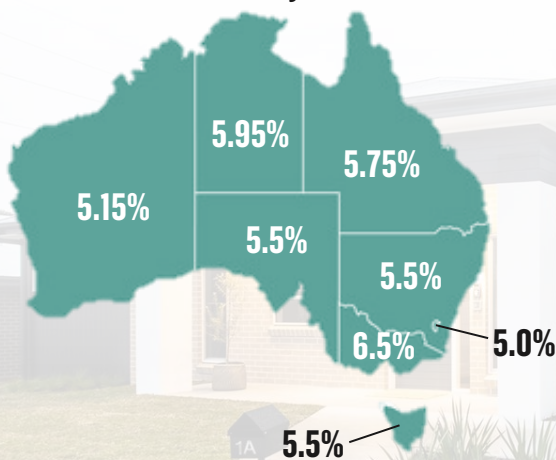


Figure 7: Maximum general rates for stamp duty by state/territory
Source: PwC, Urbis

CAPITAL ASSET PRICING MODEL (CAPM)

Current SDA pricing uses an Equity Beta of 0.9. Investor return requirements must take into account the current nature of the SDA market. The Equity Beta should be greater than 1 to account for it being a developing asset class in a thin market with significant volatility. Equity returns being generated to date further evidence the above and support a Beta above 1.0.

The gearing ratio in the Weighted Average Cost of Capital (WACC) is currently set at 60%. It is unclear on what valuation the gearing assumption is based. The current gearing assumption appears to be higher than what is observed in actual operations, which is closer to 40%. This is due to a combination of both lender limitations and investor preference driven by the risks inherent in investing in SDA.

The model also does not take into account the cost of accessing equity at all, while it is often material in terms of resources and time. Market rental yields of residual SDA stock also appear to be reliably below those in the residential market due to the increased cost of development of SDA and cost of reversion for the residential market. This negatively impacts residual SDA value.

The maximum general rates for land tax in each state / territory are:

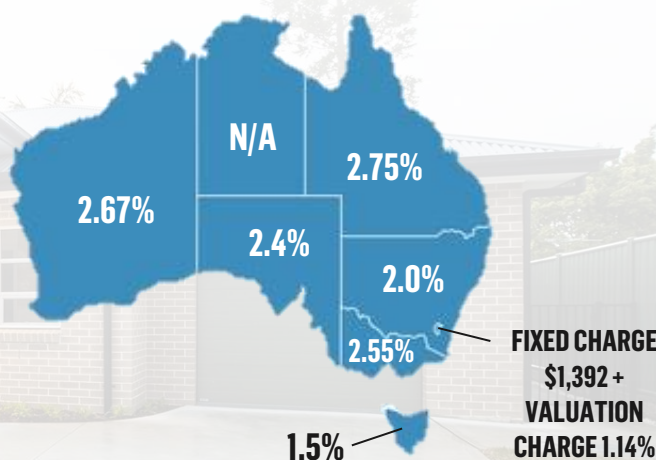


Figure 8: Maximum general rates for land tax by state/territory
Source: PwC, Urbis

THERE HAVE BEEN SIGNIFICANT CHANGES TO THE MARKET THAT HAVE LED TO NEW BUILD COSTS HIGHER THAN ORIGINALLY MODELLED

INDEXATION

SDA prices are currently indexed to CPI every year between five-yearly SDA Price Reviews. While the principle of annual indexation is sound, basing it on CPI has proven to be insufficient as evidenced by the substantial disconnect between CPI and real building and land costs since the original SDA prices were set. However, moving to a different form of indexation would have a detrimental effect on the confidence of institutional investment as material Framework changes introduce uncertainty and volatility. Instead, it may be beneficial to include a monitoring mechanism, such as the Building Cost Index, with a trigger for a Limited Cost Assumptions Review where significant deviation between CPI and real build and land costs occurs.

It is also important that the NDIA process for actioning indexation is changed to reduce the substantial delays in increasing SDA payments to Participants as well as Providers.

OTHER COSTS

There are a number of other costs associated with the acquisition of SDA that the NDIA currently does not, but should, take into account in SDA pricing. These include acquisition fees (e.g. conveyancing), site identification and due diligence costs (e.g. consultants, council fees, and participant engagement).

In addition, there are a substantial number of other factors not currently accounted for by the NDIA that have the potential for price impact. These include factors within NDIA and NDIS Commission control, such as market stewardship, regulation and administration and the entry of unscrupulous market players, as well as global factors such as climate change, pandemics, and global financial markets. These and many other factors will have an impact on the ability of SDA to attract the required level of appropriate investment over the next twenty years.

Average annual growth rates between September 2016 and September 2022:



Property price growth and construction costs have consistently outpaced inflation over the past 5 years, particularly surging during the pandemic.

Figure 9: Average annual growth rates September 2016 – September 2022
Note: ABS ceased the release of Residential Property Price Index after December 2021. Quarterly growth rates of the “Value of Dwelling Stock Owned by Households in Australia” dataset has been used as a proxy thereafter.
Source: Urbis, ABS

SUPPLY WILL BE AFFECTED BY HOW EXITS AND REFURBISHED DWELLINGS ARE TREATED

REFURBISHED DWELLINGS

Existing Stock SDA are ‘SDA-like’ dwellings enrolled to house five or fewer long-term residents and that were built before 1 April 2016 and used as disability related supported accommodation under a previous state, territory, or Commonwealth scheme. The vast majority of SDA dwellings currently enrolled are Existing Stock. In order to encourage owners of Existing Stock to more effectively and efficiently meet the needs of SDA-eligible participants, the NDIA created a category of SDA Pricing called ‘New Build (refurbished)’. This category of pricing enables owners of Existing Stock to achieve higher New Build Payments for their stock once they upgrade their dwellings to the required standard and so long as they reach the ‘Minimum Spend Requirements’ in doing so.

New build (refurbished) dwellings have not been embraced by the market, despite potentially offering a quicker path to returns than building from scratch, as shown in Figure 11.

This suggests that the current arrangements for the creation of these dwellings are flawed.

Minimum spend thresholds were identified as an arbitrary and detrimental barrier that does not result in better outcomes, as the actual costs needed to bring a building to SDA Design Standard vary substantially. Explorations by SDAA Members suggest the minimum spend requirements are often too high relative to the cost of New Builds from scratch. Additionally, State/Territory governments, who currently hold much of the Existing Stock suitable for refurbishment, have also been a barrier due to complex processes and perverse incentives.

Of the small number of refurbishment projects that have occurred, SDAA Members report concerns about quality and compliance. As such, the New Build refurbishment program should incorporate sufficient compliance checks.

EXITS (RESIDUAL VALUE)

The Framework provides the higher New Build pricing for 20 years, followed by the lower Existing Stock pricing after that time. The Framework also assumes that SDA properties will eventually be sold for alternative uses, and therefore makes assumptions about exit costs and the residual value of SDA properties. Assumed exit costs and assumed residual value of SDA properties are then factored into the calculation of SDA pricing, affecting the quantum of SDA Payments.

SDAA members are not focused on exit costs, as they are generally interested in holding properties for an extended period (20+ years) and believe that the property will be able to continue to serve its functional purpose (i.e. as SDA) for that time. Most members intend to retain properties after New Build funding expires, ideally refurbished to sustain New Build funding.

The specific nature of SDA means that there will be many factors at play when deciding whether to hold, refurbish, or exit, such as standards, pricing, loan availability, and market factors. There have been few exits thus far, but the specific features of SDA will mean that decommissioning would come with additional expenses such as the removal of disability features and due to the nature of Robust housing.

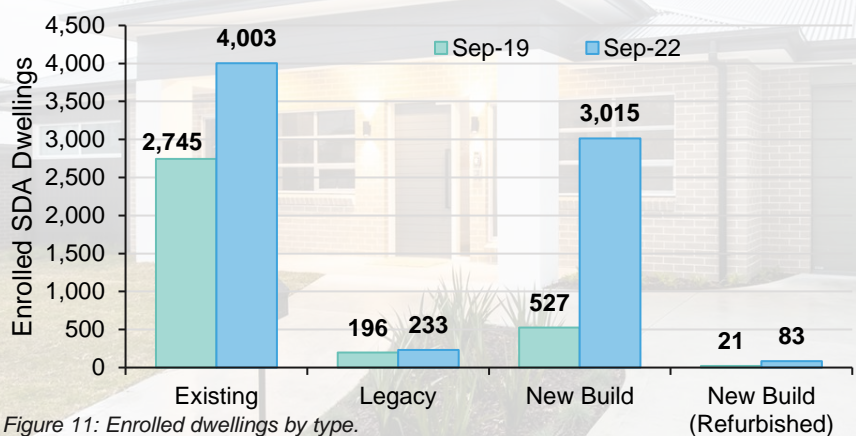


Figure 11: Enrolled dwellings by type.
Source: NDIS, Urbis

In the three years to September 2022, total enrolled SDA dwellings across Australia more than doubled. However, refurbished dwellings accounted for less than 2% of additional dwellings during this period.

DESIGN CHANGES CAN LEAD TO SAFE, MORE ADAPTABLE HOMES, BUT AT A COST

MULTI-DESIGN CATEGORY DWELLINGS

The NDIA classifies every New Build SDA dwelling as one of the four Design Categories of Improved Liveability, Robust, Fully Accessible, or High Physical Support. Each of these Design Categories has set requirements that need to be met in order for the dwelling to be compliant. At the point of Framework and Design Category creation it was not envisaged that the SDA market would commonly develop to achieve multiple Design Categories in one dwelling. As such, the SDA pricing approach and Design Category criteria does not serve to incentivise the development of such SDA dwellings that have characteristics of multiple Design Categories.

Facilitating SDA developments which include more than one Design Category in a single dwelling is of benefit to Participants, the NDIS and SDA Providers. It supports participant choice in co-tenants, increases the number of potential residents for a dwelling, and may reduce vacancies. However, multi-Design Category dwellings generally cost more to build than single Design Category dwellings, as seen in Figure 12. Pricing should reflect the cost of building a selection of bedrooms to the highest cost design category, as well as the common areas.

The median cost for building a multiple design category dwelling is up to 77% more than a single design category.

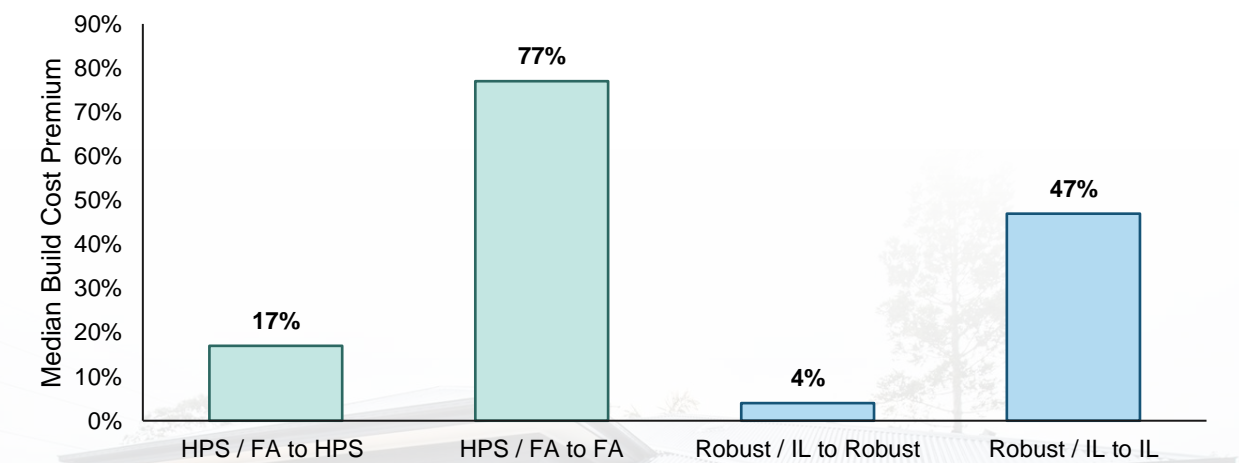


Figure 12: Median cost of building a multiple design category dwelling compared to single design category dwellings.
Source: SDAA, Urbis

DESIGN CHANGES CAN LEAD TO SAFE, MORE ADAPTABLE HOMES, BUT AT A COST

FIRE SPRINKLERS

Fire sprinklers are considered a critical fire safety measure in SDA. Given the significant mobility and/or cognitive challenges faced by the vast majority of SDA-eligible participants, it is important that SDA dwellings are equipped with appropriate levels of fire safety protection, such as fire sprinklers. The uptake of fire sprinklers in SDA, however, is currently unacceptably low.

This is due to two factors:

- Fire sprinklers are not currently mandated, and

- Current SDA pricing often does not cover the cost of sprinklers (see Figure 13). This is due to a range of factors including the additional Class 3 requirements, need for additional infrastructure, a lack of access to contractors in rural/regional areas, and specialised systems for some participants. In addition, there are significant ongoing maintenance costs which should be covered by SDA pricing.

SDAA is in favour of fire sprinklers being carefully mandated by the NDIA with consultation with industry on implementation and potential retrofitting.

The NDIS' 2021-22 annual fire sprinkler allowance ranges for each dwelling type is significantly lower than the annualised cost ranges of installing and maintaining fire sprinklers.

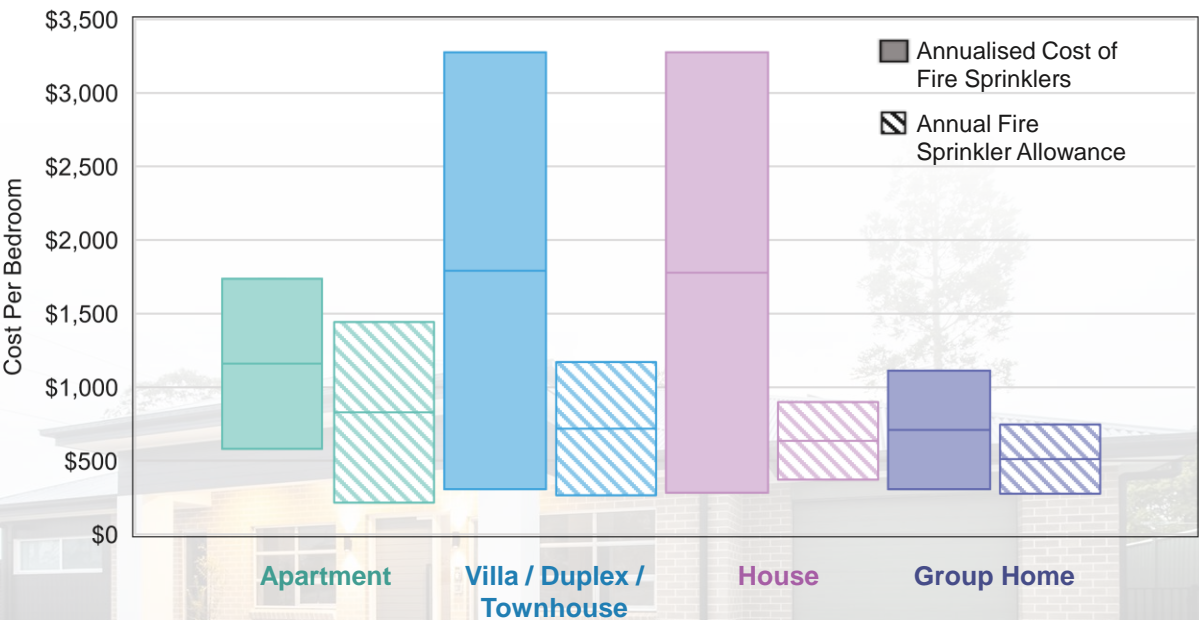


Figure 13: Fire sprinkler costs compared to fire sprinkler allowance
Note: Annualised cost of fire sprinklers shows the minimum and maximum ranges of fire sprinkler costs for each dwelling type, as recorded from the SDAA Members Survey. Costs have been annualised over a 20-year period. The annual fire sprinkler allowance shows the minimum and maximum allowance ranges for each dwelling type (New Build), as set out by the NDIS Pricing Arrangements for SDA 2021-22.
Source: Urbis, SDAA, NDIS

DESIGN CHANGES CAN LEAD TO SAFER, MORE ADAPTABLE HOMES, BUT AT A COST

MINIMUM ACCESSIBILITY STANDARDS

In April 2022, a decision was made to add a new minimum accessibility standard (now called the ‘Livable Housing Design Standard’) to the National Construction Code (NCC).

The SDA Alliance has been, and continues to be, a strong advocate for minimum accessibility standards for all residential housing. Improved standards over time will reduce building costs and greatly improve the housing market for NDIS participants who are *not* eligible for SDA.

It is false to assume, however, that the need for or cost of SDA will be significantly reduced as a result of this incoming Standard. The NCC Livable Housing Design Standard is not a proxy for Improved Liveability SDA, as it does not meet the accessibility and other disability-related needs of SDA eligible participants, or of any other people with disability with extreme functional impairments.

The NCC Livable Housing Design Standard will also not be implemented until October 2023, and has not been adopted by all States and Territories. Given the time taken to build new housing (and that the standard does not apply to existing housing) it will be a number of years before a significant proportion of the market reaches this standard.

Further, the NCC Livable Housing Design Standard does not negate the continuing NCC Class 3 trigger where 2 or more unrelated people with disability live together. To ensure Scheme efficiencies, the majority of SDA eligible participants are funded for shared living, triggering this Class 3 requirement for most SDA dwellings. Class 3 requirements already go above and beyond the NCC Livable Housing Design Standard, resulting in zero cost impact of the NCC Livable Housing Design Standard in relation to most future SDA.

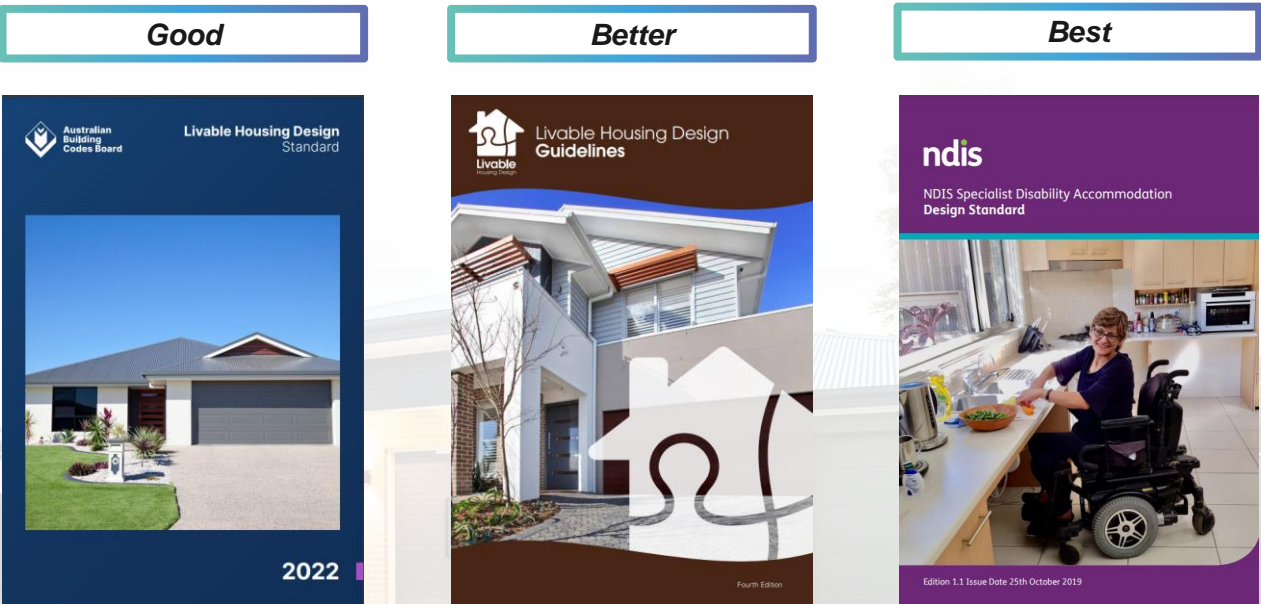


Figure 14: The new NCC Livable Housing Design Standard alongside the pre-existing Liveable Housing Design Guidelines (developed by Liveable Housing Australia) and the NDIS SDA Design Standard
Source: Australian Building Codes Board, Liveable Australia, NDIS

INNOVATION AND IMPROVED DATA CAN STRENGTHEN THE SCHEME

AREAS FOR INNOVATION

The NDIS is a new scheme, which creates challenges but also opportunities to be adaptable and innovative. There are opportunities for the NDIA to support innovation in order to address current supply issues. For example, Robust SDA projects are often explored and rejected before they are even begun, due to cost and risk factors. A combination of lack of clarity on design requirements, diversity of needs, and insufficient evidence of ‘what good looks like’ for this historically poorly housed cohort, alongside high costs and low returns, reduce the viability of builds. A ‘market incentive loading’ may be helpful to rebalance the mix of supply in favour of Robust.

Additional flexibility has the potential to create improved outcomes:

- Clients with particularly bespoke or complex needs are often unable to have their housing needs met by SDA, as there is currently no way to fund innovative projects outside of the SDA price matrix. This could be addressed through an innovation hub or other mechanism for supporting bespoke projects.

- Additional funding flexibility around SDA participants sharing with non-SDA participants (especially dependents and other family) would support both good outcomes and scheme sustainability.
- Onsite Overnight Assistance (OOA) has potential for refinement, with a lack of design standards and limited flexibility in terms of how it can be implemented. Horizontal clusters (e.g. a number of ground-level dwellings in the same development or neighbourhood) could share OOA, or it could be delivered from a nearby location.
- Medium Term Accommodation (MTA) is undervalued, under-regulated and could be significantly improved. If it was better designed and funded as a mechanism to support SDA participants moving into New Build SDA, it could give participants better pathways into better homes.

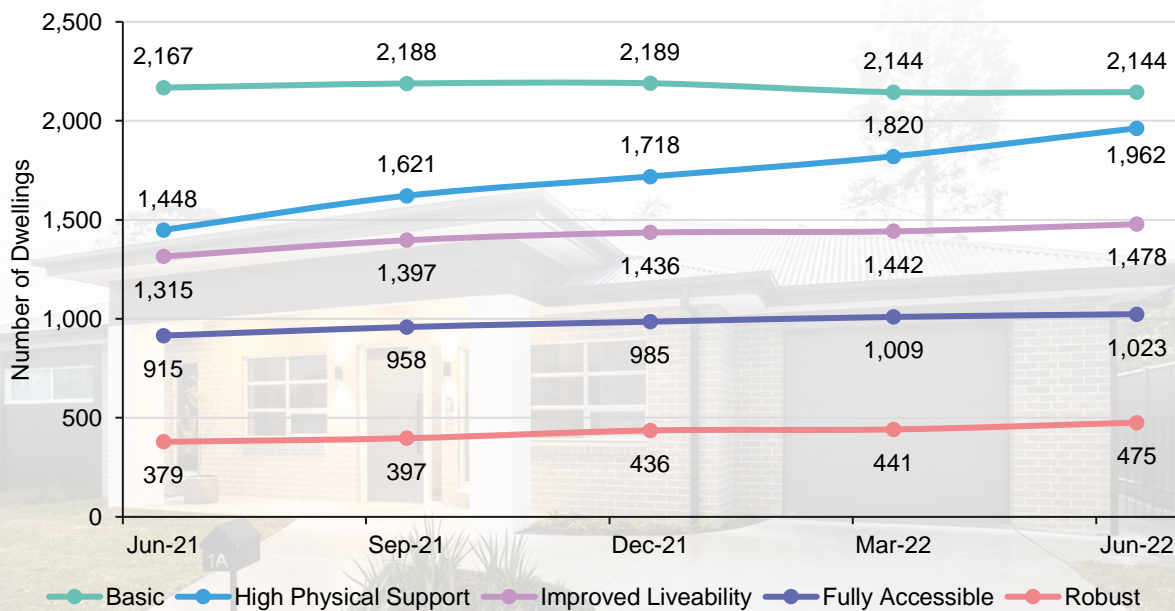


Figure 15: Enrolled dwellings over time by design category, highlighting low rate of Robust SDA enrolments
Source: NDIA Data & Insights

INNOVATION AND IMPROVED DATA CAN STRENGTHEN THE SCHEME

DATA AND FORECASTING

In order to function well, the SDA market needs access to a wide array of relevant data. This data allows investors and providers to make critical decisions about what to build, where, and how to do so in a way that matches the needs of people with disability.

The NDIA has made regular improvements to data provision, clarity and messaging. These milestones should be celebrated, but more can be done to improve market functioning. Detailed supply and demand forecasting, hand in hand with Participant-facing market stewardship, are critical to support an efficient and effective SDA supply market.

Given the significant lead time in property development, along with the complexity of best practice SDA delivery, it is considered that improved clarity of market data (supply/pipeline, Participant demand, trend and future direction analysis and communication) has a vital role to play. Ultimately, these will better manage inherent risk in the sector (but do not remove an appropriate level of risk) and drive increased investment to deliver the desired level of stock faster.

CONCLUSION AND RECOMMENDATIONS

SDA has already begun to revolutionise the lives of many people with extreme functional impairment and/or very high disability support needs. It has the potential to support better lived outcomes and better futures for decades to come. Now that there is real-world experience in developing and managing SDA, we have a better understanding of what it will take to reach that potential.

The Framework for SDA is a vital and solid foundation and must not be significantly changed. Indeed, too much change to the fundamentals of SDA would reduce the confidence necessary to attract and retain suitable market players, including institutional investors and best practice providers. Change to many pricing assumptions, however, is necessary for the success of the SDA program.

Our experience has shown that a number of the initial assumptions about costs, market behaviour and market stewardship are different from what has been observed in practice. This is due to a combination of unexpected global circumstances and attributes of the new market that were difficult to predict. Those pricing assumptions now need to be revised to ensure the market works effectively and to drive new capital into the SDA market, so as to ensure all eligible participants have access to, and genuine choice in housing.

The NDIS SDA Pricing Review must make the necessary changes to these pricing assumptions to enable SDA to reach its full potential - supporting the outcomes that participants can achieve through SDA, and therefore protecting the long-term sustainability of the Scheme.

RECOMMENDATIONS: BUILD COSTS

The SDA Alliance recommends the NDIA undertake the following:

- A. Via the current SDA Pricing Review amend the methodology for calculation of build prices to account for:
 - Increases to the baseline build costs since inception of the prevailing Pricing Arrangement for Specialist Disability Accommodation in 2016/17
 - The 2020-2022 and future increases to baseline build costs continuing to be experienced by good practice SDA market players
 - Increases in baseline build costs necessary to comply with Class 3 requirements where these were not previously factored into the pricing model
 - Increases in baseline build costs associated with the introduction of the SDA Design Standard, associated certification program, and associated current governance issues risks and costs
 - Significant and common real baseline build cost items not currently accounted for in the SDA Pricing assumptions, as highlighted in the submission
 - Infrastructure charges in locations where these are triggered
 - These factors combined are anticipated to result in a need for an increase circa 40% to current baseline build price assumptions across all build configurations.
- B. Via the current SDA Pricing Review undertake further consultation with the good practice SDA market to determine an appropriate mechanism to resolve issues with the current locational allowances, particularly in inner and middle ring areas of capital cities and affected regional/rural areas.
- C. Via the current SDA Pricing Review undertake further consultation with the good practice SDA market to determine the appropriate baseline build price assumptions for House and VDT Robust and Improved Liveability Design Category build configurations, including recognising the original flaws in the baseline build price assumptions for Robust and Improved Liveability House and VDT SDA and recognising the need to offset the additional risks and complexities so as to stimulate appropriate market response for participants with unmet Robust and Improved Liveability SDA needs.

CONCLUSION AND RECOMMENDATIONS

RECOMMENDATIONS: LAND COSTS

The SDA Alliance recommends the NDIA undertake the following:

- A. Increase the assumed cost of land adopted in the prevailing Pricing Arrangement for Specialist Disability Accommodation 2016/17
- B. Via this SDA Pricing Review amend the pricing assumptions for land costs to reflect a brownfields land costs methodology, including:
 - Update of the base rate for land to reflect current market prices for brownfields set at the 60th-80th percentile
 - Factoring in rising cost of land and expected growth rates or introduction of an appropriate mechanism to index annual changes (up and down) to land costs (in addition to annual indexation of SDA payments by CPI)
 - Factoring in appropriate costs and allowances in the land cost component of the model that recognises costs associated with land including demolition, site remediation and site preparation typical for brownfields sites.
- C. Via this SDA Pricing Review amend the location factors methodology and assumptions to better take account of the current real cost of available and suitable land, particularly in inner and middle ring suburbs of capital cities, noting this was previously a key recommendation of the 2018 DSS-led SDA Pricing & Payments Framework Review that has yet to be actioned.
- D. Via this SDA Pricing Review amend the assumptions for land size to best support specific Build Types and Design Categories for which the NDIA expects to approve significant additional demand (i.e., 2–3-bedroom House and VDT Building Types, Improved Livability and Robust Design Categories).
- E. Via this SDA Pricing Review amend the pricing assumptions for land costs, from the current land size assumptions per Building Type per resident/bedroom to the real median size for each Building Type per resident/bedroom by Design Category reported by SDA Alliance members, recognizing the real land sizes required for different configurations and Design Categories of SDA.
- F. Work with other relevant government and industry stakeholders to:
 - Immediately provide greater clarity to the New Build SDA market and Building Surveyors/ Certifiers regarding the interaction of New Build SDA and the NCC changes that specify that SDA dwellings intended to house 2 or more unrelated people with disability are defined as Class 3.
 - Immediately commence work with other relevant government and industry stakeholders to seek a long-term solution regarding the aforementioned Class 3 trigger that protects the human right of people with disability to housing choice, appropriately protects SDA resident participants against fire risks, and provides for a more ordinary home-like environment than that required under Class 3. This may require mandating of fire sprinklers in SDA (and associated payment to cover full costs), creation of a new building class in the NCC, creation of a definition of disability in the NCC, and/or different guidance/specification of Building Types and Building Classes by the NDIA.
- G. Via this SDA Pricing Review amend the assumptions for land cost and size for all dwellings designed to accommodate 2 or more residents to accommodate the greater land size and cost required for Class 3.

CONCLUSION AND RECOMMENDATIONS

RECOMMENDATIONS: FIRE SPRINKLERS

The SDA Alliance recommends the NDIA undertake the following:

- A. Fire sprinklers be mandated by the NDIA for dwelling enrolment for all new SDA dwellings newly enrolled and/or with first OC (or equivalent) after 1 July 2026.
- B. For new SDA dwellings with first OC (or equivalent) and/or dwelling enrolment date of 1 July 2023-1 July 2026 without fire sprinklers, they shall be retrofitted with fire sprinklers by a nominated sunset date, being 30 December 2027, otherwise the property can no longer be enrolled and can no longer earn SDA payments until fire sprinklers have been fitted and evidenced for continuing dwelling enrolment purposes.
- C. The NDIA consult with industry (including the SDA Alliance) regarding the retrofitting of sprinklers by the nominated sunset date, being 30 December 2027, to determine whether any exemption provisions shall apply, and to address how full necessary cost coverage and supports will be provided by the NDIA to enable this work to be completed.
- D. All efficient and necessary base capital and maintenance costs of fire sprinklers be incorporated into the base level SDA pricing assumptions for each different building type, building class and design category in the SDA funding table. This amount included for each configuration must reflect the different fire sprinkler costs for each. This removes the need for a 'sprinkler loading %' which has only added complexity and confusion to the SDA payment rates.
- E. Additionally, the geographic challenges faced by SDA developments in non-metropolitan areas resulting in higher costs for installing sprinklers and limited expert workforce to complete the work or undertake testing and maintenance, are elements the NDIA must specifically cover off in the pricing assumptions with suitable loading added to particular location factors.
- F. Additionally, the NDIA consult with industry (including the SDA Alliance) to develop a methodology to allow for identifiable project-specific sprinkler costs over and above the base cost of provision (such as water mains upgrades etc.) to be addressed under the SDA pricing arrangements.
- G. The NDIA work with industry (including the SDA Alliance and Home Fire Sprinkler Coalition Australia) to develop a future program of work to improve fire safety of all currently enrolled SDA stock not covered by the above recommendations and not already sprinklered and to address how necessary NDIA funding and supports can be provided to enable this work to be completed.

RECOMMENDATIONS: OTHER ACQUISITION COSTS

The SDA Alliance recommends the NDIA undertake the following:

- A. Amend the SDA Pricing assumptions to consider identified additional acquisition costs, including but not limited to the impacts of potentially abortive costs related to site identification and due diligence.

CONCLUSION AND RECOMMENDATIONS

RECOMMENDATIONS: EXIT COSTS

The SDA Alliance recommends the NDIA undertake the following:

- A. Amend the SDA Pricing assumptions to take into account the expectation that the models of good practice market players are based on not exiting the SDA market after the initial 20-year New Build payment period has expired.
- B. Amend the SDA Pricing assumptions to take into account expected exit costs and impacts on residual value as described in our submission.

RECOMMENDATIONS: OWNERSHIP COSTS AND VACANCY RATES

The SDA Alliance recommends the NDIA undertake the following:

- A. Use the data from the SDAA submission to accurately compensate all common ownership costs via the SDA pricing arrangements, covering all Ownership Cost sub-types identified by the SDA Alliance.
- B. Improve the systems and processes relating to SDA payments and occurrence of arrears.
- C. Relying upon the NDIA's own SDA enrolment and occupancy dataset, establish an actual level of vacancy per typology (building type/design category and location).
- D. In consultation with the good practice SDA market, develop and implement increased market stewardship actions (leading both supply and demand sides of the market with overt communication, engagement and direction) to reduce the ongoing cost of vacancy.

- E. Adjust the 20-year payment tenor commencement to the date of first occupancy rather than the date of occupancy certificate. This will serve to preserve SDA revenue, asset valuations and allow for orderly market development without increasing budgeted scheme costs.
- F. Utilising the data from the submission on construction and planning pathway timing, develop a formula for how costs are affected by construction and planning pathway timing, while accounting for common delays.
- G. Through follow up SDA Pricing Review consultation with the SDA Alliance and other key stakeholders, seek further data on other timing delays, including how long it takes from build completion to enrolment, and how long it takes to accrue SDA Payments from enrolment to initial lease-up, including in assisting with participant approvals, participant engagement and move-in (and associated costs).
- H. As part of the SDA Pricing Review results, provide a publicly available detailed outline of the ownership costs involved and compensated for as part of SDA pricing arrangements (i.e. publish the formulae, methodologies, descriptions and assumptions underpinning SDA pricing when releasing the new SDA Pricing that will come into effect on 1 July 2023).

CONCLUSION AND RECOMMENDATIONS

RECOMMENDATIONS: TAX COSTS

The SDA Alliance recommends the NDIA undertake the following:

- A. Advocate via the Minister for the NDIS for the GST-Free Determination relevant to SDA to be amended so as to make clear that the intention of this Determination is that input taxes should be creditable for all SDA development (whether or not the dwellings are developed and/or owned by an entity other than the SDA Provider responsible for the dwellings ongoing management), thereby ensuring a level playing field across the SDA market without the need to amend SDA pricing in regard to GST.
- B. If Recommendation A is not actioned by 1 July 2023 or is not supported by governments, develop a two-tiered pricing system for SDA in relation to GST treatment, so as to ensure sufficient large-scale capital is not constrained by GST costs from growing the market, that those not paying GST do not receive a windfall, and those affected by GST costs are not encouraged to set up problematic work-around structures to seek to avoid these GST costs.
- C. Advocate via the Minister for the NDIS for all relevant federal and state/territory ministers to agree on nationally consistent treatment of SDA in relation to stamp duty and land tax (ideally full exemption from both), thereby ensuring even treatment across the national SDA market, and in the case of exemption thereby avoiding the need to amend SDA pricing arrangements with regard to stamp duty and land tax.
- D. If Recommendation C is not actioned by 1 July 2023 or is not supported by governments, develop a state-by-state based pricing system for SDA in relation to stamp duty and land tax treatment, by including stamp duty and land tax costs in the SDA pricing location allowance so as to deal with the uneven impacts across different states/territories.

RECOMMENDATIONS: FINANCING COSTS

The SDA Alliance recommends the NDIA undertake the following:

- A. Equity Beta in the CAPM is increased beyond 1.0 to account for the inherent thin market and apparent volatility to date such to align to investor expectation.
- B. Gearing ratio in the CAPM is reduced to max 40% ($\frac{E}{V}$ increased to 60%, $\frac{D}{V}$ reduced to 40%) in order to align to investor preference and lender limitation.
- C. A zero Gamma for imputation credits is maintained in the CAPM.
- D. The cost of accessing investor equity is incorporated into the CAPM by loading r_e by an additional 0.125%
- E. Residual value is considered according to yield on capital of market rent of SDA property, accounting for a rate of unsuitability, repurposing cost and initial over-capitalisation.

CONCLUSION AND RECOMMENDATIONS

RECOMMENDATIONS: INDEXATION

The SDA Alliance recommends the NDIA undertake the following:

- A. As part of the current SDA Pricing Review express acknowledgement be given to the important role the Limited Cost Assumptions Review process has in maintaining suitable price signals to the market to ensure investment and supply can be sustained into the future.
- B. That consideration be given to a monitoring mechanism (such as the Building Cost Index and Median House Prices) as a trigger for the need for a Limited Cost Assumptions Review.
- C. Immediately commit to make changes to the NDIA's operational system for payment of SDA indexation, including commitment that by 1 July 2023:
 - SDA Service Booking amounts will immediately increase with indexation allowing immediate payment at the indexed rate without having to wait for each participant to have a new NDIS Plan made
 - The NDIA will remit indexation owing to SDA Providers for current and previous indexation payment delays

RECOMMENDATIONS: MINIMUM ACCESSIBILITY STANDARDS

The SDA Alliance recommends the following:

- A. The NDIA recognise that the demand for and cost of SDA will not be significantly reduced by the decision on 30 April 2021 by building ministers to include minimum accessibility standards in the 2022 National Construction Code (NCC), and that therefore 1 July 2023 SDA Pricing assumptions are not amended in response to this NCC change.

CONCLUSION AND RECOMMENDATIONS

RECOMMENDATIONS: INNOVATION

The SDA Alliance recommends the NDIA:

- A. Properly account for the potential additional costs and extra risks associated with the supply of Robust SDA by determining a suitable 'risk premium' to give providers a more accurate risk and return profile for this Design Category.
- B. Correct the current imbalance in the mix of design categories in the market and lack of robust SDA with a 'market incentive loading' of 20% for 5 years applied to Robust pricing.
- C. Create a formal mechanism (Home & Living Innovation Hub) to allow for participant outliers whose needs are unable to be adequately met by the current SDA Design Standard and pricing matrix to have their housing needs met, via establishing regular rounds of funding for demonstration/pilot/bespoke projects, every 6 months, to spark ongoing evolution of the scheme, serve participant outliers and enable projects that enhance scheme sustainability.
- D. Amend the SDA pricing arrangements to include the missing 'House, 1 resident' Building Type.
- E. Amend Appendix G and/or utilise the Home & Living Innovation Hub to provide for:
 - additional support to enable participants with dependents (e.g. children under 18 years old) to live with their family affordable
 - make provision for the flexible application of SDA funding to enable choice and control
 - support Individualised Living Options (ILO) and informal care opportunities for SDA participants with more flexible application and use of SDA funding
 - provide funding for additional bedrooms to enable ILO-style supports to be established in SDA settings
- F. Define a checklist of OOA requirements to be met to access OOA funding and develop OOA pricing arrangements for OOA in a room in a single SDA apartment and for an OOA dwelling in a horizontal cluster.
- G. Update MTA funding rules to provide for changes in the regulation, timing and pricing of MTA as outlined in the submission.

CONCLUSION AND RECOMMENDATIONS

RECOMMENDATIONS: SUPPLY AND DEMAND FORECASTING

The SDA Alliance recommends the NDIA undertake the following:

- A. Enhance SDA Market Stewardship: The SDA Alliance has previously provided a report outlining SDA Sector Priorities. Please refer to that report for additional detail regarding recommended methods and purposes of sector engagement. Key market stewardship activities include but are not limited to:
 - Additional quarterly market commentary expanding into guidance, forecasts, examples of good and bad practice, granular supply and demand highlights, provided as part of the NDIS SDA Quarterly Report and developed via consultation with the SDA Reference Group
 - Establishing a Participant-facing program to effectively communicate the purpose, availability and process to be approved for and move into SDA across all NDIS participants, Young People in Residential Aged Care (YPIRAC) and Health Liaison Officers (HLOs)
- B. Publish data points meeting the aforementioned identified data gaps for the upcoming quarterly report, then ongoing, where data is already available to NDIA. Where data points are currently unavailable, immediately commit to a timetable to provide this data prior to the end of the 2023 calendar year.
- C. Publish details of approvals (Building Type / Design Category) for each disability type (participant profile data) down to the lowest granular detail available for the upcoming quarterly report, then ongoing.
- D. Publish a 'snapshot' of vacancy data that lines up with the time period of the upcoming quarterly report, then ongoing, ensuring it includes details of at least the Building Type, Design Category and SA3 level.
- E. Publish supply and demand forecasts generated as part of this SDA Pricing Review, including demand projections with explanatory notes about the methodologies and assumptions used, and expressly addressing the following issues:
 - F. Projections to be provided for each time period consistent with the Annual Financial Sustainability Report (i.e. 30/6/23, 30/6/24, 30/6/25, 30/6/26, 30/6/27 - 30/6/32)
 - G. Projections to be based on the 6% of total scheme participants as originally indicated (or other updated market sizing estimate)
 - H. Projections to identify quarterly targets for the increase in net total approval by the NDIA
 - I. Projections provide the level of granularity described in Recommendation B above, so they reflect the structure of the data tables
 - J. Projections provide the detailed level of granularity described in Recommendation C above, so they disclose the projected Building Type / Design Category for each disability type
 - K. Projections to disclose the anticipated timing of participant flows from Legacy, Basic and other Existing stock into New Build SDA
 - L. Forecasting provides explanation of effects of NDIA policy considerations on the Supply and Demand Forecasts
 - M. Create a data cube that connects critical data described in this submission and makes it publicly available to improve access to critical information in a way that is useful to decision making in the market

CONCLUSION AND RECOMMENDATIONS

RECOMMENDATIONS: OTHER ISSUES

The SDA Alliance recommends the following:

- A. The NDIA, NDIS Commission, DSS and governments work with the good practice SDA market and other issue-specific relevant stakeholders to further explore other issues, including but not limited to those listed above, to quantify and cost associated risks into the SDA Pricing arrangements, and to co-design and develop strategies to mitigate the most urgent, likely and catastrophic risks identified.
- B. The NDIA immediately co-design with the good practice SDA industry a program of works to improve SDA payment flows and the timeliness and quality of participant Home & Living decisions, as per recommendations previously provided to the NDIA in the SDA Alliance 'Sector Priorities' document.
- C. The NDIA immediately co-design with the good practice SDA industry a program of works to improve the provision of vital market information and data, including appropriate and sufficient supply and demand forecasting and relevant policy indicators, as per recommendations previously provided to the NDIA in the SDA Alliance 'Sector Priorities' document.
- D. The NDIS QS Commission, DSS, NDIA, ASIC and ACCC immediately co-design with the good practice SDA industry a program of works to improve the regulation of the SDA industry, including supporting the growth of best practice SDA, educating to reduce poor practice, setting mandates (e.g. separation of SDA and care) and taking other action to remove unsuitable players and inappropriate business models from the market, as per information and recommendations previously provided by the SDA Alliance.
- E. The NDIA immediately work with the good practice SDA industry and key experts to cost into the SDA Pricing assumptions for 1 July 2023:
 - The additional expected average land, build, operational and other ownership costs related to climate change impacts over the coming 5 years
 - The additional costs associated with meeting the current NCC 2022 Energy Efficiency Requirements, and the anticipated increased NatHERS requirements due to be implemented by the NCC within the next 5 years
 - The additional costs associated with simultaneously meeting thermal comfort standards that will be required by SDA eligible participants.
- F. The NDIA immediately work with the good practice SDA industry and key experts to develop a program of works to prepare SDA eligible participants, their supporters and the SDA industry to better prepare for the impacts of climate change.
- G. The NDIA immediately work with the good practice SDA industry and key experts to cost into the SDA Pricing assumptions for 1 July 2023 the risks and associated costs of continuing COVID-19 and other likely pandemic scenarios in the next 5 years.
- H. The NDIA immediately work with the good practice SDA industry and key experts to develop a program of works to improve resilience of SDA eligible participants, their supporters and the SDA industry to COVID-19 and other likely pandemic scenarios.
- I. The NDIA immediately work with the good practice SDA industry to develop and implement a governance framework for the SDA Design Standard to address the issues identified in the submission, that will build confidence in the sector and provide a pathway to continuous improvement.
- J. The NDIA immediately and formally respond to the report and recommendations of the Robust Working Group 2020, through the current SDA Reference Group, and then further communicate this more broadly to the market, committing to actions that will enhance and support the supply of Robust SDA.

REFERENCES

¹ NDIA, *Specialist Disability Accommodation Price Review 2022-23 Terms of Reference*, <https://www.ndis.gov.au/providers/housing-and-living-supports-and-services/specialist-disability-accommodation/sda-pricing-and-payments/sda-pricing-review#sda-pricing-review>, accessed 11/02/2023

² NDIA, *Specialist disability accommodation*, <https://www.ndis.gov.au/providers/housing-and-living-supports-and-services/specialist-disability-accommodation>, accessed 11/02/2023

³ NDIA, *Specialist Disability Accommodation explained*, <https://www.ndis.gov.au/participants/home-and-living/specialist-disability-accommodation-explained>, accessed 11/02/2023

⁴ NDIA, *Specialist Disability Accommodation Price Review 2022-23 Terms of Reference*, <https://www.ndis.gov.au/providers/housing-and-living-supports-and-services/specialist-disability-accommodation/sda-pricing-and-payments/sda-pricing-review#sda-pricing-review>, accessed 11/02/2023

⁵ NDIA, *Specialist Disability Accommodation Pricing Review 2022-23 Consultation Paper*, page 6, <https://www.ndis.gov.au/providers/housing-and-living-supports-and-services/specialist-disability-accommodation/sda-pricing-and-payments/sda-pricing-review#sda-pricing-review>, accessed on 11/02/2023

⁶ NDIA, *Specialist Disability Accommodation Price Review 2022-23 Terms of Reference*, Page 1, <https://www.ndis.gov.au/providers/housing-and-living-supports-and-services/specialist-disability-accommodation/sda-pricing-and-payments/sda-pricing-review#sda-pricing-review>, accessed 11/02/2023

⁷ NDIA, *Specialist Disability Accommodation Price Review 2022-23 Terms of Reference*, Page 1, <https://www.ndis.gov.au/providers/housing-and-living-supports-and-services/specialist-disability-accommodation/sda-pricing-and-payments/sda-pricing-review#sda-pricing-review>, accessed 11/02/2023

