

## Housing for NDIS Participants

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### Social Impact Investing Discussion Paper Submission

27<sup>th</sup> February 2017

The Summer Foundation aims to resolve the issue of young people in nursing homes. Our research provides an evidence base for policy and practice change. We support young people in nursing homes to tell their stories. These stories are a powerful and effective tool for influencing the general public, decision makers and politicians. We design and pilot potential solutions and then evaluate them through action research, which involves: designing, building, evaluation and learning. For example, our housing projects are changing thinking about what housing and support is possible for people with severe disabilities. We capture, document and disseminate the knowledge generated from our research and prototypes in order to encourage others to replicate and scale our work.

For the past five years we have been working on a model of social investment to fund housing for people with disability. In 2016, the National Disability Insurance Agency (NDIA) released the Special Disability Accommodation (SDA) payments and policy. The policy is designed to increase the long-term supply of housing for NDIS participants and foster the development of innovative housing solutions. SDA provides the funding stream we need to replicate and scale our housing projects through social investment.

There are housing solutions to get young people out of nursing homes. The Summer Foundation has built two demonstration projects with apartments designed for people with disability peppered throughout larger residential developments. There is a space onsite for workers to provide 24-hour on-call support. Apartments incorporate two way communications and smart home technology. Via smart phone or tablet, residents can operate lighting, blinds, cooling and heating, external doors and doorbell functions, as well as contacting support staff when needed. Residents are able to maximise their independence and privacy while still having access to 24 hour on-call support. These projects aim to demonstrate that well located, good quality, accessible and adaptable housing, technology, and support that fosters independence results in increased quality of life, increased independence, and reduced lifetime care costs. For further information about our housing projects go to

<https://www.summerfoundation.org.au/what-we-do/housing/>

The SDA policy is designed to pay for the cost of NDIS housing for 28,000 NDIS participants with high support needs. The housing payment rates set by the NDIA cover the high development and ongoing maintenance costs required by people with disability. After decades of underinvestment, governments have now made the funding available to replicate and scale a range of innovative housing and support options, like the Summer Foundation apartments.

One of the biggest challenges for the NDIA is balancing the critical need to give people with disability choice and control while giving investors as much certainty as possible. Without large scale investment to dramatically increase the supply of accessible and affordable housing, NDIS participants will continue to have limited housing options and no choice because there will be no where to move to. Attaching funding to participants makes sense in terms of maximising choice, control and outcomes. However, withholding payments from housing providers if they can't find a tenant ('vacancy risk') creates uncertainty in the flow of income, which may impact on the housing providers' ability to attract large-scale investment. Rather than the NDIA bearing the vacancy risk on new housing, they have adjusted the rate of return to reflect this risk.

The NDIA hopes to facilitate the development of new housing for over 12,000 people with disability in the next ten years. However, the housing payments are only for NDIS participants with the most significant levels of disability. There will still be an estimated 35,000-55,000 NDIS participants with unmet housing needs. Getting the NDIS housing payment and policy right will provide a unique opportunity to trial some innovative, transformative financing models that could be used to fund social housing for other disadvantaged people including a broader group of people with disability.

There is a growing interest in social investment in Australia. However, there is a limited pipeline of projects and enterprises that are "investment ready" and inherently scalable to make use of this capital. The Federal Government is providing leadership by developing an NDIS payments scheme that will facilitate new financial models that put this capital to good use.

For people with the highest levels of disability, the NDIS housing payment will bridge the gap between what people with disability can reasonably afford and the cost of building highly accessible housing. This policy lays the foundation for developing the range and scale of housing needed to resolve the issue of young people in nursing homes in Australia.

The next step is for investors and the housing sector to come together and create the revolution in housing that young people in nursing homes have been waiting for.

This submission focuses on two key questions – 1 and 7.

## **Q1. What do you see as the main barriers to the growth of the social impact market in Australia?**

While there is a lot of talk and interest in impact investment in Australia, there are limited opportunities for impact investing. We need tangible and transparent examples of investments that provide both a financial return and empirical evidence of social impact. Demonstrating a replicable and scalable model of social investment in housing for marginalised people in

Australia that has a market return and clear social impact will go a long way to accelerated the development of impact investing in Australia.

**Q7. What Australian Government policy or service delivery areas hold the most potential for social impact investing? Are there any specific opportunities you are aware of?**

The National Disability Insurance Scheme (NDIS) will transform housing for people with disability by providing funding to build housing for an additional 12,000 people with significant disability around Australia. 6,200 of these new places are specifically earmarked for young people who are currently living in residential aged care.

Young people with high disability support needs register with the NDIS and receive a package that includes annual funding to pay for the cost of their housing. The NDIS pays a standardised yearly amount for housing that is calculated based on the location, dwelling size and level of accessibility. Housing built for people with disability will only receive the housing payment when an NDIS participant is living in the dwelling.

These housing payments provide an ideal opportunity to use an existing policy and payment framework to develop, test and prove a model of social investment in housing for marginalised people in Australia. The aim of the Summer Foundation is to initially get proof of concept and then work towards the scale required to attract a range of super funds. While this work focus specifically on young people in nursing homes, this model could be used to fund housing for other people with disability and other Australians who are disadvantaged.

**SOCIAL VALUE PROPOSITION**

Young people with disability living in nursing homes are one of the most marginalised and isolated groups of people in our society. More than half of them, 53%, receive a visit from a friend less than once a year. They generally lead impoverished lives, characterised by loneliness and boredom.

There are more than 6,200 people under the age of 65 who are stuck in nursing homes. Another 200 people under 50 are admitted to nursing homes each year. This is a serious social issue that can and must be fixed.

There is an urgent need to significantly increase the scale and range of housing for people with disability. For the past 20 years, the group home has been the dominant model, with people expected to live with five or more others. Whilst this may work for some, it is not for everyone. Many young people in nursing homes acquire their disability as adults, some have partners or are parents. They want to live in their own homes.

There are housing solutions to get young people out of nursing homes. The Summer Foundation has built two housing projects with apartments designed for people with disability peppered throughout larger residential developments. These projects aim to demonstrate that well located, good quality, accessible and adaptable housing, technology and support that fosters independence results in increased quality of life, increased independence and reduced lifetime care costs.

### **SOCIAL INVESTMENT MODEL**

The NDIA SDA policy lays the foundation for developing the range and scale of housing needed to resolve the issue of young people in nursing homes in Australia. In order to meet the demand created by the NDIS, we need proof of concept of a model of social investment.

There is a growing interest in social investment in Australia, where investors see a positive social benefit as well as a financial return. However, there is a limited pipeline of social investment opportunities in Australia.

The innovative housing and support projects developed by the Summer Foundation are based on years of practical experience and research, and provide a compelling story for potential investors.

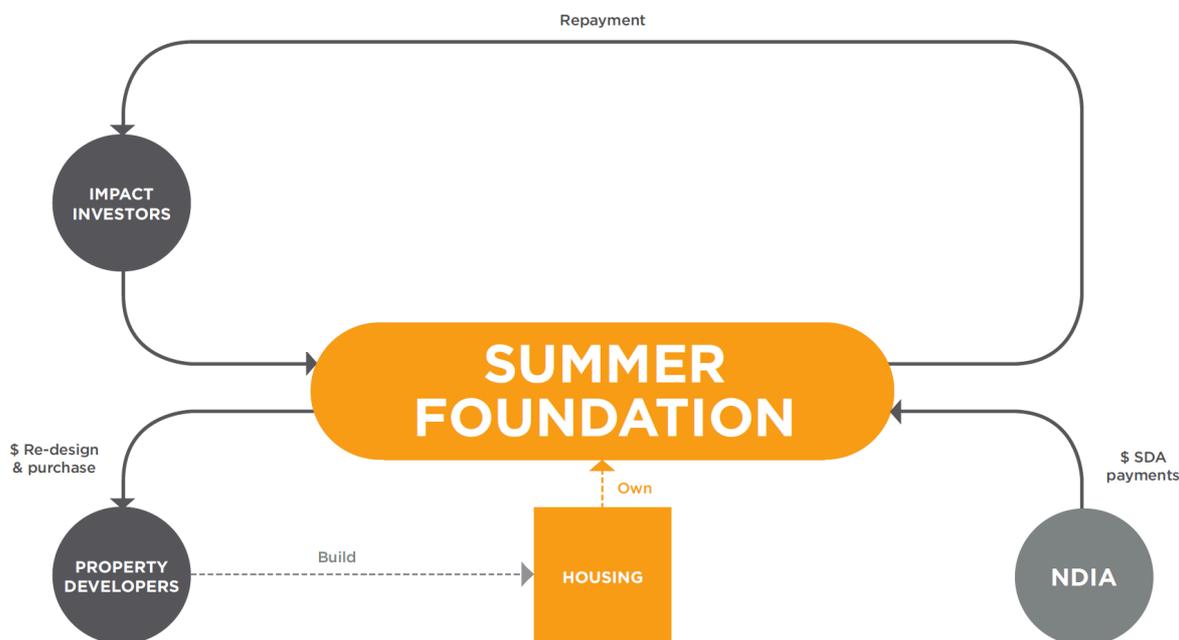
Summer Foundation's first model of social investment will be bespoke. We expect to engage early adopters of social investment in our first offering e.g. Philanthropic trusts and high net worth individuals.

Once the model is tested and a track record established, that a market return can be delivered to 'impact first' investors, Summer Foundation will move on to the next phase of attracting 'financial first' investors necessary to achieve scale of housing for people with disability.

### **REVENUE MODEL**

Foundation will own 12 apartments designed for people with significant disabilities that will be rented to NDIS participants. The annual payment from the NDIS for the Abbotsford Units (around \$59,000 per apartment for existing stock) and Hunter Units (around \$106,000 per apartment for new builds) are set for five years but are expected to remain for 20 years. Summer Foundation will be paid this amount per unit on an annual basis by the NDIA.

The tenant is also responsible for making rental contributions to the cost of their housing. This is 25% of the Disability Support Pension and any Commonwealth Rental Assistance payments. This amounts to around \$8,200 per annum. These will be made by the tenant to the community housing provider selected by Summer Foundation to manage the tenancy.



The Summer Foundation partnered with JBWere to model the costs of the Summer Foundation’s Hunter Housing Project and the pricing and assumptions outlined in the NDIA SDA Decision Paper. This modelling shows that the NDIS SDA payment stream is sufficient to finance the replication and scale of the Summer Foundation’s integrated model of housing and support.

### BUSINESS RISKS

All investments are subject to risk. There are a number of risk factors that could impact on the performance of Summer Foundation, should they occur. The Board and management team will monitor and actively manage these risks to ensure the ongoing sustainability of Summer Foundation.

#### Vacancy Risk

The most significant risk for Summer Foundation is vacancy risk. NDIS funding is attached to a participant and not the dwelling, meaning the NDIA will not pay to the property owner the SDA payment if they cannot find a tenant (‘vacancy risk’). This creates uncertainty in the flow of income. However it is unlikely to be a barrier to financiers investing in new housing stock in major cities, given the unmet demand for housing for people with disability.

In the Hunter Housing Project the Summer Foundation applied considerable resources to finding suitable long-term tenants with disability and high support needs to mitigate the vacancy risk. These activities included establishing networks, and implementing a communication strategy and expression of interest (EOI) process to identify potential tenants. Tenant selection then involved independent Occupational Therapy assessments of housing and support needs, a selection panel and liaising with NDIA to ensure that tenants had access to funding for the support, equipment and home modifications they needed.

The appointed community housing provider invited people who participated in the EOI process and were not selected as initial tenants to join a waiting list for the Hunter Housing Project. The community housing provider will actively manage this waiting list, by phoning potential tenants every six months to determine if people still have an unmet housing need. The community housing provider will also add new people to this list who make enquiries about living in the Hunter Housing Project. With a waiting list of more than 20 people, the Summer Foundation and the community housing provider have effectively mitigated the vacancy risk in this housing project. The universal design of the apartments also means that the units can be readily let on the open market for a period of time as a last resort. These strategies can be readily applied to new housing projects and there are likely to be some efficiencies in replicating and scaling these strategies.

### **Regulatory Risk**

Commonwealth and State governments have agreed to a funding framework for SDA. The Disability Reform Council ('DRC') will review the Framework in the Framework's third year of operation, or earlier if necessary, to assess whether it has been successful at stimulating housing supply that delivers on outcomes for participants. Following the review by DRC, periodic pricing reviews are to be conducted every five years with a focus on continuing to drive market solutions that meet the needs and preferences of participants.

Although there is an 'in principle' agreement from the NDIA that the rate of SDA payments will remain relatively unchanged (other than adjustments for Consumer Price Index), the potential for future pricing reviews and adjustments implies a degree of regulatory risk for investment in SDA. The Summer Foundation is mitigating this risk of reduced SDA payments by measuring the impact of the housing projects on the liability of the NDIS. If we are able to provide empirical evidence that tenants are more independent and less reliant on paid supports, we will aim to negotiate a payment rate for our properties under the Innovations category in the SDA payments.

### **Property Price and Interest Rate Risks**

Summer Foundation is creating housing, and like any housing assets this is impacted by changes in value of real estate across Australia. Further, the housing is funded through borrowings from the private capital market.

Summer Foundation is exposed to shifts in the market value of real estate across Australia. While Australia's real estate market has experienced consistent long-term growth of property prices, there is concern about an oversupply of apartment dwellings in some Australian capital cities. This can create opportunities for Summer Foundation in the early years, given Summer Foundation currently holds few assets and is looking to expand housing options, this may provide unique opportunities if apartments are oversupplied in some cities. As Summer Foundation builds its housing balance sheet, the organisation will be increasingly exposed to a decline in Australia's real estate market.

Further, changes in market expectations in the return on investment for this investment type could also put the organisation under pressure to meet its obligations to investors. In principle, the NDIS SDA payments framework is intended to be reviewed for changes in the costs of delivering housing (including returns to investors). However, with limited track record on the NDIS SDA payments it is difficult to predict how the NDIS will respond to a significant increase in the cost of finance for NDIS housing providers.

### **OUR EXPERTISE**

Summer Foundation has expertise in developing housing projects, which includes project management and its expert knowledge of the specific needs and preferences of young people living in nursing homes.

Our areas of expertise include:

#### **Property Selection & Design**

- Assessment and due diligence on potential sites and estimation of demand for NDIS funded housing in Local Government Areas
- Specification and project management of design and technology incorporated within apartments, and common areas using Universal Design Principles
- Continuous evaluation, cost benefit analysis and improvement of the built design and technology incorporated into the apartments.

#### **Investor Relations**

- The Summer Foundation is connected to an extensive network of impact investors and philanthropic trusts interested in impact investment.

#### **Tenant Selection & Support Model**

Selection of tenancy and property manager to manage tenancies, through an expression of interest process

- Selection of disability service provider to provide shared component of support, through expression of interest process
- Working in the local community to find potential tenants eligible for NDIA SDA payments and implementing an expression of interest and panel selection process

- Working with disability service provider to select tenants
- Working with NDIA to secure the funding for support, equipment and individualised modifications required by potential tenants
- Working with disability support providers to develop bespoke model of support specific to tenants needs
- Working with tenants to proactively foster community inclusion.

### **Tenant Selection & Support Model**

- Development and oversight of independent research to iteratively improve the design, support and technology incorporated into our apartments.
- Measuring the costs and measuring the outcomes of tenants and impact on the liability of the NDIS.

### **NDIS HOUSING OVERVIEW**

The NDIS is being progressively rolled out across Australia, growing to an annual budget of \$21 billion per annum in funding for disability support in 2019. This provides an additional \$10 billion of funding for disability services compared with Australia's spending trajectory without the NDIS.

Young people with high disability support needs register with the NDIS and receive a package of support that includes annual funding to pay for the cost of their housing. Each 'participant' then has a choice in where they live and their housing payment will be paid to the owner of the property ('SDA Provider') the participant chooses to reside in ('Specialist Disability Accommodation (SDA) payment'). The participant has a separate amount in their package to pay for their day-to-day support costs.

The NDIS pays a standardised yearly amount for housing that is calculated based on the location, dwelling size and level of accessibility. Housing built for people with disability will only receive housing payments when an NDIS participant is living in the dwelling. The property owner bears the risk that the housing will not be fully tenanted.

### **NDIS HOUSING PAYMENT SYSTEM**

Specialist Disability Accommodation (SDA) refers to housing for NDIS participants who require specialist housing solutions to assist with the delivery of supports that cater for their individual care needs. The policy outlined is designed to facilitate the development of new housing for over 12,000 people with disability who require the highest levels of support.

All young people in aged care, and many of those at risk of entering aged care, will get an NDIS SDA payment for their housing needs. The NDIS has detailed policies and rules about how this payment works.

SDA payments will be paid by the NDIA directly to the SDA Provider. The payment is included in each participant's plan and is held by the NDIA in a trust-like arrangement on behalf of the participant. The value of payment is calculated based on the particular dwelling they choose to live in. The participant is in control of where they live and is able to choose any dwelling that is registered with the NDIA.

SDA Providers will only be paid for dwellings that are occupied by NDIS participants. The property owner bears the vacancy risk should they be unable to find a tenant for the dwelling.

Tenants will be required to make a Reasonable Rent Contribution ('RRC') to their SDA provider, which will be in addition to any SDA payment from the NDIS. The rent will be a standalone payment for rent only. Rent paid by a participant will be limited to 25% of the DSP plus any Commonwealth Rent Assistance.

It is anticipated that the SDA pricing will continue for 20 years. The framework assumes that at the end of 20 years the property would revert to the general market, providing a lump sum cash flow to the investor(s) equal to the market value of the property. When combined the revenue from SDA payments, rent and the sale value of the property will sufficiently recover the initial investment, all maintenance, outgoing and management costs, and an 'institutional' return on debt and equity.

## MEASURING IMPACT

Action research is an integral part of our housing projects. We are partnering with La Trobe University to document the costs and measuring the outcomes of tenants and the impact on the liability of the NDIS. It is hypothesised that participants in our housing projects will show significant positive change at multiple levels: health, physical, behavioural and emotional function, autonomy and choice, social connection, community participation, and quality of life.

The Summer Foundation is also collaborating with a range of partners to develop a comprehensive framework to evaluate the design, support and technology incorporated into our apartments. We learn by doing and then document and share the knowledge generated from the projects. Evaluation of these housing projects is critical to the iterative process of learning and the continuous improvement of the design and efficacy of this model of housing and support.

The framework will compliment rather than duplicate the data routinely collected through the NDIS Outcomes Framework. We have an open source approach to the intellectual property generated through these projects and actively encourage others to copy our work.

**Primary outcome measures** are tailored to measure the impact of change in living environment across a range of life domains for the participants, including

- Health and emotional wellbeing

- Physical and behavioural function, as well as care needs
- Goals, autonomy and choice
- Social connection and community participation
- Global subjective (quality of life).

**Secondary outcome measures** relate to the secondary participants

- Strain and wellbeing
- Social support and quality of life
- Financial inputs including housing and support costs.

The outcomes measurement will occur through a semi-structured qualitative interview with primary participants, and interviewing others close to the participants will augment quantitative results, to enable a rich description of the impact of moving. All primary measures have demonstrated reliability and validity in the acquired brain injury population, as do the measures used with secondary participants.

#### ABOUT THE SUMMER FOUNDATION

The Summer Foundation's mission is to create, lead and demonstrate long-term sustainable changes that stop younger people from being forced to live in nursing homes because there is nowhere else for them.

Our strategy focuses on four key areas:

- **Research:** Our research underpins our work and provides an evidence base for policy and practice change.
- **Stories:** Enabling younger people with disability and their families to tell their stories and disseminating these stories is a powerful and effective tool for influencing the general public, decision makers and politicians.
- **Prototypes:** We design and pilot potential solutions and then evaluate them through action research, which involves: designing, building, evaluation and learning.
- **Knowledge:** We capture, document and disseminate the knowledge generated from our research and prototypes in order to encourage others to replicate and scale our work.

Our strategic objectives include:

- Increasing the range and scale of accessible housing for people with disability
- Ensuring that younger people in residential aged care get access to the NDIS
- Preventing new admissions of younger people with disability to residential aged care, and
- Increasing access to proactive health services for younger people with disability to support sustainable community living