SUPPORTING INDEPENDENT LIVING CO-OPERATIVE
Level 3, 362 Kent Street,
Sydney 2000

20 October 2017

Submission to Bond Aggregator

Supporting Independent Living Co-operative (SILC) ABN 81 257 847 267 is a charity that supports families of National Disability Insurance Scheme (NDIS) participants establish and operate family governed homes.

Affordable housing is an issue for many people with disabilities. NDIS provides two types of funding to assist people with disabilities living in supported accommodation:

- SIL (Supported Independent Living), and
- SDA (Specialist Disability Accommodation).

SIL funding covers the cost of employing support workers to support NDIS Participants living in shared accommodation. SILC is a registered with NDIS as a provider of SIL #4050010682

SDA funding helps purchase land and build suitable and affordable housing for NDIS Participants. SILC is partnering with Common Equity NSW to utilise SDA funding to provide such accommodation for NDIS Participants living in SIL homes for which SILC is the SIL provider. CENSW is a Tier 2 Community Housing Provider registered with NDIS as an Accommodation Provider. #4050014428

Under NDIS rules Accommodation Providers can charge maximum rent equal 25% of the aggregate Disability Support Pensions plus 100% of Commonwealth Rental Assistance for the residents. This amount is referred to as Reasonable Rent Contribution (RRC). Depending on the location RRC is typically about 50% of market rent.

The SDA Pricing Framework sets out the amounts that eligible NDIS Participants can receive for 20 years to supplement RRC payments paid to Accommodation Providers to make it financially viable for them to purchase land and build suitable dwellings. The SDA formula assumes that on average land prices increase by 5% pa and that Accommodation Providers count the capital gain in calculating returns that make it worthwhile to develop properties for NDIS participants.

People with disabilities need to know that they won't be forced out of their homes so that landlords can realise capital gains. CENSW is willing to enter into very long term leases with SILC and the SIL participants for rent equal to the RRC plus SDA payments. SILC and CENSW have done considerable modelling of the cash flows and returns involved in such arrangements. The ability to access long term, low cost finance is an important element in making the numbers work.

The Bond Aggregator represents an ideal mechanism for CHPs such as CENSW to access low cost, long term finance to allow the cash flows to work.

SILC submits that:

(1) Bond Aggregator issues be government guaranteed (at least for a sunset period) and that there is no competitive neutrality charge so that borrowing costs are low enough.
(2) There is a trade-off between achieving scale and keeping eligibility tight. The creditworthiness of borrowers must be such that the government guarantee will not be called upon. For this reason, only Tier 1 and Tier 2 CHPs should be eligible. However, if a simple administrative process can be established it would be acceptable for Tier 3 CHPs that are financially strong but small players as CHPs to be eligible by exception.
(3) As the cost of administration will be passed on to CHP borrowers, the cost of administration of Bond Aggregator is kept to a minimum. For this reason, Bond Aggregator should be managed separately from NHIF.
(4) Bond Aggregator should not result in provision of affordable housing only in areas where land is cheap such as near the new airport. It is important for people with disabilities to live near their families, workplaces and services.
(5) There be a single regulator for the purpose of determining eligibility.

Creditworthiness is a function of income and asset value. By the nature of affordable housing, rental income is low. However, the SDA subsidy constitutes a substantial improvement in the income element of the properties (at least for the 20 years for which SDA applies). The constraint that properties won't be sold to realise capital gains weakens the asset value component of creditworthiness. However, increased property valuations improve the borrower's ability to borrow. Further, one element in the modelling done by SILC and CENSW that allows the cash flows to work without having to sell properties is for family members of the residents to provide other properties as security against which CENSW can borrow. This would give the Bond Aggregator a significantly higher level of security.

The Bond Aggregator will not be a silver bullet but it could be a significant tool towards enabling people with disabilities to achieve affordable housing permanently.

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SILC