

Inquiry into the NDIS market in Queensland

Thank you for the opportunity to provide feedback into the Queensland Productivity Commission's inquiry into the NDIS market in Queensland. The Property Council of Australia is the leading advocate for Australia's biggest industry – property. We are a national not-for-profit organisation established to promote the work of the property industry in delivering prosperity, jobs and strong communities to all Australians. Here in Queensland, the Property Council represents over 360 member companies across residential, commercial, retail, retirement living, industrial, tourism and education sectors.

As such, the Property Council is concerned with aspects of the inquiry that relate to the supply of disability accommodation (in particular Specialist Disability Accommodation) in Queensland. Previously, the Property Council has provided input into the Brisbane Lord Mayor's Disability Housing Working Group and provided feedback on how Liveable Housing Design (LHA) could be incentivised by Brisbane City Council.

In order to provide recipients of Specialist Disability Accommodation (SDA) funding with the level of choice, flexibility and autonomy that the NDIS intends, it is important to ensure that investing in and developing SDA is viewed as a viable option by the private sector. While the rollout of the NDIS has ensured that the SDA market is underpinned by strong fundamentals, there is a general lack of understanding regarding SDA in the development community. This not only relates to a lack of awareness of the SDA market from residential developers, but confusion regarding the strict eligibility criteria and prescriptive standards for SDA. Furthermore, the higher upfront costs and level of risk associated with developing and owning SDA can often prove prohibitive for developers and investors.

Currently, SDA in Queensland is chronically undersupplied with 1716 SDA dwellings still required to be produced to match demand. As such, there is a strong need for the Government to incentivise and promote the development of SDA to provide eligible SDA participants with adequate choice and ensure the market-based approach of the NDIS can operate as intended.

Financial Modelling

Developing SDA comes at a higher upfront cost for developers. In a market where tenants can relocate at a moment's notice, developing to specifications that target a small percentage of the population is risky. Furthermore, the funding arrangements for supplying SDA is configured so that payments will only commence once the dwelling is completed, certification has been received, and eligible applicants have commenced residence. As such, developers are faced with a high initial cost and inherent risk that no SDA participants may agree to enter into a tenancy agreement. As a result, SDA's are highly speculative, risky, and difficult to obtain banking finance for.

To facilitate a pipeline of SDA accommodation, there is a need to address the financial modelling of SDA funding. This can be addressed by allowing eligible tenants to pre-commit to a residence before construction commences. This would significantly mitigate the financial risk for developers and be in keeping with the ethos of the NDIS scheme in providing greater choice and autonomy for participants.

Development incentives

To further promote the development of and investment in SDA housing, the Government could provide, encourage, or fund a range of incentives that could be delivered at a local government level. These incentives would help mitigate the significant upfront costs of developing SDA and entice more developers to enter the market.

In 2019, Brisbane City Council (BCC) produced a new incentives package aimed at facilitating the delivery of livable housing. The incentives included a 33 per cent infrastructure charges rebate for developers who build housing to a universal 'platinum' or 'gold' standard. BCC's initiative in producing this incentives package is commendable. Not only does it encourage the development of housing that can be adapted to the needs of eligible SDA tenants, but it will facilitate the development of highly livable housing that will assist other NDIS non-SDA participants.

The Queensland Government should review initiatives that would encourage other local governments to implement similar infrastructure charge rebates for developers building SDA.

Investor Incentives

While developers face significant upfront costs when developing SDA, investors are faced with an ongoing risk in that eligible tenants may end tenancy agreements and relocate. As a result, owners of SDA may have an untenanted property and be faced with significant overheads in the form of local government rates and land tax.

There is an opportunity for the Government to assist investors by waiving or reducing the costs of owning an SDA investment property. The Government could amend the way in which owning SDA is regulated around Queensland so landowners pay 'owner-occupier' rather than 'investor' rates. Furthermore, the Government could waive land tax for SDA landowners.

Certification

There are strong concerns with the timeframes and delays associated with receiving certification for SDA. These delays in receiving certification that a dwelling meets the prescribed SDA standards could have significant financial ramifications for a project. Delays that are experienced during settlement may result in potential sales falling through and prospective investors avoiding the SDA market. This will eventually reduce the appetite for those interested in investing in SDA and limit the amount of stock available for SDA participants.

To mitigate this risk there is a need for the establishment of a central consistent certification service that is staffed by people with a direct understanding and knowledge of people with a disability and the diversity of needs. Furthermore, there is an opportunity for certifiers to work directly with the development community and provide education and advice on the exact standards that SDA developers need to meet. Having an accredited Specialist Disability Accommodation Assessor involved during the DA phase or detailed design phase will reduce risk and help ensure dwellings meet the desired standards.

Education

As the rollout of the NDIS is still in its early stages, there is a strong need for the Government to take a proactive approach to educating developers and investors on the opportunities and responsibilities of

providing SDA housing. The lack of awareness of SDA, particularly within the development community, hampers the provision of livable accommodation for NDIS participants in Queensland.

This education may include a variety of promotional and educational events that will promote awareness of SDA and encourage collaboration between various parties who participate in the SDA market. The educational component is particularly important for stakeholders such as bank valuers who have no previous experience valuing SDA and no comparable stock by which to base their assessments. By learning from developers and investors involved in the SDA market, valuers will be able to gather a much more accurate picture of the costs involved in building SDA and the value of the accommodation itself.

Furthermore, there is an opportunity for the Government to deliver a centralised online hub that can be used to get into contact with or source NDIS registered planners, building designers, valuers, builders, and certifiers.

Planning

The planning process can be used as an important tool to facilitate the development of SDA projects. Planning may make or break potential developments. If developers struggle to attain approvals and experience delays it may render a project unviable. As such, it is important to focus on ways to incentivise the development of SDA accommodation through Queensland's planning regime.

There is an opportunity to explore potential relaxations of height and density requirements for new SDA developments. Furthermore, the Government could work with local governments in encouraging councils to host free pre-lodgment meetings and to fast track any SDA related DA's.

If you would like to discuss any of the measures suggested above or would like any further assistance with the inquiry, please do not hesitate to contact me at cmountford@propertycouncil.com.au or on 3225 3000.

Yours sincerely,



Chris Mountford
Queensland Executive Director