

SPECIALIST DISABILITY ACCOMMODATION

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Guidance Papers

Objectives

The principal objective of a Guidance Paper (*GP*) and Resource Pack (if applicable) is to clarify professional and industry processes, best practices, and procedures and to discuss their use and implementation.

A *GP* is designed to be of assistance to *Members* and those who use *Members'* services. They serve as a guide and measure of acceptable professional practice and conduct of a *Member*.

The intention of a *GP* is to:

- a) provide information on the characteristics of different types of assets that are relevant to the advice;
- b) provide information on appropriate practices and their application;
- c) provide information that assists *Members* in exercising the judgements they are required to make in specific situations; and
- d) convey elements of what is considered “competent professional practice” for Australian Property Institute (*API*) *Members*.

A *GP* is not intended to provide comprehensive training, instruction or prescriptive practices and procedures, or direct that a process, professional approach, or method should or should not be used in any specific instruction or situation. Whilst a *GP* is not intended to provide comprehensive training, instruction or prescriptive practices and procedures, or direct that a process, professional approach, or method should or should not be used in any specific instruction or situation, a *GP* may also include mandatory guidance relating to statutory requirements, rules or international standards which must be adhered to by *Members*.

Member Obligations

The *Member* is responsible for choosing the most appropriate approach in a matter based upon the task and instruction. It is a matter for each *Member* to decide the appropriate practice in any situation, and if they are unclear, seek professional advice from others, or contact the *Institute*. *Members* have the responsibility of deciding when it is appropriate to depart from the guidance and practices contained in a *GP*.

The *Institute* does not warrant that anything contained in this, or any *GP* is the definitive or final statement on any issue. *Members* must perform their own work pursuant to their own professional expertise and experience and if required, seek additional advice which might include legal advice.

Court or Tribunal Reliance

A court or tribunal may consider the contents of this *GP* to be relevant when deciding whether a *Member* acted to a standard required by law.

Currency of Publication

This *GP* is current at the time of publication, based on current case law and legislation.

Enquiries

If any *Member* considers any information or advice in this *GP* to not be accurate or up to date, or wish to raise any issue for consideration arising from the contents of this *GP*, please refer this to

API contact: standards@api.org.au

1.0 Introduction

1.1 Scope of this GP

This *GP* provides guidance to *API Members* including *Valuers* who provide professional opinions and advice to their clients in relation to *Specialist Disability Accommodation (SDA)*.

The objective of this *GP* is to address circumstances whereby *Valuers* are requested to undertake valuations of SDA dwellings as well as *Members* providing non-valuation advice in relation to SDA dwellings.

This *GP* should be read in conjunction with any other relevant *GPs*, professional standards documents and other relevant published or adopted by the *API*.

For the purpose of this *GP* the terms “SDA dwelling” and “SDA housing” are interchangeable and used to describe a range of residential housing types suitable for occupation by an *SDA participant*.

SDA housing does not include short term accommodation and/or medium-term accommodation or holiday accommodation for *NDIS participants*.

1.2 International Valuation Standards

International Valuation Standards (*IVS*) published by the International Valuation Standards Council (*IVSC*) are adopted by the *API*.

It is the *Valuers* responsibility to comply with the *IVS* applicable at the date of valuation, keep informed of any changes and, apply them appropriately and consistently when providing valuations.

This *GP* is also intended to be consistent with the concepts and definitions contained in the *IVS*, however, there may be departures from the *IVS* to reflect Australian law and practice. This *GP* refers to and uses *IVSC* definitions to promote consistency.

2.0 Definitions

The definitions below and elsewhere in this *GP* are applicable to this *GP* and have been included to assist with the interpretation and understanding of certain stated terms used within this *GP*. Whilst a defined term may also have a common meaning(s) or interpretation(s), its use in this *GP* is so limited.

Where a defined term is included in this *GP* it is shown in italics.

Existing Stock	<i>SDA</i> as defined in Part 1 section 6 of the <i>National Disability Insurance Scheme (Specialist Disability Accommodation) Rules 2020</i>
Fire Sprinkler Allowance	A loading to the <i>SDA payment</i> based on whether or not there is a fire sprinkler within the <i>SDA</i> .
Legacy Stock	<i>SDA</i> as defined in Part 1 section 7 of the <i>National Disability Insurance Scheme (Specialist Disability Accommodation) Rules 2020</i>
Location Factor	A loading to the <i>SDA payment</i> based on the jurisdiction that the <i>SDA dwelling</i> is in.
Maximum Reasonable Rent Contribution (<i>MRRC</i>)	A payment by the <i>SDA participant</i> to the <i>SDA provider</i> that is in addition to the <i>SDA payments</i> approved in their NDIS Plan.
Member	A <i>Member</i> of the <i>API</i> .
National Disability Insurance Agency (<i>NDIA</i>)	An independent statutory agency whose role is to implement the <i>NDIS</i> in supporting a better quality of life for hundreds of thousands of Australians with a significant and permanent disability, as well as their families and carers.
National Disability Insurance Scheme (<i>NDIS</i>)	An Australian Government scheme that provides funding to eligible people (<i>NDIS Participants</i>) with disability. The scheme entitles people with a permanent and significant disability who are under the age of 65 to funding for any reasonable and necessary support needs related to their disability. Funding is allocated to the individual and the individual or their guardian chooses which providers supply the funded goods and services.

National Disability Insurance Scheme (Specialist Disability Accommodation) Rules 2020 (<i>SDA Rules</i>)	A legislative instrument under the <i>National Disability Insurance Scheme Act 2013</i>
NDIS Participant	Eligible people who meet the <i>NDIS</i> accessibility requirements and receive funding under the <i>NDIS</i> .
New Build	<i>SDA</i> as defined in Part 1 section 8 of the <i>National Disability Insurance Scheme (Specialist Disability Accommodation) Rules 2020</i>
On-site Overnight Assistance (OOA)	An additional payment under the <i>NDIS</i> when an additional space is used by support staff to provide support services overnight to <i>SDA participants</i> living in the same dwelling that contains the OOA space or in a nearby dwelling.
SDA Legislation	<i>National Disability Insurance Scheme Act 2013</i> (as amended)
SDA Participant	A <i>NDIS participant</i> who is approved for <i>SDA</i> .
SDA Payment	A payment from the <i>NDIA</i> to approved <i>SDA providers</i> .
SDA Provider	A registered manager of <i>SDA</i> .
Specialist Disability Accommodation (<i>SDA</i>)	A range of housing designed for <i>NDIS participants</i> with extreme functional impairment and/or very high support needs and enrolled with the <i>NDIA</i> .
Supported Independent Living Provider (<i>SIL Provider</i>)	A <i>NDIS</i> funded support organisation or person that provides help and/or supervision of daily tasks to help the <i>NDIS participant</i> to live as independently as possible, while building life skills.
Valuer	A <i>Member</i> who holds the certification of CPV.

3.0 Specialist Disability Accommodation

3.1 What is SDA?

SDA is a registered and classified accommodation for a person who requires specialist housing solutions, including to assist with the delivery of support that caters for the persons extreme functional impairment or very high support needs, as defined by *SDA Legislation*.

SDA housing is subject to the *SDA Design Standards* published by the NDIA.

3.2 Government Regulation

The *National Disability Insurance Scheme Act* sets up the legislative framework that governs SDA. The NDIA is the agency set up to administer the NDIS.

3.2.1 SDA Rules

The *SDA Rules* is a legislative document which provides the framework for the provision of SDA housing. Most of the requirements and obligations for SDA are in the NDIS (Specialist Disability Accommodation) Rules 2020 (*SDA Rules*)¹.

The *SDA Rules* require all *SDA providers* to be registered NDIS providers and for all SDA dwellings to be enrolled with the NDIA. The *SDA Rules* outline dwelling enrolment² requirements such as design categories, building types and other features that affect *SDA payments*.

SDA providers must be registered through the NDIS Quality and Safeguards Commission prior to seeking to enrol an SDA dwelling.

3.2.2 SDA Design Standard

The *SDA Design Standard* outlines design requirements and gives providers the flexibility to respond to participant needs and preferences.

The NDIS Specialist Disability Accommodation Design Standard (*SDA Design Standard*) outlines the design requirements for housing seeking to be enrolled as SDA under the NDIS.

The *SDA Design Standard* document is based on the five broad categories of SDA design, as set out in the *SDA Rules*³, which are:

- basic
- improved liveability
- fully accessible
- robust
- high physical support

¹ National Disability insurance Scheme (Specialist Disability Accommodation) Rules 2020

² National Disability insurance Scheme (Specialist Disability Accommodation) Rules 2020, Division 3 – SDA Dwelling, Subdivision A – Enrolment of dwelling

³ National Disability insurance Scheme (Specialist Disability Accommodation) Rules 2020, Schedule 2 – SDA design categories

All SDA dwelling enrolment applications must include a design standard certification from an accredited third-party SDA assessor which includes the design category that the dwelling satisfies based on the *SDA Design Standards*.

3.2.3 SDA Building Types

The *SDA Rules* set out the four (4) SDA building types⁴ and provide a list of features of each as well the Building Code of Australia classification. The SDA building types are:

- Apartment
- Villa/Townhouse/Duplex
- House
- Group Home

3.3 Payments to SDA Providers

The *SDA payment* is a payment from the *NDIA* to a registered *SDA provider* for the provision of *SDA* enrolled housing which is occupied by *SDA participant(s)*.

The *SDA legislation* sets out the funding arrangements for *SDA participants*. The amount of funding varies depending on the enrolment and building type, design category, *OOA* existence, *Location Factor*, *Fire Sprinkler Allowance*, *OOA* and *MRRC*. Please note, the funding arrangements may change over time.

A payment to an *SDA provider*, known as an *SDA payment*, can only be claimed by an organisation or individual that is both an *SDA provider* and provides approved and enrolled *SDA*.

The *SDA payment* must be equal to or less than the maximum amount that the *NDIA* has determined that it will pay based on the age, location and features of the *SDA dwelling*⁵.

4.0 Instructions

4.1 In Writing

Instructions should be agreed and be in writing prior to the *Member* beginning work, and clearly outline the professional services agreement between the *Member* and the client.

Where the *Member* requires clarity or there is any confusion in relation to the instructions this should be referred to the instructing party/client to resolve the matter.

Any variations to instructions must also be in writing.

Valuers must obtain instructions in writing that cover items listed in **IVS 101 – Scope of Works paragraph 20.3**.

⁴ National Disability Insurance Scheme (Specialist Disability Accommodation) Rules 2020, Schedule 1 – SDA building types

⁵ National Disability Insurance Scheme - Pricing Arrangements for Specialist Disability Accommodation 2023-24 (*SDA Price Guide*)

4.2 Role of the Member

The *Member's* role is to provide their opinion of the value an SDA dwelling or other advice relating to SDA housing in accordance with the instructions agreed between the *Member* and the client.

It is critical that *Members*, when providing an opinion or advice as part of professional services to their client in respect of an SDA dwelling should have knowledge of the applicable *SDA legislation* as at the relevant date.

4.3 Accepting Instructions

Prior to accepting an instruction, the *Member* must possess the necessary skill, knowledge, and experience to provide the professional advice sought, unless the *Member* obtains fully informed written consent from the client to provide the valuation or other professional advice, or they undertake the services in conjunction with another *Member* having the required competence. In both scenarios the client must provide written consent.

The API recommends that *Valuers* review the information required to be provided by the client relating to income and property related expenses covered under section 7.1 and 7.2.

5.0 Valuation Approaches and Application of Methodologies

5.1 Valuation Approaches

As per *IVS*, valuation approaches utilised in estimating value are based on market observations.

The principal valuation approaches as defined in *IVS* are:

- (i) market approach,
- (ii) income approach, and
- (iii) cost approach.

Within these approaches, there are also various methodologies.

Valuers should refer to *IVS* for further information.

It is incumbent on the *Valuer* to identify what the key market drivers (value determinants) are for the subject property class. *Valuers* should consider the detail and accuracy of information available and ensure that whichever approach is selected, it is supported through analysis of the most appropriate evidence.

The selection of the valuation approach should consider the basis under which the evidence relied on has transacted.

The analysis process will also provide the *Valuer* with an opportunity to identify the most appropriate methodology to utilise for the valuation, such as the sales comparison method, capitalisation of actual or imputed income or the discounted cash flow method.

The primary valuation approach chosen by the *Valuer* should also consider the purpose for which the valuation is undertaken.

Owners and investors in SDA housing are predominantly focused on the income earning capacity of the asset.

The *IVS* indicates that the ‘income approach’ should be applied where “... the income-producing ability of the asset is the critical element affecting value from a participant perspective, ...”.⁶

The income approach provides an indication of the value of an asset by converting future cash flows to a net present value for the asset.

5.2 Valuation Methodology

The primary driver for a purchaser of an *SDA* dwelling is the value of current or future secure long-term income. The valuation approach and methodology(s) selected by the *Valuer* should be consistent with the motivation and practice of market participants (the purchasers or potential purchasers of *SDA* housing).

Both the capitalisation of actual or imputed income method and the discounted cashflow method are considered appropriate for the valuation of income generating assets, that is, investment properties.

Where market evidence is available and appropriate, the sales comparison method may be utilised as a secondary, or check, method to validate the conclusions from the primary method are reasonable and supported.

It is the *Valuers* responsibility to choose the appropriate method(s) for the valuation.

6.0 Key Principles Relating to SDA Housing

6.1 Ownership Structure

There are three (3) main ownership types for *SDA* housing.

6.1.1 Investor

An entity which owns the *SDA* property asset only but does not engage in the provision of *SDA* enrolled housing, support or other operational aspects in relation to the *SDA* property. There may be a lease or similar agreement between the property owner and an *SDA provider*.

The investor (landlord) collects income in the form of a rental payment from the tenant subject to the terms of the lease or similar agreement.

6.1.2 SDA Provider

An entity registered by the NDIS Quality & Safeguards Commission as an *SDA provider*, which leases enrolled *SDA* property to eligible *SDA participants*.

The *SDA provider* collects income, in the form of *SDA payment* from the *SDA participant* for providing the *SDA* property and any other support services.

6.1.3 SDA Participant as Owner

An individual (or via a controlled entity) or a family member who acts as an *SDA provider* to themselves or their family member.

The *SDA participant* is an owner occupier.

⁶ IVS General Standards – IVS 105 Valuation Approaches and Methods, para 40.2

7.0 Considerations in Relation to Cash Flow to the Property Owner

7.1 Income

The property owner usually collects income in the form of a rent or payment under a lease agreement or similar.

Where the *SDA provider* is the property owner, the rent or payment received is usually detailed in an SDA service agreement between the *SDA provider* and the *SDA participant* which meets the requirements of the *SDA Price Guide*.

For an enrolled and occupied SDA dwelling the client, or instructing party, must provide the *Valuer* with a copy of the lease or other agreement which details the current rent, term, rental review mechanism, as well as confirmation of the SDA design category.

For a proposed SDA dwelling the client, or instructing party, must provide the *Valuer* with details of the expected SDA building type, a copy of the pre-construction certificate showing the expected SDA design category, and details of the anticipated rent or payment under a lease or other agreement (e.g., an SDA service agreement), the term and where applicable the rent review mechanism to be assumed to be in place at the date of valuation.

Where this is not provided by the client, the *Valuer* should not proceed and request the required information.

7.2 Expenses

Expenses that are paid by the property owner and not recovered from the tenant under the lease or similar agreement may include, but are not limited to;

- property related expenses such as rates & taxes, building and landlord insurance, maintenance & repairs etc;
- management fees.

The client must provide the *Valuer* with details of the property related expenses not recovered under the lease agreement or other similar agreement (e.g., an SDA service agreement between an *SDA provider* and *SDA participant*).

Where this is not provided by the client, the *Valuer* should not proceed and request the required information or instruction on how to proceed including assumptions to be made.

8.0 Valuation Considerations

When valuing an SDA dwelling it is important for the *Valuer* to consider benchmarking key income and expense components for the subject with the SDA asset class as well as from a local market context. *Valuers* should also consider whether an alternate use of the property may result in a higher use, particularly where the subject is not enrolled as an SDA dwelling at the date of valuation.

Valuers should always investigate and reflect market conditions and sentiment, as at the valuation date, in forming their opinion of value.

The following is a non-exhaustive list of risk factors that *Valuers* should consider and where applicable provide comments in the valuation report.

- changing tenant's needs
- vacancy (competition from other rental stock, changed NDIS process/approval timing)
- obsolescence due to changing market dynamics in design, typology, operational preferences
- relationships between the parties (e.g., *SIL providers*, *SDA participants* and *SDA providers*)
- changes to SDA legislation
- supply and demand for SDA property in the locality
- changing property related expenses including any SDA specific expenses
- de-registration of built dwellings due to non-compliance
- for proposed projects, risk of non-compliance post building and not being eligible for *SDA participants*
- for proposed projects confirmation of sighting a Status of Design Certificate
- for newly completed projects confirmation of sighting a Status of As-If-Built Certificate
- overcapitalisation if not tenanted and providing an SDA cash flow
- availability of *SDA providers* and *SIL providers* in the locality
- additional income (i.e., SIL payments for OOA) not secured to the SDA payments or *SDA participants*.

8.1 Market Evidence

Market evidence includes not only sales but also rental transactions.

The identification, selection, reliance, and analysis of market evidence in a specific market should follow standard valuation practices. The *Valuers* role is to interpret the market that the SDA dwelling would normally transact in and provide their opinion as to the price that market participants would negotiate and agreed on, as at the date of valuation, assuming proper marketing and where the participants had acted knowledgeably, prudently and without compulsion.

Where there is a shortage of transactional evidence of SDA dwellings in the local market, as at the date of valuation, it is imperative that the *Valuer* compile as much evidence as is reasonably necessary to ensure that the valuation is properly supported.

Where there is no direct transactional evidence for comparison purposes the *Valuer* should consider benchmarking of other asset classes to assist with the formation of an opinion of value.

8.2 GST Considerations

GST is a complex and detailed piece of legislation.

Valuers are not tax, accounting or legal experts and should recommend that the client conduct their own investigations relating to the treatment of GST in the event of a transfer of the SDA dwelling.

Notwithstanding the above, the report should clearly state the assumed treatment of GST and the GST status of the valuation assessment contained therein.

When the *Valuer* is provided with specific instructions or taxation/accounting advice relating to the treatment of GST, this should be followed by the *Valuer* and included in the report with appropriate referencing and qualifications of the source of information relied upon.

9.0 Valuation Reporting

Valuation reports of SDA housing should have regard to the requirements contained with **IVS 103 Reporting**.

Reports should satisfy any requirements contained within the instructions agreed between the *Valuer* and the instructing party, as well as contain the following minimum information:

- Reference to the instructions received
- Details of the asset that is the subject of the valuation
- Purpose
- Client and any other parties who can use or rely on the valuation
- An appropriately worded third party disclaimer
- Valuation date, inspection date and date of issue of the report
- The valuation approach selected, and method or methods applied
- Supporting evidence for comparison purposes (e.g.: sales evidence)
- Details of any assumptions made
- The conclusion(s) of value and explanation for any conclusion(s) reached
- Details of any limitations, conditions, or qualifications on the valuation

9.1 Reporting Multiple Assessments

Where the *Valuer* has received a specific instruction to also provide their opinion as to the value of the property on an alternative use basis, this should be clearly detailed in the valuation report and the assessment based on the assumption that there is no income from a tenant or *SDA participant*. That is, the property is valued on a vacant possession basis.

In situations where the valuation report contains multiple assessments subject to differing assumptions the report must clearly state the bases of value and the assumptions made so there is no confusion for the reader.

The selection of market evidence should be those properties which have also transacted on a vacant possession basis with appropriate adjustments for differences between the sale transactions and the subject property.

10.0 Effective Date

This *GP* is applicable from 1 July 2024. Earlier adoption is permitted and encouraged.