

A close-up photograph of a hand holding a key with a house-shaped keychain. The hand is positioned in the upper right quadrant of the frame. The background is blurred, showing what appears to be a person's arm in a light-colored sweater. The overall tone is professional and focused on the theme of housing and health.

ANZ COMMERCIAL HEALTH

SPECIALIST DISABILITY ACCOMMODATION
(SDA) KEY CONSIDERATIONS

October 2024



Specialist Disability Accommodation (SDA) is providing housing support funded under the National Disability Insurance Scheme (NDIS) that helps NDIS participants live more independently and allows for better, safer delivery of other supports.

As in the broader residential construction market, there is a wide variety of developers looking at potential projects.

At ANZ, the ANZ Commercial Health & Property team serve middle market clients (total lending typically between ~\$15m-\$75m) while the ANZ Corporate & Institutional Health team serve larger, institutional SDA clients (total lending typically greater than ~\$75m).

KEY CONSIDERATIONS FROM A FINANCIER'S PERSPECTIVE

From a financier's perspective, we briefly outline key factors that we look for when considering a potential SDA-related lending opportunity.

COMPLIANT, FIT-FOR-PURPOSE DESIGN

Like other critical healthcare and social infrastructure, such as hospitals and childcare centres, SDA projects have specific design criteria and design standards that must be complied with in addition to a range of other considerations.

Professional guidance is required to ensure that the finished product is compliant with the latest SDA design standards, fit for purpose, and marketable. Engaging with design and other consultants experienced with SDA is an essential part of the development process.

LOCAL MARKET UNDERSTANDING

Gaining a deep understanding of the local market including the supply of and demand for SDA is also essential.

As the market further matures, NDIS participants already in SDA along with those newly eligible for SDA support are being faced with more accommodation options and increasingly able—and anecdotally more likely—to exercise choice.

Hence, the quality of both the SDA dwelling and the SDA provider are expected to become even more important.

PROPERTY AND LOCATION CHARACTERISTICS

Other fundamental considerations include the type of built form and design category. And beyond an attractive, fit-for-purpose, compliant dwelling, consideration must be given to factors such as proximity to health, transport, and other services.

THE RIGHT PARTNERS AND PATHWAYS TO OCCUPANCY

Establishing and maintaining strong relationships with the right partners is key to the success of a project.

Given the regulatory landscape, with the focus on ensuring NDIS participants enjoy choice, SDA providers should demonstrate independence from supported independent living (SIL) providers.

As registered NDIS providers, established SDA providers are also more likely to have deep relationships across the communities in which they are active, including with SIL providers and local health services.

Such partners are better placed to assist with not only understanding the local catchment area but also with assisting NDIS participants into their accommodation. Having a pipeline of potential occupants should support the success of a project.

DEBT SIZING

When it comes to progressing the assessment of a bankable opportunity (New Build not Existing or Legacy stock), ANZ assesses project debt capacity based on an 'on completion' value of the project site for development. The 'on completion' value (SDA or alternate use) ultimately considered depends on how trade-up risk is mitigated.

In contrast, core debt capacity is based on an asset's recurring cash flows and its future alternate use potential.

Typically, where a development facility converts to term, ANZ would seek a repayment programme to meet agreed debt sizing over the term.

SECURITY, INFORMATION UNDERTAKINGS, AND OTHER CONSIDERATIONS

The types of security and information undertakings required are broadly common with equivalent residential or commercial construction lending.

However, there are important additional SDA-specific considerations and requirements. These include but are not limited to ongoing enrolment in SDA and ongoing compliance with all legislation relevant to SDA assets as well as expectations around the occupancy levels achieved in the trade-up period.

Talk to one of our ANZ Commercial Health & Property bankers to learn more.

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