



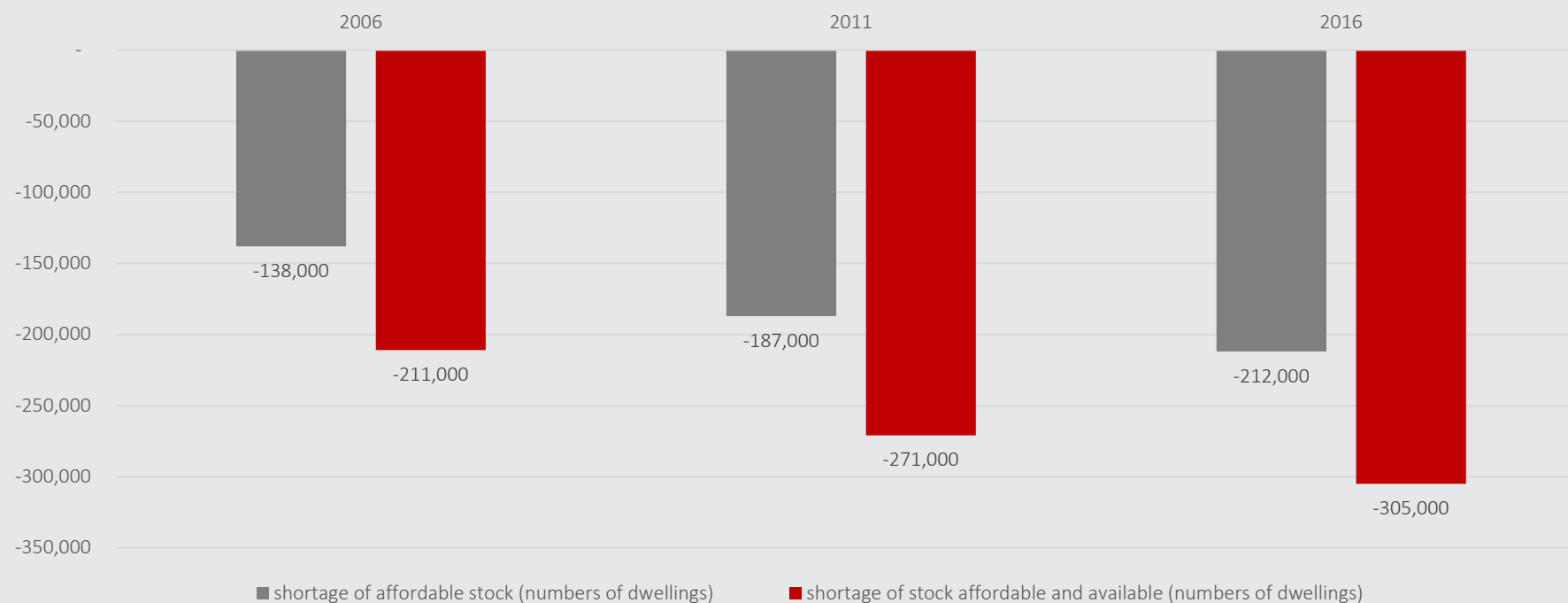
Return on investment for social housing in the ACT

Tom Alves and Nicola Brackertz

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Growing shortage of affordable housing

Shortages of private rental stock affordable to people in lowest income quintile (Q1) in Australia 2006–2016 – Hulse *et al.* (2019)



Homelessness

Strong relationship to local area supply (lack) of affordable rental housing – Parkinson *et al.* (2019)

Homeless persons	2011	2016	% change
Living in improvised dwellings, tents, or sleeping out	6,810	8,200	20
In supported accommodation for the homeless	21,258	21,235	0
Staying temporarily with other households	17,374	17,725	2
Living in boarding houses	14,944	17,503	17
Living in other temporary lodgings	682	678	-1
Living in severely overcrowded dwellings	41,370	51,088	23
Total homeless persons	102,439	116,427	14
Rate (per 10,000 population)	47.6	49.8	

What's needed

Affordable housing need in Australia to 2036 – Lawson *et al.* (2018)

	Current need (2016)	New need (2017-2032)	Total need (2036)
Existing social rental (met need)	384,600		384,600
New social rental needed (to maintain share)		136,200	136,200
Homelessness (manifest unmet need)	46,600	18,100	64,700
Rental stress (evident unmet need)	386,800	139,700	526,500
Total unmet need	433,400	157,800	591,200
Total need for affordable housing	818,000	294,000	1,112,000
Additional affordable housing needed	433,400	294,000	727,400

What does it cost?

Homelessness programs: government cost/client (states) net of change in cost of non-homelessness services 2010–2011 – Zaretsky & Flatau (2013)

	Supported accommodation	Tenancy support
<i>Government program cost/client (\$)</i>		
Recurrent program funding	3,022	1,970
Including indirect recurrent cost and opportunity cost of capital	4,890	2,027
<i>Change in cost of non-homelessness services—Cost offset/client (\$)</i>		
	<i>Men</i>	<i>Women</i>
Mean change (health, justice, net welfare payments)	-1,389	-8,920
		1,934
<i>Government program cost/client, net of mean change in cost of non-homelessness services (\$)</i>		
Net direct recurrent program cost	1,633	-5,898
Net including indirect recurrent cost and opportunity cost of capital	3,501	-4,030
		3,961

AHURI study for ACT Shelter

Key questions

- Is the situation in the ACT different or similar to the rest of Australia?
- What are the costs and benefits to the ACT of providing government subsidised affordable rental housing to people in housing need?
- What role can community housing play in addressing this need?
- *What is the return on investment for social housing in the ACT?*

AHURI study for ACT Shelter

Our approach

Stage 1

- Determine current and future housing need in the ACT
- Identify non-shelter benefits arising from the provision of housing
- Identify procurement options and issues



AHURI study for ACT Shelter

Our approach

Stage 2

- Establish the costs of developing and operating social housing in the ACT
- Quantify housing and non-housing benefits of providing long term sustainable social housing to formerly homeless people in the ACT
- Determine the return on investment



AHURI study for ACT Shelter

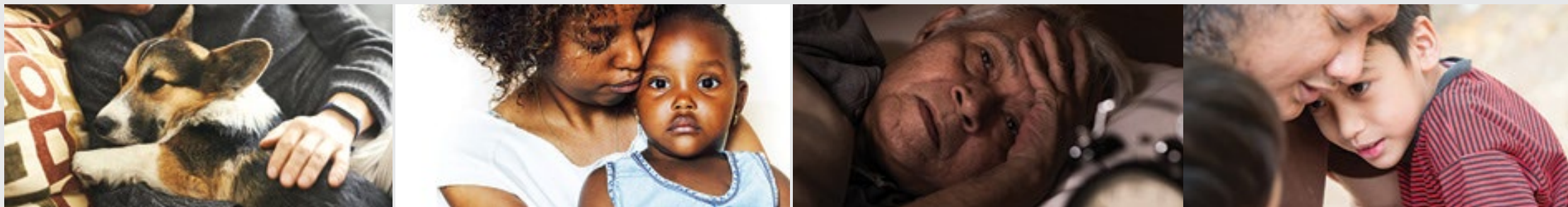
Headline findings

- The situation in the ACT is comparable to the rest of Australia
- Community housing can play a complementary role to public housing
- *The benefit cost ratio for community housing in the ACT is 0.3 - 0.57*

The role of social housing

Social housing is infrastructure that benefits society

- Can improve social inclusion, participation, place making and economic productivity
- Tenants often experience improvements in health, safety and a sense of empowerment
- Cost savings to government associated with health, justice, and welfare services



Responding to homelessness

Crisis and temporary housing responses are expensive, can contribute to housing instability, and are inadequate to properly address homelessness

- Lack of pathways to long term housing
- Those with complex needs cycle into and out of the system and are high users of justice and health services
- Some are stuck in temporary housing for long periods of time, relying on client support funds to purchase temporary accommodation, which is expensive and frequent moves undermine housing security
- Some rely on financial and/or material assistance (e.g. rental bonds, NILS, emergency payments, food assistance) but are relatively light users of health and justice services but their case histories show that they may have high health needs

Case study – Talia

Talia is a single mother fleeing domestic violence

- The costs associated with Talia were reasonably high at around \$80,200 per year:
 - health costs (\$5,800), associated with public hospital visits
 - justice costs (\$5,400), linked to engagement with police around assault
 - welfare costs (\$69,000), reflecting costs of income support payments, family tax benefit, assistance by a specialist homelessness service provider
- The average cost of services for four other women with children presently in community housing were lower at around \$67,400 per year



Case study – Trace

Trace is a young man experiencing mental health and AOD issues

- The costs associated with Trace are around \$213,000 per year:
 - Health costs (\$92,900), mainly associated with mental health care in hospital
 - Justice costs (\$82,900), linked mainly to court costs, visits by a justice officer and some time in prison
 - Welfare costs (\$37,100), mainly reflecting costs of income support payments and assistance by a SHS provider
- The average cost of services for a housed young male was \$133,800, while three young persons presently in community housing cost less on average, at around \$68,000 per year



What does it cost to provide social housing?

Most ACT funding for social housing is directed towards public housing

In 2019-20, the overall cost to the ACT government was:

- Around \$55,300 per dwelling for public housing
- Around \$8,400 per tenant unit per year for community housing (ROGS 2021)

Operating costs of community housing are lower than for public housing

- One estimate of the average cost to CHPs of operating existing community housing is \$46,900 per dwelling per year.

Cost of developing a new unit of public or community housing in the ACT

	Capital/ development costs per dwelling	Average user cost of capital per year*	Depreciation/ replacement costs~	Operating costs per year	Total costs per dwelling per year	Total cost per dwelling less	
						Rental & interest revenue	Rental, interest, NRAS & cross subsidy
Public and community housing#	\$366,730	\$29,340	-	\$10,930	\$40,320	\$32,800	
CHP Developer 1 2- & 3- bedroom dwellings	\$320,000	\$25,200	\$5,500	\$8,790	\$39,500	\$26,900	\$19,200
CHP Developer 2 3-bedroom townhouses	\$545,700	\$43,700	\$9,400	\$8,810	\$61,900	\$51,100	



Funding gap

Estimates by Zaretsky and Flatau (2015). Other estimates are from authors.

* Assumes 8% of capital value less any other interest costs accrued

~ Annual depreciation/ replacement costs are assumed at around 2% of fixed capital value.

Providing more long-term social housing in the ACT has the potential to result in significant cost savings to government

- Median costs of service use for those stably housed are \$15,300 per person per year lower than for those who are homeless
 - Tenants in community housing – \$28,700 per annum
 - People experiencing homelessness – \$44,000 per annum
- Cost offsets are more apparent for some high needs clients
 - There was wide disparity in the cost of service use, ranging from \$32,800 to \$213,000 per annum for those experiencing persistent homelessness, and \$18,900 to \$133,800 for stably housed tenants
- The findings are broadly consistent with other studies in Australia, which show a similar quantum of benefits

Effective recurrent costs (per dwelling per year) of new community housing net of offsets

	Cost of new housing	Cost net of revenues (gap)	Median welfare offsets	Cost net of revenues and offsets	Benefit cost ratio
Low cost	\$39,500	\$26,900	\$15,300	\$11,600	0.57
High cost	\$61,900	\$51,100	\$15,300	\$36,100	0.29



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