

Scoping the costs and benefits of affordable housing in the ACT: Stage 1 report

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Acronyms and abbreviations used in this report

ACT	Australian Capital Territory
AHAT	Affordable Housing Assessment Tool
AIHW	Australian Institute of Health and Welfare
AHURI	Australian Housing and Urban Research Institute Limited
CFFR	Council on Federal Financial Relations
CHC	Community Housing Canberra
COVID-19	Coronavirus 2019
CRA	Commonwealth Rent Assistance
NHFIC	National Housing Finance and Investment Corporation
NHHA	National Housing and Homelessness Agreement
NRAS	National Rental Affordability Scheme
Q1	First quintile of household incomes
Q2	Second quintile of household incomes
REIT	Real Estate Investment Trust
ROGS	Report on Government Services
SHI	Social Housing Initiative
SHS	Specialist Homelessness Service
SOMIH	State Owned and Managed Indigenous Housing

Glossary

A list of definitions for terms commonly used by AHURI is available on the AHURI website www.ahuri.edu.au/research/glossary.

Executive summary

This report is the first output of a project conducted by the Australian Housing and Urban Research Institute (AHURI) on behalf of ACT Shelter. The project assesses the costs and benefits of providing social housing in the Australian Capital Territory (ACT) and builds a business case for addressing housing need in the ACT.

This first report provides a review of existing evidence around the benefits and costs of providing more social housing and outlines a process for undertaking further, in-depth analysis in the ACT context.

Current housing policies are generating only a small amount of new social housing. The present and previous ACT housing strategies have provided affordable housing for low-income purchasers but have not addressed adequately the housing needs of low-income renters. The resources of the ACT Government have been focused on maintaining and renewing existing public stock rather than substantially growing new affordable rental supply. Although there has been some growth in the community housing sector, it is coming off a low base.

Present policy settings are inadequate to meet existing and future housing need in the ACT. Housing need is high, with around 12,600 households unable to enter the housing market or otherwise requiring housing assistance to avoid rental stress. This number is projected to increase into the future.

There are economic and social costs in unmet housing need, with these accruing at individual household and community levels. Social and affordable housing generally improves social and economic outcomes for its beneficiaries, including in the domains of social inclusion, education and skills, employment, health and mental health, safety and security and empowerment. Securely housing people who are homeless or at risk of homelessness produces whole-of-government cost savings, especially in the areas of health and justice.

The cost of constructing housing in the ACT is higher than other parts of Australia, but aside from this, subsidy is needed to make community housing work. Direct government capital investments (through land, capital grants or equity) are the cheapest way of developing social housing.

The net benefits of providing more affordable housing can be tested through cost-benefit modelling. To undertake such modelling, various data sources are needed, including the costs of services and utilisation rates. This data will be collected from existing published sources (such as published data from ROGS / AIHW) and gathered from service providers (e.g. through use of surveys) as part of the second phase of this project.

1. Policy context

- **Compared to other Australian states and territories, the ACT historically has had a large social housing sector dominated by public housing. However, there has been virtually no growth in housing stock since self-government, and the sector is shrinking relative to all ACT housing.**
- **Private rental support and the availability of affordable private rental housing are declining, and rental affordability remains a challenge.**
- **ACT housing strategies have supported new affordable housing supply, but planning initiatives benefit purchasers more than social housing outcomes.**
- **The ACT has a unique system of land use and development control, which constrains the production of social housing.**
- **Federal funding for housing and homelessness services in the ACT is modest, and available ACT funding is focused towards operating subsidies.**
- **New growth in social housing is most likely to come from the community housing sector and public housing renewal.**

1.1 Social and public housing is declining as a proportion of all housing

As at 30 June 2019, there were 10,955 public housing dwellings, and 895 community housing dwellings in the ACT (11,862 social housing dwellings in total) (AIHW 2020). In 2016, social housing represented around 7.5 per cent of all dwellings in the ACT.¹ In 2019, an estimated 6.7 per cent of all households lived in social housing. This is higher than in Australia generally, where 4.3 per cent of households are in social housing (AIHW 2020).

The relatively higher amount of public housing in the ACT in part reflects the historical dependence on government for housing provision. Federal government investments in housing were premised on housing newly relocated public servants and the development of a new capital. In 1958, only around 16 per cent of housing in Canberra had been built by private enterprise, with the remainder built by government. This changed in subsequent decades and some government housing was also sold to home purchasers. Upon introduction of self-government in 1989, around 12,000 public housing dwellings (representing more than 11% of the ACT's housing stock) were transferred to the ACT Housing Trust from the National Capital Development Commission, and ACT public housing policies and funding were brought into alignment with those in the other states and territories under the Commonwealth State Housing Agreement (Wright 2000).

In recent years there has been little change in the absolute number of public housing dwellings, but the number of persons housed in social housing has declined (from 24,400 in 2013–14 to 23,200 in 2018–19) as the number of smaller households has increased (AIHW 2020).

Because the total number of dwellings and households in the ACT continues to grow, the social housing sector is shrinking in relative terms (from 7.6% of households in 2014 to 6.7% at present). This relative decline is due to the effective cessation of new supply since the 1990s, a trend also occurring across Australia (see Table 1).

Table 1: Households in social housing, ACT and Australia

Year	Households in social housing	Total Households	% of all households social housing
ACT			
2014	11,257	147,708	7.6
2019	11,274	167,040	6.7
Australia			
2014	406,614	8,902,436	4.6
2019	415,083	9,648,665	4.3

Sources: AIHW (2020), ABS Cat.3236.0 Household and Family Projections, Australia 2011–2036, 2016–2041.

¹ This is equal to the total number of 11,632 social housing dwellings (as enumerated by the AIHW) in the ACT in 2015–16 divided by the total number of 155,263 private dwellings (as enumerated by the ABS Census) in the ACT. Note that private dwellings – both occupied and unoccupied – does not include non-private dwellings like convents, nursing homes etc.

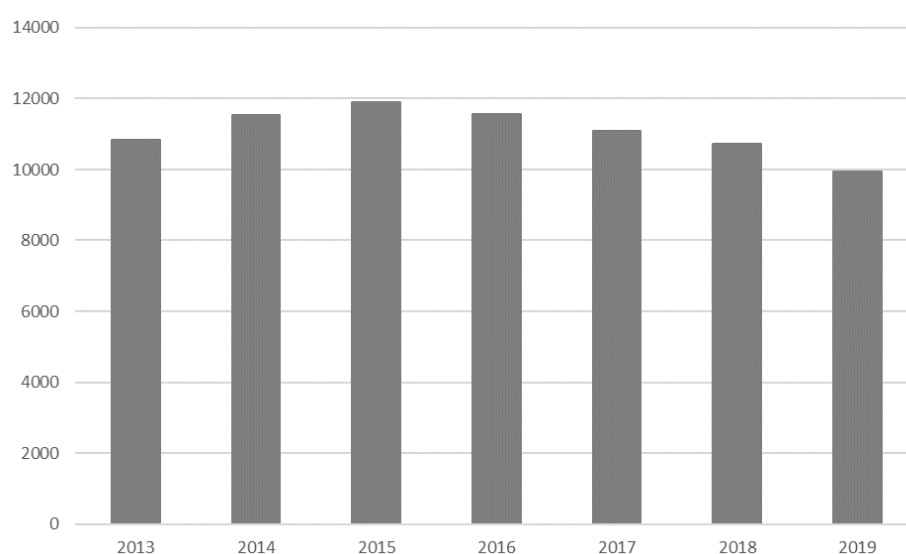
1.2 Private rental support has been declining

Demand for social housing is affected by broader settings in the housing market and by the private rental system.

1.2.1 The number of households receiving CRA is declining and CRA is not adequate for many

The federal government provides Commonwealth Rent Assistance (CRA) to help ameliorate housing affordability issues for those who need it. In 2019, 9,930 income units received CRA in the ACT (AIHW 2020). Figure 1 below shows that the numbers supported by CRA have declined over the last five years (in 2015, 11,888 received support).

Figure 1: Numbers of income units receiving CRA in the ACT, 2015–2019

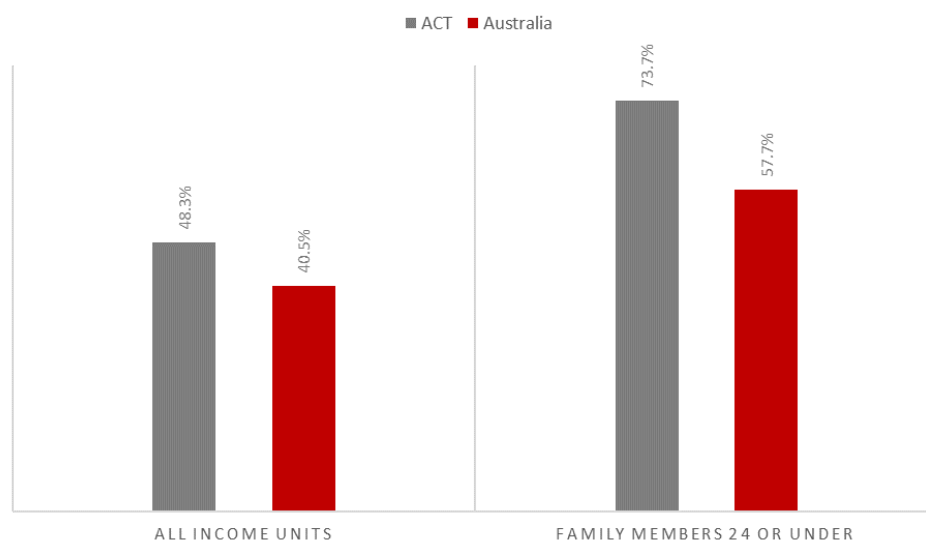


Source: AIHW (2020) An income unit is a statistical unit that is slightly smaller than a household, for example, individuals in group households would be treated as separate income units.

At the same time, CRA is not adequate to make housing affordable, with almost half of those receiving CRA still paying 30 per cent or more of their gross household income in rent.² Figure 2 below shows that this issue is significantly more pronounced in the ACT than in Australia more generally (it is also more prevalent in the ACT than in any other state or territory). The inadequacy of CRA is especially acute for young people aged under 24 receiving CRA, 74% per cent of whom are paying more than 30 per cent of their income in rent, compared to 58 per cent Australia-wide.

² Housing is considered to be unaffordable when households in the lowest 40 per cent of income earners pay more than 30 per cent of gross household income in housing related costs (30/40 indicator).

Figure 2: Proportion of CRA recipient income units with more than 30 per cent of income spent on rent, 2019



Source: Productivity Commission (2020).

1.2.2 Future decline in NRAS funded affordable housing

Until 2014–15, the Australian Government supported the growth of affordable housing through the National Rental Affordability Scheme (NRAS). This program allocated almost 2,700 tax incentives to investors for the supply of affordable rental dwellings (at 80% of market rent) in the ACT. Most of these dwellings were associated with student housing, fewer with community housing and only a small number were taken up by private sector providers. The program provided subsidy, associated with each eligible new dwelling, for a period of ten years. Of the incentives that were allocated, 2,352 remain active but will cease over the next six years (Australian Government 2020). Although virtually all subsidies in the ACT were provided to not-for profit providers, the loss of on-going subsidy might reduce availability of affordable housing in the market.

The ACT housing strategy recognises the need to address this gap. An objective is to ‘grow the supply of affordable private rental housing properties’ and ‘target programs to increase the supply of affordable housing for vulnerable and disadvantaged households’ (ACT Government 2018:5).

The ACT Government provides some assistance for renters through private rental assistance programs such as bond loans – around 406 households received such assistance in the ACT in 2018–19. This was an increase from previous years (AIHW 2020). The new housing strategy seeks to improve the rights of renters through reforms to the Residential Tenancy Act and also ‘provide targeted advice and support for tenants and landlords’ (ACT Government 2018:5).

1.3 ACT housing strategy addresses the continuum of housing need but could better respond to assessed need

The most recent ACT housing strategy articulates a 10 year vision to 'encourage and promote a housing market that meets the diverse and changing needs of the Canberra community, and enables a sustainable supply of housing for all income levels' (ACT Government 2018:3). The strategy is oriented to five goals including: an equitable, diverse and sustainable supply of housing for the ACT community; reducing homelessness; strengthening social housing assistance; increasing affordable rental housing; and increasing affordable home ownership.

The ACT housing strategy positions social housing as part of a housing continuum (Rowley et al. 2017), and connects with other related government programs and initiatives, including land release and planning. The strategy does not include a mechanism to assess and monitor the level of housing need in the ACT. The evidence suggests that strategies which respond to assessed need are most likely to be effective and enable public investment in the right areas (see for example Gurrán et al. 2018). Assessment of need is critical to achieve sustained investment in social housing (Randolph et al. 2018).

1.4 Land release arrangements mainly benefit affordable purchasing not social housing

To respond to worsening housing affordability, the ACT has sought to develop more affordable housing using its land use and planning system. A key planning related measure that has the potential to benefit social housing production is the stipulation that 20% of all lots released as part of the Indicative Land Release Program are to be for affordable housing (under the first plan, the target was initially set at 15% but was subsequently increased to 20%). Under the most recent strategy, the commitment for the land release target has been revised down to 15% of dwelling sites for public, community or affordable housing (on urban renewal sites the target remains 20%). This is expected to equate to 2,550 dwelling sites over the next four years (ACT Government 2018:18). Although the Auditor-General's Report on Land Supply and Release suggests that the 2018-19 land supply target for community housing was exceeded (ACT Audit Office 2020:93), to date, in the absence of other incentives, none of the allocated lots in new land releases has actually been developed for affordable housing.

Rowley et al. (2017) suggest that under the first plan, the 20 per cent target was reached or exceeded, but that most sites went to purchasers. The study suggests that more affordable housing has come through:

- use of annual targets for release of lots for affordable housing
- an increased rate of land release
- more subsidised home ownership products through the land rent scheme (eligible households rent land from the government at 2% per annum of the unimproved land value)
- compact affordable house and land packages less than \$300,000 (Rowley et al. 2017).
- This resulted in a modest improvement in the home ownership rate over the last ten years (ACT Government 2018). The present strategy seeks to continue these approaches, including maintaining a 'healthy housing development pipeline' (ACT Government 2018: 5). One AHURI study concluded that:

...the ACT strategy would appear to have made more of a difference in the affordable land supply and cheap home package markets but less impact on its stock of social housing. This reflects the advantage of the ACT in being able to directly control the land supply lever, but also the fact that the ACT strategy did not include the increase in social housing stemming from the Nation Building Initiative. (Rowley et al. 2017:73)

1.5 Rising land costs have undermined the ACT affordable housing strategy's effectiveness

A key aspect of the ACT Government's affordable housing strategy was its stipulation to provide housing below a benchmark price. However, this was based on indicative assumptions about land and construction costs. An internal review of the ACT Government's Affordable Housing Action Plans from 2007 to 2016 found that their impact was 'minimal'. The review found:

The rising cost of land however outstripped increases in general dwelling construction costs and as such the indexing method used did not properly account for this. An expansion of the criteria in 2012 to include smaller high density housing as part of this requirement has resulted in an increased number of 1 bedroom units and lack of diversity. (Internal review, as quoted by ACT Audit Office 2020:96).

The ACT Auditor General recently criticised the types of affordable housing released for purchase under the scheme, as the houses typically offered have been 2 or 1 bedroom units, even though most potential purchasers desire 3 bedroom dwellings and single houses on compact blocks (ACT Audit Office 2020).

1.6 Other planning reforms may be needed

Other aspects of the planning and land tenure system in the ACT potentially limit production of social housing, especially in the community housing sector:

- The **zoning system** prevents changes of land use, constraining the capacity of organisations presently leasing land to re-purpose it for affordable housing. There exists no formal inclusionary zoning mechanism to guarantee certain proportions of new housing developments are affordable, or to mandate developers to make contributions for affordable housing.
- The unique nature of the **leasehold system** in the ACT may be a factor in constraining the capacity of community housing organisations seeking to use land value as a basis for seeking finance.

As part of the National Housing and Homelessness Agreement (NHHA), there is a bilateral agreement between the ACT and the Commonwealth which foreshadows 'possible planning and zoning reform to facilitate affordable housing projects and improve choice' (CFFR 2018: clause18). The new strategy hints at addressing these issues by seeking 'to increase the supply of affordable and social housing on privately leased land through incentives and, where appropriate, with planning controls' (ACT Government 2018: 16). However, it is not clear whether this will involve inclusionary zoning or inclusionary processes to mandate affordable rental housing.

1.7 Australian Government sources of subsidy are constrained

Federal and ACT Government expenditures are the most important sources of funding for subsidising affordable housing in the ACT.

The ACT experienced a significant drop in federal funding for affordable housing between 2009–10 (when it received \$26 million) and 2013–14 (\$22 million) (Australian Government 2010). Since that time, growth in federal funding has been modest. Through the most recent National Housing and Homelessness Agreement (CFFR 2018a), the ACT Government is expected to receive funding from the Commonwealth of \$130.7 million over the five-year term. This represents 1.67 per cent of total national funding, or around \$26 million per year. In 2019–20 the ACT was allocated:

- \$23.3 million in general payments relating to housing assistance (1.67% of the total national budget of \$1,398.4 million)
- \$1.6 million for homelessness services (1.35% of \$118.2 million)
- \$1.5 million for Social and Community Services contribution (3.1% of the national budget of \$48.3 million).

As part of the agreement, the ACT Government provided matching funding of \$1.7 million for homelessness services (Barr 2019).

Although the Australian Government provides direct funding in other areas relevant to assisting homeless persons (e.g. Reconnect, Assistance with Care and Housing, family violence services) the federal contribution only meets a fraction of the total cost of funding housing and homelessness assistance in the ACT each year.

An additional constraint is that, in 1989, when the Commonwealth transferred public housing stock to the new ACT Government, the Australian Government also transferred a debt (of over \$123.2 million as at June 2018), around half of which (\$58.1 million) relates to the public housing that was transferred (with the remainder relating to mortgages) (Berry 2019). Because paying off this debt is a responsibility of Housing ACT, it means that the ACT Government incurs a significant on-going cost relating to this debt that effectively reduces the value of ongoing Commonwealth funding.

The more substantial expenses associated with social housing are met by the ACT Government. According to the Council on Federal Financial Relations (CFFR 2018b):

- The ACT Government each year spends \$125 million on managing social housing assets (including costs associated with public housing renewal)
- The total value of rental rebates (imputed operational subsidies) for public housing in the ACT is \$144 million
- The ACT Government provides more than \$20 million each year to homelessness service providers for intensive assistance.

Additional resources for housing are provided through the community housing sector, although this accounts for only 7% of all social housing in the ACT. Community housing and homelessness organisations also rely on philanthropic and charitable sources of income or assets for their successful operation (Flatau et al. 2016).

1.8 Future social housing growth will come from community housing and public housing stock re-development

1.8.1 Growing the community housing sector

The community housing sector in the ACT grew from 682 dwellings in 2010 to 907 dwellings in 2019. The ACT Government have sought to increase the community housing supply by increasing the scale of Community Housing Canberra (CHC). They have assisted CHC through transfer of 132 public housing dwellings and financial support, thereby assisting it to become a tier one provider under the National Regulatory System for Community Housing. This partnership has resulted in an additional 500 units over ten years (Rowley et al. 2017). The ACT housing strategy seeks to continue this trend to 'grow and diversify the community housing sector' (ACT Government 2018:5).

There is potential for the community housing sector to expand by accessing long term bond finance through the National Housing Finance and Investment Corporation (NHFIC). NHFIC issued its first bonds in 2019, raising \$315 million (NHFIC 2019). These 10-year bonds aim to fund affordable housing at a fixed and low rate of interest (3%). Ability to leverage NHFIC to finance new developments is dependent upon ACT government subsidy, for example by the granting of land or substantially discounting land costs (CHC 2019).

The current bilateral agreement between the ACT and Commonwealth governments articulates some initiatives to support new affordable housing, including in the community sector. Under this agreement, the ACT introduced an Affordable Housing Innovation Fund, a small-scale grants program that sought to promote innovation in affordable and specialist housing, with total government investment capped at one million dollars (CFFR 2018).

1.8.2 Redeveloping and growing new public housing stock

Housing ACT has been progressively selling off properties (especially multi-unit sites) in older suburbs and replacing them with newer stock, dispersed throughout the suburbs. Recent renewal processes have involved investing \$608 million over four years to 2018–19 to renew 1,288 properties (CFFR 2018). Newer stock is usually detached, compact housing or small groups of townhouses and apartments, with this type and location justified as better in terms of social inclusion (ACTCOSS 2019). However, these processes have not led to a substantial net increase in stock.

The latest bilateral agreement between the Commonwealth and the ACT suggests there are plans to ‘grow and diversify the portfolio, renew ageing stock and ensure stock is appropriate to the needs of current and future households and demographics’ (CFFR 2018: clause 15), and these are reflected in the housing strategy (ACT Government 2018). In 2019, the ACT Government released *Growing and Renewing Public Housing 2019–24*, which articulates a plan to spend \$100 million to deliver 1,200 new homes, of which 1,000 will replace existing public housing dwellings to be redeveloped or sold. A total of 200 additional public rental homes will be added over the course of the five-year period (Barr 2019).

1.9 Summary

This chapter has shown that the ACT faces several policy challenges around provision of affordable housing. These include:

- the need to invest large amounts of ACT Government funds into maintaining and renewing existing stock rather than significantly expanding it further to meet the needs of a growing population
- insufficient levels of Australian Government housing assistance for low income private renters and impending losses of NRAS properties, leaving households at risk of homelessness and adding to demand for social housing
- over-reliance on land release mechanisms to support affordable housing development (without complementary funding or subsidy programs), which do not substantially assist community housing provision
- insufficient planning mechanisms to support affordable housing development.

Alongside this, there have been some measures put in place that have potential to improve the capacity of the ACT community housing sector and offer better access long term finance. There has also been very modest growth of public housing as part of renewal processes.

2. Unmet housing need in the ACT

- In 2016, 3,100 households in the ACT had unmet housing need (i.e. were either homeless or were experiencing rental stress); this is projected to increase to 8,500 households by 2036.
- In 2017, an estimated 12,600 households in the ACT were either unable to enter the housing market or required assistance to avoid rental stress; this number is projected to increase to 14,400 by 2025.
- In 2016, there were 1,586 homeless persons in the ACT.
- In 2018–19, specialist homelessness services in the ACT assisted 3,800 clients.
- Housing need among persons who are homeless or at risk of homelessness is more acute in the ACT than in Australia more generally.
- In 2016, there was a shortage of 2,700 private rental dwellings that were affordable and available to households in the lowest 20 per cent of incomes.

This section provides estimates of unmet housing need in the ACT in relation to homelessness (manifest need), and the need for affordable rental housing stock to those on low incomes. The data shows that there is a significant unmet housing need in the ACT at present and that this is projected to increase in the future.

2.1 Homelessness

The most recent Census shows that in 2016, there were 1,586 homeless persons in the ACT (see Table 2). Long term trends show that the number of persons and rates of homelessness in the ACT have been increasing since 2001. The rate of homelessness in the ACT was 40.1 persons per 10,000 persons in the population in 2016, compared to 30.5 in 2001. While the ACT has consistently recorded lower rates of homelessness than Australia more generally, the share of homeless people in the ACT as a proportion of homelessness nationally has increased from 1 per cent in 2001 to 1.4 per cent in 2016 (though it has come down from 1.7 per cent in 2011) (Parkinson et al. 2019).

Table 2: Trends in homelessness in ACT and Australia, 2001 to 2016

	2001		2006		2011		2016	
	Rate	N	Rate	N	Rate	N	Rate	N
Total ACT	30.5	943	29.5	958	48.7	1,738	40.1	1,586
Australia	50.8	95,309	45.2	89,733	47.7	102,439	49.8	116,350
ACT as % of Australia		1%		1.1%		1.7%		1.4%

Source: Census data from Parkinson et al. (2019).

The Australian Institute of Health and Welfare (AIHW) provides data on the number of clients assisted by specialist homelessness services (SHS) who were homeless or at risk of homelessness. In 2018–19, around 3,800 clients were assisted by SHS in the ACT. Around 1% of all clients in the national SHS population (290,300) were in the ACT (AIHW 2019). A majority of clients (57%) assisted in the ACT are female, and almost half (48%) were parents with children.

The number of clients assisted has reduced over the last eight years (the number of clients assisted was 5,600 in 2011–12). This contrasts to the apparent increase in the number of clients served in other states. A reduction in clients served in ACT has been noticeable in the number of new clients (the number of returning clients has also reduced but by not as much). The decline in the number of clients assisted may, at least in part, reflect a decline in service capacity since funding was reduced in 2013–14, which may have had adverse effects in other areas of homelessness. Point-in-time Census data in Table 3 show that while the number of persons assisted in supported accommodation declined by 310 persons from 2011 to 2016, there has been an increase in the numbers of persons who are rough sleeping, in boarding houses and in severely crowded housing over the same period equal to around 209 persons.

Table 3: Homeless persons by cohort, 2011 and 2016

	Number of homeless persons		
	2011	2016	Change 2011 to 2016
Persons in improvised home, tent, sleeping out	28	54	26
Persons in supported accommodation for the homeless	1,103	793	-310
Persons staying temporarily with other households	319	275	-44
Persons staying in boarding houses	6	97	91
Persons in other temporary lodging	3	3	0
Persons living in 'severely' crowded dwellings	278	370	92
All homeless persons in the ACT	1,738	1,596	-142

Source: Census data 2011 and 2016 from ACT Government.

The homelessness system does not just serve those presently in homelessness, but also those housed but at risk of homelessness. Table 4 shows data on the key cohorts of SHS clients who are homeless or at risk of homelessness in the ACT, looking at the rate of homelessness as a proportion of the usual resident population.

Persons in the ACT are less likely to access SHS – around one in 111 persons in the ACT received homelessness services compared with one in 86 for Australia. Key cohorts of SHS in the ACT include Indigenous persons (717.6 persons per 10,000), those with mental health issues (36.2 persons per 10,000) and those experiencing domestic and family violence (30.3 persons per 10,000). Other groups such as young people presenting alone (aged 15–24), those leaving care, and people with drug and alcohol use issues were also more likely to present relative to the Australian population.

Table 4: SHS clients per 10,000, by client group, 2018–19

	ACT	Australia
All clients	90.5	116.2
Indigenous	717.6	832.0
Young people	18.4	17.2
Older people	5.8	9.7
Family and domestic violence	30.3	46.6
Disability	2.0	2.9
Mental Health	36.2	34.6
Exiting custodial arrangements	3.8	3.8
Leaving care	3.7	2.7
Children on protection orders	3.1	3.7
Drug and alcohol use	11.7	11.2

Source: AIHW (2019).

Analysis of AIHW data suggests that the proportion of SHS clients with high and complex needs is relatively low in the ACT compared to other states. However, many of those with high needs get trapped in transitional or insecure housing types and must wait a long time to make it into social housing. This delay in transitions out of the homelessness system to mainstream housing has upstream effects on transitions from prisons or hospitals (Parsell et al. 2018).

AIHW data suggest that *housing need* among persons who are homeless or at risk of homelessness is more acute in the ACT than in Australia more generally. In 2018–19, 76 per cent of SHS clients in the ACT reported they needed accommodation compared to 58 per cent Australia-wide. Consistent with the pattern across Australia, many SHS clients were provided short-term or emergency accommodation, but only a small proportion (less than 10%) were offered long term accommodation. Those not receiving long term accommodation were often referred to other providers. Only around half (52%) of clients who began support were assisted into housing in 2018–19. Of those assisted, most (58%) were housed in public or community housing and more than one in three (38%) were supported into private or other housing (AIHW 2019).

SHS supported a large proportion (87%) of households at risk of homelessness to maintain their existing housing (AIHW 2019); this is similar to national outcomes.

2.2 Social housing waiting lists

The waiting list for social housing is another measure of housing shortage. At present there are around 2,488 persons on the waiting list in the ACT, most of whom are in the high needs and standard housing categories (ACT Community Services, 2020).

Although waiting times in the ACT tend to be shorter than for other jurisdictions, wait times remain long for most clients, including those in high needs and priority needs groups. Table 5 shows that over the last two years, the wait times have reduced for those on the priority list but increased for high needs and standard housing groups (ACT Community Services, 2020).

Table 5: Waiting times (days), May 2018 and August 2020

	May 2018	August 2020
Priority housing	232	195
High needs housing	625	802
Standard housing	998	1,268

Source: ACT Community Services (2020).

2.3 Shortages of affordable housing for low income households

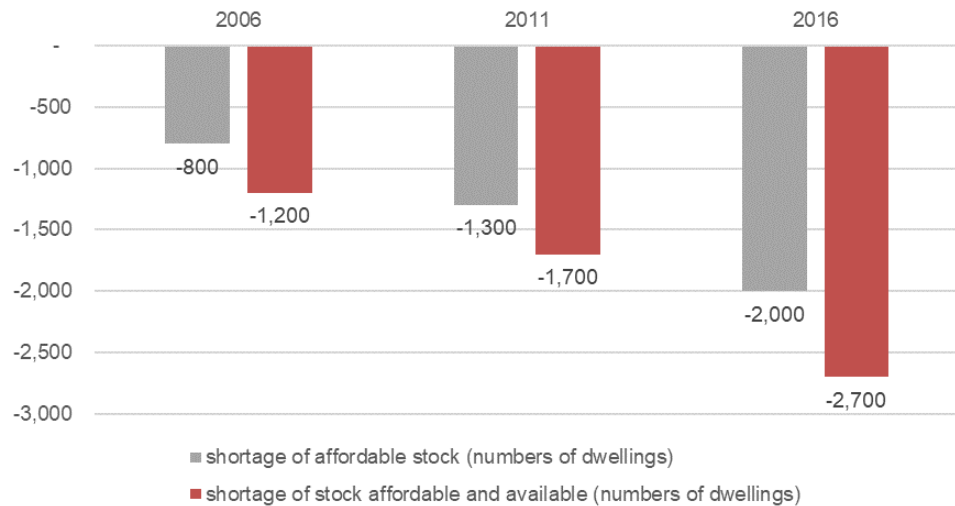
Many low income households cannot access housing that is affordable to them. Housing is considered to be unaffordable when households in the lowest 40 per cent of income earners pay more than 30 per cent of gross household income in housing related costs (30/40 indicator).

A study by a consortium of organisations concerned about housing affordability in the ACT estimated that around 27,500 workers (or 13% of the workforce) faced housing stress using the 30/40 indicator, with this leading to problems with paying mortgages or rent or purchasing essential items like food or medical treatments. Housing stress and difficulty in paying for housing was a particular issue for renter households (33% were stressed), and low income workers (33% stressed) (Housing and Homelessness Policy Coalition 2015).

Housing affordability stress can be linked to an insufficient supply of housing suitable for low income households. Figure 3 below shows that there are increasing shortages in the numbers of private rental dwellings that are affordable to households in the lowest income quintile (Q1) in Canberra.

- There was an absolute shortage of private rental housing affordable to households in the lowest income quintile (Q1)—in 2016 this shortage was 2,000 dwellings, up from 800 dwellings in 2006.
- This shortage was made more acute by the fact that many of the dwellings affordable to low income earners were occupied by higher income earners. This means that the effective shortage of affordable stock that is affordable and available to Q1 households is actually 2,700 dwellings (up from 1,200 in 2006) (Hulse et al. 2019).

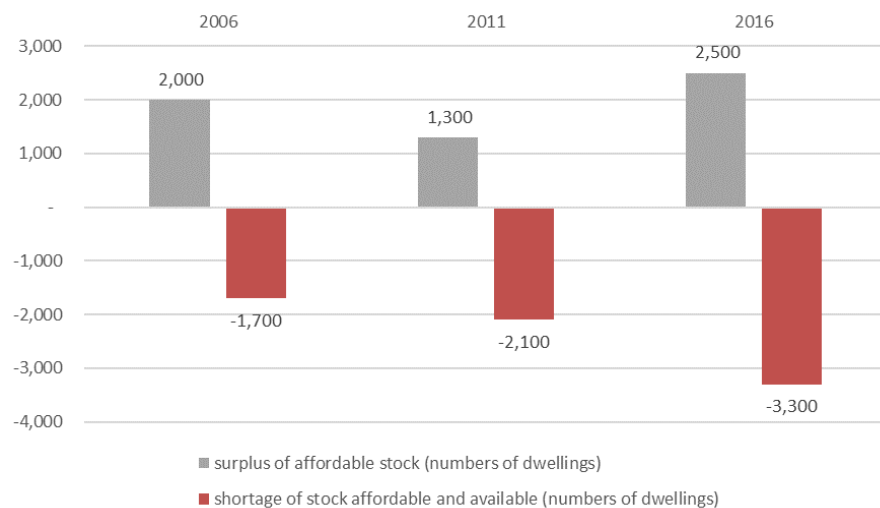
Figure 3: Shortages of private rental stock affordable to people in lowest income quintile (Q1) in Canberra 2006–2016



Source: Hulse et al. (2019).

Figure 4 below shows that in Canberra in 2016, there was a net surplus of 2,500 private rental dwellings that are affordable to low income earners in the second lowest income quintile (Q2). However, because this stock tended to be occupied by higher income earners, there was a net shortage of stock available and affordable to this group equal to 3,300 properties. The shortage has increased over the last 10 years (from 1,700 in 2006).

Figure 4: Surplus or shortage of private rental stock affordable to people in second lowest income quintile (Q2) in Canberra 2006–2016



Source: Hulse et al. (2019).

Because rents in Canberra are relatively high compared to the rest of Australia, 90 per cent of low income (Q1) households were paying unaffordable rents in 2016. This situation has not changed substantially since 2006. Unaffordability was especially acute for those in the lowest quintile of income earners, with 59 per cent paying severely unaffordable rents (over 50% of gross household income). Households in the second lowest income quintile also experienced rental stress, with 58 per cent paying unaffordable rents that exceeded 30 per cent of gross household income (Hulse et al. 2019).

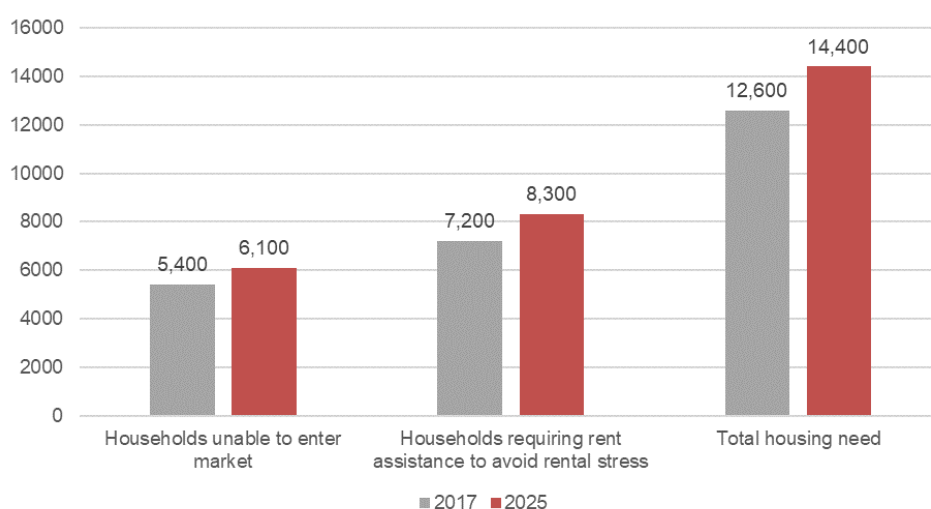
2.4 Future housing need

Two recent studies have estimated housing need and future housing need in the ACT.

The first modelled housing need in relation to the number of households unable to enter the market (including those homeless), and those needing assistance to avoid rental stress (Rowley et al. 2017).

Figure 5 below shows that in 2017, around 12,600 households were in housing need in the ACT; this is projected to increase to 14,400 by 2025 (Rowley et al. 2017).

Figure 5: Number of households in housing need in the ACT 2017 and 2025



Source: Rowley et al. (2017).

Rowley et al.'s study modelled housing need based on a range of assumptions relating to the housing market, labour market earnings and status, household formation and tenure choice. The modelling assumed the following for the ACT from 2017 to 2025:

- an increase in the demand for housing with population increasing from 410,000 to 480,000, and households increasing from around 310,000 in 2017 to 370,000 by 2025
- relatively high wage growth relative to other states
- an increase in the ratio of mean house prices to mean wage incomes.

A second study modelled need for social housing by considering existing demands for social housing, but also adding other manifest need (homelessness) and evident needs (rental stress). It derived estimates for unmet and total needs for social housing both presently and into the future to 2036 (Lawson et al. 2018). The results of this study are summarised in Table 6 below and show that:

- currently, in addition to the met need of 9,900 existing social rental properties, there is an *unmet* need of 3,100 dwellings, summing to a total housing need of 13,000 dwellings. This is around 8.8 per cent of all households in the ACT.
- With increased population growth to 2036 adding to existing need for social rental and assuming additional demands in terms of homelessness and rental stress, unmet need will increase by 5,400 to 8,500 dwellings (a total social housing need of 18,400 by 2036).

Note that the estimates of housing need may need to be revised to account for new assumptions about economic growth and lower migration because of COVID-19.

Table 6: Housing need to 2036, ACT

	Current (2016)	Projected new (2017–2036)	Total need (2036)
Met need – social rental	9,900		
Additional need for social rental to maintain share		4,100	14,000
Homeless (manifest need)	600	300	900
Rental Stress (evident need)	2,500	1,000	3,500
Unmet Need	3,100	5,400	8,500
Total need	13,000	5,400	18,400

Source: Lawson et al. (2018) data from Table A8.

Please note that the met need figures are derived from Census data (2016) and understate the number of social housing households estimated by the AIHW from administrative source data (11,240 in 2016). In this respect the overall need estimate figure is conservative.

2.5 Summary

Overall, the evidence points to significant shortages of housing for low income households in the ACT. Although rates of homelessness are lower in the ACT than in other parts of Australia and have declined, housing need amongst these groups remains much higher and there is evidence that the service system is struggling to place those in crisis services into longer term and mainstream housing.

Demand for social housing dwellings has been exacerbated by the widening shortage in affordable private rental dwellings for low income earners.

Need for social housing in the ACT was between 12,500–13,000 dwellings as at 2016 or 2017. This includes those assisted by social housing (9,900) as well as unmet need of around 3,100. Unmet need is projected to increase by over 5,400 dwellings over the coming 20 years.

3. Social and economic benefits of social housing

- **Social housing generates benefits in terms of social inclusion, education, economic engagement, health, safety, and empowerment.**
- **Housing with a secure and affordable tenure generally improves social inclusion, especially if it is good quality housing and located in a range of local areas to avoid concentrations of disadvantage.**
- **Social housing can improve education outcomes if it is stable, affordable and located in neighbourhoods that are not subject to concentrated socio-economic disadvantage.**
- **Social housing is beneficial for part-time employment but to maximise its benefit, policymakers should reduce wait times to enter social housing and locate new public housing close to transport and work opportunities.**
- **Social housing is beneficial for health, provided properties are regularly maintained and/or upgraded.**
- **Social housing contributes to householders' sense of safety and security and should not be located in areas of concentrated socio-economic disadvantage.**
- **Social housing can foster a sense of empowerment for tenants especially if there are long term processes established for community involvement.**

3.1 How can investments in social housing impact on social outcomes?

Social and affordable housing have a range of benefits beyond providing shelter to their occupants. Factors such as tenure, affordability, quality of housing and location combine to produce outcomes for householders in relation to health, safety, economic engagement, education, social inclusion and empowerment. Importantly, housing provides a sense of home and ontological security³, which is important for individuals to flourish (Hulse and Saugeres 2008a).

The precise channels by which these outcomes occur can be complex. The remainder of this chapter provides a high level summary of the evidence on those dimensions of housing that are thought to be significant in influencing social and economic outcomes.

3.2 Social and community inclusion

Social and affordable housing can play a role in fostering good social and community outcomes like social inclusion and social cohesion. Conversely, concentrations of disadvantage, housing affordability stress and poor dwelling quality can negatively impact social and community inclusion.

- The stable tenure afforded by social and affordable housing contributes to social cohesion by fostering commitment to local areas and cementing local relationships and providing ontological security (Stone and Hulse 2007; Phibbs and Young 2002).
- Housing affordability stress is linked to social exclusion for private renters and purchasers (Stone et al. 2013). Some households need to trade-off beneficial locations close to family and friends to afford properties (Burke et al. 2007).
- Poor dwelling quality and environmental factors like graffiti or noise pollution can disrupt a sense of social connectedness (Stone and Hulse 2007).
- Though not as extreme as in other countries, concentrations of public or affordable private rental housing can lead to disadvantage at the neighbourhood level and increase social stigma associated with those neighbourhoods (Pawson et al. 2015; Hulse and Saugeres 2008a). 'Neighbourhood effects' have been linked to a host of negative outcomes for health and wellbeing, education, employment, self-esteem and welfare dependency (e.g. Parkinson et al. 2014) as well as loneliness (Franklin and Tranter 2011). Some suburban locations, especially those with poor access to transport, quality employment and services, might undermine social cohesion (Pawson et al. 2015).

A key issue for social housing investment is how to address concentrations of disadvantage, which come about because of housing policies that congregate low income groups into that tenure (Atkinson 2008; Manzi 2010). Social inclusion is further complicated by market processes which concentrate low income persons in less expensive parts of the private rental market (Pawson et al. 2015; Randolph and Holloway 2007).

Governments have sometimes sought to address this by altering the mix of tenures in neighbourhoods dominated by public housing to reduce stigmatisation of those suburbs (Kearns and Mason 2007) or increase social mix (Atkinson and Kintrea 2000). However, such approaches have often been counter-productive by increasing gentrification, reducing supplies of social housing, undermining social cohesion by displacing existing social tenants and creating social distance between those in different tenures or incomes (Atkinson 2008; Darcy and Gwyther 2012; Arthurson 2002; Randolph et al. 2004).

The key learning is that investments in social housing as a secure and affordable tenure generally improve social outcomes. But housing needs to be of a good quality, located in a range of local areas to avoid concentrations of disadvantage, and enable people to remain connected to their existing social networks as much as possible.

³ This sense of belonging to a place and community is important to one's sense of self and identity.

3.3 Education and skills

The home environment, parental stress levels and poverty are the most significant factors in terms of children's ability to attend, achieve and remain at school.

- Housing quality is associated with education outcomes because it leads to better health (see for example Free et al. 2010) and contributes to a better home environment (Dockery et al. 2010; Dockery et al. 2013; Phibbs and Young 2005). Overcrowding and poor housing are associated with poor spaces for children to do homework, lower school attendance and poorer education outcomes, especially in remote and Indigenous communities (Biddle 2014; Habibis et al. 2016).
- High mobility and frequent moves undermine the capacity of children to form relationships with teachers and peers (Dockery et al. 2010), which has potentially adverse impacts on child behaviour and education (South and Haynie 2004).
- Many forced moves are due to housing affordability stress, which disproportionately affects low income earners. Housing unaffordability is associated with higher parental stress (Phibbs and Young 2005) and housing insecurity (Mallett et al. 2011), leading to poorer educational outcomes.
- Poorer neighbourhoods tend to have poorer educational outcomes (Edwards 2005; Dockery et al. 2013). Nevertheless, positive perceptions of the neighbourhood and neighbourhood belonging can mediate the effect of socio-economic disadvantage on children's behaviour and emotional outcomes (Edwards and Bromfield 2010), thereby improving education outcomes.

There is evidence that public housing can play a decisive role in improving educational outcomes. One longitudinal qualitative Australian study showed that provision of public housing led to more stable tenure and reduced moves between schools, improved patterns of school attendance, improved access to better schools, increased happiness of children, reduced parental stress, provided more space and fewer interruptions for children to do their homework and improved educational performance (Phibbs and Young 2005).

The key learning is that social housing has a potentially important role to play in assisting education outcomes for households with school aged children. Housing for this group should be stable, affordable and located in neighbourhoods that are not subject to concentrated socio-economic disadvantage. Social housing is a key tenure for Indigenous families. There needs to be a sufficient supply to prevent overcrowding, be appropriate to accommodate large families and visitors, and be well maintained.

3.4 Economic benefits

Housing affects economic outcomes through employment and education pathways. The available evidence primarily looks at the ways housing tenure, improved affordability and location can support or deter training or labour force participation for public housing tenants:

- Entry into public housing is associated with increased training and labour force participation (Phibbs and Young 2002) and employment levels (Whelan and Ong 2008). This may be due to improved housing stability, and less stress, leading to more job search effort. However, because entry to public housing is limited to those on low incomes, those on the waiting list have a disincentive to work, leading to problems of 'welfare locks' (Dockery et al. 2008).
- A review of the Social Housing Initiative (SHI) (part of the Nation Building Economic Stimulus Plan) found that building social housing resulted in multiplier effects in which \$1 spent in construction activity yielded \$1.30 in total turnover (i.e. an additional \$0.30 in economic activity). It contributed \$1.1 billion (0.1% growth) to GDP and over 9,000 FTE jobs over the life of the SHI (KPMG 2012).
- Public housing tenants have lower geographic mobility, potentially restricting their ability to access training or employment (Whelan and Parkinson 2017). The location of public housing therefore plays a key role in whether public housing tenants who wish to work or study are enabled to do so. Where a person is housed may also affect access to transport (Dockery et al. 2008; Productivity Commission 2015) and locations of concentrated disadvantage can lead to stigmatisation (Jacobs et al. 2011), undermining employment prospects.

The key learning is that investments in social housing are beneficial for some forms of employment, especially in an economic downturn, but policymakers should endeavour to reduce welfare locks for applicants by reducing wait times on the public housing waiting list and locate new public housing close to transport and work opportunities.

3.5 Health

Housing factors can influence physical health, mental health and wellbeing.

- Housing quality is associated with physical health outcomes, mainly by improving thermal comfort, and reducing accidents (Thompson et al. 2013; WHO 2006).
- Unaffordable housing leads to financial stress (Yates et al. 2007) and mental health stress (Bentley et al. 2016). Public housing has been shown to reduce stress, reduce use of medicare by high users (Phibbs and Young 2005), and can alleviate overcrowding, which is associated with poorer physical and mental health (Dockery et al. 2010).
- While tenure type itself does not appear to be linked to mental health (Baker et al. 2013; Popham et al. 2014) both physical and mental health are undermined by precarious housing (Mallet et al. 2011; Brackertz et al. 2020) and high residential mobility (Busacker and Kasehagen 2012). Provision of social housing in New Zealand resulted in a reduction in hospitalisation rates for almost all health outcomes (Baker et al. 2010).
- Location of housing can affect access to health services, while changes in neighbourhood quality from neighbourhood renewal can affect mental health and wellbeing outcomes in positive and negative ways (Thomson et al. 2013).
- Provision of more secure housing to those at risk of homelessness reduces the cost to government of provision of health services for women (Zaretsky and Flatau 2013).

The key learning is that investments in social housing are generally beneficial for health and mental health, but properties should be regularly maintained and/or upgraded to ensure that they do not pose health risks to occupants.

3.6 Safety

Safety refers both to the absence of criminal activity and householders' or community members' perceptions of safety (Hulse and Saugeres 2008b). Tenure, dwelling type, affordability, and location are all relevant to people's sense of security and safety.

- Perceptions of safety in the local area are lower for public than for private tenants (Stone and Hulse 2007), especially where there are high concentrations of public housing (Parkinson et al. 2014). Even so, where public housing is not in concentrated or high density areas, satisfaction levels are higher (Parkinson et al. 2014). Entering public housing can improve householders' feelings of security and safety, especially when their previous tenure was uncertain, or they did not previously have safety features in their former dwelling (Phibbs and Young 2005).
- Social renters living in high-density dwellings have lower satisfaction with safety compared with social renters living in detached and medium-density dwellings. International evidence suggests no significant association of higher crime or fear of crime and high density housing (Parkinson et al. 2014; Livingston 2014; Rollwagen 2016).
- Women leaving violence risk losing their housing because they cannot afford to pay housing costs. Providing a temporary subsidy or affordable social housing can alleviate these risks (Spinney 2012).
- UK evidence suggests that locations and communities dominated by social housing and concentrated disadvantage are prone to higher crime rates (Livingston et al. 2014; Mazerolle et al. 2010) and urban areas are perceived as less safe (Parkinson et al. 2014).

A key issue for social housing investments is dealing with concentrated disadvantage and its link with a lack of safety. However, Australian studies indicate that perceptions of safety and neighbourhood satisfaction sometimes are poorer with a more diverse tenure mix, suggesting that tenure mix policies may not improve outcomes in this area (Baum et al. 2009; Parkinson et al. 2014). Lower satisfaction with safety could reflect perceptions of homeowners who prefer to be co-located with other owners (Parkinson et al. 2014) and increased diversity could reduce social cohesion amongst social housing residents (Livingston et al. 2014). Reductions in crime associated with tenure mix activities have been recorded in international studies (Manzi 2010; Rowe and Dunn 2015), where they tend to be linked to the effects of displacing established residents from lower socio-economic backgrounds rather than demonstration effects.

Neighbourhood renewal and the redevelopment of physical spaces can improve perceived safety among residents, reduce property crime and increase property values (Hulse et al. 2011; Wood and Cigdem 2012). However, other evidence suggests it is the combination of physical changes *and* social interventions (social programs engaging tenants, community policing, crime prevention activities) that is most effective in reducing crime and increasing safety in urban renewal contexts (Samuels et al. 2004, Neighbourhood Renewal Program 2005).

The key learning is that investments in social housing are beneficial for safety and security if they do not concentrate disadvantage. The type and design of housing is also important. Renewal activities need not be about altering tenure mix but should involve a combination of social interventions and re-design of housing and the built form to improve real and perceived safety of social housing.

3.7 Empowerment

Empowerment is affected by housing affordability and tenant participation processes, rather than tenure status.

- Although home ownership is linked with ideas of greater empowerment and control, studies suggest this is not necessarily the case. For example, tenants moving from social rental to owning (e.g. through right to buy) do not experience a significant increase in empowerment (Kleinmans and Elsinga 2010)
- Household holders facing affordability issues often feel disempowered by having to make trade-offs around the location, type of housing and tenure they can afford (Burke et al. 2007). Improved access to affordable or public housing can improve a sense of control and empowerment (Phibbs and Young 2005).
- Active involvement of tenants through tenant participation processes fosters a sense of belonging and involvement (Rosenberg 2012), and opportunities to influence decision making cultures (Kruythoff 2008). Community housing management or urban renewal can facilitate these processes (Pawson et al. 2013; Jacobs et al. 2005).

Investments in social housing may lead to a sense of empowerment for tenants especially if there are long term processes established for community involvement in its running.

3.8 Summary

Social housing confers a number of benefits to those who receive it, through its improved affordability, security of tenure, dwelling quality and neighbourhood dimensions. These could be expected to have wider social benefits, provided the housing is well maintained and its location does not lead to concentrations of social disadvantage. Potential benefits include improved social inclusion, education and employment, health, safety, and empowerment. These benefits to society should be considered in any overall consideration of the value of social housing to the ACT.

4. Costs of procuring affordable housing in the ACT

- **This section focuses on the cost of developing, operating and financing affordable housing in the ACT**
- **The cost of developing housing in the ACT is high relative to other states partly because of land costs. Construction and finance costs vary depending on design and dwelling type, so modelling of different scenarios is likely to provide the best indication of likely costs to social housing providers**
- **Government capital investments (through land, capital grants or equity) are more cost-effective ways of procuring social housing than operating subsidies.**
- **By governments articulating needs, providers are better able to plan their developments, deliver housing across the housing need continuum and create opportunities for social and tenure mix and cross subsidy.**

To model the costs of procuring affordable housing requires consideration of a number of elements, from the needs of those to be housed (i.e. the size, type and rent paying capacity of households), assessing potential sites for development, the costs of developing the housing, and revenue streams.

For affordable housing to be viable, total revenues from the housing needs to at least equate to the total cost of provision. These elements are depicted in Figure 6 below.

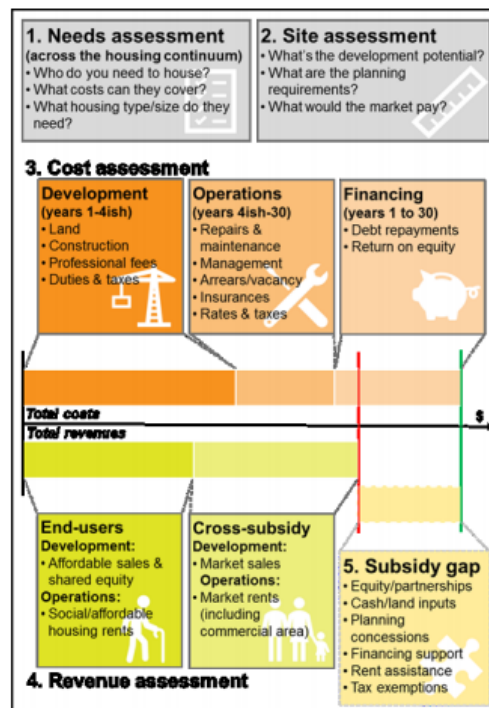
Total costs are made up of:

- development costs (land, construction, fees and taxes)
- operational costs (e.g. repairs and maintenance, tenancy management, rates and insurance)
- financing costs (debt repayments and return on equity).

The developer needs to understand revenue streams, from end users, developer cross-subsidy and subsidy gap. Revenues comprise:

- Sales (from purchasers) or rental streams from end user renters
- Cross-subsidy by developer (e.g. through market sales)
- Subsidy from governments or other partners (e.g. cash and/or land contributions, planning concessions, financing support, rent assistance and tax exemptions).

Figure 6: Processes involved in developing affordable housing



Source: Randolph et al. 2018.

4.1 Development costs

In order to model the costs and benefits of procuring more social and affordable housing in the ACT, it is necessary to estimate likely development costs of housing. This includes:

- Labour costs
- Material costs
- Land holding costs
- Professional fees (e.d. architects, engineers, etc.)
- Taxes
- Land costs
- Finance costs

These costs can typically be estimated using established methodologies (e.g. using Rawlinson's guide) and summarised on a per square metre basis. In addition, social housing has to conform to requirements set by government funders and stakeholders. For example, the most recent bilateral agreement between federal and state governments recognises the need for affordable housing to have good design (adaptable, energy efficient) and be accessible to transport and community services (CFFR, 2018). AHURI research has also shown that land holding costs can add significantly to development cost (Gurran et al. 2009). For this reason, modelling needs to consider:

- Design (adaptability, use of energy efficient technologies);
- Dwelling type (e.g. detached, attached, low-rise or highrise apartments);
- Location (greenfield or established suburban/ urban areas);
- Financing arrangement (those involving higher debt on land purchase and long planning delays may incur higher land holding and financing costs).

In one recent AHURI project, social housing was assumed to be a smaller product than the market median built form and using a smaller land parcel. For the ACT, modelling assumed that new social housing would cost \$418,000 per unit, be an attached form of housing, built in Chifley, and have 95 per cent CRA eligibility. This compares with national indicative construction cost of \$270,000, though costs vary significantly depending on the location and housing type (Lawson et al. 2018).

A more recent estimate, provided by a Canberra based community housing provider, found that the development and construction cost was \$545,700 per unit (inclusive of all approval, insurance and professional fees). This was for a development of 8 townhouses, each of 155 square metres, with 3 bedrooms and 3 bathrooms, and included fencing, driveways and landscaping. The development would only be possible through obtaining land at half the market price of suburban land in that location.

A more nuanced measure of the cost of developing social housing in the ACT as part of this project might consider a range of housing types and locations. These are discussed in the sections below.

4.1.1 Dwelling types

Research by Lawson et al. (2018) assumed that social housing would involve the following specifications across different housing types:

- **detached:** 2-bed house (100 sqm) with 1-car garage, medium quality materials, 500 sqm of land, 120 sqm landscaping, 1-year construction
- **attached:** 2-bed house (100 sqm) with 1-car garage, medium quality materials, 250 sqm of land; 120 sqm landscaping, 1-year construction
- **low-rise:** 2-bed apartment (75 sqm) in walk-up block (< 4 storeys) of 18 units, with 0.5 at-grade car spaces/unit, medium quality materials, 750 sqm of land with 50 per cent landscaped, demolition of two single dwellings, 2-year construction
- **high-rise:** 1-bed apartment (50 sqm) in lift-accessed block (> 4 storeys) of 75 units, with 0.5 underground car spaces/unit, medium quality materials, 1,000 sqm of land with 50 per cent landscaped, demolition of commercial building, 3-year construction.

Modelling would need to make some assumptions of the composition of these different dwelling types.

Discussion with a Canberra community housing provider has indicated that they were mainly contemplating two types of housing:

- 1-2-bedroom units, (aimed mainly at those with high residential support needs) centrally located
- 2-3-bedroom townhouses (mainly aimed at families, including single parent families, with dependents).

Other long-term housing, using higher density dwellings, is also being built through Common Ground and Havelock Housing, usually as crisis or transitional housing.

4.1.2 Locations

Land costs vary according to location. Where affordable housing providers choose to locate housing might depend on availability, cost and the need to locate housing near amenities.

Housing in outer suburban areas may not serve the needs of some clients due to poorer access to services and transport. Providing social housing nearer amenities entails higher land costs. It would also be sensible to avoid concentrating more social housing dwellings in areas of low income or where there is higher provision of social housing already.

Most public housing in the ACT is in suburban areas, but it is particularly concentrated in Belconnen, North Canberra and Tuggeranong. The stock of public housing has remained fairly stable over time, but has declined in places like North Canberra and South Canberra, reflecting redevelopment or selling off of property. Growth through new 'replacement' stock has occurred mainly in growth suburbs like Tuggeranong and Gungahlin (see Table 7).

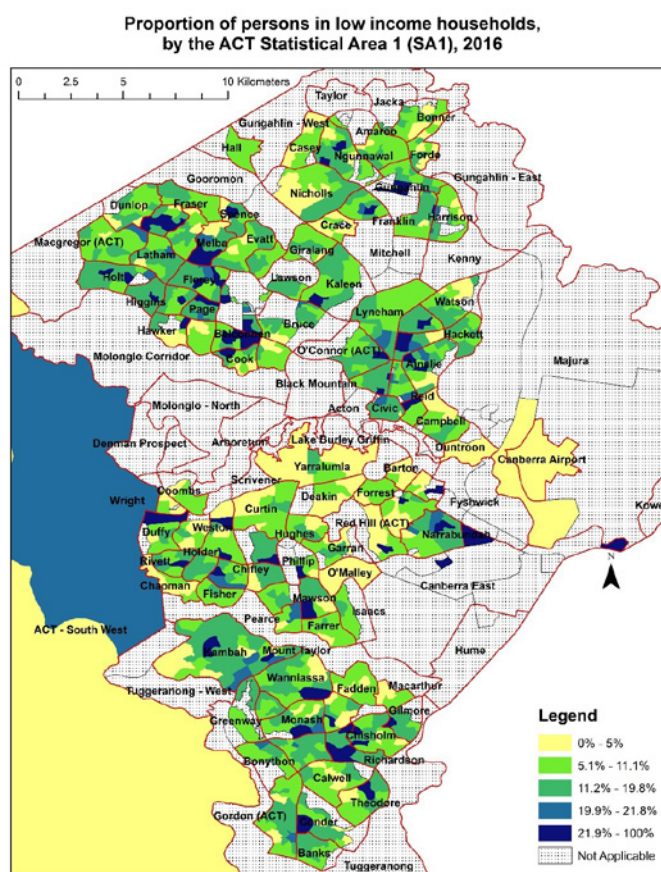
Table 7: Locations of public housing stock, ACT

Region	30-Jun-14	30-Jun-17	Change
Belconnen	2,909	2,909	0
North Canberra	2,915	2,583	-332
Tuggeranong	2,409	2,504	95
South Canberra	1,229	1,054	-175
Woden Valley	954	957	3
Gungahlin-Hall	547	842	295
Weston Creek-Stromlo	777	770	-7
Molonglo	0	165	165
Other - Rural	39	37	-2
Total	11,779	11,821	42

Source: Community Services Directorate, Stock by Suburb Report, FOI Reference Number: CSD22112017_0042, viewed 6 Feb 2019. Taken from ACTCOSS (2019).

Public housing has an influence on concentrations of low-income households. Figure 7 below shows many suburban areas have higher numbers of low-income households (especially North Canberra, Narrabundah, suburbs around Belconnen and Tuggeranong) while some suburbs have relatively few low-income households.

Figure 7: Proportions of persons in low income households by ACT Statistical Area 1 (SA1), 2016



Source: NATSEM taken from ACTCOSS (2019)

4.2 Income streams from housing

A further consideration as part of the modelling should be to understand revenues to meet or offset the costs of housing.

A first step is to model the likely revenue from end users, depending on the type and income of households in need. It is possible to estimate from this the likely rent paid. The remainder of the costs would need to be made up through other means, such as developer cross-subsidy (e.g. market sales) or other contributions (planning concessions, land donations etc).

The Affordable Housing Working Group established by the Council on Federal Financial Relations posited a social housing 'financing gap' of 60 per cent of procurement costs. In other words, rental income could support debt equating to 40 per cent of such costs (AHWG 2016: 14, as quoted in Lawson et al. 2018).

A full modelling exercise means calculating the average household rental contribution for each of the housing and household types. To calculate the rental payment income, Lawson et al allocated a single income to each household income bracket (a weighted average from the counts of the existing social rental households and the 'evident need' households in each bracket calculated), and the result converted to 30 per cent of this income.

4.3 Financing costs

Australian governments have used different pathways to foster increased investment in affordable and social housing. These include:

- directly funding new public housing
- transferring and outsourcing public stock to community housing organisations
- tax-credit programs (e.g. the federal National Rental Affordability Scheme)
- renewing or recycling existing public housing stock
- capturing uplift in land values through the planning system
- providing land via public land banking
- new forms of finance like Real Estate Investment Trusts (REITs) or Managed Investment Trusts (MITs)
- cheaper, long-term bond finance through the National Housing Finance and Investment Corporation (NHFIC) (Lawson et al. 2018)

The ACT has made use of a number of these mechanisms, including land banking, public housing renewal and asset recycling.

Most current public and other social housing is funded by government using operating subsidies, and social housing providers need to seek private finance to finance developments. Across Australia, there has been a lack of designated capital funding for social housing, leading to declining levels and deterioration of stock, excess reliance on innovative financing models, and issues with land policies and regulation inhibiting investment.

Recent research by AHURI has argued in favour of conceptualising social housing as needs-based infrastructure to improve social and economic wellbeing (Lawson et al. 2018). Drawing on successful approaches to financing social housing overseas, the researchers argue that policy makers should plan a capital investment strategy for affordable housing that matches assessed need. They also find that a combination of instruments, including land policy, public investment and efficient long-term finance are needed to get cost-effective outcomes. A strategy should not rely on demand side subsidies alone, especially where demand is high and rent deregulated. They argue that direct capital subsidies are a cost-effective mechanism for financing social housing (Lawson et al. 2018)

The study modelled five options for financing social housing in Australia; the total costs are summarised in Table 8 below.

Table 8: Comparison of investment pathways (year 1 total costs in \$billions)

	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
	Operating subsidy	Operating subsidy + NHFIC bond aggregator	Up-front capital grant	Up-front capital grant + NHFIC bond aggregator	Up-front capital grant + NHFIC bond aggregator, no CRA
Development Costs	\$7.0	\$6.4	\$5.8	\$5.7	\$5.4
Total operating costs	\$2.8	\$2.8	\$2.8	\$2.8	\$2.8
Rental income	\$3.2	\$3.2	\$3.2	\$3.2	\$3.2
Operating subsidy/Capital grant	\$5.4	\$4.8	\$4.2	\$4.1	\$5.1
CRA payments	\$1.2	\$1.2	\$1.2	\$1.2	-
Government subsidy	\$6.6	\$6.0	\$5.4	\$5.3	\$5.0
Savings on Scenario 1	-	9%	18%	20%	25%

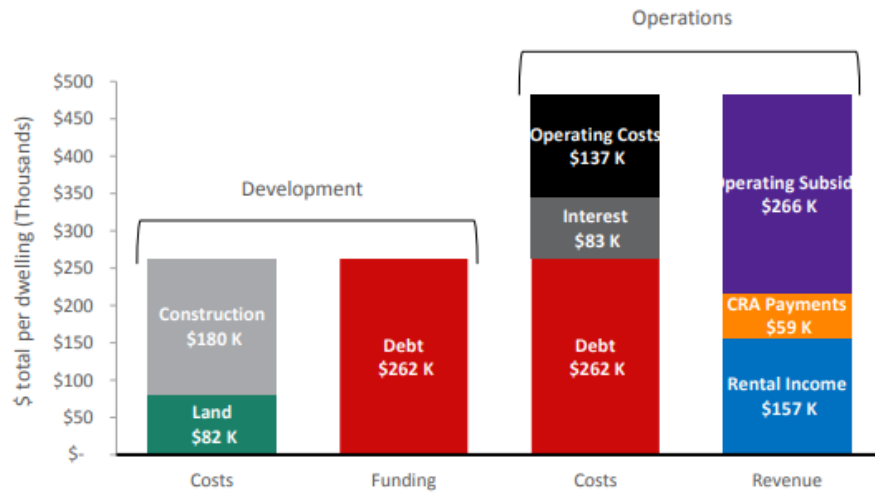
Source: Lawson et al. (2018) p.7.

The modelling used construction and land cost estimates across different local government areas across Australia. For the ACT, modelling assumed that new social housing would cost \$418,000 per unit and that dwellings would be attached form of housing (no high or low rise) built in Chifley, and 95% CRA eligibility.

The modelling shows that it is more cost-effective for governments to use up-front capital grants than privately financed operating subsidy models. The savings could be as much as 25 per cent if they are combined with NHFIC finance and no access to CRA (e.g. public housing only). Capital investment could be made from a range of sources—general government revenue, public investment, contributions from public land banks and planning contributions (Lawson et al. 2018).

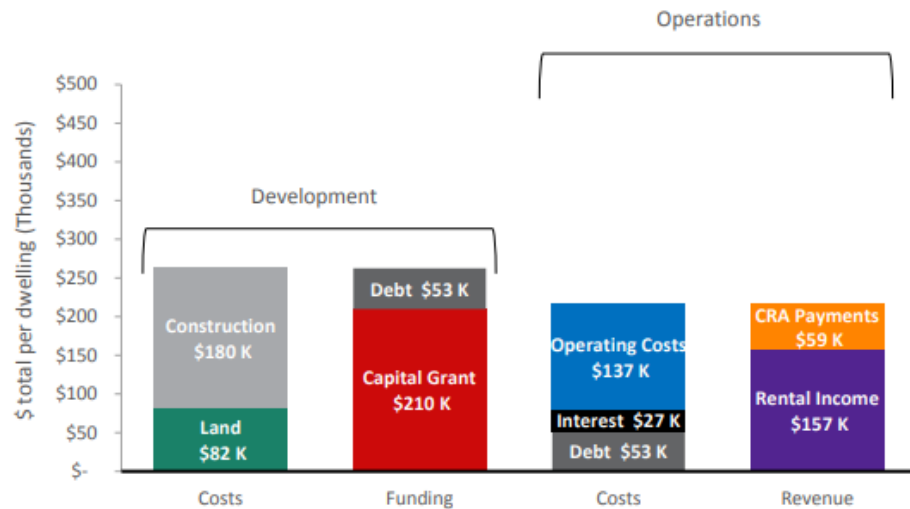
These outcomes are illustrated in the figures below. Under the modelling (for Australia), costs of development were on average \$262,000 (including land component). Under a base case, these costs would need to be funded with debt, entailing ongoing interest expenses and would also need to include operating costs (\$137,000) over the life of the asset. Figure 8 shows that only a small proportion of the total costs could be offset by rental income and CRA. The remainder (\$266,000) would need to be met by government subsidy). The authors however show that these subsidy expenses can be significantly reduced if governments provided a capital grant and NHFIC reduced ongoing debt costs. Figure 9 shows that provision of a capital grant (\$262,000) would enable the provider to significantly reduce their debt exposure, overall costs and negate the need for operating subsidies.

Figure 8: Cost per dwelling, development and with operating costs, Australia (Debt model)



Source: Lawson et al. (2018)

Figure 9: Cost per dwelling, development and with operating costs, Australia (capital subsidy model)



Source: Lawson et al. (2018)

Other AHURI research analysed six affordable housing projects in different jurisdictions and the diverse and bespoke funding arrangements adopted in each case. This diversity reflected the fact that affordable housing developments have been driven by funding opportunities rather than housing needs (Randolph et al. 2018).

For example, many projects relied on NRAS funding and only about half of the projects offered (deep subsidy) social housing—this reflected the heavy reliance on the NRAS funding source at the time the developments were financed.

This is despite the fact that investment decisions require a needs-based modelling approach that considers the different groups they might be serving. The researchers devised a financial modelling tool 'Affordable Housing Assessment Tool' (AHAT) to help developers or policy makers calculate the impact of different cost and subsidy parameters on housing affordability for different groups in need, thereby putting needs first in the process (Randolph et al. 2018).

The fragmentation of policy frameworks and funding opportunities makes scalability or replicability difficult and each project needs to be bespoke, adding complexity. Based on modelling using the AHAT tool, the research finds that cost-effective affordable housing project viability would be significantly improved by:

- government facilitated access to land for affordable housing (rather than selling off to highest bidder)
- government equity investment over the long term (e.g. 30 years)
- reducing up-front debt loads and lowering long term finance costs (such as through use of bond financing)
- encouraging providers to deliver housing across the housing needs continuum to meet tenure and social mix requirements and provide opportunities for cross-subsidy
- planning policies that deliver benefits in terms of cash or land (but planning bonuses are of limited benefit)
- increasing the scale of not-for-profit housing provision (Randolph et al. 2018).

4.4 Summary

Estimating likely costs of procuring social and affordable housing development will require having a good understanding of the level and types of need as well as understanding of sites that will suit those needs (e.g. proximity to services or suburban living). Modelling of likely costs will require consideration of locations and dwelling types (e.g. townhouses and units).

This chapter has shown that costs of development are high in Canberra, in large part because of land costs. Successful community housing developments in Canberra have come about because of access to heavily discounted land. Viability is likely to be improved if there is access to CRA, planning concessions, developer cross-subsidy, access to lower cost NHFIC financing and capital subsidies (such as cash or discounted land).

5. Methodologies to measure the social and economic value of social housing

- **Two methodologies can be used to measure social and economic value of social housing provision to those at who are homeless or at risk of homelessness. Both methodologies seek to quantify the whole of government cost savings (cost offsets) in the areas of justice, health and other welfare.**
- **Both methodologies rely on administrative data for average costs of providing justice, health and welfare services. To estimate the use of those services, one relies on a survey of clients and service providers, while the other uses administrative data on actual usage.**

There are a number of methodologies for measuring the value of social housing as a form of social infrastructure which has no formal 'market value' since it is rarely if ever traded. These methodologies are outlined in a recent AHURI report (Denham et al. 2019). One of these methodologies seeks to quantify the value of social housing by calculating the value of 'avoided costs' to government (in relation to justice, health and social services) is the one proposed in this project.

This section outlines two methodologies that are appropriate to measure the social and economic value of social housing. The first relies on a combination of survey and administrative data. The second uses linked administrative data. Both methodologies measure the cost-offsets that accrue to the whole of government as a result of accommodating a person in social housing relative to having that person become homeless. One caveat is that these outcomes are typically measured over the short term (twelve months), rather than long term. Administrative data are typically from two sources:

- The AIHW's Specialist Homelessness Services Collection (SHSC) provides data on the number and composition of clients utilising services, including the services provided to clients or those that were referred.
- The Productivity Commission's Report on Government Services (ROGS) includes various collections on the costs of providing justice, health, mental health, housing and homelessness services.

Further detail on the data on client utilisation from the SHSC and costs of services in the ROGS data are provided in Appendix A. The SHSC and ROGS data sources do not show utilisation of health and justice services but the SHSC show that around 3,500 clients used homelessness services in the ACT. The ROGS data show that costs of services like justice and health are higher in the ACT than Australia in general.

5.1 Combining survey data and administrative data

An AHURI national study assessed the costs and benefits of specified homelessness prevention and assistance programs, namely supported accommodation programs for single men, supported accommodation programs for single women, tenancy support programs for persons at risk of losing an existing tenancy, and street-to-home programs (Zaretsky and Flatau 2013). The study examined both the benefits that accrue to the individual from improved outcomes, and the benefits that accrue to government when a period of homelessness support results in reduced use of non-homelessness services (e.g. health, justice and welfare services) and therefore budgetary savings. Data was collected using a client survey and a survey of agencies delivering homelessness services.

The client survey was used to understand clients' usage of SHS and non-homelessness services like justice, health and welfare, both at the time of entering a period of support and after twelve months. The survey was administered by the service organisation delivering the services (often the case manager) and was restricted to clients aged eighteen years and over.

The agency survey provided for a bottom-up estimate of the costs of SHS services; additionally, information in the public domain was used to provide top-down cost estimates of homelessness services and programs and associated non-homelessness service use.

Cost offsets were calculated as the average cost of non-homelessness service usage in the period during the twelve months prior to the follow up survey (when they receive services) minus the costs of non-homelessness service usage in the twelve month period prior to the baseline survey (when they did not receive services).

The study found that the provision of SHS services resulted in a reduction in the use of non-homelessness related services of \$1,389 per client per year for single men and \$8,920 per client for single women. Tenancy support services however resulted in *additional* usage of non-homelessness services of around \$1,934 per client per year (mainly because of increased health service usage) (see Table 5).

Table 9: Total cost offsets (mean) for non-homelessness related services per client per year, 2010–11

	Health (\$)	Justice (\$)	Welfare (\$)	Total offsets (\$)
Single men	4,640	-6,447	418	-1,389
Single women	-9,295	146	229	-8,920
Tenancy support	\$3,448	-1,540	26	\$1,934
Total	-1,559	-2,397	271	-3,685

Source: Zaretzky and Flatau 2013

5.2 Linked administrative data for service use

The use of linked administrative data is another way to measure the costs and benefits of providing social housing in the ACT. The evaluation of the Brisbane Common Ground project is an example of how this approach can be used.

The evaluation utilised administrative data to measure costs of government services used by tenants before and after becoming a tenant of Common Ground (Parsell et al. 2015). In contrast to the Zaretzky and Flatau study (which relied on surveys of tenants and service providers), the study analysed the actual service usage patterns from administrative records. This study found that:

compared to the costs to the Queensland Government of a person being chronically homeless for twelve months, a twelve-month tenancy at Brisbane Common Ground achieves a tenant reducing their annual use of Queensland Government services – including the cost of providing Brisbane Common Ground – by \$13,100 (Parsell et al. 2015:4).

The evaluation undertook a longitudinal analysis of service usage of forty-one tenants for a two-year period (both twelve months before being placed in Common Ground accommodation and twelve months afterwards). Administrative data came from eight service providers. The services included: public emergency hospital presentation data; public hospital admitted patient records; public mental health records; Queensland ambulance records; Queensland corrections data; Queensland Courts including appearances; Queensland police services; and SHS including nights in accommodation and financial assistance provided. The tenants were sampled on the basis that they were chronically homeless, and for tenants that had resided in the Common Ground facility for at least twelve months. The study does not consider tenants who were not chronically homeless before becoming a tenant or who left the facility within twelve months.

The study found that the annual costs of all services for the tenants prior to residency in the Common Ground program was \$1,976,916, and \$852,314 afterward, a cost reduction of \$1,124,602. This was then divided by the forty-one tenants, which resulted in a cost saving per tenant of \$13,100.

5.3 Summary

The survey-based approach could be adapted to determine the costs and benefits of providing social housing in the ACT. A drawback of this approach is that it relies on client reports of their service usage, which may be affected by recall bias (i.e. clients may not recall all the services they used or may not wish to disclose them). It also requires service providers to commit to providing the needed financial and service use data. However, compared to the methodology that uses linked administrative data, the survey based approach may be more timely to implement.

The linked data methodology is likely to provide more accurate estimates of actual service use and associated costs and cost savings. However, there are considerable ethical and privacy issues that would need to be addressed and it is unclear whether the required data would be made available by the ACT Government.

Consequently, the use of the survey-based methodology is recommended.

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Appendix A: Data collections on costs and usage of services

A.1 AIHW Specialist Homelessness Services Collection (SHSC)

The AIHW provide detailed information on client usage of SHS. This data covers:

- characteristics of clients including demographics, housing situation, other outcomes, support services, and geographic location
- the services requested, and unmet requests for services
- services provided and referred; and
- outcomes achieved.

The data does not provide information on health and justice use. The most recent data is for clients served during 2018–19 (AIHW 2020).

In 2018–19, ACT SHS:

- served 3,800 clients
- 66 per cent of clients received or were referred to accommodation services
- 40 per cent were lone persons (compared with 30% in Australia)
- 36 per cent were sole parents (AIHW 2020).

There is reason to think that there were issues with the housing market in the ACT that are impacting on homelessness relative to Australia more generally. In 2015–16:

- 49.6 per cent of clients were homeless at first presentation (compared to 42.2% in Australia)
- another 25.3 per cent were at risk in private rental (compared to 32.3% in Australia)
- 58.4 per cent sought assistance for financial reasons (49.1% in Australia)
- 40.7 per cent of clients experienced housing affordability stress (27.9% in Australia)
- there were higher stress levels in reasons for seeking assistance compared to nationally on almost all indicators (AIHW 2016).

Table 10 below shows that there is a higher need for housing in the ACT amongst SHS clients compared with Australia (a need was identified among 75.8% of clients compared with only 58.3% Australia wide). The table shows that there was a higher need for all forms of housing, but the effectiveness of the ACT system was mixed:

- **Long term housing.** More ACT SHS clients needed long term housing than nationally, and more were provided with this form of housing.
- **Short term or emergency accommodation.** More ACT SHS clients needed short term or emergency accommodation than national, but fewer were provided with this form of housing.
- **Medium term/transitional housing.** More ACT SHS clients needed medium term/transitional housing than nationally, and a similar proportion were provided with this form of housing.

Table 10: SHS Clients, by need for services and assistance and service provision status, 2018–19

Service and assistance type	Australia			ACT		
	Need identified as % of clients	Provided as % of need identified	Not provided or referred as % of need identified	Need identified as % of clients	Provided as % of need identified	Not provided or referred as % of need identified
Accommodation provision	58.3	50.9	33.8	75.8	50.4	33.8
Short term or emergency accommodation	38.8	58.6	31.0	52.0	44.0	49.8
Medium term/transitional housing	28.5	26.9	57.3	42.2	31.1	56.4
Long term housing	37.8	3.7	70.7	52.3	9.1	49.0

Source: AIHW (2020) Table 18.

ACT SHS clients spend longer in SHS accommodation than nationally, with 15.1% of ACT clients spending over 180 nights in accommodation (4.9% nationally) (AIHW 2020).⁴

A.2 Productivity Commission Report on Government Services (ROGS)

The Productivity Commission publish data on the costs of various government services through their Report on Government Services. The most recent data available are for 2018 –19. Table 11 shows that in general, costs of providing justice, health and mental health services are higher in the ACT than in Australia in relation to:

- average cost of imprisonment (\$415 in the ACT compared to \$310 in Australia)
- average cost of admission to emergency departments of hospitals (\$1,246 in the ACT compared with \$998 for Australia)
- costs of time in health system (\$5,055 in the ACT compared with \$4,725 in Australia)
- general mental health services (\$1,251 in the ACT compared with \$1242 in Australia).

⁴ AIHW (2019) Table 19. The length of accommodation for a client is calculated by adding each night of accommodation (short term/ emergency, medium and long term accommodation) provided across all support periods during the reporting period.

Table 11: Cost of justice, health and mental health, ACT and Australia 2018–19

	ACT	Australia
Justice		
Recurrent expenditure per prisoner and per offender per day		
Total net operating expenditure and capital costs	\$ 415.00	\$ 310.32
Health		
Average cost per emergency department presentation*		
Admitted	\$ 1,246.21	\$ 997.79
Non-admitted	\$ 516.21	\$ 540.85
Average cost per admitted acute separation*		
Non-weighted	\$ 5,318.58	\$ 4,725.95
Weighted	\$ 5,055.89	\$ 4,725.95
Mental health		
Average recurrent costs per inpatient bed day, public hospitals (acute)		
General mental health services	\$ 1,251.52	\$ 1,242.99
Older persons mental health service	\$ 902.98	\$ 1,052.77

Source: ROGS (2020).

Table 12 below shows that the recurrent expenditure on social housing in the ACT is relatively high compared to Australia as a whole. Recurrent expenditure per person in the ACT (\$326) is more than double that in Australia (\$159 per person). However, this partly reflects the higher proportion of social housing units in the ACT compared to other states.

Public housing costs are particularly high in the ACT, though this mainly reflects high capital costs:

- recurrent expenditure per dwelling including capital costs (\$55,926) is higher than Australia (\$39,714)
- recurrent expenditure per dwelling excluding capital costs (\$11,795) is also higher than Australia (\$9,637).

By contrast, costs associated with community housing in the ACT are relatively modest (\$8,651) compared to Australia (\$10,082).

Table 12: Cost of social housing, ACT and Australia 2018–19

Housing (2018–19)	ACT	Australia
Net recurrent expenditure \$m		
Public housing	133.0	3 016.1
SOMIH*	n/a	205.8
All social housing	138.1	4 006.1
Capital expenditure	5.9	1 461.9
Total	144.0	5 468.0
Net recurrent expenditure per person in the population (\$)	325.91	159.10
Number of social housing dwellings, at 30 June 2019		
Public housing	10,955	305,191
SOMIH	n/a	14,662
Number of community housing dwellings, at 30 June 2019		
Number of tenancy (rental) units	907	100,205
Number of dwellings	647	93,270
Number of households in social housing, at 30 June 2019		
Public housing	10,529	294,057
SOMIH	n/a	13,913
Community housing	745	89,606
Proportion of dwellings occupied at 30 June 2019 (%)		
Public housing	96.10%	97.10%
Community housing	82.10%	95.50%
SOMIH	n/a	97.30%
Real net recurrent cost per tenancy rental unit, community housing, 2017–18 dollars		
2017–18	8,651.00	10,082.00
Net government recurrent expenditure on public housing per dwelling, 2018–19 dollars		
including the cost of capital \$	55,926.00	39,714.00
excluding the cost of capital \$	11,795.00	9,637.00

Source: Productivity Commission (2020).

* State owned and managed Indigenous Housing.

Table 13 below shows that the cost of homelessness services in the ACT were significantly higher compared with Australia:

- cost per client per day (\$43 compared with \$38)
- cost per completed support period (\$5,863 compared with \$2,258)
- cost per client accessing support (\$6,393 compared with \$3,409).

Table 13: Cost of homelessness services, ACT and Australia, 2018–19

Homelessness		
Recurrent cost, 2018–19 dollars		
Cost per support day per client	\$ 42.78	\$ 38.02
Cost per completed support period	\$ 5,863.00	\$ 2,258.00
Estimated cost per client accessing homelessness services	\$ 6,393.00	\$ 3,409.00

Source: Productivity Commission (2020).



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