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Executive Summary

- 1 A potential social housing project is being considered by Greater Shepparton City Council (Council). The project, which would involve a development by Women's Housing Ltd (WHL), would involve the sale of Council land at 45 Parkside Drive, Shepparton (the subject site)). This economic assessment quantifies the economic and social benefits of providing social housing at the subject site.
- 2 The proposed development would see approximately 45 new dwellings constructed for the purpose of housing low-income and at-risk women and their children.
- 3 Lack of access to safe, stable, and appropriate housing (homelessness) is considered a growing problem in Victoria. Approximately 35,000 people are on the waiting list to enter social housing in Victoria and 200,000 persons across Australia.
- 4 Shepparton has the highest homelessness rate in Regional Victoria, coupled with increasing demand for priority access housing in the area.
- 5 Homelessness presents substantial economic and social costs to the community. With homelessness expected to continue to increase, the provision of social housing is a priority for all levels of government.
- 6 Available evidence indicates the provision of social housing delivers significant benefits to both individuals and the broader community in the form of health sector savings, individual health and lost income benefits, justice sector savings, and employment and income benefits.
- 7 For each person housed in the proposed social housing development, \$24,950 per year in economic benefits can be identified. Of this amount, approximately \$2,910 per year accrues directly to the person being housed, while \$22,040 per year represents a benefit to the State (i.e. in the form of expenditure savings and increased economic activity). Accordingly, the project will generate an annual economic benefit of \$1.7 million or \$28.4 million over the 30-year life of the building.
- 8 At a discount rate of 4%, the development will deliver a net benefit of \$1.8 million, based on a construction cost estimate of \$9.7 million and an annual operating cost of \$461,980. This represents a benefit cost ratio of 1.62; that is, a \$1.62 return is realised for every dollar invested.
- 9 Construction of the proposed development will deliver additional benefits to the local economy. Including direct and indirect impacts, the development is expected to generate \$7.8 million in value added and support 60 jobs (assuming a one-year construction period).
- 10 Overall, the benefits associated with the provision and construction of the proposed social housing development will generate substantial benefits for the broader community and represents a positive investment proposition.

Introduction

Background

Council owns land at 45 Parkside Drive, approximately 3km north-west of the Shepparton CBD.

Women's Housing Limited (WHL) proposes the construction of approximately 45 social housing dwellings on the subject site. WHL is currently the lead agency in Victoria in the provision of affordable housing for women, with some 600 properties in their property portfolio.

In assessing the project, Council has engaged Ethos Urban to analyse the economic benefits associated with the project and, in particular, the economic benefits associated with the provision of social housing.

Objective

This assessment quantifies the economic benefits associated with the proposed development.

This Report

This report contains the following chapters:

- Chapter 1:** Locational Context and Proposed Development
- Chapter 2:** Economic and Social Benefits Associated with the Provision of Social Housing
- Chapter 3:** Economic Benefits Associated with the Construction of the Proposed Development

1 Locational Context and Proposed Development

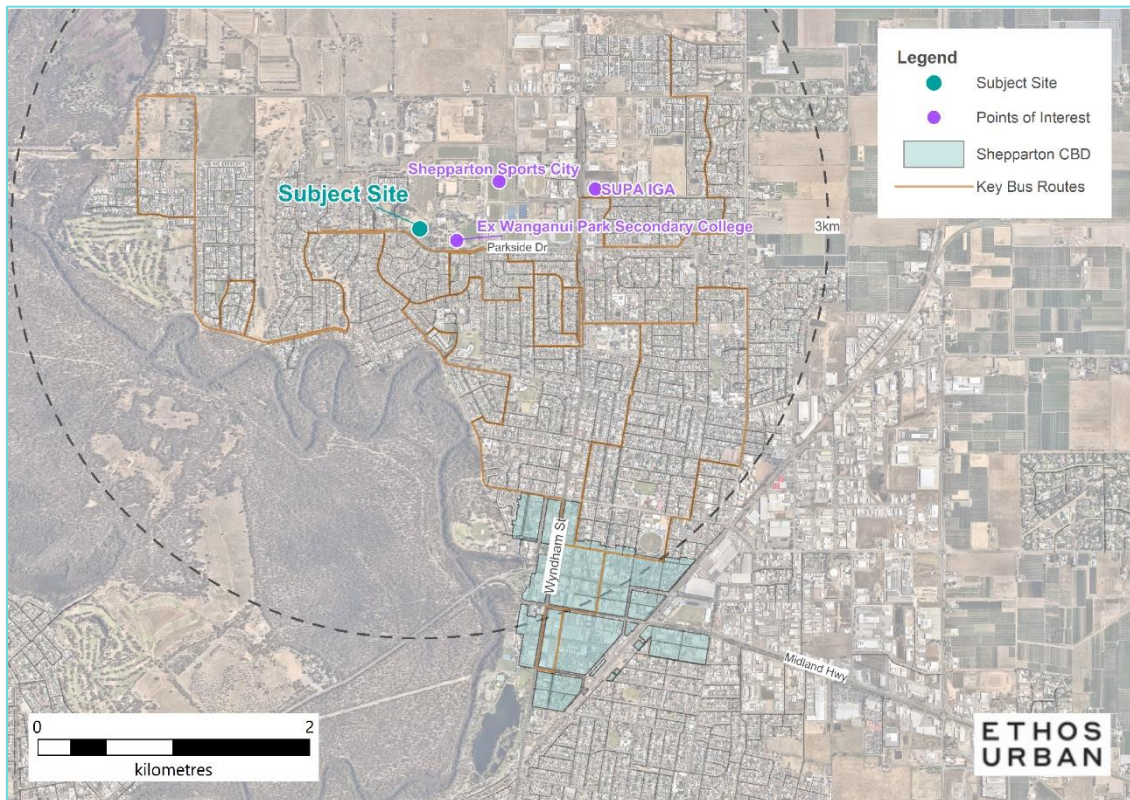
This Chapter provides an overview of the subject site and its surrounding context, as well as the proposed development scheme.

1.1 Context

Located in the north-west of the established urban area of Shepparton, the subject site is part of the Parkside Gardens estate area.

The subject site is proximate to significant recreational areas and sporting facilities, and approximately 1.5 kilometres west of retail and commercial facilities situated on Numurkah Road (the Goulburn Valley Highway). The Shepparton CBD is approximately 3.5 kilometres south-east of the subject site.

Figure 1.1 Local Context



Source: Ethos Urban

1.2 Proposed Development and Resident Population

Redevelopment of the subject site is proposed to include:

- Approximately 45 dwellings on the identified land at Parkside Gardens, Evergreen Way

Based on an average of 1.5 persons per dwelling it is estimated the proposed development would accommodate approximately 70 persons.

2 Economic and Social Benefits Associated with the Provision of Social Housing

This Chapter estimates the economic benefits associated with the provision of social housing, based on a review of relevant studies and academic research.

2.1 The Need for Social Housing

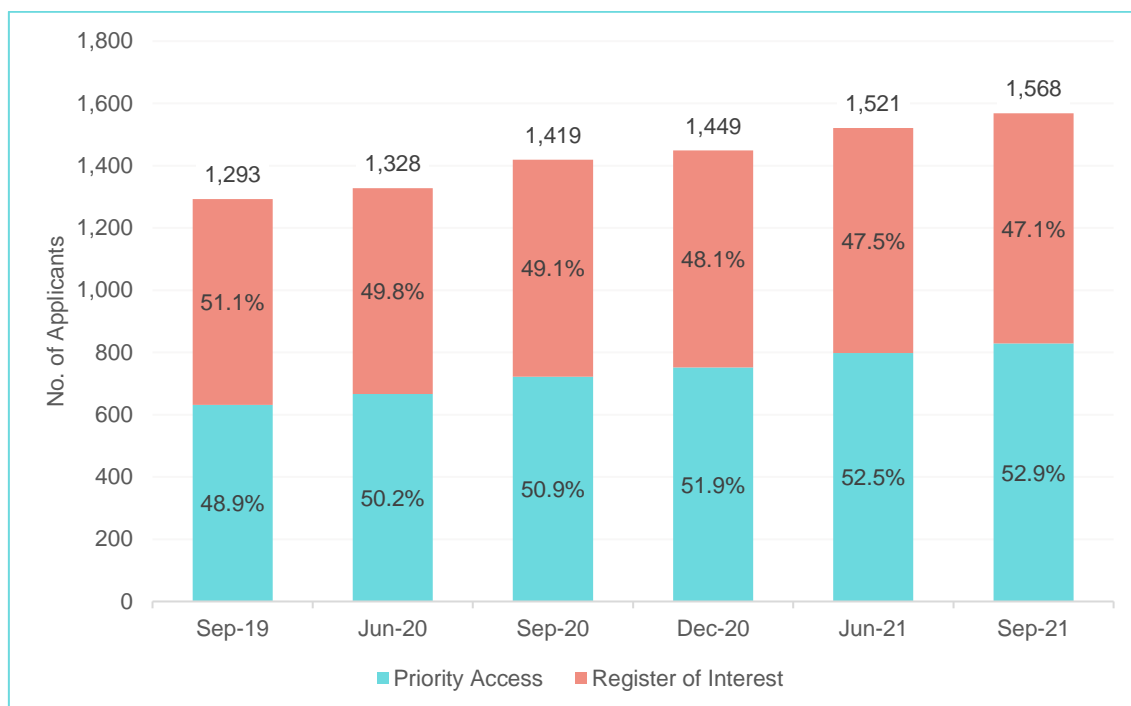
Homelessness is defined by the Australian Bureau of Statistics (ABS) as a lack of access to safe, stable and appropriate housing. That includes both people living on the street as well as those in unstable or inappropriate circumstances such as 'couch surfing' at friends and family. Approximately 35,000 people are on the waiting list to enter social housing in Victoria and 200,000 persons across Australia.

The need for increased social housing in Shepparton is evident, with Greater Shepparton facing the highest rates of homelessness in Regional Victoria (ABS Census, 2016). Shepparton is facing increased demand in both priority access and register of interest social housing (refer Figure 1). Importantly, since September 2019, the demand for priority access has increased at a faster rate than register of interest applicants, suggesting that households increased vulnerability to homelessness has been exacerbated by COVID-19.

Note: the actual scale of homelessness could be higher as, given the size of the waiting list, not all people experiencing homelessness will have registered.

Social Housing is defined as housing provided for people on low incomes or with particular needs by government agencies or non-profit organisations. Social housing is owned by the State, Council, or non-profit organisations and leased to eligible households with rental payments based on a share (typically up to a maximum of 25%) of their income.

Available evidence shows that social housing provides significant economic and social benefits for individuals and the community. Benefits largely revolve around reducing the costs associated with homelessness, such as pressure on the health care system, justice agencies including the police, as well as the output improvements of higher employment and productivity outcomes, and individual benefits such as better mental health, social connections and overall participation in society.

Figure 2.1: Victorian Housing Register and Transfer List, Goulburn (Shepparton) Office

Source: Victorian Housing Register, Housing VIC

Note: Dec-19 data not available

2.2 Economic and Social Benefits of Providing Social Housing

Health Sector Savings (State-wide Benefit)

Significant cost savings in health care and emergency services have been estimated for the provision of social housing and reducing homelessness. Savings are derived from fewer emergency room presentations, a reduction in general hospitalisation days, and lower levels of stress, depression and anxiety.

In *The Cost of Youth Homelessness* (2016) in Australia, the cost of youth homelessness is estimated at \$8,500 in health services per person housed per year. The study observed a group of young people who were homeless or at a very high risk of homelessness and a group of disadvantaged young job-seekers. Although both groups reported experiencing difficult circumstances, the study found difficulties faced by young homeless people were significantly higher than those in housing.

However, the proposed social housing development will support women of varying ages. Since young people and men typically have lower health service utilisation rates, it can be reasonably assumed that actual health cost savings from the proposed development would be higher.

According to the ABS (2020-21), 9% of people aged 15 to 34 were admitted to hospital compared to 13% of people aged 35 and older, indicating older individuals are approximately 40% more likely to be admitted to hospital. Similarly, analysing hospital admissions for women against the total population, a gender adjustment factor of 1.16 has been applied to consider the higher prevalence of hospitalisation amongst women.

Having regard for the higher propensity of older people and women to utilise health care services, the health savings estimate of \$8,500 has been adjusted to \$14,090 per person housed per year, after incorporating CPI adjustments. This number is considered likely to better reflect the nature of the

proposed development with an emphasis on women, along with a diverse age range of future residents in the proposed development.

Individual Health and Lost Income Benefits (Individual Benefit)

While the previous sub-section already discusses the benefits to the health care sector, this sub-section outlines the benefits to the individual due to transitioning out of homelessness. The analysis indicates that the annual individual health and lost income benefits per woman due to the provision of social housing equates to \$2,910 (see the following for a breakdown).

Domestic Violence

Domestic and family violence is the primary cause of homelessness for women and children. The COVID-19 pandemic has further exacerbated domestic violence in households, with a 5.9% increase in the number of women seeking specialist homelessness services (SHS) due to domestic violence since 2019/20.

A 2015 report from Price Waterhouse Coopers (PWC) quantified the annual economic costs of pain, suffering and premature mortality due to partnered domestic violence to be \$4,740 per individual. Partnered violence is defined as physical, sexual or emotional abuse by a current or previous partner.

For the purposes of this assessment, the the PWC estimate is adopted as a baseline and then adjusted to reflect the benefits gained from avoiding domestic violence due to social housing. Data from the Specialist homelessness services annual report has been used to create the updated benefits.

In 2020/21, 88,910, or 53% of all female SHS clients, sought assistance while experiencing domestic and family violence. On average, for those who experienced domestic and family violence, 57% were identified as requiring accommodation provision. Due to the accommodation provision not being disaggregated at the gender level, this may underestimate the total need for housing for women.

When estimating the unit cost per tenant, the economic cost of pain, suffering and premature mortality due to partnered domestic violence is multiplied by the rate at which women experiencing domestic violence seek accommodation. This yields a unit cost of \$1,620 per tenant after adjusting to 2021 dollars.

Mental Illness

Mental health issues represent both causes and impacts of homelessness and represent costs to the individual and broader community. The transition out of homelessness, therefore, leads to cost savings. Mental health issues frequently found in homeless people include depression, anxiety, and substance abuse. Deakin University (2017) estimates that these mental health issues cost the Australian economy approximately \$12.8 billion per year.

A study of 4,290 homeless people, *Are the Homeless Mentally Ill?* (2009) found that 31% of people experiencing homelessness suffered from mental health issues, with 53% developing a mental health issue following homelessness.

A 2003 study (*The Excess Cost of Depression in South Australia: A Population-Based Study*) estimated the personal cost of major depression at \$9,950 per year and \$3,150 for other depression. Personal costs include pharmaceuticals and specialist services, but the majority of costs are attributed to days unable to work and days of reduced work. Specifically, women had a higher prevalence of experiencing major (8%) and other (11%) depression relative to men (5% and 10%, respectively). The Latest ABS data (2020/21) supports the above findings, highlighting that women (20%), on average, are more likely to visit mental health professionals than men (11%).

Due to the higher incidence of women experiencing mental health disorders and utilising more mental health services relative to the total population, the individual benefit has been adjusted upward by 27%.

Research into employment rates among disadvantaged Australians (*The Effect of Homelessness on Employment Entry and Exits: Evidence from the Journeys Home Survey 2018*) found that 19% of homeless people were employed.

Transitioning from homelessness would provide relief for mental health issues associated with homelessness, such as stress. However, recovery from mental issues likely also requires access to other support services. For this assessment, 50% of the cost of mental illness per person housed per year is estimated to be attributed to access to social housing. This yields a unit cost of \$1,290 per tenant after adjusting to 2021 dollars.

Allowing for the above considerations, the average individual benefit for each person moving into social housing is estimated at \$2,910 after adjusting to 2021 dollars.

In adjusting for the employment rate of homeless people, this estimate excludes the stress relief and other mental health benefits realised by unemployed homeless individuals. Therefore, this estimate is considered conservative.

Justice Sector Costs (State-wide Benefit)

Homeless people are significantly more likely to be involved in a crime, either as a victim due to their vulnerability because of their lack of safe and private accommodation or as an offender as a result of mental health issues, substance abuse, food insecurity, and lack of private accommodation leading to enforcement of 'nuisance' crimes such as 'move-on' directions, on-the-spot-fines, etc.

Research from a 2016 study in the UK ("*It's No Life at All*" *Rough sleepers' experiences of violence and abuse on the streets of England and Wales*) found that homeless people were 17 times more likely to be the victim of assault compared to the general population. Another study (*The State of Homelessness*, 2018) found 45% of homeless people had been to prison in their lifetime between 2010 and 2017. Part of the reason for this are laws that indirectly criminalise homelessness, such as begging, banning squeegeeing at traffic lights, camping in public spaces, drinking in public, etc.

Beyond the individual costs associated with being a victim or offender of these crimes, there are costs associated with policing and the justice system. Providing more social housing and bringing people off the street will have an immediate and direct impact on these costs.

For the purposes of this assessment, the justice-related benefits associated with the provision of social housing are based on findings from *The Cost of Youth Homelessness in Australia* (2015) which estimates youth-justice issues cost an average of \$890 per person housed per year from victimisation and \$8,470 per person housed per year from offending. These estimates have been revised regarding the likelihood of different age groups and genders to be victims/offenders compared to other groups.

Analysis of crime victimisation statistics from the ABS (2019/20) shows that people aged 15 to 24 years have a victimisation rate of 3% compared to 2% for people aged 25 and above, a factor of 0.8. On the other hand, there were no notable differences in the victimisation rate between men and women, so no gender adjustment has been applied. Therefore, the \$890 per person housed per year cost estimate for 15 to 19-year-old victims has been revised down by 0.4 and adjusted for CPI to 2021 dollars bringing the estimate to \$400 per person housed per year.

Similarly, analysis of crime offender statistics from the ABS (2019/20) shows people aged 15 to 19 have an offender rate of 4% compared to 2% for people aged 20 and above, a factor of 1.4. The youth offender justice sector cost estimate of \$8,470 has been revised down by 0.7.

In addition, after considering gendered crime offender statistics from the ABS (2019/20), the cost estimate has been revised down by 0.5 to reflect the lower likelihood of women committing an offence. Therefore, after adjusting the estimate to 2021 dollars, the overall cost saving is \$3,220 per year for each person housed in social housing.

In total, it is estimated that the provision of social housing will deliver approximately \$3,610 per person housed per year in cost savings for the justice sector.

Employment and Income Benefits (State-wide Benefit)

Employment rates among homeless people are low at 19% compared to 62% for all Australians. Social housing allows previously homeless people better access to employment through stability and allows tenants to start or continue education or training. SGS (2017) reports that approximately 8% to 10% of social housing tenants access employment following the provision of social housing.

For incoming tenants, average annual income is considered based on the single person Victorian upper-income limits for register of interest and priority access social housing clients. The average of these upper-income limits has been applied, yielding annual income at \$43,320 (or \$835 per week).

In modelling state-wide employment and income benefits, Ethos Urban has discounted annual income by 90% to allow for only 10% of tenants going into employment, leaving \$4,340 per year in income benefits.

Note that the allowance for 10% of tenants entering employment after attaining accommodation prevents double counting with the lost income benefit described previously.

This benefit is considered both an individual and community benefit, as it also increases the economy's overall output.

Summary

Homelessness presents high economic and social costs to the community. With homelessness expected to increase in the future, the provision of social housing is considered a priority by all levels of government.

Available evidence indicates the provision of social housing will deliver benefits to both individuals and the broader community in the form of health sector savings, individual health and lost income benefits, justice sector savings, and employment and income benefits.

Approximately **\$24,950 per year** in economic benefits can be identified for each person housed in the proposed social housing development. Of this amount, approximately \$2,910 per year accrues directly to the individual being housed, while \$22,040 per year represents a benefit to the state and local community (i.e. in the form of expenditure savings and increased economic activity). Accordingly, the project will generate an annual benefit of \$1.7 million or \$48.5 million over the 30-year life of the building.

Table 2.1 Economic and Social Benefits Associated with the Provision of Social Housing

Per person benefits	Estimated Benefits per Tenant per Year (\$2021)
Individual Benefits for Tenants	
Individual Health and Lost Income Benefits (Individual Benefit)	\$2,910
State-wide Benefits	
Health Sector Savings (State-wide Benefit)	\$14,090
Justice Sector Costs (State-wide Benefit)	\$3,610
Employment and Income Benefits (State-wide Benefit)	\$4,340
Sub-total	\$22,040
Total	\$24,950
Proposed dwellings	45
Average Household Size	1.5
Total Tenants	70
Total Annual Benefit	\$1.7 million

Source Ethos Urban Research

Figures have been rounded.

Operating costs have been estimated at \$10,270 per dwelling and is sourced from the Productivity Commission's Review of Government Services (2018) and adjusted by CPI to 2021 dollars.

At a discount rate of 4%, the development will deliver a net benefit of \$10.8 million, based on a construction cost estimate of \$9.7 million (refer section 3.1). This represents a benefit cost ratio of 1.62, that is, for every dollar invested a \$1.62 return is realised.

It is also noted that the Federal Government has recognised the need to change the baseline discount rate for benefit cost assessments. In 2018, the House of Representatives Standing Committee on Infrastructure, Transport and Cities recommended the adoption of a 4% discount rate for the appraisal of Commonwealth infrastructure projects. This recommendation was made noting that the discount rate of 7% was adopted as the default parameter at a time where the cost of borrowing, i.e. cash rate, was much higher than what it is currently. Given the nature of this project, the adoption of a 4% discount rate is regarded as appropriate.

A benefit cost ratio above 1.0 at discount rates of 7% and 10% demonstrates the proposed development presents a robust cost benefit result which delivers significant community benefits.

Table 2.2 Benefit Cost Assessment

	Discount Rate (4%)	Discount Rate (7%)	Discount Rate (10%)
NPV Benefits	\$28.4 million	\$20.5 million	\$15.7 million
NPV Costs	\$17.6 million	\$15.4 million	\$14.0 million
Total Benefit	\$10.8 million	\$5.1 million	\$1.6 million
BCR	1.62	1.33	1.11

Source Ethos Urban Research

3 Economic Benefits Associated with the Construction of the Proposed Development

Residential construction activity generated by the construction of social housing provides additional benefits not encompassed by the various benefits associated with transitioning people out of homelessness through provision of social housing. This Chapter provides high-level estimates of the economic benefits associated with the construction of the proposed development.

The economic benefits have been estimated according to the direct, or project specific outcomes. Further, indirect impacts are also assessed allowing for the effects of economic multipliers. These forecasts of economic impacts have been prepared with input-output modelling undertaken with reference and compliance to best-practice guidelines.

According to the analysis summarised in Table 3.1, the construction phase is expected to directly deliver:

- Full-time equivalent (FTE) employment of 10 construction-related jobs supported, assuming a 12-month construction phase.
- A total direct value-add to the economy of \$2.0 million.

Table 3.1 Economic Impact of Construction Phase of Proposed Development

	Direct	Indirect	Total
Employment (FTE)	10	50	60
Value Added (\$M)	\$2.0	\$5.8	\$7.8

Source: Ethos Urban analysis utilising data and information from ABS, National Accounts; ABS, Census of Population and Housing 2016; ABS, Labour Force Statistics Detailed Quarterly.

Figures have been rounded.

When the multipliers are taken into account, economy-wide effects over the construction program are forecast to be:

- Full-time equivalent (FTE) employment of 60 jobs supported, assuming a 12-month construction phase.
- A total direct value-add to the economy of \$7.8 million.

The construction program will deliver a boost to building and trades sector in Greater Shepparton, with wider impacts across the broader economy.