

How an innovative housing investment scheme can increase social and economic outcomes for the disadvantaged

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Apart from being perennially underfunded in a country recording rapid population growth, public housing policy is rarely innovative or exciting interest. There is a story, however, in Victoria that needs to be broadcast and given some fanfare. It concerns a social initiative by a volunteer group in the field of affordable housing aimed at the marginalised. It is a scheme, too, that receives little federal or state assistance yet its social and economic return is better than any government-funded housing project.

This paper has one basic premise: that investment in affordable housing for low-income women provides both micro and macro economic benefits for cities and communities. This is a practitioner paper that demonstrates the economic and social benefits of not-for-profit investment in social housing using the results of Social Return on Investment (SROI) research into the value produced by the volunteer and philanthropic group known as the Victorian Women's Housing Association (VWHA).

The Victorian Women's Housing Association (VWHA) was established in 1996 to exclusively develop innovative but affordable housing solutions for disadvantaged women and their children. VWHA's mission is to build and rent affordable and safe housing to disadvantaged and 'at risk' women and their dependents. To achieve this mission, the association collaborates with a range of funders and partners who have a passion for transforming the lives of women and their children. The key innovations in VWHA's approach include:

- Being the first community / social housing organisation in Australia to use the SROI assessment of the explicit and implicit value of the housing
- The first community housing developer to use borrowings to extend its ability to develop and build housing in the outer metropolitan suburbs of Melbourne
- Setting up a social investment fund for women and children to allow a sustainable resource pool for social housing construction and development which, in turn, reduces reliance on government funding.

VWHA is committed to measuring outcomes. In late 2009 VWHA commissioned Social Ventures Australia (SVA) Consulting to evaluate the outcomes of the investment in affordable housing by VWHA and its partners. The research aimed to provide investors and funders (current and future) of VWHA with data to indicate that their investments are used efficiently, effectively and achieve positive outcomes for women and their children. The VWHA continues to use the same investment approach and currently owns 65 properties housing 175 women and children.

SVA Consulting used a rigorous and accredited process to assess the SROI. The research approach and findings were verified in the United Kingdom by SROI Network UK which is the only global accredited SROI body. The SROI analysis, completed in early 2010, provided a rigorous and conservative measure of the impact of investment in VWHA projects at Roxburgh Park and Cairnlea, two outer metropolitan suburbs of Melbourne. These housing projects comprise 17 properties which housed 23 women and 29 children. Most of the women tenants in these properties came from situations of domestic violence or from the corrections system. The analysis found that four stakeholder groups gained positive social and economic impacts of the investment in affordable housing - the tenants, their children and families; investors in VWHA; federal and state government and community service organisations. Full details of the research and approach are provided in the body of this paper.

The SROI analysis outcomes at a glance.

- VWHA created \$30 million in value for its stakeholders and the Victorian community from an investment of \$7.45 million.
- VWHA delivers \$3.14 of social value for every \$1.00 invested.
- On average VWHA tenant households save \$7,179 a year because the VWHA's rents are affordable and lower than market rent.
- Applying the 3.14 ratio to VWHA's investment as at 30 June 2011 of \$18 million, the total value created for stakeholders and the Victorian community is \$74,520 million.

SOCIAL RETURN ON INVESTMENT (SROI) METHODOLOGY

SROI is a framework for measuring and accounting for a broader concept of value incorporating social, environmental and economic benefits. It is, therefore, a more layered, nuanced measure of economic cost benefit analysis. Perhaps it is more akin perhaps to Keynesian income expenditure multiplier which details employment benefits from a rise in government expenditure. When the Rudd government embarked upon its fiscal expansion to pre-empt the global financial crisis throwing Australia into recession it was estimated that the multiplier impact from these macroeconomic measures was around 1.5. The SROI puts a value on the amount of change (impact) that takes place as a result of the provision of a program and looks at the returns to those who contribute to creating the change. It estimates a financial value for this change and compares this value to the investment required to achieve that impact, resulting in an SROI ratio. SROI takes extends standard financial measures of economic return by capturing social as well as financial values.

The following principles guided the work for the VWHA SROI analysis which used a combination of qualitative and quantitative research:

Stakeholder perception	Understand the way in which the organisation creates change through dialogue with stakeholders
Scope and materiality	Acknowledge and articulate all the values, objectives and stakeholders of the organisation before agreeing which aspects of the organisation are to be included in the scope; and determine what must be included in the account in order that stakeholders can make reasonable decisions
Understand change	Articulate clearly how activities create change and evaluate this through the evidence gathered
Comparative	Make comparisons of performance and impact using appropriate benchmarks, targets and external standards
Transparency	Demonstrate the basis on which the findings may be considered accurate and honest; showing that they will be reported to and discussed with stakeholders
Verification	Ensure appropriate independent verification of the account
Financial proxies	Use financial proxies for indicators in order to include the values of those excluded from markets in the same terms as used in markets.

All Roxburgh Park and Cairnlea tenants were interviewed. The interviews were analysed and common impacts determined and then attributed a monetary value. To present a realistic and pragmatic view of the social benefits created directly by the Roxburgh Park and Cairnlea housing, project filters were applied prior to monetisation. The filter used was *attribution* which reflects the fact that the VWHA may not be wholly responsible for creation of the outcomes described by the stakeholders. Thus, to ensure that the value created by the housing is not overstated, value is attributed to other organisations or people who also contributed to the achievement of the outcome. For example, VWHA's housing partially contributed to tenants gaining employment. Whilst housing is a necessary precondition to gaining the stability associated

with being able to gain and retain employment, there are other factors and groups that, of course, contribute to achieving this particular outcome, particularly the employer.

The outcomes and associates attribution filters were divided into four categories and assigned a discount percentage as set out below

Outcome Category	Attribution Percentage %
• The outcome is entirely the result of other people or organisations	100%
• The outcome is mostly due to other people or organisations	75%
• Other organisations and people have a significant role to play in generating the outcome but, it was unclear the extent of their responsibility	50%
• The outcome is entirely the result of the VWHA investment	0%

The rigor of this analysis meant that the results of the SROI are extremely conservative in terms of the social and economic impact of this social investment in housing. They are certainly more austere than that attributed to the multiplier impact associated with the Rudd Government's fiscal stimulus program.

Sensitivity analysis and estimated market value of property

A sensitivity analysis was calculated to assess the extent of the SROI return. Three difference scenarios were used in the sensitivity analysis:

1. reduced property market value
2. reduced time period
3. changed employed outcomes

Table 1: Sensitivity Analysis

Variable	Baseline Assumptions	New Assumption	Adjusted SROI
Baseline			3.14
1. Market value of property reduced	Net value 7% increase pa	Net value 4% increase pa	2.67
2. Period of benefit reduced	20 years (2003-2023)	10 years (2003-2013)	1.04
3. Increase in employment	Number of women that gain employment = 6	Number of women that gain employment = 17	3.32

Using a 4% increase in net property values per annum versus a 7% increase in property values (indicated Table 1 above) the SROI index decreases from 3.14:1 to 2.67:1. The analysis suggests that a key driver of social value is generated by the increasing in value of the houses over time. The sensitivity analysis indicates that, irrespective of the level of market value increase of the houses, there is still significant social value creation. This implies that there is an opportunity to use the existing housing as equity for attracting further investment to build more houses.

The majority of outcomes have been assessed for a period of benefit of 20 years. A sensitivity analysis was calculated by reducing the duration of outcomes to 10 years. Changing the time period reduces the total social value generated to \$9,169,117 from \$30,369,565 and the SROI index decreases from 3.14:1 to 1.04:1 (See Table 1 above). This analysis suggests that even after 10 years the SROI index still stays above a 1:1 ratio and provides a positive return. The sensitivity analysis indicates that the longer the women and children are able to stay in stable and secure housing (either through VWHA or independently) the more value will be generated for stakeholders and the wider community. This tells us why long-term investment in social housing developments is essential.

The SROI only calculated the value of the outcomes for women based on evidence from interviews or those directly tracked by VWHA. One of the key generators of social value to the women was gaining paid employment. If we assume that all women, that is 17 as opposed to six, were able to achieve some form of paid employment at the minimum wage, then the social value created for women increases from \$3,143,609 to \$4,140,748 over the 20 year period. Additionally, the value to government in terms of reduced welfare

costs and increased taxes increases from \$9,006,922 to \$10,816,444. The SROI index thereby increases from 3.14:1 to 3.32:1.

THE MACROECONOMIC IMPACTS

Investment in affordable appropriate housing for women and children has multiple macroeconomic benefits:

- It contributed to the stimulus for the building and construction industry and employment, in the Federal Government's National Building Economic Stimulus Package of \$5.2 billion funding of social and affordable housing
- Contribution to the finance industry as VWHA used borrowings to partially fund construction
- Commensurate reduction in government expenditure on a range of services with investment in affordable housing.

The following table details the SROI achieved for the stakeholder groups that contribute to the affordable housing that VWHA provides to women and their children.

Table 2: Contributing Stakeholders Savings and Benefits

Stakeholder group	Value
State, federal and local governments benefit from savings resulting from avoided costs of homelessness, incarceration and through decreased welfare expenditure. They also benefit through increased taxes paid by tenants.	\$9,006,922
Investors in VWHA whose investment is returned through rental income and increases in the market value of properties.	\$16,108,875
Community Organisations provide support services for the women in the houses, e.g. Melbourne Citymission provides support and life skills programs for the women.	\$429,975
Total value (over 20 years)*	\$25,545,772*

A key macroeconomic outcome is the significant saving to government through the avoided costs of welfare and re-entry into correctional institutions.

Table 3: SROI Macroeconomic Impacts

Outcomes – Indicators	Value
Total for Government	\$9,006,922
Avoided costs of corrections <i>Cost of prison stay for 3 months</i>	\$1,781,250
Increased tax income due to tenants employed <i>Increased taxes and reduced welfare payments</i>	\$987,012
Increased taxes due to increased education <i>Additional salary earned as a result of increased education</i>	\$29,847
Avoided costs due to reduced drug/alcohol use <i>Reduced or eliminated need for drug treatment/counselling and rehabilitation</i>	\$760,000
Savings on future welfare expense for children i.e. secure safe housing prevents intergenerational poverty <i>Positive increase in children's confidence, academic performance, physical and mental health and family relationships</i>	\$1,398,267

Outcomes – Indicators	Value
Avoided costs of transitional housing <i>Prior to VWHA, women and their families had been reliant on emergency or transitional housing services average four times over 20 year period</i>	\$3,650,546
Levering off government funding <i>Debt and philanthropic funding to development and ongoing activities</i>	\$400,000
Investors through VWHA	\$16,108,875
Rental income on 17 houses <i>Rental income</i>	\$2,520,000
Income from sale of property at the end of the 20 year period <i>Estimated market value of properties</i>	\$13,588,875
Positive outcomes for women and their children <i>Captured in women and children outcomes</i>	\$16,108,875
Community Partners	\$429,975
Improved physical and mental health of women and their children <i>Reduced reliance on social workers through time</i>	\$429,975
Housing Developers	
Improved profile within community and increased employee morale <i>Increase in employee engagement</i>	Unable to be monetised because it was difficult to measure

Government Savings and Benefits

Avoided and reduced costs: corrections and prison / drug and alcohol services / transitional housing

The women in the Cairnlea housing had all exited prison at some point in the 18 months prior to entering the house. Some of these women had been in and out of prison over many years as each time they exited prison they found that they had few options but to return to the relationships and circumstances that supported their drug use and criminal behaviours.

Many of the women in the Cairnlea housing development were recovering addicts or alcoholics who had cleaned up their habits due to the secure and stable housing as well as the community organisations' support. The majority of the households currently residing in VWHA housing were in various types of transitional housing prior to being housed at Roxburgh Park or Cairnlea. Transitional housing is an expensive way to house at risk groups like those exiting situations of domestic violence, prison, or drug programs.

Increased tax revenue: tenant employment / participation in education

Six of the women tenants had entered into paid employment for the first time after they had moved into the housing. Also, three of the women gained higher education certificates e.g. TAFE certificates or diplomas after moving into the housing.

Future welfare savings: prevention of intergenerational poverty

The women interviewed who had children spoke of a series of outcomes that collectively provides strong evidence for positive outcomes in the future lives of the children living in the housing. The indicators for this future and positive social outcome are the following:

- Better mental health of children and children doing better at school
- Improved family environment for children as evidenced by improved family relations with parents, grandparents and extended family
- Improved feelings of stability, safety, comfort and happiness.

As well the improved material well-being of these families that ensures these children have enough to eat, are educated and clothed, and have a comfortable home life, are a strong contributing factors to the likelihood of the children avoiding future poverty.

Leveraging off government funding

In the two housing projects there was a portion of non-government funding provided by philanthropic donations and a bank loan. This represents a saving to state government.

Other benefits

The monetised SROI research results represent a lower limit upon the social value generated by the VWHA as a number of key value generators were not included due to limited data. These include:

- Providing direct economic benefits to the local community, including increased demand for goods and services which in turn provides increased local employment opportunities
- Generating social value to other householders i.e. other than the women and the children
- Value generated to developers for their employees, their reputation as well as additional local employment opportunities that may not otherwise have eventuated.

MICROECONOMIC IMPACTS

The impact of the housing for women and their children is best expressed by the women:

“This is the first time I have ever paid my bills on time and also take my kids to the movies. Something their mates at school are able to do all the time.” (VWHA tenant)
“My dad has never known me with a proper home to live in, and both he and I were proud when he first came to stay with me” (VWHA tenant)

All of the stakeholders interviewed stated that **housing is the foundation for women and their children who are trying to build a better life** after being affected by domestic violence or coming from a correctional institution.

A key finding is the **significant reduction in “next generation” poverty for the children** who live in VWHA houses. The SROI research reveals that the provision of long-term housing has a profound and lasting positive impact on the lives of the women and their families.

Table 4: Benefiting stakeholders

Stakeholder group	Social Value
Women tenants benefit from an increase in disposable income, improved independence, improved stability and safety, opportunities for further work and/or education, and feelings of comfort and happiness.	\$3,143,609
Children of tenants benefit from improved engagement at school and feelings of stability, safety, comfort and happiness.	\$1,680,184
Total social value (over 20 years)*	\$4,823,793 *

As well as social returns the women experienced positive economic impacts that can be monetised. These returns are substantial for the women increasing their economic capacity and ultimately their improving social standing as they increase their participation in every day social activities.

Table 5: Microeconomic benefits

Outcomes – Indicators	Social Value
Total for Women	\$3,143,609
Increased ability to purchase more food, clothes, entertainment, education, health services etc. <i>Increased disposable income</i>	\$2,318,763
Increase in education / training <i>Increase in stakeholders completed/completing TAFE/ other course</i>	\$102,473

Increase in employment <i>Stable employment since tenancy</i>	\$543,894
Improved independence <i>Purchase of cars, learnt to drive</i>	\$178,479
Improved family relations <i>Reunification of women with children, parents and extended family</i>	Unable to be monetised
Improved feelings of stability, safety, comfort, happiness <i>Increased pride in house and surroundings e.g. gardening and decorating house</i>	Unable to be monetised
Total for Children	\$1,680,184
Improved mental health of children <i>Increased confidence and strengthened relationships with family, school etc</i>	\$1,588,519
Improved academic performance <i>Reduced reliance on tutors and teacher's aide</i>	\$69,825
Improved family environment for children <i>Family does "normal" activities together on weekends / holidays</i>	\$21,840

Benefits for Women Tenants

Increased ability to purchase food, clothes, entertainment, education

All women interviewed reported that their ability to buy basic necessities for their families had increased, as a result of rent being capped at 25% of their income. The women stated that the affordability of the housing, enabled them to buy food, clothing, furniture and for other basic necessities such as paying bills. They also mentioned they had a little left over for small luxuries like a family outing every now and then, or recreational activities for their children or themselves.

One woman interviewed was happy that she could buy furniture for her home. Another woman spoke of how wonderful it was to be able to afford a few family outings, to give her children new experiences and "*an outlet for their boundless energy*". For some of the women interviewed, it was the first time in their lives that they had paid their bills regularly, and this was a point of pride for them, and helped them feel like a "regular" bill paying member of society. Comparing market rent to that charged by VWHA, the average household is able to save \$7,179 per annum.

Increase in education / training

Three of the women interviewed had gained or were in the process of gaining educational qualifications after moving into VWHA housing. The women linked their ability to further their education with the increased stability found in their lives after moving on from their old circumstances and into new housing.

Increase in employment

Six of the women interviewed were employed for the first time in their lives. All of these women linked their ability to gain and retain employment to the increased stability experienced in their lives post moving into VWHA housing.

Improved independence

Four of the women interviewed reported purchasing their first car after moving into a VWHA house. This was viewed by the women as an important indicator of their increased independence as a result of having secure and stable housing.

Benefits for Children

Improved mental health

Children that move into the VWHA housing have typically experienced or been exposed to numerous challenges including domestic violence or exploitation that have impacted upon their mental health. It was reported that the stable and secure housing has improved the overall mental health of children, increasing their confidence and strengthening their relationships with family, friends and teachers.

Improved academic performance

Two children from the households required additional educational support in the form of a teachers' aide, as a result of their schooling being interrupted by continuous location changes. It was reported that the stable, secure housing meant that they could stay in the same school and therefore, after a period of 6 months, reduce their reliance on teachers' aides.

Improved family life

It was reported that all children in households had experienced an improvement in their family life and "life at home" as a result of the housing. We assumed that by age 18, the children would have either vacated the households or not be as involved in family outings.

Real outcomes that cannot be monetised

In addition, the true social value of several outcomes (such as the significant contribution to preventing intergenerational poverty) are likely to be undervalued by only valuing the benefit of those outcomes that we know are being realised today e.g. improvement in mental health, improved education etc.

Improved family relationships

All of the women interviewed reported to have improved their relationships with family members after moving into the secure and stable housing. Prior to the housing many moved from house to house continuously, which resulted in them having little time to put into relationships and in some cases little ability due to geographic distance etc. While this value could not be quantified it is an important outcome experienced by all women. They also reported to have improved their feelings of stability, safety, comfort and happiness after moving into the secure and stable housing.

It is important to recognise other outcomes that could not be monetised¹ through the SROI evaluation including:

- **Increased feelings of stability, safety, comfort and happiness** - this was a key outcome that the tenant's spoke of when asked what were the main changes experienced after they moved into their new home.
- **'My home'** - all the tenants referred to their VWHA house as the foundation for their lives. One woman from the Cairnlea housing described her house as "her rock". Another woman described how having the house for her and her children, was an important first step to a whole suite of positive change for her in her life.
- **Improved family relationships** - tenants spoke of being reunited with children, parents and extended family through having a home. They also mentioned the increased happiness experienced in their lives as a result of the improvement in these relationships as well as the pride derived from having a nice home to which to invite their family.

Financial Return on Investment In Social Housing

The SROI methodology allows determination of the return on each \$1 spent on affordable housing by VWHA. The assessment here is that for every \$1 there is a return of \$3.14. This return, which is a conservative estimate, is based on an assumed impact over 20 years of housing. Even if the time period was reduced to 10 years the return on investment would be positive. The SROI reveals that the longer women and children have stable and secure housing at an affordable rent, the more social value (i.e. economic return) is created for them, for funders and for the community.

SROI Return Ratios

VWHA delivered an indicative SROI of 3.14:1.00 in FY 2008-09

3:14:1 =	<u>Total Present Value of Benefits</u>	\$23,385,706
	Investment Total Present Value	\$7,459,510

In absolute terms VWHA has added more than \$16million to the economy.

CONCLUSIONS AND IMPLICATIONS FOR THE FUTURE

The SROI evaluation of VWHA's housing has revealed the substantial economic and social returns delivered

¹ Because of the time and funding limits for this SROI research, a number of outcomes were not able to be measured using a financial estimate.

by long-term affordable housing. As an innovative, small, non-profit affordable housing provider, VWHA has made and continues to make a difference to disadvantaged women and their children. VWHA could not have delivered this significant social benefit to the Victorian community without its partners.

In addition, the unique nature of the VWHA model, of attracting a range of sources of investment, could lead to an increase in supply of housing, acting as a catalyst for further savings to government. This has not been fully quantified in this SROI report, however it would be possible to do so through the ongoing monitoring of outcomes.

Where women experiencing disadvantage have access to stable and secure long term housing, they are more likely to set goals to change their circumstances, recognise available support and stay motivated in their quest to become emotionally and economically self-sustaining, influencing positive change amongst the next generation. (Social Ventures Australia Consulting Report March 2010)

Key Conclusions

1. Not-for-profit investment in affordable housing has positive outcomes for cities, economies, communities, women and especially children.
2. Government investment in projects like the Nation Building Funding which can be utilised by not-for-profit social housing developers have positive and long-term impacts on macro and micro economic outcomes for cities.
3. Investment in affordable housing allows disadvantaged women and children to be part of the mainstream economy, have choice as consumers and participate in the economy.

The VWHA will continue to research the outcomes delivered through its investments in social housing. While the SROI research outcome is relatively conservative, stakeholders and potential investors can see from the results and that such research is fundamental and articulates clearly the positive long term impact of investments in affordable housing for women and their children.

The VWHA has continued to use the same social housing investment approach and currently owns 65 properties housing 175 women and children. Our objective is to build and develop at least 150 houses over the next three years. To ensure this VWHA has set up a social investment fund for women and children to create sustainable investment in social housing and reduce reliance on government funding.

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