Procuring for productivity

How do we account for the productivity benefits that investment in social housing can offer?

Dr Judy Kraatz

The effective and appropriate provision of social housing has become increasingly difficult in light of many governments’ ongoing fiscal constraints and the growing shortfall in affordable housing.

In Australia, the unmet need for social housing is currently estimated at 437,000 (bit.ly/socialaus); in the UK, the Guardian reported a national shortfall of more than 800,000 homes (bit.ly/UK1msocial) last year; in Canada there were 140,000 families awaiting rent-subsidised housing in 2015 (bit.ly/Canadawait); and a shortage of 5.3m affordable housing units was reported in the USA the same year (bit.ly/UNsocialrep).

These are not exceptions: it is clear that demand vastly surpasses current supply, so it is vital that an economically and socially sustainable framework for the provision of social housing is put in place.

Australian social housing research

To address this challenge, many innovative models are being explored around the world. Industry-led research by the Australian Sustainable Built Environment National Research Centre (sbenrc.com.au) from 2014 focused on collecting evidence to support investment by the public, private and third sectors. This research was funded and supported by SBEnrc’s core members, including BCC Australia, New South Wales Land and Housing Corporation, Queensland Department of Housing and Public Works, Western Australia Department of Communities, and Curtin and Griffith Universities. Project partners over this time included the National Affordable Housing Corporation and Keystart Home Loans.

This evidence aims to strengthen the policy environment for housing while providing an equal standing with other essential social and economic infrastructure such as schools, hospitals and roads.

The SBEnrc Rethinking Social Housing project of 2014–15 developed a productivity-based conceptual framework to enable a common understanding for later research (bit.ly/resochou). This consolidated more than 60 outcomes and 180 indicators into nine domains that have synergies with housing — namely, community and culture; economy; education; environment; employment; health and well-being; specialist or strategic housing; social engagement; and urban amenity.

Building on this, SBEnrc’s Valuing Social Housing project of 2015–16 developed a Strategic Evaluation Framework to identify attribution documentation and data sources for these indicators, along with a composite return-on-investment (CROI) approach, to address shortfalls in current ROI methodologies (bit.ly/valsochse).

The Procuring Social and Affordable Housing project then examined four parallel themes in 2017–18: social procurement approaches; housing typologies; changing demographics; and funding and financing approaches (bit.ly/procsochou). This research aimed to establish social procurement criteria that would help policy-makers to identify opportunities, some of them potentially latent, for additional social benefit from traditional asset procurement.

Improving national productivity is of interest at all levels of government. Understanding the broader productivity benefits of housing is proposed as a way of improving social housing supply. The positive impact of improved productivity in the design and construction of housing are already widely understood; but how do we account for the benefits that social housing investment can produce beyond housing?

There is a growing appreciation, as the Australian Housing and Urban Research
Institute puts it, ‘that housing outcomes may already be constraining national growth or imposing undue expenditure costs on other budgets’ – for instance, the effects of homelessness on health (bit.ly/makecomm).

This relationship between productivity and housing is considered in our SBEnrc research in terms of four objectives:

- tenant outcomes
- macroeconomic benefits
- fiscal benefits
- non-economic benefits such as improved social capital (bit.ly/rethinksochse).

**Strategic evaluation framework**

Based on this approach, SBEnrc researchers developed the 2015-16 Strategic Evaluation Framework to help collect further evidence for investment (bit.ly/valsochse). This incorporates the nine domains, desired outcomes, and more than 180 indicators from different disciplines with broad links to housing so as to better measure outcomes and articulate the community value of greater housing security. It also includes attribution guidelines, data sources, and the CROI approach.

As a part of this work, it was important to identify causal links or associations between housing and non-housing outcomes, and the impact of these on and for policy, for example, acknowledging that ‘the provision of public housing significantly reduces health service use’ (bit.ly/sochsehealth). Identifying percentage attribution – ‘the amount of the outcome that can be uniquely attributed to the designated programme or activity’ – is also necessary to monetise the broader return on investment (bit.ly/ravisocval).

There is considerable literature, in some cases dating back more than two decades, that identifies these links between housing provision and non-housing outcomes, including the US Moving to Opportunity programme (nber.org/mtopublic) and the Scottish Good Places Better Health model from 2008 (bit.ly/scotgplaces). Relevant sources were also identified, including statistical information, government data and longitudinal cohort-based studies. Some valuable examples include those associated with the Social Value Bank in the UK (socialvaluebank.org/#publications).

As a part of understanding this, SBEnrc researchers developed a CROI-based approach. There are already a number of ROI approaches, and it is argued that, while these provide information on economic costs and benefits, they neglect many social and environmental outcomes. The CROI includes four elements to address this.

1. **Social return on investment**: this is the ratio of impact to the amount of money invested, or an aggregated financial ROI for

**How do we account for the benefits that social housing investment can produce beyond housing?**

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[Image]
defined benefits to society that may accrue from provision of social housing.

2. Well-being valuation: this method, developed by the OECD, is now used in the UK to enable community housing associations to measure the effect of their investment, monetising the impact of the broader, non-housing benefits of access to housing on an average person’s well-being.

3. Value to the individual: personal stories can be used to understand the unique value and impact of access to housing.

4. Value of equity: comparing, understanding and aggregating the value different people place on social infrastructure helps us to understand the broader value to society of equitable access.

Social procurement criteria

In building on this research to develop the framework, SBEnrc researchers then went on to consider the strengths and weaknesses of various social procurement approaches for social and affordable housing in Australia. This was done in parallel with research into the changing demographics of social housing cohorts, the need for new housing typologies, and current and emerging funding and financing models. We then developed a set of social procurement criteria to help those who are responsible for policy development, and asset and service provision.

A range of social procurement approaches were identified that can address both the housing asset and social service dimensions required to make progress. These included:
- planning mechanisms such as inclusionary zoning and value capture
- public housing transfers and renewal
- housing remote Indigenous communities
- housing for those with a disability
- partnerships
- community housing provider models
- shared equity models
- cooperatives
- social impact bonds
- build-to-rent homes
- renovating vacant infrastructure
- the common ground model.

The social procurement criteria, as shown in Table 1, focus on leveraging additional social benefit in the course of procuring housing as a physical asset. They are intended to ensure expansive and agile thinking and to leverage opportunities, including those that are potentially latent.

There were a number of further findings from the research that established these criteria. First, a diversity of procurement approaches, and housing and tenure types are needed for differing locations, cohorts, legislative, and physical environments. Second, some jurisdictions will have higher levels of experience and maturity in certain approaches than others, and we need to understand the conditions for success. Third, a diversity of funding and financing approaches is required, embracing a greater role for social investment. Last, the benefits and impacts of housing are considered from a whole-life perspective with an understanding of how benefits accrue across the short, medium and long term.

Housing is transformational; it is critical social and economic infrastructure, and it is the platform from which people engage with family, the broader community and the economy. Developing procurement approaches that recognise and integrate social as well and economic returns and benefits can thus lead to greater social and economic stability.

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