

Issues Paper Series

THE CASE FOR INVESTING IN LAST RESORT HOUSING





The case for investing in last resort housing

Issues Paper No. 10, March 2017

About Melbourne Sustainable Society Institute (MSSI) Issues Papers

MSSI strives to inform and stimulate public conversation about key sustainability questions facing our society. Our Issues Papers provide information and trigger discussion about these issues. Each paper encapsulates the insights of a thinker or practitioner in sustainability. While MSSI endeavours to provide reliable analysis and believes the material it presents is accurate, it will not be liable for any claim by any party acting on the information in this paper.

Lead Author

Ellen Witte is a Senior Associate, Director and Partner at SGS Economics and Planning, a leading planning and economics firm whose purpose is to shape policy and investment decisions to achieve sustainable places, communities and economies. Ellen is a leading expert and commentator in the field of social and affordable housing. She has extensive experience in social, environmental and economic impact assessments, and financial feasibility studies.

Acknowledgements

This Issues Paper was authored by SGS Economics and Planning (SGS). A Project Steering Group also provided input for the study reported in the paper, and some members provided specific information for the report through personal communications, which is gratefully acknowledged. The Steering Group members were:

- Prof Brendan Gleeson, Melbourne Sustainable Society Institute, University of Melbourne
- Prof Carolyn Whitzman, Lead Researcher, Transforming Housing Research Network, University of Melbourne
- Dr Kate Raynor, Post-Doctoral Researcher, Transforming Housing, University of Melbourne
- Mike Lennon, Housing Choices Australia
- Dr Heather Holst, Launch Housing
- Rob McGauran, MGS Architects
- Robert Pradolin, Concerned Property Developer
- Dr Marcus Spiller, SGS Economics and Planning
- Patrick Fensham, SGS Economics and Planning

Citing this paper

Please cite this paper as Witte, E. 2017 'The case for investing in last resort housing', MSSI Issues Paper No. 10, Melbourne Sustainable Society Institute, The University of Melbourne.

ISBN: 978 0 7340 4951 3

Executive Summary

It's cheaper to provide last resort housing to homeless people than to leave them sleeping rough, a new cost-benefit analysis has found.

The analysis found governments and society benefit more than they spend by providing last resort housing to homeless individuals. This is mainly through reduced healthcare costs, reduced crime, and helping people get back into employment or education.

This comprehensive cost-benefit analysis was commissioned by a team of experts from the University of Melbourne, NGOs, and architecture firms. The analysis was conducted by consulting firm SGS Economics and Planning.

Key points:

The number of people sleeping rough in Melbourne's streets has increased by over 70% in the last two years. Homelessness is now at emergency levels. Key causes are the unaffordability of housing, people escaping domestic violence and a structural lack of social housing.

There has been a reduction in the supply of "last resort housing". Last resort housing refers to legal rooming and boarding houses, and emergency accommodation.

On average, more than 40 requests for last resort housing are turned down across Victoria every day.

Our analysis shows that the government providing one last resort bed will generate a net benefit of \$216,000 over 20 years. That averages to a net benefit of \$10,800 per year.

The majority of those benefits (75%) flow to society and the remainder to the individual.

For every \$1 invested in last resort beds to address the homelessness crisis, \$2.70 worth of benefits are generated for the community (over 20 years).

In other words, the benefits of providing last resort housing outweigh the costs. There is much to gain in economic and social terms, both for government and society, by assisting the homeless.

This is because if homeless individuals find stable accommodation they require less healthcare and fewer emergency admissions, and they are less likely to be involved in crime (both as victims and perpetrators). They are more likely to reconnect with employment and education. Homelessness also incurs property blighting and nuisance costs. Importantly, last resort housing can greatly improve the quality of life of individuals.

Our analysis shows that the form of last resort housing which makes the most sense economically is the construction of new, permanent stock – especially medium to large-sized facilities. Converting existing buildings, and subsidising private rentals, are both worth considering as well especially in the short term.

The commissioning team calls on governments to build more new, permanent last resort housing to help the homeless, because the benefits outweigh the costs. Existing last resort housing should be protected and maintained. These are issues for local, state and federal governments.

The commissioning team hopes the research presented in this report will be used to develop stronger business cases for - and ultimately generate substantial investment in – last resort housing.

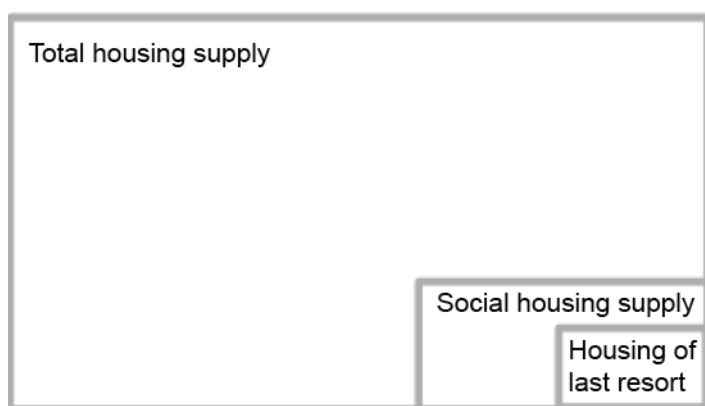
Introduction

Melbourne is experiencing a surge in homelessness. The number of people sleeping rough in Melbourne's streets has increased by over 70% in just two years (2014-2016) according to City of Melbourne street counts (2016). The reason is two-fold; there has been an increase in pressures that contribute to homelessness, in tandem with a reduction in the supply of last resort housing.

Evidence shows that the supply of government funded or community run last resort housing for those most at risk continues to decrease in inner Melbourne. This is happening in an environment where the demand for this type of housing, aimed at preventing people from sleeping rough, is on the rise. Some of the key drivers of increased demand are family violence, mental health issues, substance abuse, and an inadequate supply of social and affordable housing; together these factors create, what Victorian Housing Minister Martin Foley described as a 'perfect storm of events' culminating in an increase in rough sleepers (Lucas, 2016).

Even when excluding these exacerbating drivers, the sheer fact is that the supply of last resort housing for those most at risk has not kept pace with even average population growth (which can be seen as a minimum provisioning target). The system providing housing of last resort is failing and is by no means able to meet the needs of those most at risk.

We contend that even in a well-functioning housing market with adequate investment in social housing, there will be a need for a stock of last resort housing to cater for those people who, for a wide variety of reasons, find themselves in need of emergency or crisis accommodation. Of course, if the housing market is dysfunctional and there is structural inadequacy in social housing investment (both conditions arguably being in full force as we write), the demand for housing of last resort will inevitably escalate from a notional equilibrium level.



Against this background, this paper is narrowly focussed on the adequacy of last resort housing in Melbourne and the economic merits of investing in this sector. However, investment in last resort housing—as necessary as it is—should not be mistaken as the solution to Victoria's affordable housing challenge. Many other policy settings need to be addressed, not least of which is restitution of base load funding for new social housing.

This Issues Paper provides a summary case of the supply and demand drivers of homelessness and why expanding the supply of last resort housing in Melbourne is required. A preferred strategic option to address the crisis is then identified. The preferred option identified by the paper focuses on providing a new purpose designed permanent stock of rooms/units, to address the critical under supply.

The paper then provides an outline and quantification of the economic benefits of addressing home-

lessness for the entire community including health cost savings, reduced crime, improved human capital, community pride and social justice, avoided property blighting, volunteering benefits and economies of scale and scope in the last resort housing sector. The quantification of these benefits, compared to the likely costs, resulted in a benefit per bed of \$216 600 net present value (NPV), and a benefit cost ratio (BCR) of 2.7 over twenty years. A BCR of 2.7 means that **for every \$1 invested in last resort housing beds to address the homelessness crisis, \$2.70 worth of benefits are generated for the community.**

It is intended that this Issues Paper can be used to guide and support business case development for last resort housing and related initiatives by demonstrating that the benefits of supporting the homeless actually outweigh the costs of providing the beds in purely economic terms, let alone approaching the issue from a human justice standpoint.

Defining homelessness

The City of Melbourne uses a definition of homelessness developed by the Australian Bureau of Statistics (ABS) in 2012. The ABS describes the complexity of homelessness from a ‘social policy and service delivery perspective’ and acknowledged there are a wide range of views on what constitutes homelessness.

The ABS’ current cultural definition of homelessness is ‘informed by an understanding of homelessness as *home*-lessness, not *roof*-lessness’. As such, the definition rests upon a number of core elements considered to constitute a dwelling which include the following; a sense of security, stability, privacy, safety, and the ability to control living space.

The ABS definition is based on the expert opinion of Melbourne academics Chris Chamberlain and David MacKenzie (1992) who categorise homelessness into three categories:

- Primary homelessness: People without conventional accommodation. Includes people living on the streets, sleeping in derelict buildings or using cars for temporary shelter.
- Secondary homelessness: People who move frequently from one form of temporary shelter to another. This category covers people accommodated by homeless services, people residing temporarily with family and friends and those using boarding houses on an occasional basis.
- Tertiary homelessness: People who live in boarding houses on a medium to long-term basis. This type of accommodation typically does not have self-contained rooms and residents share bathroom and kitchen facilities. Boarding house residents do not have the security provided by a lease.

According to the Australian Institute of Health and Welfare’s *Specialist Homelessness Services 2015-16* report, which analyses client characteristics of specialist homelessness services, between July 2015 and June 2016 it was estimated that 105 287 people accessed homelessness services in Victoria (AIHW 2016b). Of these people 7.2% (or 7600) were in a situation of primary homelessness; 30.8% were considered as being secondary homeless relying on short term accommodation and couch surfing. The remaining 62% were living in private or other housing (renter, rent free, or owner) but considered at risk of slipping into homelessness or, alternatively, were in long term boarding houses or similar and considered as tertiary homeless.

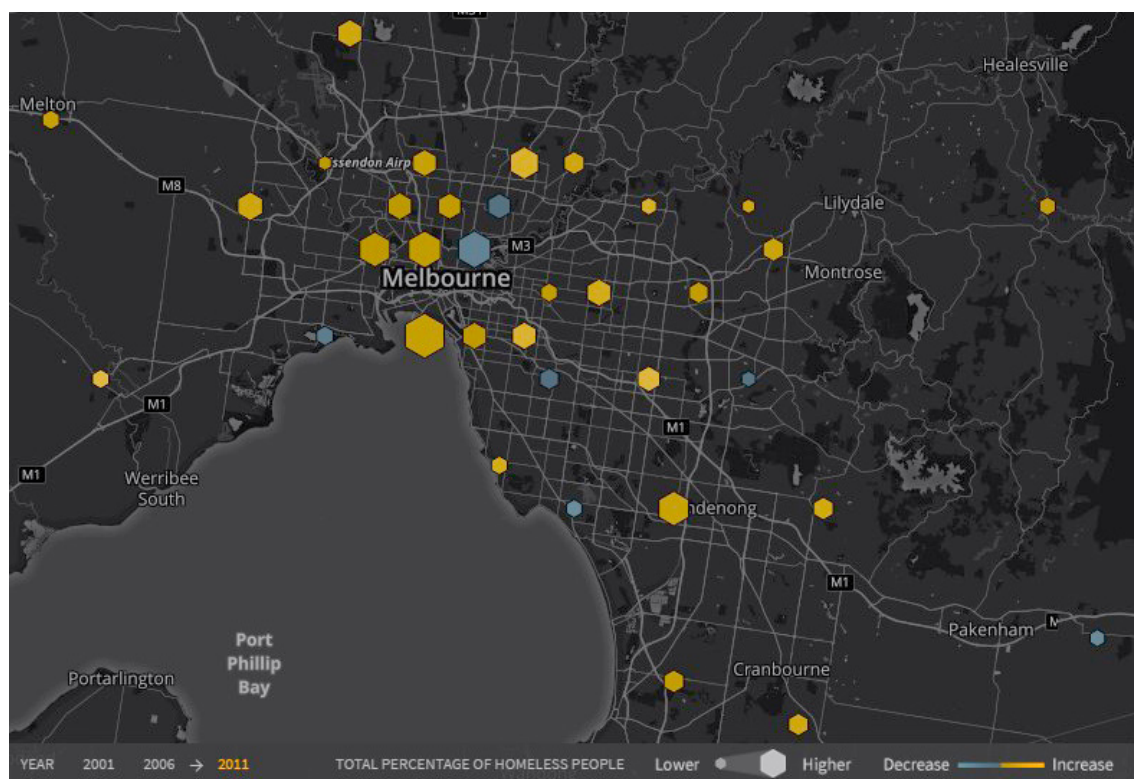
This paper largely focusses on addressing primary homelessness, with some attention paid to addressing secondary and tertiary homelessness as a means to ease pressure on services. Having significant numbers of people sleeping rough in Melbourne is clearly unacceptable and needs to be addressed with some urgency, and hence is the focus.

Homelessness is increasing

The number of Victorians accessing homelessness services has been increasing, in 2011-12 it was estimated there were 86 150 people accessing services compared to the 105 287 in 2015-16 (AIHW 2016b). That's an increase of 22% in four years. In recent years there has also been a spike in the level of primary homelessness in inner Melbourne, specifically in regards to the number of people sleeping rough. The increase is beyond what one would expect based on population growth alone.

The figure below from the ABC Homeless Australian Fact File (2016) shows how patterns of homelessness have changed between 2006 and 2011 in Melbourne. It reveals the growth in the numbers of homeless not only in the inner suburbs but across the metropolitan area. The growth of homelessness in inner Melbourne is particularly noticeable.

Figure 1. Most affected areas in metropolitan Melbourne (2006-2011).



Source: ABC (2016), 'Without a Home Fact File', Mapbox (2016), OpenStreetMap (2016).

In fact, it is increasingly evident that homelessness in central Melbourne has now reached *emergency levels*, with welfare agencies no longer able to meet the surging demand for housing.

There are a number of contributing and often overlapping factors, including family violence, mental illness, disability, drug and alcohol abuse, and marginalisation of vulnerable groups including Indigenous Australians, asylum seekers, and young people transitioning out of foster/temporary care. Alongside these contributing factors there has been the closure of existing rooming houses and cuts to domestic violence refuges in metropolitan Melbourne. This has had a significant impact on the number of people living out on the street. On a broader level, an increasing shortage of social and affordable housing continues to limit pathways for people in crisis or in other short-term housing, into housing with a more secure tenure.

Based on ABS Census data, the City of Melbourne's *Pathways: Homelessness Strategy 2014-17* estimated a total of 1232 homeless people in the City of Melbourne in 2011. Given wider trends across Victoria since 2011 (Dow 2014), it is likely that this number has grown significantly since this estimate.

The City of Melbourne's Streetcount 2016 found a total of 247 people sleeping rough in the parks and streets of the Melbourne municipal area (see Table 1). This reflects a steep rise from the 2014 count, which recorded 142 rough sleepers. It was further found that 75% of rough sleepers in the municipality had slept or were sleeping in the central city. AIHW (2016b) data shows that 62% of people in Victoria seeking assistance for homelessness are female, however, the vast majority of rough sleeping people were male.

Table 1. Street count numbers, City of Melbourne (2008-16)

Year	Male	Female	Unknown Gender	Total
2016	195	35	17	247
2014	102	20	20	142
2012	87	14	0	101
2011	81	13	11	105
2010	72	14	15	101
2009	51	13	11	75
2008	78	16	18	112

Source: City of Melbourne Pathways Homelessness Strategy 2014-17; City of Melbourne 2016.

Drivers of homelessness

There is a general academic consensus that homelessness is caused by an interaction of individual risk factors and adverse structural conditions (Wood et al. 2015). These are described below, separated into *demand* and *supply* factors.

Demand side factors

Affordability and financial difficulties

Of all people accessing homelessness services in Victoria, 39% had reported having financial difficulties, 23.9% were experiencing inadequate or inappropriate dwelling conditions, and 21.6% were experiencing housing affordability stress (AIHW 2016b). All of these can, in some way, be related to economic hardship.

Of people accessing homelessness services in Victoria, 36.7% reported that they were unemployed, and 51.3% reported that they were not in the labour force. Another 11.9% reported that they were employed in some capacity (AIHW 2016b).

It has been suggested that cuts to support payments, including disability support, have contributed to rising financial difficulties for low income earners.¹

In 2016, the *Poverty in Australia* report indicated that a number of social security payments fell significantly below the poverty line (Social Policy Research Centre 2016). The report found 36% of people receiving social security payments were living below the poverty line, including 55% of those receiving Newstart Allowance, 52% receiving Parenting Payment, 36% of those receiving Disability Support Pension, 24% receiving Carer Payment, and 14% of those on the Age Pension.

Family violence

In 2015-16, 33.8% of people requesting homelessness services in Victoria were escaping domestic or family violence. This represents 35 383 clients. Related to this is the fact that 32.9% of clients seeking assistance—the largest group—are single parents with children (AIHW 2016b). The AIHW data also shows that the number of Victorians seeking assistance who are experiencing domestic and family violence has grown by 43% since 2011-12. This, however, does not necessarily indicate an increase in the incidence of domestic and family violence, just more people seeking assistance. It has been largely attributed to a greater awareness around the issue, dubbed by some as the *Rosie Batty effect*.²

Past abuse can also play an ongoing role in people's experience of homelessness. A 2013 City of Melbourne-commissioned research project found that many rough sleepers had experienced some form of abuse as young people. Of the 24 people interviewed, 70% said that 'they were sexually or physically abused as children, often for long periods of time and in many occasions by family members' (Dow 2014).

Other factors

There are several other demand side factors that can contribute to homelessness. These include discrimination, poor physical or mental health, intellectual disability, drug and alcohol abuse, gambling, and family or relationship breakdown (AIHW 2016a). Addressing failures in the healthcare and aged care system, including the adequate and effective management of drug and alcohol abuse and other health-related issues, could assist in mitigating factors that contribute to homelessness.

Supply side factors

There are various supply oriented or structural factors that interact with the above-mentioned issues to influence or exacerbate the rate of homelessness.

Supply of last resort housing

Last resort housing consists of legal rooming and boarding houses, emergency accommodation, and transitional housing. It provides low cost rental accommodation where occupants have the right to occupy a room and make use of shared facilities. Last resort housing is for those at risk of homelessness and is generally regarded as a temporary form of accommodation from where residents can transition into long term secure tenancies.

Community housing programs in Victoria can be broken into two main categories: long term housing and short to medium term housing. Generally, short to medium term housing provides crisis and transitional accommodation for a period of one night to over 18 months, while long term housing can offer secure and affordable housing to tenants for many years.

In Victoria there is an unmet demand for both categories of housing. For last resort housing, 28.8% of requests for short-term or emergency accommodation assistance are unmet, on average around 42 a day (AIHW 2016b); in 51% of cases it was because the agency had no accommodation available, and 9% were turned away due to lack of available staff. On average across Australia 47% of people who were unable to access services initially went on to access homelessness services later in the year, the outcomes for the remaining 53% are not known, they may have received assistance from a non-specialised homelessness service, used their own support networks or continued to experience unstable housing (AIHW 2016b).

The gap between the supply and demand of last resort housing places appears to be widening. Over the last three years Melbourne has lost about 460 last resort housing rooms and there are another 110 at risk of closing in the short term, as shown in Table 2. The number of people sleeping rough is increasing rapidly and homelessness is now an integrated part of the streetscape and public open

spaces. The main driver of falling supply in inner and middle urban areas is the increase in land value and the redevelopment of potential sites occupied by rooming houses.

Table 2. Closures of last resort housing

Rooming House	Address	Date of closure	Number of rooms lost
Fawcner Mansions	Punt Rd, Prahran	June 2013	47
Fawcner Mansions (after partial reopening)	Punt Rd, Prahran	June 2014	20
Half Moon Caravan Park	Brooklyn	January 2016	54
Bethel	Oakleigh	May 2013	50+ family units
Centred Housing	Glen Eira	March 2014	8-10
Punt Road RH	South Yarra	March 2014	15
Queen Street RH	Melbourne	August 2015	6
Tennyson Street	Elwood	December 2014	30+
The Hub	Fitzroy	March 2011	100
DDDs	Fitzroy	Dec 2014	45
Hobsons Bay Caravan Park	Williamstown	December 2015	40
Elwood Sands	Elwood	December 2015	30-40 (estimate)
The Gatwick	St Kilda	Not yet closed	80 (100-120)
Meryula	St Kilda	Not yet closed	40
TOTAL			~ 570

Source: Heather Holst, personal communications 2016

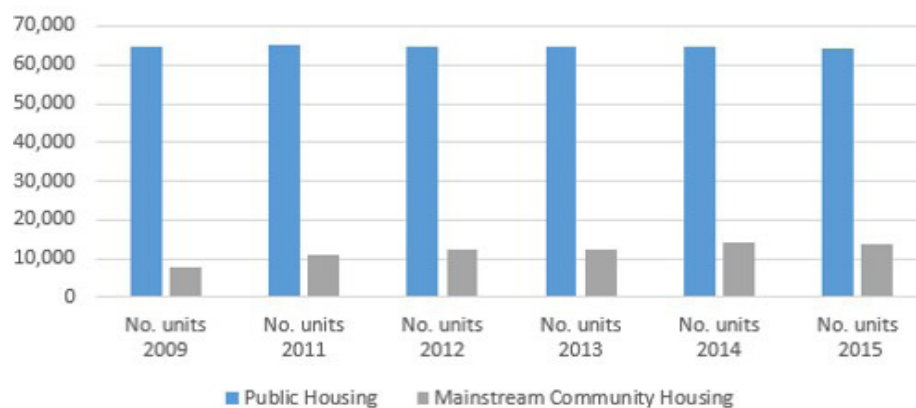
Minimum safety and tenancy standards for last resort housing have also driven operating costs up, especially where it involves old stock that has not been maintained or renewed. Increasingly, those at risk are driven into illegal, unregistered rooming houses that do not satisfy quality standards, are often overcrowded and where rents are high. The key problem is the lack of supply of last resort housing that meets minimum standards which is accessible—and affordable—for those at risk of sleeping rough.

The social housing system as a whole

Although this paper does have a focus on last resort housing for primary homelessness, the social housing system does need to be thought of as an interrelated whole. For example, by increasing supply of long term solutions, people can transition out of short term and crisis accommodation more quickly, creating more space for rough sleepers in emergency accommodation. In Victoria, unmet demand is even higher for longer-term solutions than last resort housing; 51.9% of requests for transitional and medium term housing are unable to be met, rising to 69.5% for long-term housing (AIHW 2016b).

The social housing stock in Victoria has not grown in recent years and is trailing behind substantial population growth. Whilst the population of Victoria has grown from 5.44 million in 2009 to 5.97 million in 2015, an increase of around 10%, there has been no corresponding growth in the supply of public housing, as shown in Figure 2.

Figure 2. Social housing stock, Victoria 2009-2015



Source: Michael Lennon, personal communication 2017

Analysis by SGS using ABS (2011) Census data, as shown in Table 3, calculates the indicative supply of social housing needed in Victoria. Column two of the table shows the total households that were experiencing either homelessness, crowded dwellings, or rental stress as reported in the ABS (2011) Census. Column four provides an assumption on the percentage of a particular group who are likely to need access to social housing; this varies from the highest need households—where 100% of the households in the group will require access to social housing—to the lowest relative need households, 70%.

Column five then provides an overall minimum supply target of social housing by adding the social housing need of each group with the existing households already accommodated in social housing (80 705). This reveals that the total supply of social housing should be around 205 840 dwellings. This equates to a minimum supply needed equal to around 10% of the number of all households.

Further research would be required to determine an accurate percentage for target setting. This is an indicative estimate only. It is also worth noting that the ABS Census data would likely under-represent the number of homeless in Victoria as the census count only applies to those with a street address where they can access mail. Therefore, the census would often fail to capture data for rough-sleepers.

Table 3. Indicative social housing supply need in Victoria

Household Type - Priority for Assistance	Total households (2011)	Percent of all Households (2,031,227)	Minimum target % social housing	Minimum target	Percent of all households
Homeless households - Improved dwellings, tents or sleeping out (2011)	1,092	0.1	100%	1,092	0.1
Homeless households - Supported homeless accommodation, staying with other households, boarding houses, temporary lodging, severely crowded dwellings (2011)	8,532	0.4	90%	7,679	0.4
Marginal households - other crowded dwellings, improvised dwellings, caravan parks (2011)	6,534	0.3	85%	5,554	0.3
Low income rental households in severe rental stress (2011)	62,977	3.1	80%	50,382	2.5
Low income rental households in rental stress (2011)	86,326	4.2	70%	60,428	3.0
TOTAL SOCIAL HOUSING NEED	165,461	3.9	n/a	125,135	6.2
<i>Total plus existing social housing dwellings 2014 (80,705)</i>	<i>246,166</i>	<i>12.1</i>	<i>n/a</i>	<i>205,840</i>	<i>10.1</i>

Source: SGS Economics & Planning, based on Census of Population and Housing 2011.

These indicative estimates are supported by Infrastructure Victoria (IV) (b 2016), who have identified that between 75 000 and 100 000 vulnerable, low-income households are not having their housing requirements appropriately met. This includes an estimated 4000 to 12 000 people currently living in rooming houses and caravan parks.

IV importantly have made investing in social housing, and other forms of affordable housing, one of their three most important actions for government to take in the short to medium term, to significantly increase supply. They stress that for ‘vulnerable Victorians facing a range of physical, psychological, social and economic barriers, there is a clear need to provide better access to housing now and over the coming decades’. (IV 2016b, p. 98). In reference to last resort housing in particular, IV stress that there is a need to expand access to crisis accommodation and supportive housing responses within 0-5 years.

Government initiatives to boost supply

While there are a number of state and federal funding initiatives and not-for-profit programs in place to assist in tackling the homelessness issue (key initiatives are described below), most support the operations and coordination of existing homelessness services rather than providing capital funding for the increase in supply or condition of affordable, social and last resort housing stock. With the natural attrition of crisis accommodation and deterioration of existing social housing dwellings, the supply of housing stock for those in need cannot meet growing demand. The current National Partnership Agreement on Homelessness (NPAH) was set to expire in June 2017 but has received a one year extension from the Federal Government after fears were raised that the program ending would have significant human consequences (Belot and Iggulden 2016). The long-term future of the program however remains in limbo with homelessness support groups calling for a long term extension and certainty, as opposed to continued short-term rollovers of funding (Belot and Iggulden 2016).

The following table provides a description of various state and Commonwealth funding initiatives concerned with addressing the issue of homelessness.

The Community Housing Association of Victoria (2016) reports that the current Victorian Government views housing affordability as a very serious and growing issue and has embarked on a process to develop a comprehensive strategy that addresses everything from social housing to renting policy to affordable housing options for first home buyers. This strategy, *Homes for Victorians* was released in March 2017 and addresses homelessness under Initiative Five *Improving housing services for Victorians in need* (State of Victoria 2017), as outlined in Table 4.

Table 4. Funding initiatives to address homelessness

Initiative	Description
National Partnership Agreement on Homelessness (NPAH)	The NPAH is an initiative whereby the Commonwealth Government provides funding to be matched by states and territories. In the 2015-17 NPAH, \$230 million is being provided by the Commonwealth over a two-year period. Current funding levels total nearly \$250 million per year being directed to around 800 homelessness services around Australia.
<i>Established July 2009</i>	The purpose of NPAH is to fund frontline homelessness services. It prioritises the provision of frontline services to women and children experiencing domestic and family violence and homeless youth. States and territories are responsible for determining the location of services, choosing and contracting service providers and the level of funding given to each service provider. It is estimated that NPAH assists more than 80 000 people each year.

Table 4. continued...

Initiative	Description
National Affordable Housing Agreement (NAHA) <i>Established January 2009</i>	<p>The NAHA is a COAG-based initiative to address housing unaffordability for low and moderate income households. It is one of six National Agreements in various sectors.</p> <p>The Commonwealth Government provides \$1.3 billion per annum to states and territories through the National Affordable Housing Agreement. This includes around \$260 million for homelessness services.</p> <p>The Housing Establishment Fund (HEF) is a Victorian Government initiative that follows NAHA. It is a grant program provided by homelessness housing and support agencies to assist eligible clients to access and/or to maintain private rental housing, or to access emergency short-term accommodation. It is also used for other assistance relating to relocation and establishing housing.</p> <p>The HEF funds the Transitional Housing Management Program provides accommodation for up to 12 months (18 months for young people) to people who are homeless or at risk of homelessness.</p> <p>Formerly known as the Supported Accommodation Assistance Program, the Homelessness Support Program is also funded by the HEF. It was established in 1985 to consolidate a number of Commonwealth and State/Territory Government programs assisting homeless people, including women and children escaping family violence. The Housing Support Program assists homeless people and those at risk of becoming homeless by providing crisis and transitional support and a range of related support services. Approximately 1300 not-for-profit organisations are funded under the program.</p> <p>The NAHA scheme is set to be abolished in 2017 by the Federal Government with the program having not lead to improvement in the provision of affordable housing or a reduction in the number of people sleeping rough (Benson, 2017). The Australian Council of Social Services, and the social housing sector more broadly, have expressed alarm at the announcement arguing the scheme provides critical funding for homelessness services and its abolishment at a time when people living on the streets is at crisis level makes no sense (ACOSS 2017).</p>
National Rental Affordability Scheme (NRAS) <i>Established 2008</i>	<p>NRAS is a Commonwealth Scheme to increase the supply of new and affordable dwellings. It provides an annual financial incentive for up to 10 years to housing providers who provide private affordable rental dwellings at least 20% below market rates.</p> <p>Across Australia, 137 housing providers, including property developers, not-for-profit organisations and community housing providers, participate in NRAS. Given the scheme specifically targets low to moderate income Australians, NRAS tenants must meet income eligibility criteria.</p>
Victorian Government's 'Homes for Victorians' strategy <i>Released March 2017</i>	<p>The Victorian Government has released the <i>Homes for Victorians</i> strategy which stresses that the Victorian Government is willing to play its part in 'helping people to buy their first home, increasing housing supply, creating a more stable rental market, upgrading social housing and improving services for Victorians looking for a home.' (State of Victoria 2017, p. 3)</p> <p>In regards to homelessness in particular, Initiative Five of the strategy aims to improve housing services for Victorians in need (State of Victoria 2017). This includes:</p> <ul style="list-style-type: none"> – A commitment of \$109 million over 5 years to move the homeless to stable housing. This investment is estimated to help 19 000 people who are homeless or at risk of being homeless, over the next five years. – The <i>Towards Home</i> rough sleeping package which commits \$10 million over two years, largely in response to the rise in the number of people sleeping rough in inner city Melbourne. – \$152 million over three years for family violence housing measures including redeveloping four existing family violence crisis refuges and providing 24-hour staffing at up to six family violence refuges. – The Government is acting to strengthen oversight and provide funds to upgrade the often run-down premises being used as rooming houses, the investment totals \$30 million dollars over three years. – \$100 million over four years for the Victorian Property Fund.

The City of Melbourne recognises the issue also with *Pathways: Homelessness Strategy 2014–2017*, identifying an intention to support its housing initiatives in the central city both for young people and adult target groups including:

- short term accommodation
- Housing First/Supportive Housing
- women specific housing

The strategy states the intention to focus efforts upon people in the primary and tertiary categories (sleeping rough or living in boarding/rooming houses) in the City of Melbourne. This is seen as an area where the City can ‘make a difference’, given other levels of government are better suited to address secondary homelessness issues (with temporary or crisis accommodation and so on). Census 2011 data shows that these cohorts account for more than 60% of the municipality’s homeless population. There is a requirement for Council to support development and implementation of new housing models and initiatives to expand the availability of affordable private rental stock, some of which is targeted at people experiencing homelessness. The responsibility of addressing homelessness by the Council is also reflected in the Council’s community lead *Future Melbourne 2026 Plan*, which places supporting the homeless as a key priority.

Private market supply

In the private market, housing is becoming increasingly unaffordable, and very low income households are pushed beyond the margins of the market. In inner city areas including the municipalities of Melbourne, Yarra, Port Phillip and Stonnington, less than 2% of rentals are affordable to low income earners (Dow 2014). The Poverty in Australia report 2016 highlighted the ‘urgent need to redouble efforts to tackle entrenched poverty’, as the cost of rent can comprise a significant proportion of a person’s income and be ‘crippling’ (Social Policy Research Centre 2016, p. 16).

A perverse market response to housing unaffordability is an increase of privately run, unregistered, overcrowded boarding or rooming houses. These dwellings are converted buildings where space is partitioned into small bedrooms and rented out, with kitchens and bathrooms shared communally. Size ranges from smaller four or five bed properties, through to converted large buildings, such as warehouses, old hotels or factories, that can have upwards of 50 beds. A study by Chamberlin (2012) found that there had been a large growth in the registered and unregistered rooming house population in Melbourne: from roughly 3700 people in 2006 to about 12 500 people in 2011, with most of this growth occurring in suburban Melbourne.

Residents of rooming houses can be considered as either secondary or tertiary homeless. Rooming houses do provide shelter, however, they do not offer the security of a lease, can often be intimidating or unhygienic places to live, do not have the on-site access to services of government/community emergency housing, and can often still be expensive. Chamberlin (2012) found that ‘many people are shocked when they first go to a rooming house’ and that ‘boarding house accommodation is significantly below the community norm of a self-contained flat’, meaning that the quality of the accommodation is below what would normally be found acceptable by the community (Chamberlin 2012, p. 46).

The increase in unregistered rooming houses found by Chamberlin (2012) isn’t a reflection of the private market creating a solution that eases homelessness; instead it should be regarded as a symptom of the deteriorating situation in regards to the affordability of housing, with privately run rooming houses often the final step before outright primary homelessness. People living in rooming/boarding houses do not have suitable accommodation and the majority still need long-term assistance.

Strategic Responses

How to respond to homelessness has posed challenges to policy makers and the housing sector, with debate surrounding the best methods and strategies to overcome homelessness in the long-run. ‘These debates centre on the nature of the housing required, the form of support services that people need to exit homelessness permanently and the extent to which support should precede or follow the provision of housing. (AHURI 2012, p. 2).

One argument is that the priority should be providing stable permanent housing to homeless individuals, this approach is known as the *Housing First* approach. This approach moves chronically homeless individuals from the street into permanent housing as quickly as possible. Once in housing further services are provided as needed to assist individuals maintain their housing and work towards resolving any personal issues. Permanent housing is the priority, and then the services follow.

The Housing First approach differs from the *Pathways Approach*, which has traditionally been the prevailing way of thinking when tackling homelessness. The Pathways Approach in the first instance tackles the immediate crisis by providing services (with or without permanent housing), before the transitional response, and finally onto long term housing.

Although a Housing First approach has significant merits, it is not the only solution, nor the short term solution, to the homelessness crisis. With its long and growing waiting lists and insufficient supply, social housing is currently focussed on meeting the needs of those most at risk and thereby effectively becoming a Housing First approach. To keep rough sleepers off the street and help them transition into more permanent housing, a minimum supply of last resort and temporary emergency accommodation, and the related immediate services, will always be required.

Proffered response

To address the shortfall of last resort housing in Melbourne, there are two possible strategic directions:

- increase and maintain the supply of last resort housing
- enhance the efficiency and usage of existing last resort housing

In regards to the second direction (enhance efficiency and usage) it should be noted that significant services exist, mostly funded under the NPAH, that aim to connect homeless people and people at risk of homelessness to accommodation. If people are turned away from shelters, it is due to no beds being available (ie supply constraints) and not so much an inability to operate the facility to its optimal use.³

SGS conservatively estimates the minimal supply of last resort housing units should be 0.8% of total housing stock in Victoria, as calculated from Table 3. In addition, there is a need to at least maintain the current supply of last resort housing to ensure the gap does not increase further.

Six strategic options for delivering an adequate stock of last resort housing have been identified by SGS. The first involves the usage of temporary last resort housing. This may involve the usage of temporarily vacant buildings or relocatable homes. While temporary at a specific location the program would be structural, continuously benefitting from temporarily vacant buildings and land.⁴ The option involves government funding for the relocatable units and relocatable fitouts, with private sector and not-for-profit sector support in the setting up and servicing of the units.

The second strategic option involves the conversion of existing buildings and repurposing for permanent last resort housing. The buildings would involve existing private sector, government and/or not

for profit stock. The option involves government funding for the conversion while other parties, such as local government, contribute properties.⁵

The third option is using existing private rental stock for temporary last resort housing. The annual funding would address the gap between market rent and affordable rents for last resort housing.

The fourth option involves the development of new, purpose designed stock of last resort housing. The new stock would meet or exceed quality and safety standards and be designed in a way to optimise usability, maintenance and serviceability.

An initially considered, but dismissed, strategic option involved the transfer of excess public land to community housing providers for the development of last resort housing. Transfer of public land is generally confronted by a range of complexities making the practical transfer unlikely and an onerous process.

Table 5. Summary of strategic options

Strategic options	
1.	Temporary housing - using buildings that are temporarily available at sub-market lease
2.	Conversion - conversion of existing private and public buildings or underutilised government owned land to permanent last resort housing
3.	Subsidised private sector rental - providing subsidies to private suppliers to accommodate last resort housing
4.	New purpose designed, permanent stock - government investment to fund the construction of new, purpose designed stock of last resort housing
5.	Retain existing last resort housing - through planning regulations and operational funding subsidy
6.	Improve productivity of existing last resort housing - improved management and operation of existing last resort housing to optimise occupancy rates

The preferred option for relieving the homelessness crisis should focus on strategic option 4, new purpose designed permanent stock, to address the critical under supply of beds. This was deemed the most desirable option as every city needs a minimum number of permanent last resort beds, irrespective of economic or other conditions, and it was deemed Melbourne does not have significant enough stock of last resort housing. Options 2 and 3 should also be considered as a short-term solution to boost supply quickly. Strategic option 5 also needs to be implemented to stop the supply falling further. Option 1 may also be considered, however homelessness peak bodies have concerns about the service delivery and support that can be delivered through this approach.

The next section of this paper provides an overview of the methodology SGS uses to perform cost benefit analysis (CBA). CBA can be applied to quantify the benefits of the strategic options against a business as usual scenario; our resulting analysis demonstrates in quantitative terms that strategic option 4 provides the most significant benefits to the entire community and can be used to seek government funding via a business case.

Business Case Development

To many, the moral obligation to end homelessness should be enough to act. Nonetheless, with public policy priorities competing for limited government resources, it is important to demonstrate investment in last resort housing is worthwhile and benefits society as a whole. Developing a robust, evidence based business case is therefore of crucial importance.

A business case where the benefits of alleviating homelessness to society, and in particular government spending, are quantified provides evidence that the costs of homelessness to society (health, crime, lost human capital and so on) are actually higher than the costs of providing last resort housing. It provides a compelling case for funding without solely relying on humanitarian justifications that may not cut through.

The Victorian Government applies clear and instructive guidelines and templates for business cases, referred to as Investment Lifecycle Guidelines. Business cases must meet the requirements in order to pass the test of scrutiny by Treasury.

For a project or initiative to be funded, a business case—of which the CBA is an important and central element—is used to demonstrate to government that there is a compelling case for investment in the project.

Recently IV (2016a) released a report titled *Moving from Evaluation to Valuation*. This report advocates for improving project appraisals by monetising more economic, social and environmental impacts including social housing projects. This shift would enable CBA to be used, and assist in choosing the best investments that maximise value for money. The IV report goes on to argue that the biggest challenge in social housing evaluation is measuring social benefits that are considered *intangibles* and do not have market prices. The following section, addresses this challenge by outlining the methodology for CBA, and quantifying a range of non-market benefits for use in CBA.

CBA methodology

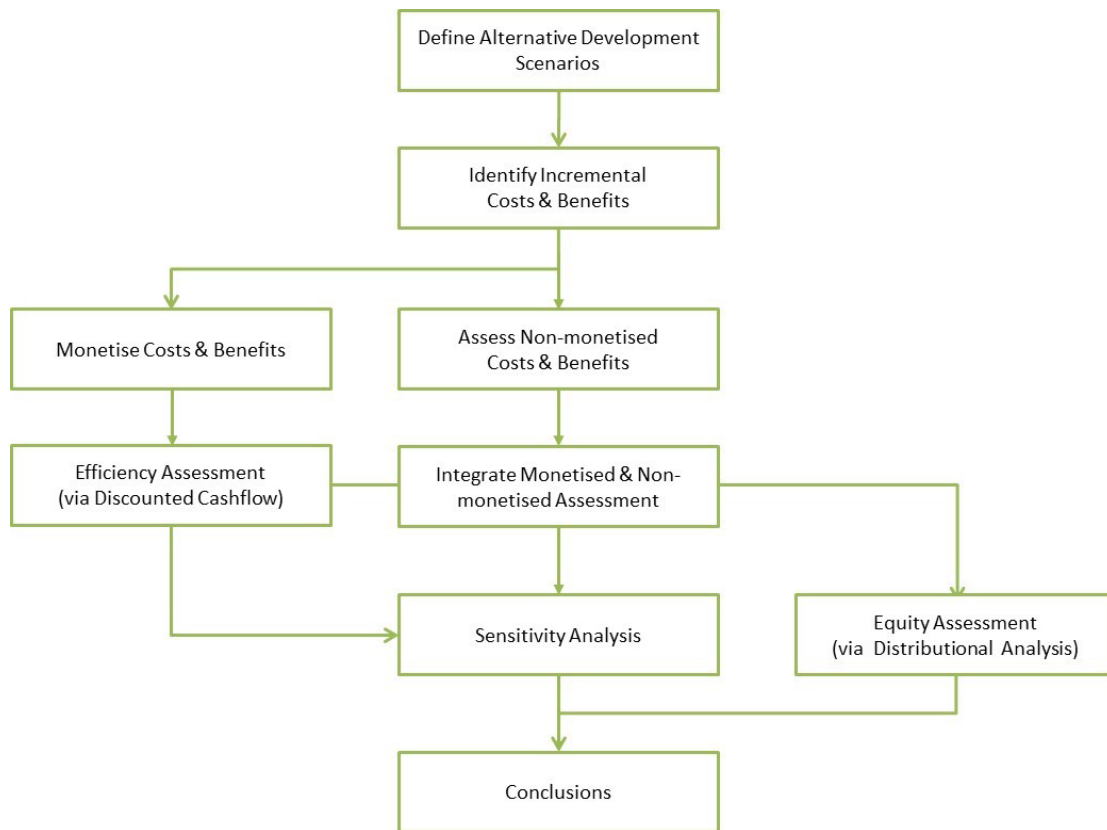
The ultimate goal of CBA is to assess the broad community welfare impacts of proposed projects taking a triple bottom line, that is, an economic, social and environmental perspective. In essence, if the assessed benefits outweigh the costs then the project is worth doing from an *efficiency* perspective.

However, there are some important riders on this overall conclusion:

- Not all costs and benefits can be quantified and then monetised (that is, expressed in dollar terms) precisely given their inherent intangibility, often forcing decision makers to integrate quantitative and qualitative results.
- The distribution of costs and benefits or the *equity* of outcomes may be unevenly experienced throughout the community, rendering a potentially *efficient* outcome unworkable, assuming those adversely affected cannot be appropriately compensated for their losses.

The methodology adopted by CBA is relatively generic in nature and is summarised in Figure 3.

Figure 3. CBA Methodology



The application of this methodology must be highly attuned to the context. In effect this will mean undertaking the following steps:

- **Define the alternative development scenarios** for the homelessness project; one being business as usual (BAU), one being the implementation of an initiative that relieves homelessness. Other variations of this project scenario might also be specified.
- **Identify the incremental costs and benefits** of moving from the BAU to the project scenario/s taking a broad economic, social and environmental perspective. In doing this, it is important to:
 - separate the costs and benefits that stem from general trends from those that are associated with specific outcomes promoted by the project scenario/s
 - account for the difference between real or net costs and benefits, as opposed to transfer effects between different community groups within Townsville.
- **Quantify and then monetise (convert to dollar values) the incremental costs and benefits** using available monetisation techniques, which include both market and non-market valuation techniques.
- **Assess the efficiency of moving towards the project scenario/s** using discounted cash flow analysis, which contrasts the incremental costs and benefits over the long term, reflecting the life of the homelessness initiative (say 20 years), and then discounts all future cost and benefits to present day values using appropriate discount rates. Appropriate performance measures, such as NPV and BCR, are then calculated to gauge overall efficiency.

- **Test the sensitivity of these performance measures** by varying the underlying assumptions in the discounted cash flow analysis.
- **Assess non-monetised costs and benefits** recognising that some items are difficult to monetise due to their inherent intangibility and/or because of a lack of information/appropriate monetisation techniques.
- **Integrate the monetised and non-monetised costs and benefits** to make a fully informed conclusion about the likely efficiency of moving towards the project scenario/s.
- **Assess the equity of the project scenario/s** by examining the distribution of who pays and who benefits, and identify any segments of the community that disproportionately win or lose as a result of project implementation.

Homelessness has obvious social, physical and health implications for the individuals and families involved and there are great costs to society in terms of crime, emergency and hospital admittances, welfare dependency, nuisance, city branding and liveability, community pride, social justice and loss of human capital.

The following section provides a quantification of benefits of reducing homelessness that can be used in a CBA and provide a strong case for projects that reduce homelessness to be funded.

Identified benefits of increasing supply of last resort housing

Addressing the problem of the failing supply of last resort housing will generate a number of important economic, social and cultural benefits with major positive flow-on effects to government administration, and the community. These benefits can be quantified—or qualitatively assessed—to support a business case for reducing homelessness via cost benefit analysis of the project/initiative, which is the preferred methodology for integrating social, economic and environmental impacts.

The following benefits are identified to flow from initiatives that reduce homelessness, and are compared against a situation where nothing is done to address homelessness.

Health cost savings

Homeless individuals—particularly those people sleeping rough—consume far more health services than similar people who have stable accommodation. There are many reasons for this. Substandard accommodation or no accommodation can leave a person more susceptible to illness, or less able to manage chronic illness. Homeless people are more likely to present to hospitals and inpatient health facilities with problems that could be managed outside of a hospital, because of the promise of a warm, clean bed for a night. Substandard accommodation may also result in greater desire to consume recreational drugs, due to despair or forced socialising with other users. Regular healthy eating is also more of a challenge while homeless.

The Cost of Youth Homelessness in Australia (MacKenzie et al. 2016) compared a group of unemployed disadvantaged young people with another group who had experienced various forms of homelessness, and considered their experiences over a time period. Young people who experienced homelessness were far more likely to consume health services than disadvantaged unemployed youth who were not homeless. The most significant differences were in high cost services, such as overnight stays in health facilities, emergency departments and outpatient visits. None of the unemployed youth spent any time in a mental health facility or a detox/rehabilitation centre, while homeless young people spent an average of 2.16 and 1.67 nights in these facilities, respectively. The average homeless young person spent an average of 2.45 nights in hospital, compared to 0.67 for unemployed young people. Overall, homeless youth used \$8505 in health services in a year, compared

to \$1762 for unemployed young people or \$2271 for Australians as a whole. Of this \$6311 was for nights spent in health facilities (hospitals, mental health facilities or drug treatment facilities).

The additional \$6743 in health services consumed by homeless youth in the study is likely to be an underestimate of health costs experienced by rough sleepers. Young people generally have lower health costs than an average Australian, for example 9% of 15-24 year olds were admitted to hospital as an inpatient in 2011-12 (ABS 2013) compared to 14% for the rest of the population aged 25 and above.

Therefore health cost savings have been adjusted upward by 25% to \$8429 per bed, per year.

Benefits to the individual via improved quality of life

Last resort housing will improve quality of life of the individuals involved as they enjoy greater comfort and levels of services compared to sleeping rough. The value of this benefit to the individual can be estimated by the cost (to the individual) of last resort housing. A review of boarding house accommodation in Melbourne provided a range for the weekly cost between \$90 and \$160 per week; the average of this range, \$125, can be adopted as the value to be used in analysis.

Reduced crime costs

Homeless people are more likely to be both the victims and the perpetrators of crime than the general community. For example, they are much more likely to report to police as being victims of assault or theft; unsurprising as their lack of secure housing means they are unable to secure their valuables or sleep in a secure location. The Cost of Youth Homelessness in Australia study (MacKenzie et al. 2016) found that young people who are homeless are:

- seven times more likely to be victims of assault or robbery
- 15 times more likely to be apprehended by police
- six times more likely to be stopped by police, seven times more likely to be in court
- 230 times more likely to serve time in prison.

These differences in exposure to crime between youth homeless and young people in the general population results in additional costs of crime of \$8242 per annum per person. The largest difference in cost is that of being stopped by police in the street, which represents \$3270 for a homeless young person compared to \$548 for a non-homeless young person; followed by police apprehensions, which cost \$2903 for homeless youth compared to \$104 for unemployed youth. The average population level cost of justice services to the community was \$496 per person per year.

The additional \$8242 in costs experienced by homeless youth compared to unemployed youth is likely to be an overestimate of the average crime costs, because young people are at greater risk of being both perpetrators and victims of crime than older people. For example, according to ABS data people aged 15-24 represent 13% of the population in Australia (ABS 2016), yet 35% of crimes committed are by this age group (ABS 2017a). In comparison all Australians above the age of 50 perpetrate only 9% of crimes, yet make up 33% of the population, an adjustment is therefore necessary. A reduction of 25% was applied to attain an estimated benefit of \$6,182 per bed, per annum.

Improved human capital

Adequate housing enables formally rough sleepers to make productive contributions to society in terms of work, social relations, volunteering and community activities. Last resort housing enables individuals to reconnect with the job market and education, thereby improving the future prospect of

employment and ceasing of dependence on welfare.

To estimate the labour force engagement benefit associated with the provision of secure housing to otherwise marginalised people, it can be assumed that 10% of all tenants will access employment after they have been provided accommodation. This assumption is guided by previous SGS experience with community housing programs that indicated between 8 to 10% of tenants accessed employment after gaining housing. The annual salary was taken as the upper bound wage of a resident within Victoria in the first quintile of income as sourced from the Australian Bureau of Statistics. The individual is assumed to be housed for two years without gaining employment and then to be in employment for an additional 30 years. The benefit is the individual's future lifetime earnings stream discounted to a present value in the year the individual is housed.

In essence, this benefit accounts for the participation of an individual within the workforce whose contribution would otherwise have been lost if not for the existence of last resort housing. An allowance has also been made to include the profit that is likely to be made from the individual's income stream, that is, the surplus generated by the employers of these workers. This profit has been assumed to equate to the workers' salaries.

In total this benefit is estimated at \$4236 per annum, per bed.

Avoided property blighting and nuisance

The City of Melbourne has expressed concerns about the impact of homeless on shopping areas such as Elizabeth Street and Flinders Street. The City of Melbourne receives hundreds of calls and emails objecting to the visibility of Melbourne's homeless. Better access to last resort housing will generate amenity benefits in streets and shopping areas.

The cost of homelessness on amenity has been observed through deflated property prices and development, (Weinstein and Clower 2000) and in impacts on the tourism sector (Halverstadt 2016). In Melbourne the Council has been facing pressure to *clean up* homeless camps following a huge surge in public complaints about aggressive begging, drug use and the *visual impact* rough sleeping has on the city (Dow and Toscano 2017).

Providing last resort housing will not eliminate this cost entirely, however, it is expected that a net gain will be experienced due to a reduction in the *visibility* of homelessness. Anecdotal evidence of this net gain is provided by the Gold Coast Project for Homeless Youth (GCPHY) which has received substantial donations from local businesses to provide homeless youths with shelter. This shows a willingness-to-pay and preference of local businesses to have homeless youths sheltered rather than on the streets. Unfortunately though, an accurate determinant of this benefit wasn't found, but can be considered qualitatively.

Improved community pride and social justice

The lack of adequate food, shelter and clothing, and the vulnerability, discrimination, insecurity and lack of personal and professional development that homeless Melbournians experience represents an injustice. The Australian Human Rights & Equal Opportunity Commission (2008) argues that homelessness can violate a string of human rights including:

- The right to an adequate standard of living
- The right to an education
- The right to liberty and security of the person
- The right to privacy

- The right to social security
- The right to freedom from discrimination
- The right to vote
- The right to freedom from cruel, inhuman or degrading treatment or punishment.

In a fair and just society this human injustice requires a government and community response. By providing facilities and services that address the injustices that homelessness creates, society receives a social justice benefit. This benefit is unquantifiable, but can be thought of as the gain the community receives via the knowledge they are a participant in a fair and just society, the enhanced social capital and the positive feelings associated with knowing that those who are left vulnerable, for whatever reason, are being supported.

The majority of the community recognises basic human needs including access to affordable housing. The community as whole benefits if these needs are exercised and respected.

Volunteering benefits

Volunteering provides a number of benefits to the individual who volunteers as well as to the recipient of their labour. It allows the volunteer to develop new skills, generate pathways to employment, make new friendships and promote social engagement, promote a sense of community and engage with people from all walks of life. Giving one's time without expectation of financial reward can encourage a sense of motivation or achievement, when a person can see that they have improved someone's life or accomplished a task.

There are a number of opportunities to volunteer in helping Melbourne's homeless and marginally housed. Food vans and soup kitchens work around Melbourne providing meals and hot drinks to people who are hungry, along with emotional support.

Rooming and boarding houses for the chronically homeless are supported by volunteers. Rather than simply maintaining the boarding houses through cleaning, changing sheets and so on, volunteers are involved in providing mental and emotional support to residents. This can involve art and music therapy sessions, coaching sports or yoga, providing social contact and role modelling for people who have experienced chronic homelessness, counselling, life skills training and so forth.

The Sacred Heart Mission in St Kilda noted that in 2015, 1619 volunteers provided 79 583 hours of support for a range of services, including support to people in crisis accommodation and boarding houses. In particular, their Sacred Heart Women's House, a shelter for homeless women, 120 volunteers provided 2069 hours throughout the year, or around 40 hours per week (although this included considerable non-residential services). The Sacred Heart mission also has a rooming house for 67 singles, however volunteer hours for this facility are not reported separately.

Some of these volunteer hours would be contributed regardless of whether additional beds were available. However, if additional beds are available, it becomes easier to deliver volunteer services such as sports, fitness, art therapy and social support of participants if they are in the same place at the same time, and have a safe place to store possessions.

It is not possible to determine how many volunteer hours could be generated by each additional bed due to the limited data on the number of volunteer hours per bed at other rooming houses. Based on the descriptions of activities available at rooming houses, it is reasonable to assume that every 10 beds generate three volunteer person-hours per week, or 15.6 hours of volunteering opportunities per bed per year.

Individuals value their leisure time, even if they are not paid for it, and therefore the value to the

individual for giving up leisure time to volunteer must be equal to, or greater than, the value of leisure time. According to the Queensland Treasury (2016) half of an appropriate hourly wage rate is assumed to be a reasonable proxy for the value of leisure time; this approach is also used by the NSW Treasury. To calculate the value of leisure time the average hourly earnings across all industries was used (ABS 2017b); the average hourly earnings is \$39.80; dividing this by two we have a leisure value of \$19.90 per hour. It has been assumed that the benefit from volunteering is equal to this hourly value for leisure.

In total this benefit is estimated at \$268 per annum, per bed.

Economies of scale and scope

Increasing the supply of beds has the ability to increase the overall economies of scale and scope of the entire system and generate savings. The construction of new purpose built, medium to large facilities could also allow the industry to deliver services in a more efficient, tailored and effective manner. *The Economics of Homelessness* (Corinth 2013) found a relationship between increasing the size of a facility and decreasing costs of providing extra beds for the homeless. The cost of providing 50 beds was 50% more efficient per bed than providing 10 in a smaller facility. Likewise, providing 100 beds in a facility was found to be 33% more efficient than providing 50. These efficiency savings can be achieved via a range of avenues, for example:

- Lower construction costs
- Staff costs can be lower
- Visiting support workers can access more clients in one visit
- Maintenance costs are lower at one building compared to the combined costs of multiple small buildings
- Economies of scale in day-to-day operations such as providing meals and laundry
- The population of homeless people in Melbourne can be reached and monitored more efficiently in centralised centres as opposed to on the street or in disparate boarding rooms.

By funding an increase in beds, particularly in purpose built facilities with a capacity greater than 50, the support sector can achieve cost savings via the economies of scale. It could be assumed that with a substantial increase in extra beds increasing capacity in the system there can be a 10% reduction in operating costs per existing bed. With an assumption of an annual operating costs per bed of \$3000, for example, the saving per existing bed can be estimated at \$300 per annum.

With the construction of new last resort housing there is the possibility to accrue benefits in the form of economies of scope as the project presents an opportunity to reinstate streetscapes and urban environments via the enhanced development of underutilised land assets including vacant land, open carparks, neglected railway siding areas, aging community assets and so on.

Summary of identified benefits

Table 6. SGS identified benefits and their annual value

Benefit	Value per annum
Health cost savings	\$8,429 per new bed
Benefit to the individual	\$6,500 per new bed
Reduced crime	\$6,182 per new bed
Improved human capital	\$4,236 per new bed
Avoided property blighting and nuisance	Not quantified
Community pride and social justice	Not quantified
Volunteering benefits	\$268 per new bed
Total Value	\$25,615 per new bed
Economies of scale and scope	\$300 per existing bed

Benefit cost ratio

To calculate the benefits of the new beds compared to the costs, a range of indicative estimates were calculated on the costs side. It has been calculated, under the preferred option of new purpose designed permanent stock, that:

- the cost of constructing one permanent bed is assumed to be \$60 000 in a new medium to large purpose built facility
- operating costs per bed is assumed to be \$3000 per annum
- the funding allocation process will lead to program administration costs. These costs have been assumed to be 2.5% of the capital costs
- the depreciation of the capital assets constructed has been calculated at a rate of 3% per annum.

Over a twenty year period and using a 4% discount rate these costs total \$124 400 per bed. Over the same period the benefits accruing from the provision of beds is equal to \$341 000 per bed, assuming beds are utilised year round. This equates to a benefit per bed of **\$216 600** (NPV) and a BCR of **2.7**. A BCR of 2.7 means that for every \$1 invested in last resort housing beds to address the homelessness crisis, \$2.70 worth of benefits are generated for the community over the twenty year period.

These results do not take into consideration the benefits from economies of scale and scope that could be achieved via an increase in supply of new beds in specially designed medium-to-large facilities, nor the unquantified benefits. Therefore the true value to the community and BCR are likely to be even higher.

Conclusion

This Issues Paper has argued that alleviating homelessness in Melbourne is a pressing issue for government and the community, with homelessness in Melbourne rising sharply and at a crisis point. Homelessness is now, shamefully, an everyday part of the streetscape of inner Melbourne.

Homelessness is caused by a complex array of issues and pressures, including financial, domestic violence, substance abuse, mental and other illness, the marginalisation of indigenous Australians, amongst others; whilst the adequate supply of last resort housing has been compromised by closures and economic factors, including a lack of affordable housing options.

Human decency and a desire to assist societies' most vulnerable should be enough of a motivator to provide for a minimum stock of last resort housing. However with competing government priorities and limited budgets, and an unfortunate stigma that the homeless should help themselves, the stock of last resort housing has not even kept pace with population growth in Melbourne. As a result supply is inadequate.

The preferred option identified for relieving the homelessness crisis should focus on providing a new purpose designed permanent stock of rooms/units, to address the critical under supply. This action would result in a range of benefits to the entire community including health cost savings, reduced crime, improved human capital, community pride and social justice, avoided property blighting, and volunteering benefits. The quantification of these benefits, and compared to the likely costs, resulted in a benefit per bed of \$216 600 (NPV) and a BCR of 2.7 over twenty years. A BCR of 2.7 means that for every \$1 invested in last resort housing beds to address the homelessness crisis, \$2.70 worth of benefits are generated for the community.

Other options should also be considered in tandem with the increase in permanent stock of rooms/units to boost supply in the short term, namely conversion of existing buildings to last resort housing, and subsidised private sector rental. The current stock of rooms/units also need to be retained with further reductions in stock avoided by using planning regulations and operational subsidies.

SGS and MSSSI believe that this paper can assist in the development of evidence based business cases that show there is much to gain in economic terms, both for government and society, by assisting the homeless. By demonstrating the economic benefits of action, hopefully any reluctance to fund social housing can be overcome. It is hoped this can lead to the funding of critical projects to address the homelessness issue.

¹ C. Beadnell, Launch Housing, personal communication, 21st September 2016.

² C. Beadnell, Launch Housing, personal communication, 21st September 2016.

³ Correspondence with the Community Housing Federation of Victoria (CHFV) (September 2016) however does reveal that there could be significant improvements made to efficiency and usage of transitional housing. In particular CHFV reports that about 11% of temporary housing in Victoria is currently vacant and untenable, and a 'maintenance blitz' could see 114 properties (mostly in metro Melbourne) made available within two weeks; and when a property is deserted and belongings left in the property by the tenant an inspection of the property is required before the items can be removed. Due to staff shortages at the CAV these inspections are taking weeks or months, slowing down the process of moving in new tenants.

⁴ Vacant buildings which are empty and going through a redevelopment process and are sitting idle during this planning/redevelopment phase, can be used to fit out for temporary accommodation. This could be achieved by accessing unused buildings in the CBD and repurposing them in the short-term accommodation with prefabricated, easy to assemble modular panels similar to office partitions. Relocatable units could be used as last resort housing to be placed on (temporarily) vacant land.

⁵ Also referred to as the 'popup shelter' concept currently being explored by Launch Housing and the Property Industry.

References

- ABC 2016, Without a Home Fact File. Accessed at: <http://www.abc.net.au/interactives/homeless/>
- ABC 2016, Homelessness Plan: Victorian Government to spend \$109m on accommodation, support. Accessed at: <http://www.abc.net.au/news/2016-11-12/victorian-homelessness-government-to-spend-109m-on-new-plan/8020244>
- Australian Bureau of Statistics (ABS) 2012, Cat: 4922.0 - Information Paper - A Statistical Definition of Homelessness. Accessed at: <http://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/4922.0Main%20Features22012?opendocument&tabn>
- Australian Bureau of Statistics (ABS) 2013, Australian Health Survey: Health Service Usage and Health Related Actions, 2011–12 — Australia.
- Australian Bureau of Statistics (ABS) 2016, Australian Demographic Statistics, June 2016. Accessed at: <http://www.abs.gov.au/ausstats/abs@.nsf/mf/3101.0>
- Australian Bureau of Statistics (ABS) 2017a, Recorded Crime – Offenders, Australia, 2015–16. Accessed at: <http://www.abs.gov.au/ausstats/abs@.nsf/mf/4519.0>
- Australian Bureau of Statistics (ABS) 2017b, Employee Earnings and Hours, Australia, May 2016. Accessed at: <https://protect-au.mimecast.com/s/Jb1zBJSomR0KTz?domain=abs.gov.au>
- Australian Council of Social Service (ACOSS) 2016, *Poverty in Australia Report 2016*, Accessed at <http://www.acoss.org.au/poverty/>
- Australian Housing and Urban Research Institute (AHURI) 2012, *Policy Shift or Program Drift? Implementing Housing First in Australia*, Australian Housing and Urban Research Institute, Melbourne
- The Australian Human Rights & Equal Opportunity Commission 2008, *Homelessness is a Human Rights Issue*. Accessed at: <https://www.humanrights.gov.au/publications/homelessness-human-rights-issue>
- Australian Institute of Health and Welfare (AIHW) 2016a, Housing and homelessness. Accessed at: <http://www.aihw.gov.au/housing-and-homelessness/>
- Australian Institute of Health and Welfare (AIHW) 2016b, Specialist homelessness services 2015–16. Accessed at: <http://www.aihw.gov.au/homelessness/specialist-homelessness-services-2015-16/#toc>
- Chamberlain, C 2012, *Are Boarding Houses Disappearing?* Centre for Applied Social Research, RMIT University, Melbourne
- Chamberlain, C & MacKenzie, D 1992, 'Understanding contemporary homelessness: issues of definition and meaning'. *Australian Journal of Social Issues*, 27(4), 274–97
- City of Melbourne 2016, Street Count 2016. Accessed at: <http://www.melbourne.vic.gov.au/community/health-support-services/social-support/Pages/streetcount.aspx>
- City of Melbourne 2016, Future Melbourne, 2026 Plan, Melbourne
- Corinth, K 2013, *The Economics of Homelessness*. University of Chicago. Available at: <http://home.uchicago.edu/~kczeniak/Economics%20of%20Homelessness.pdf>

The Community Housing Association of Victoria 2016, *Perception Report & Engagement Strategy*, 128 Exhibition Street, Melbourne

Dow, A 2014, 'Homelessness increasing in Melbourne; family violence and expensive housing to blame'. *The Age*, 28 December. Accessed at: <http://www.theage.com.au/victoria/homelessness-increasing-in-melbourne-family-violence-and-expensive-housing-to-blame-20141226-12e3li.html>

Dow, A and Toscano, N 2017, 'Plan to ban homeless people from camping in the city'. *The Age*. 2 February, Accessed at: <http://www.theage.com.au/victoria/plan-to-ban-homeless-people-from-camping-in-the-city-20170202-gu4au0.html>

Halverstadt, L 2016, Downtown Hoteliers Fear Homelessness Could Hurt Business. *The Voice of San Diego*, Accessed at: <http://www.voiceofsandiego.org/topics/news/downtown-hoteliers-fear-homelessness-could-hurt-business/>

Infrastructure Victoria (IV) 2016a, *Moving From Evaluation to Valuation*, Level 16, 530 Collins Street Melbourne

Infrastructure Victoria (IV) 2016b, *Victoria's 30 year Infrastructure Strategy*, Level 16, 530 Collins Street, Melbourne

Johnson, G, Kuehnle, D, Parkinson, S, Sesa, S and Tseng, Y 2014, *Sustaining Exits from Long-term Homelessness: a randomised controlled trial examining the 48 month social and economic outcomes from the Journey to Social Inclusion Pilot Program*, Sacred Heart Mission, St Kilda. Available at: https://www.sacredheartmission.org/sites/default/files/publicationdocuments/j2si_sustaining_exits_from_longterm_homelessness_2015.pdf

Human Rights & Equal Opportunity Commission 2008, *Homelessness is a Human Rights Issue*. Accessed at: <https://www.humanrights.gov.au/publications/homelessness-human-rights-issue>

Lucas, C 2016, 'New money for homeless as rough sleeper numbers surge'. *The Age*, 18 July. Accessed at: <http://www.theage.com.au/victoria/new-money-for-homeless-as-rough-sleeper-numbers-surge-20160718-gq8baw.html>

MacKenzie, D, Flatau, P, Steen, A and Thielking, M 2016, *The Cost of Youth Homelessness in Australia: Research Briefing*; Swinburne University Institute for Social Research, the University of Western Australia and Charles Sturt University. Accessed at: <http://www.swinburne.edu.au/news/latest-news/2016/04/the-cost-of-youth-homelessness-in-australia-.php>

Queensland Treasury 2016, *Guidelines for Estimating the Net benefits of Regulatory Reforms*. Accessed at: <https://protect-au.mimecast.com/s/Xq1aBmfZrdapFO?domain=treasury.qld.gov.au>

Social Policy Research Centre 2016, *Poverty in Australia 2016*. UNSW Arts and Social Sciences. Accessed at: <https://www.sprc.unsw.edu.au/research/projects/poverty-in-australia-2016/>

Weinstein, B and Clower, T 2000, *The Cost of Homelessness in Dallas: An Economic and Fiscal Perspective*. Prepared for Central Citizens Association. Centre for Economic Development and Research, University of North Texas, Denton, Texas

Wood, G, Batterham, D, Cigdem, M and Mallett, S 2015, *The Structural Drivers of Homelessness in Australia 2001-11*. AHURI Final Report No. 238, Australian Housing and Urban Research Institute, Melbourne



MELBOURNE SUSTAINABLE
SOCIETY INSTITUTE

www.sustainable.unimelb.edu.au

Melbourne School of Design (Blg 133),
Masson Rd
The University of Melbourne
Parkville VIC 3010, Australia

About MSSI:

The Melbourne Sustainable Society Institute (MSSI) aims to facilitate and enable research linkages, projects and conversations leading to increased understanding of sustainability and resilience trends, challenges and solutions. The MSSI approach includes a particular emphasis on the contribution of the social sciences and humanities to understanding and addressing sustainability and resilience challenges.