

National Housing Conference 2008



Social Housing - Making Sustainable Decisions at the Project Planning Stage

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Key Themes – Planning Analysis for Sustainable Social Housing

- Sustainability is broad and welfare based
- Holistic project evaluation is an essential step in the process
- Government Guidelines have encompassed “Triple Bottom Line” for many years...
.....but consistency in application?
- Policy, strategy, research data & evidence are all key inputs
- Social housing regeneration should be a classic example of planning for welfare sustainability
- Social Housing...plus wider application of project process and analysis across asset lifecycles



What's in a Name?

Options Evaluation / Appraisal

Economic Evaluation / Appraisal

Cost Benefit Analysis – holistic or...

...has led to confusion but Guidelines are clear...

**Net Benefit Analysis across
all significant outcomes
(monetary or otherwise) for
the relevant community**



Basic Tenets of Project Evaluation - 1

- Early in planning process – not end of pipe
- Analysis of all significant impacts – monetary or otherwise (welfare approach)
- Range of feasible options is covered
- Tailored for particular agency

“Economic appraisal procedures assist selection of projects or programs which maximise benefits relative to costs”

“An economic appraisal should be undertaken at the earliest (practical) stage in project development, before any planning commitment, real or implied, is given to a particular option”



Basic Tenets of Project Evaluation -2

Project evaluations are consistent with, for example, NSW Government guidelines for economic evaluation

Project evaluations take account of all significant impacts associated with projects/activities

Methods combine impacts measured in monetary terms with impacts measured qualitatively using for example multi-criteria analysis



Sustainability in Project Analysis - 1

- Triple Bottom Line *Analysis* is re-badging of holistic cost benefit analysis
- Can be confused with TBL *Reporting*
- Fully defined as ecologically, environmentally, economically and socially sustainable development (EEESSD)
- Application – financial, social and environmental outcomes in project analysis



Sustainability in Project Analysis - 2

Precautionary Principle - analyse risks and community perceptions / reactions to these risks

Inter-generational equity - use of acceptable standards, multi-criteria analysis and Cumulative Impact Analysis

Protection of environmental systems – life cycle analysis has assisted significantly plus a properly applied Environmental Impact Assessment process

Community Maintenance – proper consultation and involvement of relevant communities at appropriate stages

Application of Project Assessment at Housing NSW





Project Evaluation – Housing NSW

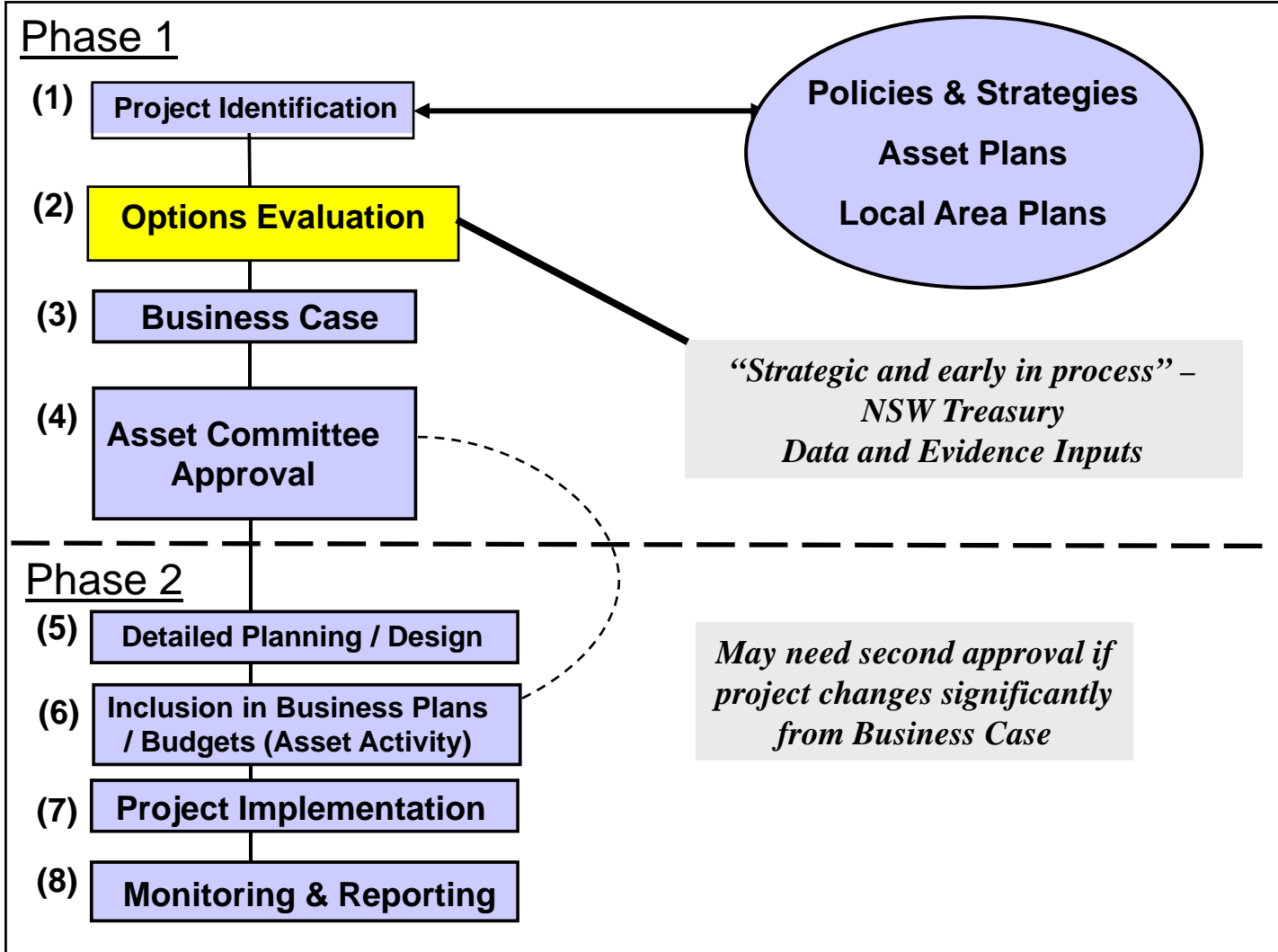
Options Evaluation is the systematic appraisal of options for Housing NSW projects
(eg. estates where there are asset and social issues)

Undertaken from a welfare perspective combined financial, social and environmental outcomes

Facilitates decision making on projects internally and to meets external requirements for project justification



Project Process – Two Phases





Prioritising Projects

(1)	(2)	(3)	(4)	(5)
Minor social problems	Problems in the community?			Severe social problems
Dwelling configurations, amenity and location suited to tenants	Alignment of assets to needs?			Significant design shortcomings, or poor location
Assets in good condition	Asset condition?			Very poor condition <u>and</u> ongoing expenditure is high
Assets provide efficient housing outcomes	Asset efficiency?			Obvious redevelopment or commercial opportunity
Less Urgent Priority			More Urgent Priority	



Project Estate – Layout



Private Dwellings

Townhouse Precincts

Reserve Areas





Key Issues

- Estates are overly concentrated in public housing, leading to social issues
- Estates are somewhat isolated and poorly serviced / connected
- Relatively high over-occupancy – eg resettlement destination
- Asset Design Issues – Radburn precincts has led to social issues
- High unemployment, alcohol & drug use, domestic violence, youth issues, security, stigma
- Short waiting list – many properties are ‘hard to let’. Also hard to sell due to stigma / concentration
- Overall: localised high community disadvantage in a more advantaged postcode



Transformation

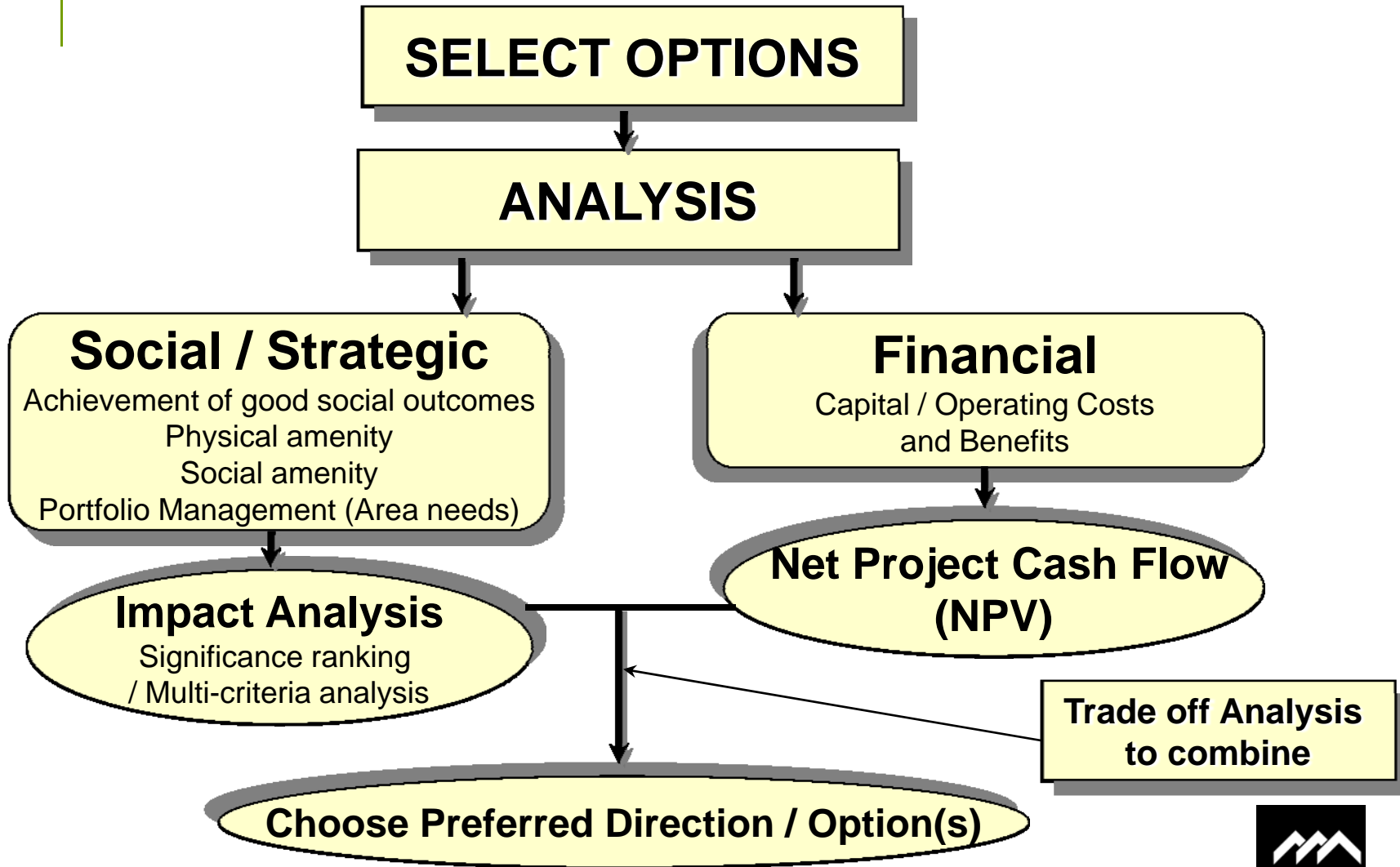


Before



After

Options Appraisal





Full Range of Strategic Options Considered

- Option 1: Base Case (do minimum)
- Option 2: Upgrade & keep all properties
- Option 3: Composite: upgrade, layout normalisation, community development & selective sale
(11% deconcentration)
- Option 4: Partial exit, upgrade remainder
 - 4(a) Sell B1, S1, G1 (21% deconcentration)
 - 4(b) Sell B (all) & G1 (27% deconcentration)
- Option 5: Full exit (100% deconcentration)



Assessment of Social and Wellbeing Outcomes

Criteria	Existing	Option1 Base Case	Option 2 Upgrade & Keep	Option 3 Roads, Upgrade, Selective Sale, CD	Option 4a Higher Sales Sell B1, S1, G1	Option 4b Higher Sales Sell B (all), G1	Option 5 Exit
Stigma	H	H	H	M	L/M	L/M	Better than 1&2 Worse than 4
Antisocial Behaviour & Crime	M/H	M/H	M/H	M	L/M	L-L/M	
Security & Safety	L	L/M	L/M	M	M	M-M/H	
Dwelling & Site Amenity	M	M	M	M/H	M/H	M/H	
Aesthetics	L (in G-C) M (other)	L M	L/M M	M	M	M-M/H	
Access to Services	L/M	L/M	L/M	M	M	M	
Needs Alignment/ Meeting Area Needs	L/M	L/M	L/M	M	M-M/H	M/H	
Health Index (on trial)	L (other) L/M(in B)	L (other) L/M(in B)	L/M (other) M(in B)	L/M-M	M	M-M/H	
Overall Social & Wellbeing Outcomes	L/M 4=	L/M 4=	L/M 4=	M 3=	M-M/H 2	M/H 1	



Methods – Financial

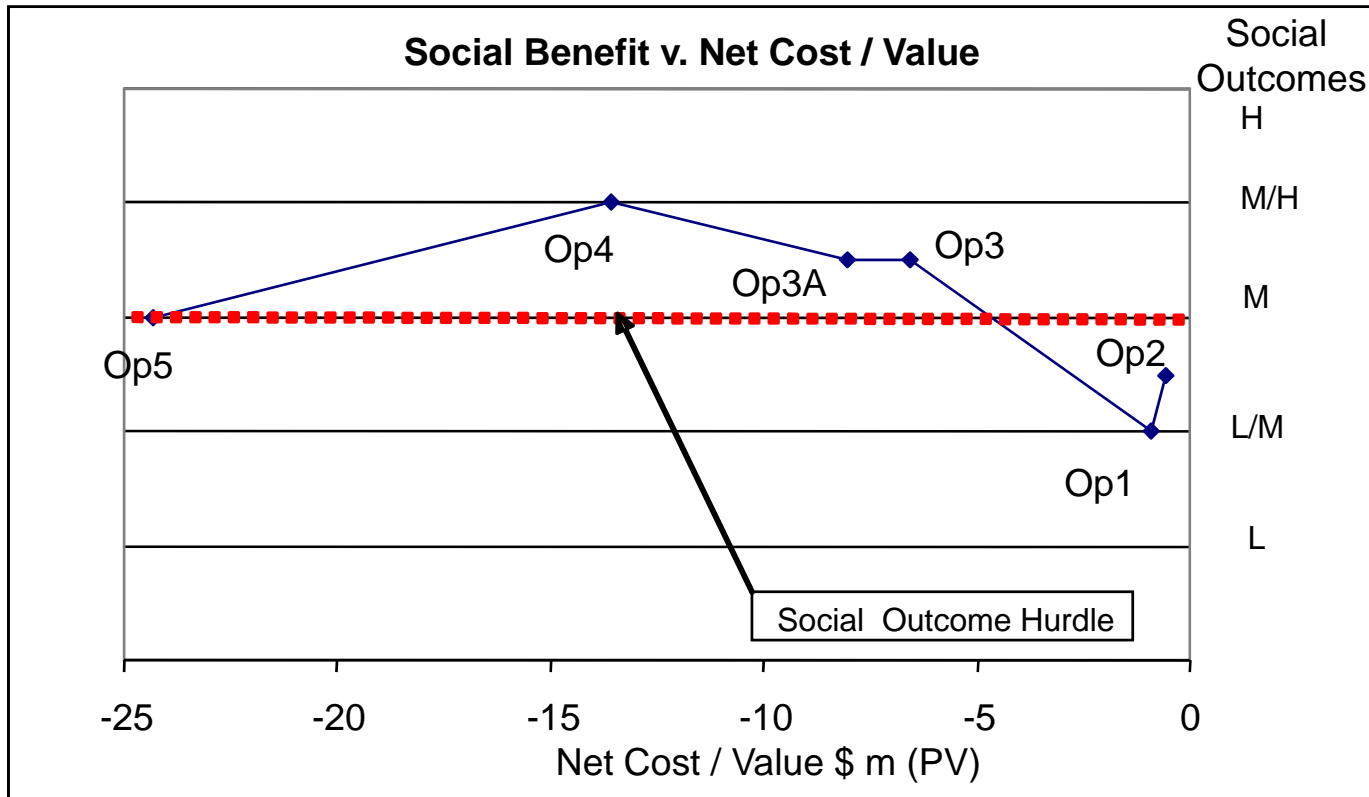
Project Cash Flow	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6
\$ million (2007 present values @ 7% discount)	xxx	yyy	zzz	xxx	yyy	zzz
New Construction	28.5	28.5	28.5	28.5	28.5	28.5
Site/Demolition	0.5	0.5	0.5	0.5	0.5	0.5
Acquisition / Off-site Build	0.0	0.0	0.0	0.0	0.0	0.0
Improvement / Relocation / Leasing / Programs	1.8	2.6	3.5	4.4	5.2	6.1
<i>Total Project Capital / One Off Costs</i>	30.7	31.6	32.5	33.3	34.2	35.0
Sales Income	24.6	24.6	24.6	24.6	24.6	24.6
<i>Total Net Project Costs</i>	-6.2	-7.0	-7.9	-8.8	-9.6	-10.5
Remaining Value of Asset Improvement (RV)	0.8	0.8	0.8	0.8	0.8	0.8
<i>Change in Net Recurrent (Project Impact)</i>	0.0	1.6	2.6	3.3	4.0	4.0
Net Project Cash Flow	-5.4	-4.7	-4.5	-4.7	-4.8	-5.7



Summary of Key Results

		Net Project Cash Flow \$m	Social Outcomes	% Deconc.
Option-1	Base Case	-6.2	Low/Medium	0%
Option-2	Upgrade & Keep	-8.6	Low/Medium	0%
Option-3	Roads, Upgrade, Comm. Devel., Selective Sale	-12.1	Medium	11%
Option-4a	Higher Sales Sell B1, S1, G1	-16.9	Medium- Medium/High	21%
Option-4b	Higher Sales Sell B (all) & G1	-18.1	Medium/High	27%
Option-5	Full Exit	-57.7	Medium	100%

Welfare and Trade-offs



- Options must reach acceptability threshold
- Social outcomes per \$ across options for acceptable options are compared
- Preferred option / direction for project



Concluding Thoughts

- Transparent systematic processes for project analysis and justification
 - Consistent application of guideline consistent methods
 - Strategic level assessment prior to detailed phase for preferred direction – allows early adherence to sustainability
 - Holistic approach is fundamental in social housing sector
 - Application to projects in other sectors and to programs
 - Return to simpler, operational friendly & consistent methods
- it's not “Rocket Science” !**