



Research Paper

# Approaches to evaluation of affordable housing initiatives in Australia

**National Research Venture 3: Housing affordability for lower income Australians**

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authored by

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## LIST OF ABBREVIATIONS

AES	Australian Evaluation Society
AHURI	Australian Housing and Urban Research Institute
AIHW	Australian Institute of Health and Welfare
BBF	Building a Better Future, Indigenous Housing to 2010
BCC	Brisbane City Council
BHC	Brisbane Housing Company Ltd
CoA	Commonwealth of Australia
CHCL	Community Housing Canberra Ltd
C-M-O	Context – Mechanism – Outcomes theory
CRV	Collaborative Research Venture (AHURI) (see NRV)
CSHA	Commonwealth State Housing Agreement
DCP	Development Control Plan
FACSI	Department of Families and Communities and Indigenous Affairs
HES	Household Expenditure Survey
HILDA	Household Income and Labour Dynamics in Australia
HMAC	Housing Ministers' Advisory Council
HMC	Housing Ministers' Council
HPLGM	Housing, Planning and Local Government Ministers
HUD	Department of Housing and Urban Development (US)
IRR	Internal Rate of Return
NATSEM	National Centre for Social & Economic Modelling (Uni. of Canberra)
NCHF	National Community Housing Forum
NPV	Net Present Value
NRV	National Research Venture (AHURI) (formerly CRV)
ODPM	Office of the Deputy Prime Minister (UK)
PC	Productivity Commission
POE	Post Occupancy Evaluation
PRWG	Policy Research Working Group (of Housing Officials)
RMIT	Royal Melbourne Institute of Technology
SHIP	Social Housing Innovations Project (Victoria)
SIH	Survey Income and Housing

## EXECUTIVE SUMMARY

Evaluation of housing programs has not been a regular component of policy development and review processes in Australia. However, evaluation studies are considered to be an integral component of evidence-based policy making in many areas of government activity, locally and internationally. The release of the Framework for National Action on Affordable Housing (the Framework) in 2005 has provided an opportunity to consider how evaluation could be built from the outset into a major future initiative in the housing field.

The Framework, which was released by Australian Housing, Planning and Local Government Ministers (HPLGM 2005), envisages a coordinated national approach to adoption of a range and mix of policy levers to tackle current and forecast housing affordability problems. Under the Framework, the schedule of policy development work includes a specific task to develop a national affordable housing evaluation framework.

Responding to this opportunity, this report first provides an overview of ideas and developments in evaluation theory and methods, drawing mainly on a recent proposal by two sociologists, Ray Pawson and Nick Tilley (1997). These authors have called for a more realistic approach to evaluation of social policies in the face of what they assess to be disappointing outcomes of evaluation research so far in the field – especially poor research methods, a lack of priority setting, failure to accumulate results and a limited voice in policy making. Realistic evaluation deals with the real world (not a simplified abstraction); it is realistic (feasible, applied and relevant); and it adopts a scientifically based realist approach to evaluation research, which emphasises understanding and promoting learning about why policies and programs work, and in what contexts. This report argues that a “realistic evaluation” model might be applied fruitfully in an Australian housing context.

The second part of the report considers objectives and possible mechanisms for a national strategy that aims to improve housing affordability. While there have been several recent policy initiatives that aim to address housing affordability issues, particularly from State governments around Australia, it is not yet clear what any future larger scale and nationally coordinated approach might entail. Thus, in the absence of a national affordable housing strategy at this time, the report proposes a set of high-level objectives that could logically underpin such a strategy. These or similar objectives are intended to provide the basis for systematic and ongoing evaluation of the impacts of present and future policy action. The proposed objectives are included in table form at the end of this summary.

Selection of possible national objectives for an affordable housing strategy has been informed by previous research for the AHURI National Research Venture on Housing Affordability for Lower Income Australians (of which this study forms a part); and other recent studies of the dimensions of housing need and affordability stress, the drivers of current housing affordability problems, and what is understood about the efficacy of possible policy responses. Development of the objectives has been assisted also by consultation with policy makers about government priorities and the broad intent and operation of possible policy mechanisms in this field, and scoping of the broader environment within which current policy deliberations are taking place.

The next part of the report uses a supply side initiative – the development of below market rent housing – to demonstrate how an evaluation of a typical affordable



housing project might be conducted, and to illustrate some key evaluation techniques and methods.

This illustration is followed by an analytical review of three one-off evaluation studies that recently have been undertaken in the field. The purpose of including these examples is to explore the application of evaluation to actual situations, to consider what assessment against the objectives shows and to draw out the lessons for policy and practice that can be learnt from evaluation.

Finally, the report proposes a model for implementing a proactive, systematic and achievable program of evaluation, suitable for application to both current and prospective policy initiatives that aim to increase the access to affordable housing of low and moderate income households in Australia.

The key proposals made in the report for implementing a program of evaluation are to:

- Include a commitment to ongoing evaluation of affordable housing initiatives in an intergovernmental agreement or similar;
- Dedicate a minimum level of annual funding to evaluation – including for capacity building;
- Adopt a multi-layered and coordinated approach to evaluation that is selective and targeted but also capable of assessing the breadth of initiatives directed to improving housing affordability;
- Provide for an appropriately skilled agency or group to further develop and manage the affordable housing evaluation program, build capacity for evaluation and disseminate and promote findings; and
- Establish a high level set of core indicators to monitor system level changes in the provision of and access to affordable housing across Australia.

Overall, in response to the interest shown by Ministers, this report makes the case for a dedicated program of evaluation research in housing that would be capable of:

- Improving monitoring of the provision of affordable housing in Australia;
- Increasing the amount of comprehensive and independent evaluation of housing policies and programs undertaken, with an initial focus on affordable housing initiatives;
- Increasing and disseminating learning about new affordable housing initiatives;
- Strengthening the affordable housing policy making process by providing a robust feedback mechanism and a bank of evidence about what works and why; and
- Building capacity and skills for evaluation.

**Table 1.1: Possible objectives for a national affordable housing initiative**

<b>Primary objectives</b>	
<b>Affordable housing</b>	<p>To improve access to existing housing that is affordable for both low and moderate income households and those with specific housing needs in housing affordability stress (the target groups), and</p> <p>To preserve and add to the supply of affordable housing where it is needed for the target groups.</p>
<b>Supporting objectives</b>	
<b>Appropriate housing</b>	<p>To ensure that housing provided is appropriate to the needs – and changes in needs – of the target groups in response to:</p> <ul style="list-style-type: none"> <li>→ Size and type of household;</li> <li>→ Cultural needs of households;</li> <li>→ Occupant circumstances (e.g. need for support services; need for stability); and</li> <li>→ Locational needs of households.</li> </ul> <p>To provide well designed housing and neighbourhoods.</p> <p>To contribute to the environmental sustainability of dwellings provided to the target groups.</p>
<b>Participation</b>	<p>To enable the target groups to participate in decisions about affordable housing policies, products and projects.</p>
<b>Positive non shelter outcomes</b>	<p>To ensure target groups have sufficient residual income after paying for housing to meet their non shelter needs at no less than a socially acceptable standard</p> <p>To provide affordable housing in ways that can strengthen the economic and social position of the target groups. Specific consideration should be given as appropriate to contributions to:</p> <ul style="list-style-type: none"> <li>→ Incentives for workforce participation;</li> <li>→ Support for family life and work family balance;</li> <li>→ Ways of supporting the health, well being and education needs of occupants;</li> <li>→ Enabling ageing in place; and</li> <li>→ The development of socially cohesive communities and community building processes.</li> </ul>
<b>Choice</b>	<p>To diversify the housing and tenure options available in local housing markets and to provide the target groups with adequate choice.</p>
<b>Equity</b>	<p>To target any subsidies that are provided to the target groups in proportion to need.</p> <p>To give priority of assistance to those most in need.</p>
<b>Longer term benefits</b>	<p>To retain and use any benefits gained from investing in housing for the target groups to meet the needs of future generations.</p> <p>To progressively improve the capacity of the private and not for profit sectors to provide affordable housing.</p>
<b>Unintended impacts avoided</b>	<p>To avoid as far as possible any unintended impacts of the way that initiatives intended to improve the affordability of housing are implemented. (For example, to avoid measures that contribute to a sudden surge in demand and a consequential short term boom in house prices.)</p>
<b>Efficiency</b>	<p>To use any subsidies that are provided to access, procure, manage and maintain housing in the most cost effective way.</p> <p>To support and contribute to the efficient operation of the housing market.</p>



# 1 INTRODUCTION

This report presents the outcomes of a project to develop an evaluation framework and to propose evaluation techniques that would be suitable for application to existing or new affordable housing programs and initiatives in Australia.

The project forms one part of a National Research Venture (NRV)<sup>1</sup> titled *Housing affordability for lower income Australians*, which is a three year program of research funded by AHURI Ltd and intended to provide the evidence needed to develop policies that will address housing affordability problems for lower income Australians (Yates *et al.* 2004a). Research for the NRV is being undertaken alongside complementary policy analysis and development of programs by a range of jurisdictions, focused on finding specific solutions to affordability problems.

This project on evaluation contributes directly to the NRV's concern with providing a framework for considering the best ways to address affordability issues identified through research. The main purpose of the project has been to develop a feasible proposal for assessing the achievements of and lessons about different affordable housing models that operate currently in Australia, or that may be introduced in future. As described in the plan for the NRV, this entails identifying and seeking endorsement to the broad objectives and outcomes being sought; proposing evaluation criteria; selecting and describing suitable evaluation methodologies; testing and refining preferred approaches using real cases; and advising on their further application and use (Yates *et al.* 2004a).

The project has been timed so that relevant project outcomes, i.e. a suggested model for evaluation, can be applied to any current or new delivery and financing models for affordable housing and implemented without unnecessary delay. AHURI's commitment to and support for this project is consistent with their broad role in making available a strong evidence base for housing policy development in Australia.

Evaluation studies provide a crucial source of information for evidence-based policy making. As well as benefiting individual programs and projects, (for instance, by identifying ways to improve effectiveness and efficiency), a sound evaluation framework establishes the foundation for systematic and ongoing appraisal of overarching policy efficacy. For these reasons evaluation research is now a standard element of housing policy and program development in the United Kingdom and in North America. In Australia however, evaluation of housing programs has been intermittent at best, and to date evaluative research has not made a significant contribution to policy development or review processes. At a time when program evaluation has not been to the fore in Australian housing policy, new approaches to housing affordability and the release of a new Framework for National Action on Affordable Housing in 2005 create the impetus to build into these initiatives from the outset a high-standard evaluation approach.

## 1.1 Research objectives

In this context, the main aims of this project on evaluation are to:

- Review the range and mix of policy ideas and programs being discussed to improve housing affordability for selected groups in Australia;

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<sup>1</sup> AHURI National Research Ventures were referred to previously as Collaborative Research Ventures (CRVs).

- Develop an approach to evaluating the cost effectiveness, equity and appropriateness of these interventions on a consistent basis; and
- Illustrate the approach using selected schemes or projects.

## 1.2 Research questions

In relation to these overarching aims, the research questions being addressed are:

1. What could be the broad objectives of innovative affordable housing policies and programs in Australia?
2. What specific levers, tools and strategies could be used to meet each of these objectives, and what is the rationale for these choices?
3. What performance indicators could be used to measure the impacts of the strategies being used to meet the intended objectives?
4. What benchmarks of performance for the key measures could be used?
5. What evaluative methods could be appropriate to assess the impacts of affordable housing schemes?

## 1.3 Research approach

The information and proposals set out in this report have been developed using several complementary methods.

First, a review of recent evaluation literature on theoretical and methodological developments in the field was undertaken. We examined examples of evaluations that had been applied to national and international housing policies/programs, and conducted a web-based review of resource materials and evaluation manuals. Those sources are drawn on throughout the report. A selective list of web sites and resources that may be useful in future to evaluators in this field is included as Appendix A.

Early in the project a workshop was held with housing policy makers and other principal stakeholders. This enabled us to learn about current practice in evaluation research in housing, and to engage the policy community in discussions about desirable elements of a national evaluation model on affordable housing. A discussion paper was used to provide background information on evaluation and to generate dialogue in the workshop (Milligan *et al.* 2005). The outcomes of that workshop informed our assessment of the current state of evaluation activity in Australia (see Section 2.3.1) and assisted with the development of the national objectives presented in Chapter 3 and the national data set proposed in Chapter 6. Where appropriate, material taken from the background paper is included in this report.

Existing frameworks for evaluation in the housing field have also been examined and drawn on as appropriate to the context of this study. Evaluation of housing programs has not been a regular feature of practice in Australia, however, and this study found only a handful of frameworks that have been developed and used here.

Throughout the project, there has been engagement with members of the senior group of housing policy advisors in Australia – the Policy Research Working Group (PRWG). This group has provided information on the policy development process for affordable housing currently underway (see Section 3.2) and given feedback on components of the approach to evaluation developed in this study.

Finally, we have drawn on our first hand experience with undertaking reviews and evaluations of affordable housing projects and other social policy areas. The authors undertook the first comprehensive review of affordable housing initiatives in Australia in 2004 (Milligan *et al.* 2004). This included a financial analysis of the performance of an established affordable housing company. In 2005 two of the authors conducted an independent evaluation of a recent affordable housing development in the ACT (Milligan and Phibbs 2005). These and other studies in which the authors have been involved have been used to inform and illustrate the approach to evaluation set out in this report.

## **1.4 Report structure**

Chapter 2 of the report draws on the research methods outlined above to provide an overview of the evaluation field as it has been applied to social policies and programs in general, and to housing. It also outlines the authors' proposed approach to evaluation.

Chapter 3 describes the context of housing affordability problems and discusses the broad purposes of adopting a national approach to increasing the availability of affordable housing for lower income households. In the absence of a finalised program direction to assist with this project, we propose a set of normative objectives and a generic set of policy levers on affordable housing that would be consistent with both principle 11 laid down in the 2003 Commonwealth State Housing Agreement (CSHA) (COA 2003), and the Framework for National Action on Affordable Housing released by Housing, Planning and Local Government Ministers in 2005 (HPLGM 2005).

Chapter 4 demonstrates how the evaluation concepts and methods discussed in Chapters 2 and 3 can be applied to an affordable housing policy lever. It provides a worked example of how an evaluation of a particular strategy – the development and management of below market cost rental housing – might be designed and conducted. It also lists suitable methods, tools and core indicators that could be used in such an evaluation. More detail on these techniques is included in Appendix C.

Chapter 5 provides further examples of how evaluation can be used for specific projects, using three different case studies of affordable housing initiatives that have been established recently in Australia. The case studies help to highlight a range of different issues that may affect the conduct and results of housing evaluations.

To conclude the report, Chapter 6 discusses a way of advancing the evaluation of affordable housing initiatives of the kind and scale being contemplated in Australia. A multi-layered and cumulative approach to evaluation is proposed to add to our knowledge base about affordable housing and to contribute positively to the further development/refinement of affordable housing initiatives. The chapter also sets out proposals for building evaluation infrastructure, including a national core data set of indicators, and strategies for managing and funding evaluation and for developing competencies to support evaluation. Finally, those evaluation activities that would be desirable and feasible to undertake as a priority are identified.

## **2 OUTLINE OF EVALUATION CONCEPTS AND ISSUES**

### **2.1 Introduction**

This chapter has two purposes. It aims firstly to introduce the reader to evaluation by trying to define what evaluation is (and is not), by providing a short history of evaluation theory and an overview of applications in housing. It also identifies the authors' preferred position in regard to the various perspectives on approaches to evaluation.

The second purpose of the chapter is to introduce some key evaluation concepts and show how to design and conduct evaluation research.

The structure of the chapter is as follows. Following an introductory definition of evaluation and evaluation research, we provide an overview of housing evaluation practice in Australia and in two comparable international contexts (the United States and the United Kingdom). With an understanding of the existing state of housing evaluation practice in Australia, and the potential scope of practice as demonstrated by the international examples, we broaden the discussion to consider evaluation history and concepts in social policy (drawing mainly on recent work by Ray Pawson and Nick Tilley (1997)). This provides the basis for developing our approach to a national model for evaluation of affordable housing policy and initiatives in Australia, detailed in following chapters.

### **2.2 What is evaluation?**

Scriven (1991) defines professional evaluation as the systematic determination of the quality or value of something. In the context of public policy assessment, evaluation is a form of research that systematically investigates how well a policy, program or project is meeting its objectives.

In most respects evaluation is similar to other research processes. Thus, to achieve good practice in evaluation research requires the same principles of enquiry, conceptual clarity, methodological rigour, verification techniques and codes of conduct followed for all forms of research.

One distinguishing feature of evaluation research is its timing. The research process is usually conducted after the policy or program has been implemented, although planning for evaluation should be upfront in any program design. Having a defined subject to research – a specified program or policy intervention – means evaluation can often be more specific than other forms of policy related research, because the primary research question in evaluation concerns how the particular intervention or set of interventions relates to a set of observable and measurable outputs and outcomes (Milligan *et al.* 2005).

Evaluation should be clearly distinguished from program monitoring (Goss and Blackaby 1998). A paramount distinction is that evaluation research is conducted independently – undertaken by a qualified, capable and credible evaluator; and openly – based on the principle of full and frank disclosure of the findings and any limitations of the evaluation itself (Joint Committee 1994).

Other ways evaluation is often distinguished from program monitoring include:

- Use of a wider range of information sources to provide evidence of program outputs and outcomes;

- Use of specialised analytical tools, such as cost benefit analysis; and
- Application of structured research processes that allow judgements to be made about links between the findings, objectives, and operation of the program.

Government monitoring regimes are often criticised for their (over) reliance on readily available hard line measures of program performance. These measures are usually quantitative. In most practice in the social policy field, evaluation research extends beyond such measures to introduce qualitative data (such as that obtained from interview methods, participant observation techniques, focus groups and discourse and documentation analysis). Evaluation research also validates quantitative findings through establishing the causal connections between the program and its outputs, and develops an appreciation of a program's impacts in a real life context. In evaluation design, using both quantitative and qualitative data and combining different research methods – referred to as *triangulation* – forms a key element of the validation methodology for program evaluations (Cabinet Office 2003).

So, in summary, evaluation studies are an integral component of evidence-based policy making. Evaluation can also be used to inform new policy development and guide decisions about the potential extent, locations for, and means by which a program can be replicated successfully. Evaluations also contribute to government accountability processes (Owen 1999).

Robust evaluation research has the following characteristics:

- It is undertaken in a systematic manner;
- It is independently conducted by evaluators that are external to the agency responsible for the program or policy being evaluated;
- It is undertaken within a clear framework for enquiry;
- It draws upon a wide range of data and evidentiary sources;
- It uses specialised analytical tools to examine this data; and
- The evaluation process is transparent and research findings are accessible.

We expand further on the elements of evaluation and evaluation research in sections 2.4 to 2.10 below. We turn now to the state of evaluation practice in the Australian housing field and also present a brief review of the international context, focussing on the United States and the United Kingdom.

## **2.3 Overview of evaluation practice in housing**

### *2.3.1 Australian perspectives*

In the last couple of decades, government policy guidelines in Australia have given greater recognition to the role and value of evaluation methodologies in public policy development and review. (Appendix A includes a list of the main government guidelines and resources provided on evaluation across Australia.)

The increasing emphasis on evaluation within policy rhetoric and guidance in Australia has emerged in the context of the growing influence of “managerialism” in the public sector. Managerialism focuses on a performance-driven approach to program management, and evaluation of program outputs and performance is regarded as an essential component of this approach.

In housing, while such managerialist influences have increasingly been observed (see Burke and Hayward 2000), the available evidence suggests that the use of evaluation



processes remains undeveloped in Australia. In a broad review of current evaluation practice, Moore *et al.* (2001) concluded that, unlike in other areas of social policy (notably health), shortcomings in evaluation in the housing policy field included:

- No agreed frameworks for, or common approaches to, undertaking evaluations;
- A failure to evaluate the overall appropriateness or impact of housing programs (rather, the focus was on quantitative project outputs);
- A tendency to use evaluation methods reactively rather than on a systematic and programmed basis; and
- An inclination to eschew evaluation of major programs.

A more recent AHURI study, concerned specifically with evaluation methodologies and approaches for Indigenous housing programs (Walker *et al.* 2003), advocated the need for more innovative approaches to evaluation in that field. Previously, Spiller *et al.* had observed: “public rental housing program evaluation tends to focus on inputs and gravitates towards testing cost effective solutions (making finite funding set by government policy go as far as possible) rather than whether a priori objectives have been achieved” (2000:4).

These assessments suggest that a commitment to using evaluation research innovatively and well has not been part of the development and implementation of new housing policies and programs in Australia – although there are exceptions in some jurisdictions. A leading example is the Queensland Department of Housing, where a research and evaluation group supports internal evaluations that can contribute to organisational learning (Moore *et al.* 2001). In the affordable housing area, an initial evaluation of the Brisbane Housing Company (Qld) has been completed recently for that Department (KPMG 2005). Relevant experience from this first evaluation of the Brisbane Housing Company will be discussed in more detail in Chapter 5.

One housing policy area where the use of independent evaluation has been more frequent is in public housing estate renewal programs. Nevertheless, a recent review of approaches to evaluation that have been undertaken in this field found that they have been mostly ad hoc and project specific (Judd and Randolph 2006). The authors of the review conclude that evaluation of housing renewal initiatives in Australia has been constrained by an underdeveloped methodology, leaning to quantitative rather than qualitative evaluation, and the absence of a national commitment that could foster a larger scale and more systematic approach to evaluation. They argue that greater emphasis should be given to understanding causality in evaluations: how policy or program interventions and their outcomes are related, a theme we consider further shortly.

### Emerging evaluation frameworks for local housing programs in Australia

Since this project commenced, two studies that offer sound evaluation frameworks for significant local housing programs have been completed. These are:

1. An evaluation framework developed by the AHURI RMIT/NATSEM Research Centre for housing officials to assist with a mid term review and final evaluation of Housing Ministers’ 10 year statement of new direction for Indigenous housing known as “Building a Better Future (BBF), Indigenous Housing to 2010” (RMIT/NATSEM 2004); and
2. The Costs and Pathways Project, undertaken for FACSIA by researchers at Swinburne University’s Institute for Social Research, which aimed to help lay

foundations for the development of robust economic evaluation and costing relevant to Australian homelessness policy and service delivery (Pinkney and Ewing 2006).

The framework for the mid term and final evaluation of the BBF is germane to this project because the BBF strategy is multifaceted and operates differently in different jurisdictions, similar to the possible national affordable housing strategy. However, unlike in this study, the framework in the RMIT/NATSEM report has been developed to apply to an existing policy direction, not a prospective one. This makes designing an evaluation framework easier in that the objectives and parameters of the program are defined. On the other hand, the RMIT/NATSEM work was only commissioned after the BBF program commenced, which is considerably less desirable than having an inbuilt upfront evaluation design (including baseline data) and implementation plan. Following the development of the framework, a mid term review of the program was commissioned. The review, which has recently been completed and is pending consideration by Housing Ministers, was conducted by private consultants and was overseen by a high level steering committee of Commonwealth, State and Territory officials.

The report of the Costs and Pathways project looked at evaluation in the context of homelessness and responses to homelessness. It presents a thorough appraisal of ways of conceptualising and measuring homelessness and homelessness interventions, with a view to making an assessment of actions that would feasibly add to an understanding of the issue and, more particularly, to improve estimates of the costs of alternative strategies. The authors identify the sorts of evaluation studies likely to be most valuable over the longer term. They then identify gaps in existing data, research and research infrastructure that currently are limiting progress; make suggestions about how to build capacity for evaluation; and identify projects that could be implemented feasibly in the short-term. The authors focus on what may possibly be achieved through evaluation research in both the short and longer term. This approach derives from their view that a lack of evaluation applications in their field can partly be explained by the lack of a feasible strategy about how to move forward (*ibid.*). The research for this project tells a similar story.

### Stakeholder workshop

Recent information concerning the extent of evaluation in housing practice in Australia has not been well documented. To address this gap, a stakeholder workshop was held in Melbourne in February 2005. The workshop aimed to establish the extent to which housing evaluation is being undertaken currently in Australia and to determine the opportunities and barriers associated with developing a more systematic evaluation framework for housing. There were over 20 participants in the workshop, which included members of non government peaks, housing researchers and data analysts, and policy staff from housing agencies in all jurisdictions. The policy staff reported widespread interest in evaluation and recognition of the need for suitable evaluation methodologies for housing initiatives. However, it was agreed across all constituencies that current evaluation practices in housing were limited in scope and application. A systematic approach to evaluation is still an ideal scenario rather than resourced practice. For many projects and programs, post-implementation monitoring or a business process review often proceeds in lieu of a full and independent evaluation. Some jurisdictions have developed specific evaluation guidelines but their application is piece-meal, with few projects including a built-in evaluation component from the outset. Program managers were seen as being sometimes averse to evaluation because of a concern it may lead to program cuts. Participants identified

the need to package evaluation as a positive, valuable tool – with the suggestion that if evaluation was perceived as a valid component of risk mitigation, or an integral part of a coordinated and collaborative approach to service delivery used to inform future program design and adjustment, it would prove more attractive.

Specific barriers to implementing a systematic evaluation framework that were discussed relate to several themes, including funding, methodology, and a lack of evaluation expertise within the sector (Table 2.1).

**Table 2.1: Barriers to implementing a systematic evaluation framework for housing programs in Australia**

<b>Theme</b>	<b>Concern</b>
<b><i>Funding / resourcing</i></b>	Lack of dedicated funds and a contraction in discretionary funds that could be used for this purpose; In a constrained funding context it is harder for governments to find resources for ongoing evaluations, e.g. evaluation is perceived to compromise delivery by taking funds away from service outcomes; Internal staff and resource implications.
<b><i>Methodology / evaluation design</i></b>	Existing monitoring activities are focused on outputs and not outcomes; It is difficult to benchmark achievements over time in rapidly changing external context; Quantitative data (not qualitative) is seen as simpler to obtain and more cost-effective.
<b><i>Expertise / skill development</i></b>	Internal evaluation requires expert staff or the re-skilling of existing staff; A lack of confidence in the value of external evaluations — the poor track record of some independent consultancies was noted.
<b><i>Organisational / political</i></b>	There is limited capacity to, and process for, admitting mistakes – willingness is needed to see that pilots <i>are</i> for testing, so it makes financial and practical sense to evaluate them.

Source: The authors (based on Stakeholder Workshop (Melbourne) February 2005)

Perhaps the most difficult barrier to overcome is the organisational and/or political concern about the potential findings and implications of evaluation of a particular program or policy.

### 2.3.2 International examples

There is a stronger tradition of evaluation of housing programs internationally (see for example discussion in Bridge *et al.* 2003 and Judd & Randolph 2006). In both the United States and the United Kingdom, evaluation in housing ranges from the systematic evaluation of specific government housing initiatives and programs through to higher level evaluation of housing policy.

The United Kingdom Cabinet Office describes good analysis and sound evaluation as being at the heart of policy making (Cabinet Office 2003). They require multifaceted independent evaluations of major government initiatives. An example in the housing and urban regeneration field is the New Deal for Communities Program (NDC), which aims to tackle multiple deprivations in deprived neighbourhoods using a partnership approach. From the outset, a comprehensive approach to monitoring and evaluation at several levels and stages has been built into the program. An independent national evaluation, overseen by an evaluation task force, has been funded to operate and provide feedback across the life of the program. Partnerships must undertake both project and scheme evaluations at the end of years 3 and 6 and at the end of the

scheme. Evaluation criteria are centred on the “relevance, feasibility and sustainability” of projects or schemes. There is a requirement for partnerships to adopt an action research model, preferably using independent evaluators (DETR 2000).

A recent evaluation of the main low cost home ownership programs in England commissioned by the national government provides another example of a comprehensive approach to assessing a housing program’s operation and performance (Bramley *et al.* 2002). The report on this evaluation considers the efficiency and effectiveness of low cost home ownership mechanisms across the range of their objectives and from the viewpoint of policy makers, providers and consumers. It uses a mix of sources of evidence and methods of analysis, including interviews with key national and regional stakeholders; focus groups of providers; case studies of operations in different local areas; a household interview survey; analysis of national datasets; and a set of models devised to provide a systematic quantified evaluation of performance and testing of financial aspects of provision. One of the strongest findings of the study is that there are strong differences between the context and performance of these schemes in different parts of England. This underlines a key reason for doing evaluation research in housing: to progress our understanding of what housing levers work best in what markets. It also resonates with the conceptual approach to evaluation that we suggest later in this chapter.

A high-level evaluation of housing policy was conducted recently by leading housing researchers in the United Kingdom (Stephens 2005). The study is a desk-based review of the evidence of the impacts of English housing policy from 1975 to 2000, grouped around five major policy themes – supply, need and access; affordability and finance; housing and neighbourhood quality; widening choice and management effectiveness – that have been distilled from policy documents over the period. This type of evaluation relies on having a team of highly informed experts, good secondary sources and extensive time series data. The evaluators provided broad insights into the design of housing policies and offered some generalisations about strengths and weaknesses in policy-making approaches. One important broad finding of this study was that while many housing policies pursued in England over the past 25 years have been successful in their own terms, many of the housing problems identified at the beginning of the period have not been addressed effectively because of the nature of the policy making process. For example, according to the evaluators, housing policies tended to be too narrowly conceived and reactive to particular problems rather than anticipating other challenges. They often did not develop and adjust readily to changing circumstances and the actual observable results of their operation. Such findings make a strong case for the proactive use of evaluation to support policy making.

Similar to the United Kingdom, the Federal Department of Housing and Urban Development (HUD) in the United States requires all funding proposals to include a comprehensive evaluation model. A proportion of program funds is set-aside formally for this purpose, and program management agencies (such as public housing authorities) are expected to partner with academic institutions that conduct long term evaluations (Renger *et al.* 2003).

A recent example of a broad interpretative evaluation of housing policy and its articulation through affordable housing in the United States is provided by Katz *et al.* (2003). These authors assessed the effectiveness of the three main approaches that have underpinned housing affordability programs over the past 70 years in the United States – namely regulatory strategies, assistance for renters and assistance for homeowners – by separately considering demand side and supply side interventions.

The primary method used is to review the overall performance of housing programs in these areas against a broad set of underlining goals for affordable housing (see Box 2.1). The substantial professional and academic literature was the key information source and evidence base used to define these broad goals and review performance. A “lessons matrix” is presented as a succinct summary of the effectiveness of the three broad types of housing programs against the seven normative goals.

**Box 2.1: Broad goals underpinning US housing programs**

Preserve and expand the supply of good quality housing units	Make housing more affordable and more readily available	Promote racial and economic diversity in residential neighbourhoods	Help households build wealth
Strengthen Families	Link housing with essential supportive services	Promote balanced metropolitan growth	

Source: Katz *et al.* 2003:viii

Defining a broad set of goals that collectively underpin housing programs in the United States was a crucial component of this extensive study – providing a foundation for evaluation of numerous individual programs within a meaningful system wide framework for analysis. We adopt a similar approach in developing our own model for evaluation research in Australia (Chapters 3 and 6) but propose that such goals be specified at the outset, rather than derived retrospectively.

The studies briefly discussed above have been chosen to illustrate different applications of evaluation methodologies to major housing policies or programs in the United Kingdom and the United States. More details on national guidelines for evaluation and further examples of their use in the field of housing in those countries can be obtained from the web sites listed at Appendix A. We turn now to a more detailed discussion of evaluation design, drawing initially on practice and methods used in social research before applying these to the housing context, in order to develop a more effective evaluation paradigm for housing programs in Australia.

**2.4 A short history of social evaluations**

Having identified that evaluation approaches in Australian housing are somewhat thin on the ground, we want now to consider evaluation practice and methods being used in other fields of social research. Insights and lessons from the broader field of evaluation can help build a case for good practice in a local housing context.

There is an expansive literature on the history and practice of evaluation, which is beyond the scope of this report. However, Pawson and Tilley (1997) provide a useful short history in the social policy field, grouped by four main paradigms that have evolved, viz:

- Experimental;
- Pragmatic;
- Naturalistic; and
- Pluralist.

We outline each of these in turn, drawing largely on Pawson and Tilley’s helpful conceptualisation and review of the key developments in evaluation theory and practice over recent decades.

### 2.4.1 *The experimental*

The basic framework of the experimental approach to evaluation in social research is very simple – “treat” one group (by including them within the program or policy in question) and not the other. Measure both groups before and after the treatment of one. A comparison of the changes in the treated and untreated groups will yield a clear measure of the impact of the program.

While this method can provide broad evidence of the success or failure of a particular program, the reasons why the approach has been successful or otherwise are often not revealed. Quasi-experimentalists attempted to overcome methodological limitations such as these by establishing a number of additional safeguards to protect the “internal validity” of causal inferences in the design of experimental evaluations.

An example of an experimental design applied to the evaluation of a housing program is the long-term demonstration program ‘Moving to Opportunity’ in the United States. This program, which ran in the mid 1990s, set out to test the impacts on non-shelter outcomes that occurred when public housing tenants were given the opportunity to move to a neighbourhood of lower poverty. Evaluation was based on an experimental method of randomly allocating similar tenants to different forms of housing assistance (public housing, housing vouchers and housing vouchers only redeemable in a low poverty area) to compare the long term outcomes for those who moved out of a poverty area and those who did not (see <http://www.nber.org/~kling/mto>). A summary of the learning from examples and of issues raised by these highly controlled studies is included in Bridge *et al.* (2003). Additional examples of the application of the experimental paradigm in the social sciences can be found in Riecken and Boruch (1974) and Bendick and Struyk (1983).

### 2.4.2 *The pragmatic*

In reaction to the failures of the experimental paradigm, evaluators became more concerned with the organisational and political contexts in which all policy making takes place. Thus, a utilisation-focussed approach became a fully fledged alternative to traditional scientific paradigms (Pawson and Tilley 1997).

Under a pragmatic approach, the key issues when determining whether an evaluation should be undertaken are whether the evaluation would be useful to some audience, and whether it would be feasible to undertake (Stufflebeam 1980; cited in Pawson and Tilley 1997:13). Through the predominance of criteria such as those, the evaluator’s role tends to become one of lending technical support to the policy (and political) mandate. An extreme form of pragmatism might be ‘evaluators for hire’.

The real test of successful evaluations conducted under this paradigm is thus not whether certain technical axioms are followed, but rather, whether the practical cause of good policymaking is advanced (Patton 1982; cited in Pawson and Tilley 2005:13).

### 2.4.3 *Naturalistic or constructivist*

This paradigm focuses on how change comes about by using the insights (constructions) of “stakeholders” and exploring the subtleties of decision-making processes. A naturalistic approach to evaluation is premised on the argument that all social processes are constructed in complex contexts of human understanding and interaction.

In this paradigm the gaze of evaluators turns from outcomes to processes. The views of actors in the process are of leading importance, rather than the final outcomes of an evaluated program.

Notable here is the extreme difference from the experimental approach. The experimental approach attempts to strip away all differences between the control and the experimental group, other than the program itself. In other words it strips away the context. In the naturalistic view of evaluation however, the context is all-important. From a naturalistic perspective it is very difficult to generalise from the operation of a program in one setting to another, since the setting will always be different.

#### *2.4.4 Pluralist*

By encouraging a comprehensive and multifaceted approach, the pluralist paradigm represents a sort of 'best of' approach to evaluation. Or, turning again to Pawson and Tilley:

One can imagine the attractions of a perspective, which combines the rigour of experimentation with the practical nous on policy making of the pragmatists, and with the empathy for the views of the stakeholders of the constructivists (1997:24).

A pluralist approach utilises diverse methods including experiments, case studies and observations. Evaluators must perform multiple different functions and assessments while conducting their study, a research validation technique known as 'triangulation'. Whilst the pluralist paradigm requires proper sociological consideration of the institutional and the individual, no single set of principles will suffice.

The breadth and depth of evaluation implied in this paradigm may well be unrealistic, however. Pawson and Tilley include among its pitfalls "never having sufficient resources to research everything... not being able to see the wood for the trees... [and] not knowing exactly where to start. Investigators need a clearer set of priorities about what to evaluate" (1997:25). Nonetheless, certain elements of a pluralist method have made an important contribution – including restoring the focus and balance to theory-led evaluation by incorporating additional questions about why a program was established, and why it was expected to work (Chen and Rossi 1983, cited in Pawson and Tilley 1997:26).

#### *2.4.5 Realistic evaluation*

In concluding their assessment of the history of evaluation, Pawson and Tilley suggest that despite a burgeoning of evaluation of social policies, much evaluation is still based on poor research, a lack of priority-setting, failure to accumulate results, and a lack of voice in policy making. To address these shortcomings they offer an alternative paradigm that they call "realistic evaluation". Realistic evaluation deals with the real world (not a simplified abstraction); it is realistic (feasible, applied and relevant); and it adopts a scientifically based realist approach to evaluation research. We consider that Pawson and Tilley's contemporary "realistic evaluation" model might be applied fruitfully in an Australian housing context, and it provides a main basis for our suggestions about evaluation practice in affordable housing.

## **2.5 A realist approach**

Before addressing in greater depth Pawson and Tilley's application of realist methodologies to evaluation, it is useful to give a very brief appraisal of the realist research approach. Realist research aims to move social research methods beyond positivist approaches – based on deducing universal laws from measurable events – and constructivist approaches, which are limited by a view that all research findings are subjective and relative. A realist approach is theory-testing. It seeks to promote better explanations of how underlying social conditions contribute to particular and

diverse outcomes. It views particular events as the outcomes of the interactions between an underlying social reality made up of interactions between market forces, institutional structures, power relations and ideologies and agents, and a set of contextual conditions operating in a particular time and place. While causal mechanisms tend to produce certain events, these sets of relations are not universal laws, but rather are contingent on mediation in a local context. By seeking to understand the relations between causal mechanisms and events that occur, progress can be made in explaining social phenomena – such as housing outcomes (Lawson 2006).

### *2.5.1 Applying a realist approach to evaluation*

Following Pawson and Tilley, the conceptual framework for the application of realist methodology to evaluation requires an evaluator to understand the relationship between “context”, “mechanism” and “outcome” (C-M-O). The fundamental proposition is that the explanation of the outcome lies in understanding both the mechanism and the context in which it operates:

Programs work (have successful outcomes) only in so far as they introduce appropriate ideas and opportunities (mechanisms) to groups in the appropriate social and cultural conditions (contexts) (Pawson and Tilley 1997:57).

Or described schematically:

Outcome = mechanism + context (*ibid.*)

Developing this approach leads Pawson and Tilley to propose a number of interconnected rules to be borne in mind when designing and conducting evaluation research. These are summarised in Table 2.2, alongside our comments on how they might cast light on analyses of the impacts of housing programs.

Further development and application of the C-M-O framework can potentially strengthen the way evaluation research in housing is conducted and used. If successful, this will eventually help to build the value and importance placed on evaluation by housing policy makers. This process is in the very early stages, and greater investment in the development of evaluation skills and competencies will be needed to realise its potential. This issue is canvassed further in Chapter 6.

The remainder of this chapter will describe more operational aspects of an evaluation, covering in turn the stages and elements of an evaluation; levels of evaluation; different types of evaluations (or sub-evaluations) and program logic and ethical considerations.

## **2.6 Stages and elements of an evaluation**

Evaluations have a number of stages and elements that cover both the planning of an evaluation and its implementation (Davidson 2006). Table 2.3 (following Table 2.2) gives a summary of those elements, organised via four main stages: preliminaries, foundations, sub-evaluations (of both processes and outcomes) and conclusions.

Some of the elements introduced in this table are covered in more detail in the next sections.

## **2.7 Levels of evaluation**

In context of a wide ranging approach to affordable housing, the place or level at which evaluation is directed and applied is particularly relevant. Evaluation can be conducted at several levels (Owen 1999). The evaluative level may be:



1. **An overarching policy** which is jurisdictionally based and embraces several programs or initiatives in one or more regions (for example the Better Cities Program 1992 – 1996);
2. **A program**, i.e. one specified model of funding and delivery operating for a region and/or target group (e.g. the Affordable Housing Program for Ultimo Pyrmont that was established and part-funded under Better Cities);
3. **A project or site**, i.e. a local provision under an overarching policy and program (e.g. a specific City West Housing project developed under the above program).

The level of an evaluation is important for several reasons. First, it will help determine the focus of the evaluation – what we want to know and who wants to know it. Lower level (project or site) evaluations might be more focused on local costs and delivery processes, and be very useful to the individual provider when it comes to planning future projects, managing risks and accounting for their performance. A program level evaluation however might focus on the scale and level of outputs from year to year, or on differences in performance across projects, providers or regions to meet the needs of the program manager (such as improving the program's effectiveness or efficiency). A 'big P' policy evaluation will be focused on high level goals and targets and how the policy is perceived to be working overall for the use of ministers and senior managers – for example, in determining whether the program should continue and what level of resources are desirable (*ibid.*).

Second, considering different aspects of evaluation at one level can assist in making an assessment at another level. For instance, evaluations of several projects under the one program might also contribute to a better understanding of the effectiveness of that program in different contexts (such as housing sub markets).

**Table 2.2: Rules of realist evaluation**

<b>Rule</b>	<b>Explanation</b>	<b>Comments from a housing perspective</b>
<b>Rule 1: Generative causation</b>	Evaluators need to attend to how and why social programs have the potential to cause change.  This is not about an external theory of cause and effect, but about understanding the conditions for causal potential to be released and whether it occurs in practice.	The potential for different impacts to arise from the use of similar affordable housing mechanisms is well understood by housing practitioners and researchers. By emphasising the 'why' questions, evaluation research can contribute to our understanding of the circumstances in which a policy lever triggers certain desired outcomes, such as reducing the incidence of housing stress.
<b>Rule 2: Ontological depth</b>	A range of attitudinal, individual, institutional and societal factors will influence how participants respond to particular social interventions. Therefore the rule is that evaluators need to explore beneath the surface of observable inputs and outputs of a program to understand how changes that occurred actually came about – what decisions were made and what behaviour occurred.	A good example of the implications of this principle in housing studies comes from mounting evidence from evaluations of estate renewal programs. This shows that the results of interventions targeted at social change on housing estates seem to be highly dependent on locality and community specific factors that are often unearthed by detailed local studies (Randolph 2006).
<b>Rule 3: Mechanisms</b>	This rule focuses on understanding by what mechanism the relationship between a problem and its effect (outcome) is changed i.e. the task for the evaluator is to discover if it is the mechanisms that were employed that have changed the situation	We can use this aspect of evaluation to check whether housing policy levers are significant in achieving better shelter <i>and</i> non-shelter outcomes for target groups and to improve our understanding of why they work.
<b>Rule 4: Context</b>	Given the principle that all results are context dependent, this rule focuses on using evaluation to understand for whom and in what institutional and social circumstances particular mechanisms can be successfully activated.	Evaluation can help to build up a record of the success and failure of housing policy interventions across different target groups and housing markets and thereby add to our knowledge of how the situational context affects the results. A good example could be the influence of different market conditions on the appropriateness and effectiveness of an affordable housing levy on development.
<b>Rule 5: Outcomes</b>	Evaluators need to understand the (multiple) outcomes of an initiative <b>and</b> to explain how they are produced. Outcomes provide the crucial evidence of not only how the mechanisms work but when and why (in what context, by what relationship) and to what extent.	Evaluation can be used to test our assumptions about the multiple (shelter and beyond shelter) effects of providing affordable housing.
<b>Rule 6: Context-mechanism-outcome configurations</b>	Evaluators look for patterns in what works where and when, so that learning can be generalised. Evaluation starts with a conception of a C-M-O (the theory/hypothesis) and ends with a refinement of that C-M-O. Accumulated findings over successive evaluations and other research provide the evidence/knowledge base for change and development of (especially fine tuning) of policies/ programs.	By supporting a consistent and cumulative approach to evaluating which housing levers work 'when where and how' policy makers will be provided with an evidence basis for adjusting the responsiveness of programs/levers to their context.
<b>Rule 7: Teacher-learner processes</b>	The evaluation of a policy involves an ongoing process of theorising, investigating and reviewing aimed at refining the understanding of the operation of the C-M-O model. This should be conducted via a division of expertise between the evaluator (as investigator/ interpreter and the policy maker (as key informant/commentator) but the process should maintain a continuous two-way dialogue.	Evaluation like other housing research is a learning process that can eventually contribute to enlightenment between research and policy fields (see also Jones and Seelig 2004).
<b>Rule 8: Open systems</b>	The world of social programs is permeable and constantly changing. Understanding developed from evaluations can be subject to sudden and unexpected change.	

Source: Columns 1 and 2 based on Pawson and Tilley (2005:215-219); column 3 added by the authors

**Table 2.3: Elements of an evaluation**

<b>Stage</b>	<b>Elements</b>	<b>Scope</b>
<b>Preliminaries</b>	Preface	Who asked for the evaluation and what is its purpose? Who are the main audiences? Specify the evaluator's value stance and ethical considerations.
	Design and methodology	What is the overall design / approach of the evaluation? Propose the generic types of questions that might be asked in an evaluation. While each evaluation will have specific questions that must be determined in their particular context, generic questions can be used as prompts in an evaluation design or, for larger scale evaluations, in a scoping study.
<b>Foundations</b>	Background and context of the program	Why did this program or product come into existence? What is the operating environment and wider context of the program?
	Description and definitions Explain program purpose and logic Define performance indicators and benchmarks	Describe the "evaluand" (i.e. the subject) in enough detail so that virtually anyone can understand what it is and what it does. Describe the initial C-M-O theories. Unpack the program logic. Identify the range of quantitative and qualitative methods, tools and techniques that might be appropriate to the evaluation. Link different methods to different types of evaluation criteria / questions. Identify recommended reference material on methods. Discuss data, measurement and benchmarking issues and identify a cost effective approach to the establishment of appropriate data sets for the evaluation.
<b>Sub-evaluations</b>	Process and impact evaluations	Sub-evaluations provide the information that can be drawn on to answer the main evaluation questions.
<b>Conclusions</b>		Review whether the evaluation results could be considered consistent with the theory of C-M-O presented in the evaluation. Reflect on results of evaluation and the context of other evaluation results. What elements of the evaluand might make a potentially valuable contribution in another setting? Include a meta-evaluation: a critical assessment of the strengths and weaknesses of the evaluation itself.

Source: Davidson (2006) and authors

Third, if a planned and coordinated approach to evaluation at different levels is adopted, the findings can provide a cumulative information and knowledge base from which sound judgements about the overall policy or program can be made. This approach may also assist with managing the costs of higher-level evaluations by ensuring adequate information is built up and shared, thereby enabling strategic conclusions to be drawn without the need for additional data collections.

Further observations about how a multi-layered approach to affordable housing evaluation could be developed in Australia are described in Chapter 6.

## 2.8 Sub-evaluations

A useful distinction can be made between process evaluation and impact or outcome evaluation.

Process evaluation is concerned with the operations of the program: “it verifies what a program is and whether or not it is delivered as intended to the targeted recipients” (Scheirer, 1994; quoted in Purdon *et al.*, 2001:10). Process evaluation addresses such questions as: how well is the service delivered; how is it used and managed; how efficiently are resources being deployed; and are clients satisfied? In an affordable housing program, some examples might be to ask what process was used to develop the affordable housing stock built by the program, and/or what process is used to select low income tenants for vacancies. Process evaluations will also examine the extent to which the design of a program changed during program rollout. If changes did occur, they can examine why they occurred and what the consequences were.

*Impact or outcome* evaluation considers the program’s impact upon desired outcomes, as measured by an agreed indicator. Impact or outcome evaluations focus on measures of effectiveness and appropriateness (see Box 2.2). Has the housing led to improved housing affordability outcomes for the tenants? In practice most evaluations will involve elements of both process and impact assessment.

### Box 2.2: Impact measures

<b><i>Effectiveness</i></b>	The extent to which the program achieves its stated objectives. Did the target increase in affordable housing supply occur? What proportion of households in the target group was able to access more affordable housing? Did the housing provided at an affordable price meet the standards set?
<b><i>Efficiency</i></b>	The relative cost of achieving the outcomes of the program compared to alternative approaches, generally expressed as a cost per unit of output (at an agreed standard). For example, the cost of an affordable rental housing scheme might be calculated as a cost (in net present value terms) per assisted tenant year and on that basis compared with other models of assistance.
<b><i>Appropriateness</i></b>	How well do the stated objectives of the program match the needs of the clients it serves, and the interests of government and the wider community. In other words, it brings into focus the ‘real world’ impact of the program (whatever its specified objectives) upon the social, economic and political environment in which the program operates. For example, how appropriate is the housing provided to the needs of clients who were assisted? How does the housing contribute to wider social goals such as social cohesion, community participation and sustainable communities?

A valuable way of structuring the evaluation of impacts is given by Fischer (1995). He proposes two levels of deliberation about the impacts of a policy (or program), each having different questions and purpose. The first level is concerned with the specific empirical performance of the policy, (that is technical/analytical issues). It answers questions about effectiveness in fulfilling the stated objectives. Fisher labels this as empirical evaluation: “a form of evaluation that seeks to determine the degree to which a specific program or policy empirically fulfils or does not fulfil a particular standard or norm” (1995: 241).

The second order of impact evaluation described by Fischer is more abstract, concerned with the wider social benefits/value of a policy or program. This moves the evaluation beyond technical assessment into what Fischer calls “normative evaluation”. Normative evaluation essentially considers questions of appropriateness in a wider context than that which the program is responding to directly (ibid: 242).

Drawing out these two orders of evaluation is valuable because normative considerations are crucial but often omitted. To illustrate: a program may be performing well on a technical level but in terms of the goals of the society in which the program is operating might not be appropriate. Fisher (1995) provides an excellent critique of the problems of technical only approaches to evaluations.

Another useful distinction – between summative and formative evaluation – centres on the use of, or reason for, the evaluation. Summative evaluation is used to form summary judgements about how a program operated. Formative evaluation is described as evaluation undertaken to provide information that will be used to improve the operation of a program (Purdon *et al.*: 2).

In another approach, Owen (1999) offers a multifaceted classification of forms of evaluation. This focuses mainly on the purpose of the evaluation, but also the types of issues to be addressed, and the broad model or approach and timing that follow logically from these considerations. Table 2.4 gives an overview of Owen’s typology and how it might apply in the affordable housing context. This is also useful because we are setting out to consider ways that evaluation could be used to assist a new policy direction in housing.

**Table 2.4: Types of evaluation (after Owen, 1999)**

<b>Evaluation type</b>	<b>Purpose</b>	<b>Approach</b>	<b>Comments in context of affordable housing</b>
<b>Proactive</b>	Key purpose is to determine the need for the program, or the direction for a radical overhaul of an existing program.	Occurs during program development. Takes a critical view of the need for the program. Focus is on needs assessment, what is exemplary practice, and evidence from existing research of the nature of the problem being addressed.	Relevant to present state of development of a national initiative in affordable housing. This purpose underlies the inclusion of this project in the NRV3 research plan and the timing of the project in relation to the development of a possible national affordable housing agreement (See Chapter 3).
<b>Clarificative</b>	To assist in clarifying, refining and modifying a program.	Particularly relevant to early stages of program delivery. Seeks to validate rationale for program and logic and consistency of approach being introduced.	Could be used in pilot and demonstration phase to improve models under consideration. Will provide a more considered basis for later (impact) evaluation.
<b>Interactive<sup>2</sup></b>	To improve a program.(Equivalent to formative evaluation)	Draws in providers and beneficiaries as key informants for improving a program. Focus on delivery. Uses action research methods. Empowers participants.	Suits partnership approaches. Will assist providers to improve delivery as well as governments to improve higher-level program design.
<b>Monitoring</b>	Assists program managers and meets government accountability requirements.(Equivalent of a summative evaluation)	Focus is on higher-level program outputs.Part of a standard quality assurance regime once program is in place.Relies on well-defined performance information.	Will become more important as affordable housing programs are implemented. While it provides a necessary component for evaluation it does not entail investigative methods or a focus on understanding why a result occurred.

## 2.9 Program logic considerations

When designing and conducting an evaluation, it is important to examine the logic of the project/program being evaluated. This logic could also be called the program's *theory of action*, and concerns the linkages between the various components of a program (Funnell 1997; Wells 1987). A program logic approach helps break down a project into a detailed series of connected steps, so all stages, activities and impacts of a project are included in an evaluation. This can be of most use for “diagnosing” the precise point at which a project or program has run into trouble. This is not to suggest that there is a linear relationship between each of the activities – causal relations are often much more complicated than this, with interactions occurring

<sup>2</sup> In a previous study on evaluation undertaken for AHURI, the researchers advocated an interactive model of evaluation for Indigenous housing programs, noting that: “the types of evaluation undertaken depend on assumptions about whether evaluation is regarded primarily as a component of monitoring, accountability and governance or for empowerment, learning, capacity building, stronger families and communities” (Walker *et al.*, 2003:36).

between many activities. The idea of describing each of the activities (and sub-activities) in a program is to provide evaluators with a handy checklist that ensures they examine the operation of every distinct step or part of the project/program, rather than simply looking at the “top layer” in making an evaluative judgment. The element generating a problem might actually be a low-level action or step, for instance, which might easily be overlooked if an evaluation focuses only on high-level stages and outcomes of a project.

In constructing a project logic diagram, the “outcomes hierarchy” of the program is usually constructed first as it the most important starting point to our thinking about what has been achieved (Funnell 1997). An over-arching goal is usually placed at the top of the outcomes hierarchy, while on a level below there should be a “lower level outcome” that needs to be attained if the higher-order outcome is to be achieved. The diagram may have many levels or only a few. In columns beside the outcomes for each level in the hierarchy there should be a description of the factors that could affect the achievement of the outcome, i.e. the major risks and a set of performance indicators, which can help judge the success of that particular level.

A program logic approach for an affordable housing supply project is illustrated in Section 4.3.

## **2.10 Evaluation standards and ethical considerations**

Evaluation standards set out guiding principles for how to commission, prepare, conduct and report the results of an evaluation in a transparent, ethical, open and rigorous manner.

A code of ethics is an integral part of the principles and standards that apply to the conduct of evaluations. The code sets down the obligations upon the parties to the evaluation – the commissioning agency and the evaluators – to ensure that all those who may be affected by the evaluation (such as clients, staff, target groups and contributors to the evaluation) are identified, informed, treated openly and fairly and have their privacy protected, and that any potential harmful risks of the evaluation are identified and negotiated as far as possible up front. More information on ethical considerations and a summary of the guidelines of the Australian Evaluation Society (AES) for the ethical conduct of evaluations are provided in Appendix B.

The AES guidelines for ethical conduct of evaluations do not deal explicitly with Indigenous research and evaluation processes. It should be noted that AHURI has a demonstrated commitment to Indigenous perspectives and approaches to research, and has developed a set of “Ethical Principles and Guidelines for Indigenous Research” (2004); see [http://www.ahuri.edu.au/research\\_agenda\\_funding/about\\_funding/](http://www.ahuri.edu.au/research_agenda_funding/about_funding/). A useful discussion of principles and methods for conducting research and evaluation in Indigenous housing can be found in “Investigating appropriate evaluation methods and indicators for Indigenous housing programs”, an AHURI-funded positioning paper by Walker *et al.* (2002). As part of the advancement of evaluation research in the housing field, consideration could be given to broadening the current guidelines for Indigenous housing research to cover all housing research and evaluation activity.

There is an extensive literature addressing the ethics of social research in broader terms. Kimmel (1988) provides a useful overview of the types of ethical problems that might be encountered during various kinds of social research. He offers a range of methodological suggestions for dealing with ethical difficulties, and recommends that all applied social research include detailed reporting of the ethical procedures followed during the research process. Sieber (1993) explores the ethics and politics of

'sensitive research', including research in community settings where the findings will impact on a specific group of people; while Boruch and Cecil (1983) deal in detail with legal aspects of social research, including the ethicality and legal status of particular research tools.

## 2.11 Conclusion

This chapter has provided an overview of several core issues that a national approach to evaluation of affordable housing policies and programs might cover in more detail. The ideas and approaches in the chapter will be applied in subsequent chapters where we develop our suggested approach.

Our experience as researchers and evaluators, and this overview of the history, theory and practice of evaluation indicate that many issues will impact on the success of an evaluation. In summary, we suggest some of the most significant issues that can affect the quality of evaluation and how it will be received are:

- *Skills, knowledge, and experience of the evaluator.* Having the right expertise is necessary to enable considered judgments about the impacts of a policy or program;
- *Independence of the evaluator.* For evaluation to be unconstrained and to have credibility the evaluator needs to be independent of the policy making process, while retaining close dialogue with the policy community;
- *Focusing the evaluation on the reasoning behind the initiative and its objectives.* Realist methodology stresses that the key purpose of evaluation is to improve our understanding of the reasons something worked or did not work;
- *Understanding the context of a specific initiative.* Good explanation and the potential for better policy making will come from understanding both how the program was supposed to work and investigating what actually happened in a particular time and place. The key questions are: "What caused the outcomes that were found" and "How did these differ from the expected outcomes and why?" A specific set of questions to guide evaluation of the process of implementation would be "Was the program implemented as planned?"; "Why or why not ?" and "With what effects on the outcomes?";
- *Taking a feasible approach to the evaluation* – including setting priorities, making an accurate assessment of the likely limitations and managing costs;
- *Obtaining and validating the evidence of the direct and indirect impacts of the initiative.* Using a mix of qualitative and quantitative measures is recommended to help the validation process;
- *Reporting the findings accurately* (with the evidence to substantiate them), and in a balanced way (dealing with both positives and negatives); and
- *Interpreting the implications of the evaluation for future policy.*

Highlighting those issues that impinge most on the likely success of evaluation research has implications for how a program of evaluations can best be developed and supported, a subject considered further in Chapter 6.



### 3 AFFORDABLE HOUSING DIRECTIONS IN AUSTRALIA

In keeping with applying a realist framework for evaluation, this chapter considers the context, objectives (or desired outcomes) and possible policy mechanisms for addressing affordable housing issues in Australia. Prior to this, we review how the term affordable housing is being used in the Australian context.

#### 3.1 Defining affordable housing

Practical definitions of what constitutes affordable housing are usually specific to the policy and program context in which they are used. Typically however they have common features, such as a notion of what comprises affordability and a reference to the target group(s) for whom they are intended. More discussion of the concept of affordable housing and definitions used in different places is provided in previous research for AHURI, in particular Milligan *et al.* (2004, Section 1.2) and Gabriel *et al.* (2005, Sections 1 and 2).

Recently, work on a broad contemporary definition of what is meant by affordable housing in Australia has been advanced under the policy development process for the “Framework for National Action on Affordable Housing” (see Section 3.2). In particular, to assist state and local government planning agencies in the task of promoting and monitoring the supply of affordable housing, Housing, Planning and Local Government Ministers have agreed upon the following umbrella definition:

“Affordable housing is housing that is appropriate for the needs of a range of low to moderate income households and priced so that low and moderate incomes are able to meet their other essential basic living costs” (PRWG 2006).

Terms used in this definition are further elaborated as follows.

“Housing is appropriate for a household if it:

- Is appropriate for that household in terms of size, quality, accessibility and location of housing;
- Is integrated within a reasonably diverse local community;
- Does not incur unreasonable costs relating to maintenance, utilities and transport; (and)
- Provides security of tenure and cost for a reasonable period.”

“Low to moderate income includes those households which have incomes below 120% of the gross median income of all households” (*ibid.*).

“Living costs” have not been defined specifically in this work, but reference is made to the wide use of the indicator that “mortgage or rental payments should be less than 30% of household gross income (including any Commonwealth rent assistance)”<sup>3</sup>.

Features of this definition include:

- Adoption of a reasonably broad *target group* – low and moderate income households – who have a possible need for affordable housing;

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<sup>3</sup> Further discussion of this indicator as a measure of housing affordability and comparison with other possible measures can be found in a preceding paper in this series of research reports for the NRV, *Housing affordability for lower income Australians* (Gabriel *et al.* 2005).

- Acknowledgement of a relationship between the cost of housing and the general *costs of living* for such households;
- Recognition of a diversity of housing needs; and, following from that
- A multifaceted description of what constitutes appropriate housing.

This approach to defining affordable housing could be used for evaluation purposes. To help with operationalising the definition, the paper provides technical notes and identified existing data sources which are intended to guide the measurement and monitoring of affordability using the key attributes of the target group assisted and whether a specified level of affordability (price point or rent level) is achieved (or not) (*ibid.*). However, it is less specific about how to assess appropriateness. For longer term evaluation purposes, additional specifications could be developed and used as data becomes available. Overall, if the proposed definition is adopted consistently throughout Australia, as is intended, it will provide a firm basis for the comparison of affordability in different market contexts.

**Table 3.1: Examples of focusing an evaluation**

<b><i>Program/project aim</i></b>	<b><i>Specific Evaluation questions</i></b>	<b><i>Success criteria</i></b>
<b><i>Provide housing that is affordable for people with high support needs</i></b>	Do high support need clients access affordable housing? Is affordable housing suitable for people with high support needs?	Extent to which support needs met for a given level of affordability. Share of allocations to people with high support needs. Allocations to people with high support needs as a proportion of applications from that group.
<b><i>Provide decent housing for lower income households</i></b>	What standards and quality of affordable housing are being provided?	Extent to which housing meets defined standards for a given level of affordability.
<b><i>Provide housing affordable for lower paid workers in local industries/services</i></b>	What is the relationship between affordable housing and labour market participation?	Extent to which provision of affordable housing increases availability of local workers where there is a shortage. Before and after workforce participation rates/patterns of groups housed.
<b><i>Housing for households at risk of poverty</i></b>	To what extent does housing assistance provided alleviate poverty?	Extent to which cost of housing alleviates poverty risk measured by income level / gap after housing costs are met compared to living standards criteria.

In practice, the extent to which all of the aspects of affordable housing identified above are evaluated will depend on the purpose of the evaluation being undertaken, and the resources that can be obtained for the evaluation. Therefore, for any particular initiative proposed for evaluation, the design stage will need to determine which aspects of the affordable housing strategy are the most important to monitor and review in view of the rationale for the initiative. Some examples of how an evaluation of a particular initiative could be more selective and focussed are given in Table 3.1 above.

### 3.1.1 *Types of affordable housing*

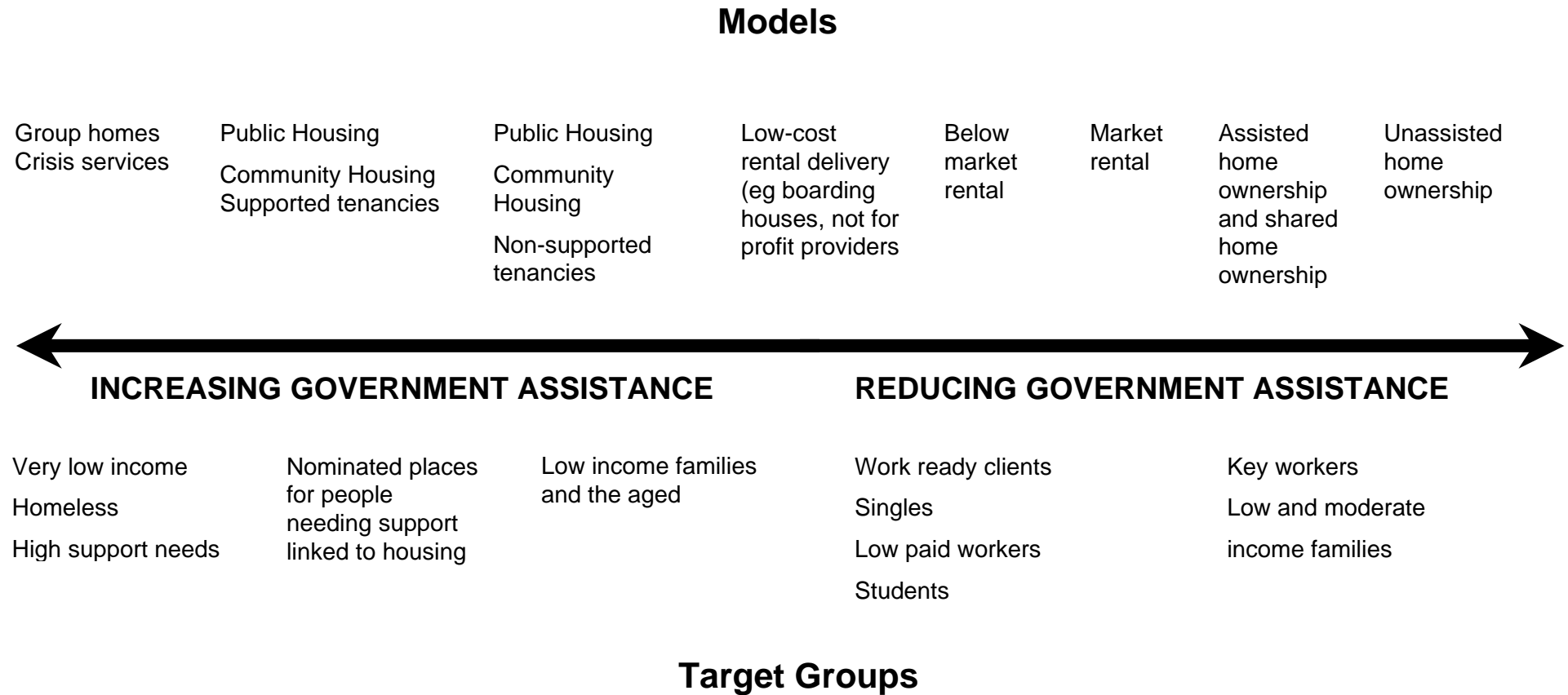
Drawing from the definition presented above and others that are in use, the term affordable housing connotes housing that assists lower income households to attain and pay for appropriate housing without experiencing undue financial hardship (Milligan *et al.* 2004). A range of publicly or privately initiated forms of housing may meet this specification.

One way this diversity can be represented is by depicting a continuum of housing options that can meet the needs of lower income households (Yates *et al.* 2004a). Figure 3.1 shows a spectrum of housing models that can be used to respond to the need for appropriate and affordable housing. This encapsulates a typical (but not necessarily comprehensive) range and mix of affordable housing products that could be provided under a broadly conceived affordable housing strategy. The array of options is differentiated according to the target group being housed, level of government subsidy involved, tenure (rental or home ownership) and services provided (supported or unsupported), and the delivery agency. Each of these aspects of an affordable housing initiative could be a subject of a process or impact evaluation.

Because of the shortfall of affordable housing in Australia for many in the target group (see Yates *et al.* 2004b and Yates and Gabriel 2006 for relevant data), many of the models for affordable housing involve the provision of supply side subsidies that reduce the cost or price of procuring housing and/or demand side subsidies that assist an eligible household to meet the cost of their housing. However, not all models of affordable housing are subsidised and there is increasing attention being given by policy makers to strategies that can help to lower the cost of market housing. Potential strategies in this arena include: lower taxation of properties and property transactions; reducing the cost impacts of urban planning policies and processes, such as reduced development fees; more efficient approaches to land subdivision, housing design and construction methods; and innovative financing and marketing of housing. Section 3.4 discusses suitable policy mechanisms in each of these areas in more detail.

The diverse attributes and forms of affordable housing mean there will be a need to determine what aspect(s) of an initiative or program will be of specific interest at the outset of any evaluation. This does not imply other aspects will be ignored but it can help to ensure the approach chosen is capable of answering the questions seen as most important. The views of program sponsors, users and other stakeholders should be taken into account in making these decisions.

**Figure 3.1: A continuum of affordable housing options**



Note: This is a slightly amended version of a diagram that first appeared in Yates *et al.* 2004a and has also been included in the NSW Government 'Housing Kit for Local Governments in NSW' (forthcoming).

### 3.1.2 Terms of affordability

A core outcome intended from an affordable housing program or project is that those housed have sufficient income remaining after paying their rent (or mortgage) to meet their basic costs of living (see section 3.3.2). Such an outcome can be assessed broadly by measuring the proportion of income paid by the occupant for their housing and comparing this to a benchmark measure of affordability (Gabriel *et al.* 2005).

However, in the design and evaluation of affordable housing programs or projects, explicit consideration needs to be given to what a level of affordability is intended and how appropriate this is to the specific and wider goals of the program / project. This will give rise to questions for evaluators such as the following:

- What standards of affordability are appropriate? Flexible standards may be appropriate to take account of different levels of income or the level of access and amenity obtained by tenants in particular locations. For instance, a different standard may be appropriate for special needs or very low income households who have so little disposable income after meeting fixed costs such as those for housing and utilities; and
- Is the definition of income appropriate? Permanent income; gross or disposable income; or average income measures may be appropriate alternatives in specific circumstances. Non-income criteria may also need to be considered for special need households.
- How does the financing of the initiative impact on who can be housed affordably, and the depth and duration of affordability that can be achieved? Highlighting this question recognises that the way that projects are financed and secured will have particularly important implications for the achievement of affordability objectives both in the short and longer term.

## 3.2 Current policy directions and their implications

### 3.2.1 Framework for National Action on Affordable Housing

Under the current (2003/04–2007/08) Commonwealth State Housing Agreement (CSHA), Australian Governments have agreed to “promote a national, strategic, integrated and long term vision for affordable housing in Australia through a comprehensive approach by all levels of government” (CoA 2003: Principle 11).

At the national level, the main development so far in this agenda has been the release of a Framework for National Action on Affordable Housing (the Framework) adopted by Australian Housing, Planning and Local Government Ministers in August 2005 (HPLGM 2005). The release of the Framework signalled a commitment from all jurisdictions and spheres of government in Australia to work together to develop a coordinated and strategic approach to addressing the shortfall in affordable housing across Australia. (The Framework is reproduced in Attachment 1.)

Defining affordable housing at that time as “housing which is affordable for low and moderate income households across home ownership, private rental as well public rental tenures”, the Framework sets out a series of schedules for work under four major commitments to be completed over the next three years (2005/06 to 2007/08) and submitted sequentially to Ministers for further consideration.

In this initial approach to framing the options for a national approach, a key thrust is the packaging and coordination of a range and mix of levers that can impact on housing affordability. The availability of a package of policy measures offers the potential for levers to be applied selectively across diverse geographic contexts and to

be responsive to differences in market cycles, as appropriate. Jurisdictional flexibility is also catered for under this approach.

Initially coordinated policy action is envisaged in the following realms:

- The affordable housing delivery sector, with a focus on strategies and actions to increase the role and capacity of not for profit providers of affordable housing and to expand incentives for 'for-profit' delivery;
- The functioning of the housing market to reduce the cost of new supply and to achieve other efficiencies, such as through providing better market information;
- A review of existing subsidy streams with a view to improving their effectiveness and to strengthen certainty of government investment; and
- Identifying additional subsidy and financing options – involving demand and supply side levers and revenue measures – that could support an expansion of affordable rental provision and home purchase by lower income groups.

An additional consideration is whether there would be benefits from having a National Affordable Housing Agreement on (NAHA) to promote a strategic, unified and coordinated approach to the provision of affordable housing across all spheres and agencies of government.

The Framework also includes a specific task to “develop a national affordable housing evaluation framework which reports against key outcomes in the Framework, minimises duplication in reporting and administration and is accountable to Ministers” (*ibid.*: Schedule 1). The AHURI research network has been invited to advise on that task, using the results of this project, which was underway at the time of the release of the Framework.

### *3.2.2 State and local strategies*

Several Australian States and Territories have put in place or are actively planning specific strategies to meet affordable housing goals. A table summarising the main initiatives is presented below (Table 3.2).

A small but growing number of local governments across Australia also have in place or are developing local housing strategies that include action on affordable housing. Gurrin (2003) provides a recent review of the use of these strategies in New South Wales, Queensland and Victoria. Whether guided by a strategic framework or not, quite a lot of councils have facilitated or participated in specific affordable housing projects. Well established local government roles in affordable housing can be seen in Waverley and Willoughby (NSW), Melbourne and Port Phillip (Victoria), Adelaide City (SA) and Brisbane City (Queensland).

Material presented in this report could be applied to evaluating these state and local strategies in a similar way to that proposed under a national approach.

## **3.3 Drivers of and objectives for policy responses to housing affordability issues**

### *3.3.1 Understanding the context*

In this section we discuss the context in which new policies and programs for affordable housing are being considered. As we emphasised in Chapter 2, understanding why new initiatives are being developed and the case being made for their adoption is a crucial part of determining the goals and objectives behind any new programs and projects, and why policy makers consider they will work.

To assist evaluators in this initial task, the context of future housing policies or programs will often be the subject of policy related research in its own right. For example, research on affordability problems in Australia is a key purpose of the NRV of which this study forms one part, and is reflected also in the broader AHURI research agenda (Yates *et al.* 2004a; AHURI 2006). Such background research can aid evaluation by providing theories, benchmarks and other evidence that will help in developing a grounded understanding of the origins, purposes and, ultimately, the impacts of a program (i.e., to help answer the evaluative question of why it did – or did not – work).

An illustrative list of the contextual issues that may influence how affordable housing policy responses will be shaped in Australia in the next few years is provided in Table 3.3 (following Table 3.2). As the table suggests, these issues are highly complex and dynamic in nature and range from political and social factors such as the fall in public resources committed to housing; to housing system environment issues such as the intensification of housing affordability problems; through to wider context variables like the risk that volatile housing market conditions could adversely impact economic performance. Within such a complex and shifting context, it is crucial that an evaluation framework provide a basis for appreciating how external influences continuously mediate the development and implementation of housing policies and programs, and their impacts.

### 3.3.2 Objectives

Defining program objectives in ways that will allow a valid assessment of both the quantity and quality of their intended impacts is often identified as the biggest single success factor in evaluation research (Milligan *et al.* 2005).

As discussed above, the broad theme of the quest for a national affordable housing strategy is encouraging and facilitating additional, more diversified approaches to financing and delivering housing that is affordable to lower income households. To date, more exact program objectives have not been fully determined and agreed, although many of the early initiatives in individual jurisdictions have set specific objectives. (Milligan *et al.* 2004 describes these initiatives.)

This situation provides an opportunity to consider normative objectives for a new affordable housing policy model in Australia.

Deduction of a set of normative objectives and the identification of possible policy mechanisms to support a national affordable housing initiative (outlined in the next section) have been informed by:

- The authors' assessment of the context in which the framework for national action on affordable housing has been proposed, as discussed above;
- Outcomes of the workshop with policy makers held in February 2005. A central purpose of that workshop was to assess the views of stakeholders on what the primary policy objectives for affordable housing initiatives *should be* and why (Milligan *et al.* 2005);
- Examination of documents and reports provided by the Policy and Research Working Group of housing officials which is responsible for developing advice on the Framework for National Action on Affordable Housing for Governments; and
- Conceptualisation of the potential scope and logic of interventions that could be used to address housing affordability problems, using the expertise of the NRV research team and ideas from a workshop with a group of experts and stakeholders who participated in an previous project for the NRV (Milligan 2005).

This process focused on consideration of the possible ways that governments could intervene and the putative purpose behind each strategy.

**Table 3.2: State government affordable housing policy initiatives**

<i>State</i>	<i>Initiative</i>	<i>Aims and outcomes to date</i>	<i>\$</i>
<b><i>NSW</i></b>	1998/99: Established an affordable housing service (Centre for Affordable Housing)  2003/04: Funding for pilot debt equity projects announced  2005: Announced intention to develop Affordable Housing Strategy	To help broker new financing and delivery models  Joint ventures to supply affordable housing financed with government equity and partner borrowings  Increase housing options for low and moderate income households, including specific initiatives for older people and people with disabilities. Work in partnerships with private, local government and not for profit agencies Make better use of planning mechanisms to encourage the provision of affordable housing	\$10m seed funding  \$5.1m 2003/04-2005/06
<b><i>Victoria</i></b>	2000/01: State funded joint venture program, Social Housing Innovations Project (SHIP)  2003: Strategy for Growth in Housing for Low Income Victorians 2005: A Fairer Victoria	To develop innovative housing models and increase participation in provision by equity joint partners, e.g. charitable organisations and local government  To build on SHIP through development of not-for-profit housing associations. Expanding the supply of affordable housing	\$94.5m over three years 2000/01 - 2002/03  \$70m over four years 2003/04-2007/08 \$55m additional over 2005/06-2006/07
<b><i>Queensland</i></b>	2001: Affordable Housing in Sustainable Communities Strategic Action Plan released as forerunner to establishing Brisbane Housing Company (BHC) in collaboration with Brisbane City Council (BCC)  2005: Evaluation of BHC completed	Foster partnerships between government, non-government and private sector. Establish BHC as not-for-profit organisation providing affordable housing in inner city	\$50m to BHC 2002 + \$10m from BCC  Additional \$10m to BHC 2005/06
<b><i>South Australia</i></b>	2005: State Housing Plan released	Outlines intention to encourage broader range of approaches to funding and delivering affordable housing	



<b>State</b>	<b>Initiative</b>	<b>Aims and outcomes to date</b>	<b>\$</b>
	2006: Affordable Housing Innovations Program announced, to be managed by Affordable Housing Innovations Unit	State grant to leverage private debt, equity or philanthropic investment in innovative rental and home purchase products	\$93m
<b>Western Australia</b>	2003: Five year strategic plan for community housing released	Set growth target for community housing of 40%  To promote alternative funding sources and delivery models for affordable housing	Non specific CSHA, other state sources and partners
<b>Tasmania</b>	2003: Announcement of new Affordable Housing Strategy Stage 1 2004-2005; Stage 2 2006-2007  2006: Stage 1 review completed	To promote new and sustainable ways of assisting low income households across all tenures. Two-thirds of funding reserved for new housing supply; expect much will be directed to non-government providers	\$45m from stamp duty revenue
<b>Australian Capital Territory</b>	2002: Report of Affordable Housing Taskforce: Strategies for Action 2003: Initial government response to Taskforce report 2005: Progress report on implementation  2006: Affordable Housing Demonstration project	Range of cross tenure strategies to address affordability including funds for additional public and affordable housing to be developed in partnership with non government agencies  Opportunity for private partners to develop affordable housing on LDA (Land Development Agency) sites	\$33.2m sourced from government's home loan portfolio

Source: This is a modified and updated table for the NRV that appeared previously in Gabriel *et al.* 2005:14-15.

**Table 3.3: Context for affordable housing initiatives in Australia**

<b><i>Context</i></b>	<b><i>Influences on affordable housing initiatives</i></b>
<b><i>Political and social policy environment</i></b>	<p>Fall in public resources committed to housing, leading to desire to leverage new sources of finance.</p> <p>Desirability of coordinated action across spheres and agencies of government to improve effectiveness of responses.</p> <p>Recognition that greater diversity in local housing markets requires devolved and diversified responses (i.e., a move away from one size fits all models of intervention).</p> <p>A policy focus on reducing social and economic disadvantages in particular housing estates.</p> <p>Continuing political interest in providing opportunities for home ownership for first home buyers and excluded groups (e.g. Indigenous households).</p> <p>Seeking greater self-reliance for households in the social security safety net such as through workforce engagement and income and wealth creation.</p>
<b><i>Housing system environment (Yates et al. 2004a)</i></b>	<p>Intensifying affordability problems and uncertainty about how housing market processes are re-shaping structural and cyclical trends in affordability.</p> <p>Declining access to public housing – combination of declining supply, tight targeting to high needs and reducing turnover.</p> <p>Declining access to home ownership at least for those on the margins of affording this tenure.</p> <p>Loss of low cost private rental housing, especially in high value well located areas.</p> <p>The impact of demographic and social changes (ageing, smaller households, mental health challenges) on housing demand and an associated mismatch with current supply patterns.</p> <p>Greater potential for intergenerational transfers (e.g., bequests, gifts and property transfers) in the housing system, with as yet unclear impacts.</p> <p>More diversified housing finance instruments.</p> <p>Undeveloped capacity in the not for profit housing sector to develop affordable housing.</p>
<b><i>Wider context variables (see for example Berry 2006a and 2006b)</i></b>	<p>Concern about the impact of housing affordability problems on labour market requirements.</p> <p>Specific concern about whether access to employment by those underemployed or unemployed is affected by the availability of affordable housing.</p> <p>Trends to more polarised work and housing markets. Questions about the contribution of housing affordability to city sustainability and competitiveness. The wages/house price ratio and the recent trend for the rate of house price inflation to exceed wages growth.</p> <p>Changes in investment trends and investor behaviour in the residential property sector and the volatility of those trends.</p> <p>The impact of changes to tax policies affecting superannuation on decisions about investment in housing by both individuals and institutions.</p> <p>Risk that volatile housing market conditions could impact adversely on economic performance.</p>

**Table 3.4: Possible objectives for a national affordable housing initiative**

<b>Primary objectives</b>	
<b>Affordable Housing</b>	<p>To improve access to existing housing that is affordable for low and moderate income households and those with specific housing needs in housing affordability stress (the target groups).</p> <p>To preserve and add to the supply of affordable housing where it is needed for the target groups.</p>
<b>Supporting objectives</b>	
<b>Appropriate Housing</b>	<p>To ensure that housing provided is appropriate to the needs – and changes in needs – of the target groups in response to:</p> <ul style="list-style-type: none"> <li>→ Size and type of household;</li> <li>→ Cultural needs of households;</li> <li>→ Occupant circumstances (e.g. need for support services; need for stability); and</li> <li>→ Locational needs of households.</li> </ul> <p>To provide well designed housing and neighbourhoods.</p> <p>To contribute to the environmental sustainability of dwellings provided to the target groups.</p>
<b>Participation</b>	To enable the target groups to participate in decisions about affordable housing policies, products and projects
<b>Positive non shelter outcomes</b>	<p>To ensure target groups have sufficient residual income after paying for housing to meet their non shelter needs at no less than a socially accepted standard.</p> <p>To provide affordable housing in ways that can strengthen the economic and social position of the target groups. Specific consideration should be given as appropriate to contributions to:-</p> <ul style="list-style-type: none"> <li>→ Incentives for workforce participation;</li> <li>→ Support for family life and work family balance;</li> <li>→ Ways of supporting the health, well being and education needs of occupants;</li> <li>→ Enabling ageing in place, and</li> <li>→ The development of socially cohesive communities and community building processes.</li> </ul>
<b>Choice</b>	To diversify the housing and tenure options available in local housing markets and to provide the target groups with adequate choice.
<b>Equity</b>	<p>To target any subsidies that are provided to the target groups in proportion to need.</p> <p>To give priority of assistance to those most in need.</p>
<b>Longer term benefits</b>	<p>To retain and use any benefits gained from investing in housing for the target groups to meet the needs of future generations.</p> <p>To progressively improve the capacity of the private and not for profit sectors to provide affordable housing.</p>
<b>Unintended impacts avoided</b>	To avoid as far as possible any unintended impacts of the way that initiatives intended to improve the affordability of housing are implemented. (For example, to avoid measures that contribute to a sudden surge in demand and a consequential short term boom in house prices.)
<b>Efficiency</b>	<p>To use any subsidies that are provided to access, procure, manage and maintain housing in the most cost effective way.</p> <p>To support and contribute to the efficient operation of the housing market.</p>

One key influence on the scope of the objectives proposed has been the emphasis in recent discourse among academics, policy makers, potential partners and advocates alike, on the need for a large scale, multifaceted, coordinated and long-term response to the affordable housing challenge in Australia (see, for example, Affordable Housing National Research Consortium 2001; Milligan 2005; National Affordable Housing Forum 2006). Another important influence on our objective setting has been consideration of the connections between housing and broader concerns of human well-being and social welfare.

This refers to the widely appreciated view that the way housing is provided is one of the most important determinants of non-shelter outcomes for households (Bridge *et al.* 2003; Phibbs and Young 2005). The intended purpose of setting these objectives is to make explicit a strategic and high-level set of reasons for the introduction of measures to support the provision of affordable housing. The proposed objectives recognise the specific purposes and processes behind ways of providing affordable housing, as well as a range of other desired outcomes that are also potentially affected by the way in which this is achieved.

In practice, evaluators of a particular affordable housing strategy or project will need to determine which objectives have been given emphasis in a specific initiative and why. The assessment can then focus on the extent of success for that subset of objectives. However, this should not be done in a way that excludes from consideration the possibility that *other* objectives should have been given more weight. If evaluators use the above-suggested set of normative objectives as a frame of reference, this may help them critically review the points within a program at which some objectives have been overlooked or downplayed. Keeping all the normative objectives in mind might cause an evaluator to find, for example, that while housing affordability improved under a project, the non-shelter outcomes for the occupants were not as successful. In another case, recipients might be provided with lower cost housing but had no say in how their housing was provided and no choice of product or provider and, and felt stigmatised as a result.

A further issue in relation to assessing initiatives concerns “internal” tension between their objectives. For example, Chapter 5 describes a situation where a focus on housing those in highest need undermines the ability of an affordable housing program to continue to generate housing opportunities in the longer term. As another example, a development could generate greater efficiencies by reducing the size and quality of each of the dwellings – but this might undermine the appropriateness objective. How can these potential conflicts between objectives be resolved?

One way out of this dilemma might be to use a series of weights to help rank the objectives – these weights could be used to guide the efforts of affordable housing providers. For example, if the appropriateness objective “outweighed” the efficiency objective, projects would be directed towards getting better feedback from tenants/occupants rather than trying to drive down dwelling costs. Nevertheless, selecting appropriate weights is problematic and, in the absence of a clear rationale, unavoidably arbitrary.

One tool for addressing this issue is a technique called Multi Criteria Analysis (MCA) (or multi attribute matrix analysis) which can be used to evaluate a range of options that impact on a set of objectives (Munier 2004). However, the level of precision required in this methodology may not be desirable or meaningful in the case of affordable housing initiatives.

On the whole, provided evaluators are not constrained in the objectives that are considered and provided that they are encouraged to make full and frank assessments across the complete set of objectives, they should be able to report comprehensively on the performance of the project/program for the consideration of the sponsors and other stakeholders.

### 3.3.3 *Policy mechanisms*

The affordability of housing is essentially a function of the costs of producing and financing housing and of household income levels or, more accurately, purchasing power. A complex set of factors influences this equation, including a broad range and mix of possible policy interventions. The level of affordability will be the result of the interaction of all such factors in a particular time and place (Milligan 2003).

It is generally recognised that governments can intervene in the housing system to address affordability problems in one or more of three broad ways:

- Improving the operation of the housing market;
- Increasing the supply of lower cost housing; and
- Subsidising the housing costs of households.

Within these broad families of policies, various specific policy mechanisms can be adopted in pursuit of the primary and supporting objectives nominated in Table 3.4. Selection of particular mechanisms will depend on many factors, especially the level of understanding of market conditions operating to create affordability problems; knowledge among policy makers and advocates of the way particular levers can work; emphasis given to various objectives for provision of affordable housing; and the motivations and political preferences of governments. As discussed in Chapter 2, understanding how these policy choices are made is an important first step in evaluation research.

To assist in our next task of discussing and illustrating how evaluation of affordable housing initiatives might be approached, Table 3.5 (below) sets out a non-exhaustive list of possible policy mechanisms in each of the three broad types of housing interventions. An evaluation of the impact of one or more of these mechanisms would begin with the evaluator making an initial assessment of why they were chosen (the context, the perceived affordability problem and the desired outcomes); how they were expected to work (the rationale); and key issues to be addressed in the evaluation (the risks and accountabilities). This too should be done in consultation with the policy maker and other key stakeholders.

Each mechanism identified below has very different potential to be applied to the problem. Some have broad national applicability, while others may be intended to operate in a specific local market context or at one point of the housing market cycle. The intended scope of operation and scale of any lever must therefore be identified when an evaluator is making an initial assessment of that mechanism's intended impact. For example, in their review of first home ownership, the Productivity Commission (PC) found that grants to first home buyers which were intended to alleviate the imposition in 2001 of the Goods and Services Tax (GST) on land supply and housing construction had the unintended impact of contributing to a short term boom in house prices, in the context of a strong housing market. They suggested instead that targeting that kind of assistance to lower income buyers only would result in a positive impact on those most in need, while avoiding an adverse affordability outcome in the market overall (PC 2004).

It is also important to recap that the process for developing a national affordable housing strategy envisages that many policy mechanisms could be packaged and applied together to better achieve the primary objective of improving the availability of affordable housing to lower income households in Australia. Thus in any coordinated program of evaluations, the combined impact of levers in use must be considered, assessed and measured. Chapter 6 proposes some higher level (system wide) indicators that could be used for this purpose.

**Table 3.5: Examples of specific policy mechanisms to deliver affordable housing**

<b><i>Policy Mechanism</i></b>	<b><i>General Intent</i></b>
<b><i>Improve the operation of the housing market</i></b>	
Improve planning and development approval processes	Reduce costs associated with development approval
Ensure sufficient and timely supply of appropriately located residential land (e.g. through functions of land development agencies, urban development programs, urban renewal authorities)	Match supply and demand for housing Reduce lags in land release Overcome land assembly difficulties
Reduce distortions in tax arrangements that affect housing	Reduce pressure on house prices
Promote housing diversity e.g. smaller dwellings and lot sizes	Increase housing yield; provide lower entry points to housing market, and ensure housing meets needs of a diverse population
Demonstrate and promote innovative construction processes	Show potential to reduce construction costs
Reduce property transfer costs	Encourage mobility and efficient housing usage
Promote innovative private financing products (e.g. shared equity, rent to buy)	Increase capacity of target groups to access home purchase
Create structures to support institutional investment in housing	Overcome barriers to financial flows to housing
Charge linkage fees for non residential developments that impact on housing demand and invest these in affordable housing	Match local supply of affordable housing to a change in demand Offset risk of adverse demand side impacts on house prices
Improve housing market information	Reduce possible barriers to market activity/efficiency
Support the development of the housing industry	Reduce risks of skills shortages, unresponsive methods, slow innovation
<b><i>Increase the supply of lower cost housing</i></b>	
Tax incentives (credits, waivers, rebates etc) for affordable housing provision	Attract private investors to supply affordable housing
Government grants (capital/land) for joint public and private financed affordable housing	Add directly to supply of affordable housing Leverage additional funds for affordable housing
Recurrent subsidies for affordable housing managers	Reduce costs of providing ongoing housing services
Government guarantees for loans for affordable housing providers	Reduce lender risk (cost of housing finance)
Mandate inclusion of more affordable dwellings in development and renewal areas	Increase share of housing that is affordable to the target groups Contribute to social mix
Offer planning incentives for affordable housing	Encourage developers to provide housing for target groups/affordable housing providers
Require compensation for loss of affordable housing through development or redevelopment	Retain current level of supply of affordable housing into future
Offset drivers of contraction in public housing supply	Retain current level of supply of public housing into future
<b><i>Provide subsidies for housing to target groups</i></b>	
Enhance rent subsidies (allowances, vouchers etc) for target groups	Increase capacity of target groups to pay rent
Increase deposit assistance for target groups for purchase of housing	Increase capacity of target groups to afford to purchase
Increase deposit assistance for target groups to build new housing	Increase supply of housing for the target group
Provide interest rate subsidies for target groups	Increase borrowing capacity of target group
Provide guarantees for loans for target groups	Reduce lender risk (cost of housing finance)
Reduce government taxes and charges on home purchase or renting	Directly reduce housing entry costs
Provide for mortgage interest tax deductions	Reduce regular housing costs
Mandate investment by lenders in affordable housing	Target share of housing finance to target groups
Introduce government funded shared equity schemes	Increase capacity of target groups to access home purchase

## **4 AN EVALUATION EXAMPLE: EVALUATING AFFORDABLE HOUSING SUPPLY**

### **4.1 Introduction**

Chapter 2 identified an approach to evaluation and some key tools and concepts that could be applied to evaluating an affordable housing initiative. Chapter 3 proposed an inclusive set of objectives for affordable housing and categorised the various kinds of affordable housing programs and policies according to their role in effecting three main strategic outcomes:

1. Improving the operation of the housing market;
2. Increasing the supply of lower cost housing; and
3. Subsidising the housing costs of households.

This chapter focuses on an example of increasing the supply of lower cost housing to demonstrate in more detail how an evaluation might be undertaken. It will follow the evaluation structure outlined in Table 2.3. In order to highlight the essential elements of an evaluation the example has been kept simple.

### **4.2 Preliminaries**

#### *4.2.1 The description*

Since the purpose of the chapter is to demonstrate the application of an evaluation, the evaluand will be a relatively simple example of an affordable housing supply initiative – namely an affordable housing supply project.

The project is being undertaken by a non-profit agency that is currently a provider of community housing. The project is a development of a number of affordable housing units on a single site. Some of the units will be retained as rental housing by the agency whilst the remainder will be sold on the open market.

The project involves essentially four main activities:

- The development process – acquiring land, obtaining approvals, obtaining finance, constructing dwellings and selling some of them;
- Selecting tenants and occupants for the development;
- Managing the ongoing tenancies; and
- Maintaining the assets that are retained by the agency

Evaluation of the first two activities can occur early in the life of the project, whilst evaluation of the last two activities will need to be ongoing.

#### *4.2.2 The evaluation questions*

To decide the core issues to be addressed in the evaluation and the main evaluation questions that follow, we use the list of objectives provided in Chapter 3. The primary objective listed in Table 3.4 is obviously the key objective of the project. This objective – to increase the supply of affordable housing where it is needed – will be affected by all activities of the project. What are the most important supporting objectives? Table 4.1 identifies these, and provides some comments about their relevance for this evaluation and the main activities to which each objective applies.



**Table 4.1: The main supporting objectives of the project**

<b><i>Supporting objectives</i></b>	<b><i>Comment</i></b>	<b><i>Relevant activity</i></b>
<b><i>Efficiency</i></b>	The key to a successful outcome is that the housing is produced at a cost less than could be obtained through using a conventional market procurement process; The assets need to be managed efficiently	Development Asset Management
<b><i>Equity</i></b>	The selection of the tenants and occupants should be undertaken in accord with an assessment of their housing needs	Tenant/occupant selection
<b><i>Appropriate housing</i></b>	The housing provided should be appropriate to the tenants/occupants selected, and generate positive non-shelter outcomes for them. The way that the housing is managed should facilitate tenant participation.	Development
<b><i>Positive non shelter outcomes</i></b>		Tenant selection
<b><i>Participation</i></b>		Tenancy management
<b><i>Longer term benefits</i></b>	At the end of the project, the capacity to undertake further projects should be increased (i.e. the project is sustainable and produces some operating surplus and future value that can be used to contribute to additional affordable housing)	Development
<b><i>Choice</i></b>	Less relevant for an individual project	
<b><i>Unintended impacts avoided</i></b>	Less relevant for an individual project	

A review of this table suggests the key evaluation questions should be:

- Has the project been able to produce additional supply of housing at a cost that enables the target groups to achieve affordability benchmarks?
- Have the tenants and occupants of the development been selected in accord with the policy objectives?
- Has the project been able to deliver appropriate housing and positive non-shelter outcomes to the tenants/occupants?
- Is management of the housing financially viable?
- How could the project be improved?

## **4.3 Foundations**

### ***4.3.1 Developing the Context-Mechanism-Outcome (C-M-O) theory***

As outlined in section 2.5, an overarching theory regarding the causal relationships between the context for the program, specific mechanisms applied, and the actual outputs achieved, is central to the design of an evaluation. For this example, the initial program theory could be stated in a single sentence such as:

It is possible to use a variety of financial and other levers<sup>4</sup> to generate appropriate housing for lower and middle income households in Australia at a cost that will be financially sustainable for the both the providers and the tenants/occupants.

In other words, this theory provides a basis for evaluating whether the mechanism in question (levers to generate affordable housing) will lead to the desired outcome (i.e. that the housing generated will be at a cost that is financially sustainable for both providers and occupants).

#### 4.3.2 Context

Taking this theory as a starting point for explanation, the extent to which the intended outcomes will result is contingent on the context of the project, as discussed in Chapter 2. Thus, when interpreting the results of the evaluation and comparing the results of this evaluation with other similar evaluations at different times and different locations, it is important that the context of the development is made very clear. The sorts of context variables that are relevant for this type of affordable housing supply project are suggested in Box 4.1.

#### **Box 4.1: Some context variables for an affordable housing development project**

<i><b>A general understanding of the affordable housing issues in Australia (see Chapter 3)</b></i>	What are the attitudes of the various layers of government to affordable housing and what are the major affordable housing policies and programs?
<i><b>An understanding of conditions in the local housing market</b></i>	What have been recent trends in land and construction costs, and rents and house prices? What other affordable housing has been constructed recently in the area? What sorts of housing, especially in relation to design and levels of accessibility, has been constructed in the area?
<i><b>The major institutions and stakeholders</b></i>	What are the regulatory requirements for the development and management of the housing (both asset and tenancy aspects)? Who are the major stakeholders that the development will interact with? What has been their attitude to affordable housing?

#### 4.3.3 The mechanisms

The main mechanisms here are the financial levers available to an affordable housing supply project and could include:

- Any capital or recurrent subsidies and tax concessions that are available to the project sponsor or to the occupants;
- Direct or in kind contributions from private and non-profit sources that will reduce the costs of the project; and
- Use of the development margin.

#### 4.3.4 The outcomes

The theory suggests that it is possible through the project to generate the following outcomes:

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<sup>4</sup> The list of available levers / mechanisms is described in detail in Table 3.5

- Housing significantly cheaper than market housing which enables target groups to achieve affordability benchmarks;
- Appropriate housing and positive non shelter outcomes for tenants/occupants;
- Housing that is financially sustainable for providers; and
- Housing that is financially sustainable for tenants/occupants.

#### 4.3.5 Describing the program logic

Following on from Section 2.9, we now describe the program logic. Figure 4.1 shows the outcomes hierarchy for the four main activities of the project. The overarching objective is shown at the top. The bottom of the figure shows the start of the project and the vertical axis describes the passage of time (not to scale).

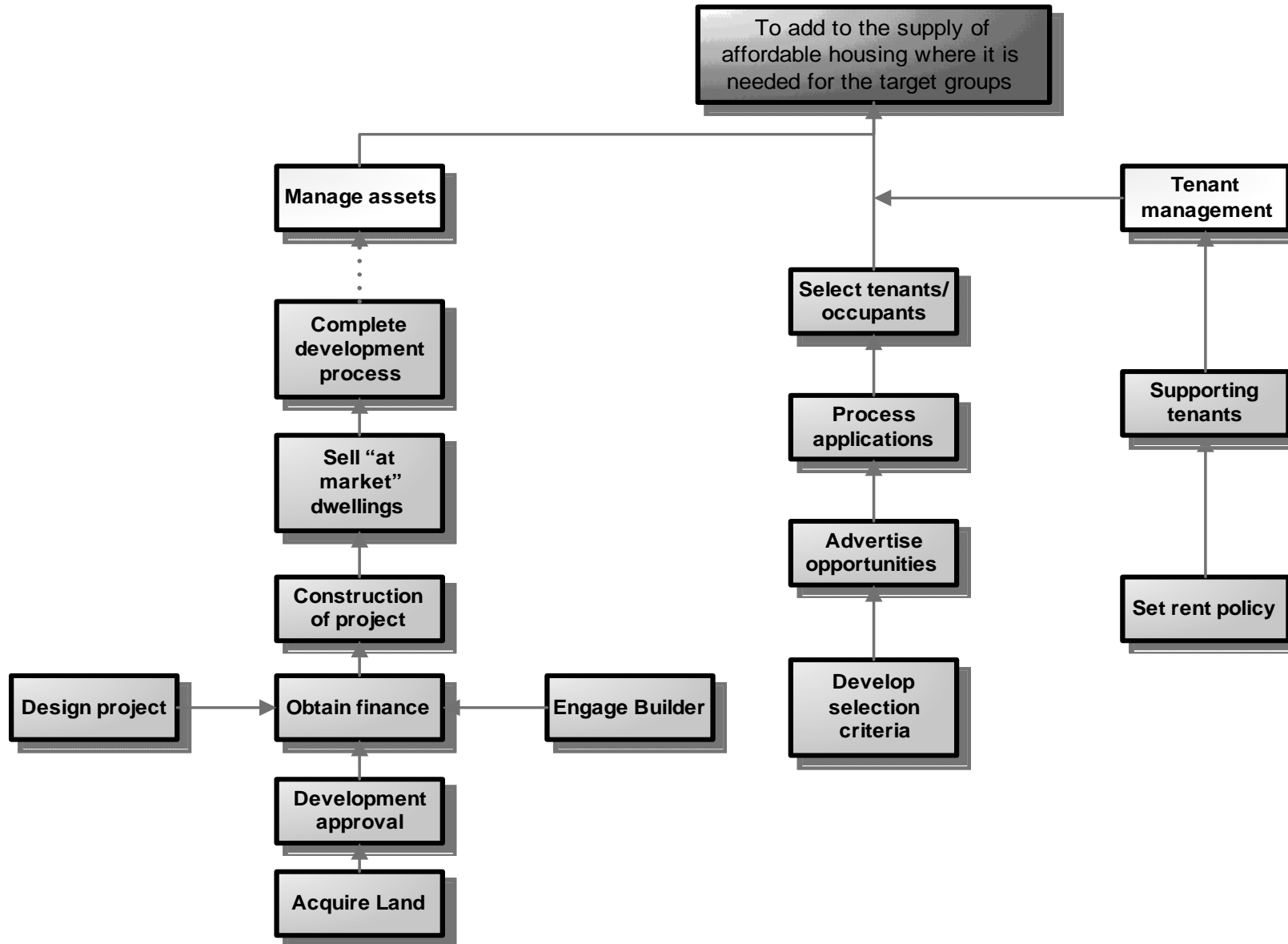
As mentioned in Chapter 2, the aim of splitting the four main activities into a larger number of what might be called sub-activities is to attempt to simplify the evaluation by breaking it down into smaller steps. It also will support a more powerful set of evaluation results by drawing into the analysis each part of the four major activities. For example, if the final costs of the dwelling developed are not substantially lower than market housing, why has this occurred? Is the problem with the construction process or was the land simply too expensive?

Note that an important element of the tenancy management process is the sub-activity of supporting tenancies. This is one area where the non-shelter outcomes of the housing could be particularly important.

Table 4.2 (a to d) lists the sub-activities for each of the major activities. Beside the activities and most sub-activities an assessment of the key risks and a possible performance indicator is shown. The task of identifying the key risks is important as it helps focus the attention of the evaluator on potential problem areas. A complete list of key risks can be developed from the literature, from previous evaluations and from consultations with stakeholders and experts.

Note that in the table, the key performance indicators for the main activities and the objectives that they relate to are listed in **bold** at the top of each section, a to d.

Figure 4.1: Program Logic for an Affordable Housing Supply Project



**Table 4.2: Key risks and performance indicators**

(a) The development activity

<b>Activity</b>	<b>Key risks</b>	<b>Key performance indicators for the activity (objective)</b>
<b>Development</b>	Cost savings compromise appropriateness	Development is considered appropriate by tenants and occupants in terms of location and amenity aspects of development (Appropriateness)
	One-off development	The organisation has increased financial, skill and political capacity to further increase supply (Longer term gains)
	Cost savings not realised	Cost per dwelling compared to comparable private development (Efficiency) (Affordability)
	Sale prices are below market	Internal rate of return compared to comparable private development* (Efficiency)
		The dollars of non-government investment that have been generated for every dollar of government subsidy (Efficiency)
<b>Subactivity</b>	<b>Key risks</b>	<b>Performance indicators</b>
<b>Complete construction</b>	Delays	Delays past planned completion (weeks); Cost overrun (%)
<b>Sell market properties</b>	Do not obtain market prices- Affordable housing stigma	Sales prices of "market" dwellings compared to comparable private development
<b>Manage construction</b>	Normal construction risks	Cost overrun (%); List of defects; List of variations from contract
<b>Engage Builder</b>	Pay too much and bear too much risk	
<b>Design Project</b>	Project stigmatized	
<b>Obtain Finance</b>	Pay above "market" rates	Comparison of finance compared to comparable private development
<b>Obtain Approval</b>	Slow approval because of Affordable Housing issues	Approval times compared to comparable private development
<b>Acquire site</b>	Land too expensive	Land cost per dwelling unit compared to comparable private development

\* An explanation of the internal rate of return is contained in Appendix C.

(b): The tenant/occupant selection activity

<b>Activity or sub activity</b>	<b>Key risks</b>	<b>Performance indicators</b>
<b>Select tenants/occupants</b>	Do not meet equity objectives	% of occupants/tenants that meet stated criteria and are in target group (Equity)
<b>Process Applications</b>	Delays in processing applications	
<b>Advertise opportunities</b>	Not reaching all potential targets	% of target group likely to have heard about opportunities
<b>Develop selection criteria</b>	Match financial requirements with needs issues	Publication of policy

(c): Tenancy management activity

<b>Activity or sub activity</b>	<b>Key risks</b>	<b>Performance indicators</b>
<b>Sustain organisation's finances</b>	Rental operations run at a loss	Profit/loss on rental operations (Efficiency)
<b>Sustain tenancies</b>	Financial requirements squeeze tenants	% of tenants paying more than 30% of their income in rent (Appropriateness)% of tenants demonstrating positive non-shelter outcomes (Non-shelter outcomes)% of tenants/occupants that cite financial issues in exit interview
<b>Support tenants</b>	Tenancies fail and vacancies / arrears periods increase	Abandoned tenancies Arrears
<b>Develop rental policy</b>	Match financial requirements for operations with affordability and equity objectives	Publication of policy
<b>Participation of tenants</b>	Poor participation	Satisfaction of tenants about opportunities to be involved Participation in policy development and operational matters

(d): Asset management activity

<b>Activity or sub activity</b>	<b>Key risks</b>	<b>Performance indicators</b>
<b>Maintain asset over life cycle</b>	Asset is run down	Current value of the asset (Longer term benefits)(Appropriateness)
<b>Maintain appropriate insurances</b>	Damage to an uninsured property	Holding of appropriate insurance policies
<b>Have financial plan in place to enable scheduled maintenance etc to be completed</b>	Organisation runs short of funds	
<b>Develop asset management plan</b>		Publication of plan
<b>Enable flexible arrangements for buying and selling assets</b>	Having to hold assets for the longer than cost effective	

We turn now to methods for examining each of these activities. Table 4.3 lists some possible methods for generating the performance indicators identified in Tables 4.2(a-d) for each of the activities. The methods range from reasonably technical approaches such as financial feasibility analysis and a post-occupancy evaluation, to interviews with stakeholders. More details about these methods are contained in Appendix C.

**Table 4.3: Methods for generating the performance indicators listed in Tables 4.2(a-d)**

<b>Activity</b>	<b>Issue</b>	<b>Methods</b>
<b>Development</b>	What are the development costs per unit of supply compared to industry benchmarks in the area?	Financial Feasibility Analysis
	What is the financial return of the development? How many dollars of non-government investment have been generated for every dollar of government subsidy?	Financial Feasibility Analysis
	What the occupants think about the quality of the building both in terms of building standards and design?	A post- occupancy evaluation survey of occupants
	Financial capacity Has the development/program increased the resources of the organisation to further increase supply?	Analysis of accounts Compare balance sheet before and after the development Compare profit and loss account before and after development
	Skill levels Has the development increased the skills of the organisation to further increase supply? Has this development been more successful than previous projects?	Compare the skill levels of staff before and after the development Assess learning from development through interview process Comparison of the outcomes of this project with previous projects
	Political capacity Has the development increased support for the organisation to further increase supply?	Assess reaction to development/program of key stakeholders through interviews, review of media reports
	Strategic capacity Is the organisation better able to accomplish its strategic goals as a result of the project?	Interviews with the board
<b>Tenant selection</b>	Do the occupants meet stated eligibility requirements?	Interviews with stakeholders; a post-occupancy evaluation survey of occupants
	Are the eligibility requirements appropriate?	Assessment of local housing need
<b>Tenancy management</b>	How efficient are the operations? What are likely to be the long term costs of holding the asset?	Analysis of accounts Analysis of contracts Compare with similar agencies Building inspection
	Do costs/prices make housing financially sustainable for occupants? Do tenants have adequate opportunities for participation?	A survey of occupants examining housing costs as proportion of income and rents/prices as proportion of market rents/prices Analysis of tenant participation policies Regular tenant satisfaction surveys
<b>Asset management</b>	Is there flexibility so assets can be realigned over time?	Analysis of accounts Analysis of contracts and funding agreements Building inspection

## 4.4 The sub-evaluations

The sub-evaluations will include the various *impact or outcome* evaluations described in Section 4.3. However, in addition a variety of process evaluations are also required. This is partly because of the nature of development: a satisfactory outcome may occur on some occasions even though the development process was essentially flawed.

The methods used to undertake the process evaluations are fairly similar and would usually involve review of minutes, and other documents and undertaking detailed interviews with stakeholders.

The first and probably the most important process evaluation concerns the project's risk management strategy. The development process is inherently risky and a strategy to contain and manage these risks is an important element of any development project. Bisset and Milligan (2004:58) identify the main risks in housing development and a set of possible strategies to mitigate those risks.

In an examination of the development activity, it is vital to review the risk management strategy and to evaluate its effectiveness. This is an example of where the process evaluation is as important as the impact evaluation. Key questions include:

- Was there a formal risk management strategy?
- Was the set of key risks identified in the strategy?
- Did any problems emerge during the development that were not identified initially?
- Was there a review process of the risks as the project unfolded?
- How were key problems that arose during the development dealt with? Did the behaviour follow the risk management strategy?

The second process evaluation is likely to be an assessment of whether people with the right skills were engaged in the various development roles in the project.

Other process issues that could be considered include:

- Was the modelling of financial sustainability adequate?
- Was the selection process for occupants appropriate?
- Is the asset management plan suitable?

## 4.5 Other issues

The timing of the evaluation is an important issue. The evaluation of the development activity and the tenant/occupant selection can occur soon after the development has been occupied. However, while the tenancy management issues and the asset management issues could be commenced at this early stage, these activities would be reviewed more completely at a later stage. At this later stage it will also be possible to more fully evaluate the non-shelter outcomes of the tenants/occupants.

## 4.6 The evaluation conclusions

The four main issues that should always be covered in the conclusion are:

- Whether the results of the evaluation are consistent with the suggested program theory – if not, what seems to be generating the differences?
- Are the conclusions consistent with other evaluations of affordable housing supply after adjustments have been made for differences in context?



- What elements of the *evaluand* might make a potentially valuable contribution in another setting?
- How reliable was the evaluation? What are the strengths and weaknesses of the evaluation?

## 4.7 Overview

This chapter has outlined a suggested approach for the evaluation of an affordable housing supply project. While this is only one example of a mechanism to improve housing affordability, a similar approach can be adopted for any other affordable housing policy, program or project. In the next chapter we provide empirical examples of the design, conduct and results of evaluations of the provision of affordable housing, using a variety of supply side mechanisms.

Designing the evaluation requires several main stages:

- Definition of the key evaluation questions using the framework of the affordable housing objectives described in Chapter 3;
- Using Pawson and Tilley's C-M-O framework to state the program theory and define the context of the project/program, the expected mechanisms that will be in operation and the expected outcomes;
- Describing the program logic for the project/program by identifying the chain of activities that are used to reach certain goals;
- Identifying the key risks and suitable performance indicators for each of these activities;
- Outlining the elements of process evaluation that are required; and
- Identifying the key methods that would be used to undertake the evaluation.

Part of the evaluation needs to include a meta-evaluation, where the evaluators reflect on the strengths and weaknesses of their evaluation. In addition some conclusions need to be drawn about the applicability of the working C-M-O model, the consistency of the evaluation results with other evaluation findings and the exportability of the findings of the evaluation.

## 5 ILLUSTRATIONS

In this chapter we present three examples of recent affordable housing initiatives that have been evaluated independently. We use these examples to show how evaluation has been approached and some of the main issues that arose in conducting the evaluation, and to highlight the value of the evaluations to our understanding of how affordable housing mechanisms work.

The three examples chosen have similar broad objectives related to providing well-located affordable and appropriate housing but use different mechanisms and operate at different scales. The first case is a small-scale new build project in a new town centre undertaken by a not for profit developer. The primary mechanism in use is cross subsidisation of the provision of below market rental housing from the profitable sale of market housing. The second example is of a government-funded initiative to develop a sizeable program of affordable rental housing in inner city locations for social housing clients using an arms length development and delivery model. The third example uses a different mechanism, innovation in housing development construction and regulatory processes, to demonstrate, again at a small scale, how a component of housing for sale at a price affordable to moderate income households could be incorporated into a suburban market development without direct subsidy.

### 5.1 Post delivery review of a new build housing project: Community Housing Canberra

#### 5.1.1 Background and foundations

In this example we use a post delivery review of a small new build housing project for Community Housing Canberra Ltd (CHC) to illustrate an approach to evaluating a housing supply side initiative and the lessons that were learnt from evaluation.

Community Housing Canberra is a not for profit company that was established by the ACT government in 1998 to support the development of the community housing sector in the Australian Capital Territory (ACT). The principal roles of CHC currently are to provide property management services for housing managed by local community housing providers in the ACT and to develop new affordable housing projects<sup>5</sup>.

CHC's first experience with developing affordable housing came through a joint venture with a private developer to design and construct a mixed tenure, mixed use development with a component of community housing. In that joint venture, CHC funded the 15 units of community housing from their share of the profits. They have retained ownership in that development. Essentially, their development model involved cross-subsidisation of affordable housing by using the developers' margin that was earned by undertaking a profitable market development.

Using the asset base acquired from that project, CHC then developed and financed a small residential apartment development on a greenfields site, which was completed in 2004. A post delivery review of the procurement of that development was commissioned by CHC shortly after completion of the project<sup>6</sup>.

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<sup>5</sup> More information on the history and role of CHC is provided in Milligan *et al.* (2004).

<sup>6</sup> The two principal authors of this research conducted the review. A short review report was released publicly, backed by a detailed report to the proponents.

### 5.1.2 Preliminaries

The project under review comprised 28 two-bedroom apartments, including 2 accessible units and 2 adaptable units. Twenty-two units were sold privately, ACT Housing purchased 2 units at market price and 4 units have been retained by CHC for use as affordable rental housing. The development was self financed by CHC and the units that have been retained were funded from the development margin. Additional profits have been retained for investment in future projects by the Company.

The primary purposes of the evaluation were to assist the agency to:

- Improve its project development approach;
- Strengthen its risk management strategies in relation to its business model of self-financing the development of affordable housing; and
- Document and share their experience of developing this project (Milligan and Phibbs 2005).

These objectives formed the basis for the specific questions for the evaluation:

- How effectively did the not for profit developer manage the development activity?
- How could the developer have improved their development approach?
- What lessons were learned about developing and managing housing under the approach adopted?

In addition the evaluators considered the broader implications of the project from the perspective of the general objectives of an affordable housing project to add to the supply of housing and achieve affordability benchmarks for clients. Additional questions concerned:

- What were the affordability outcomes for the occupants?
- Was the housing appropriate to the clients of the organisation?
- What are the anticipated longer-term costs and benefits of the project?
- How replicable is the model?

The review had elements of clarifying and interactive evaluation approaches as outlined in Chapter 2, as well as an explicit goal to promote learning from evaluation.

### 5.1.3 Objectives

Community Housing Canberra's primary objective in embarking on this project was to create affordable housing without reliance on government funding. Additional objectives identified by the Company at the outset were to test the feasibility of accessible units in the marketplace and to integrate social, affordable and private housing seamlessly in one development. Consistent with their broad affordability charter, the Company also wanted to be able to sell some of the market housing to first homebuyers.

The main reasoning behind the project was that the development margin from the development activity would be sufficient to enable the Company to retain a share of housing units for long-term rental at a price affordable to its target clients.

### 5.1.4 Methodology

Methods similar to those described in Appendix C were applied to this review. Initial information for the review was gathered directly from the Company and from analysis of all relevant documents relating to the project. The information collection phase yielded a list of issues, which were then used to structure in depth interviews with a

wide range of participants in the project and other stakeholders. In particular, issues relating to the procurement and management of the project, the housing outcomes delivered and the financial performance were assessed and analysed. The findings were also informed by consideration of the Company's charter, objectives and capacity; the housing policy and market context in the ACT; and research on comparable affordable housing initiatives, both locally and internationally.

This project comprised similar activities to those of the simple project described in Chapter 4. In this example, we use some of the general findings of the evaluation to show the results that occurred, how they differed from expectations and why. We have not included some particularities and cost data because we want to highlight the general findings and lessons not the details of the particular case. (More information about the case can be found in Milligan and Phibbs 2005, available from CHC.)

### *5.1.5 Conclusions*

The review's main findings about the development and operation of the project are summarised in Table 5.1. Below we draw out some of the wider implications from the evaluation that help to illustrate the case we have built in this report for the role of evaluation in promoting better understanding about the development of affordable housing, in terms of both processes and impacts<sup>7</sup>.

Measured against the Company's objectives, the project had several positive outcomes including:

- Successful completion of the development at no cost to government;
- The success of accessible units in the market place;
- A good quality, good standard development for the price in a town centre location;
- Demonstration of marketability of apartments in a mixed tenure development;
- Four additional units of affordable rental housing, including two highly sought after adaptable units;
- A viable operating position for the units retained; and
- Retention of cash surplus by the agency to provide working capital for future projects. This outcome is particularly valuable given the agency's lack of certainty of other sources of funds for development opportunities.

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<sup>7</sup> Table 5.1 and the summary of the findings are based on the report to stakeholders of the post delivery review (Milligan and Phibbs 2005).

**Table 5.1: Selected outcomes of post delivery review of new build housing project**

<b>Type and account of activity<sup>8</sup></b>	<b>Findings</b>	<b>Lessons</b>
<p><b>Site Acquisition</b></p> <p>The site chosen was a government owned site sold under conditions of direct sale at assessed market value.</p>	<p>There was a lengthy delay in achieving Government approval for sale of the site. This delay increased the exposure of the developer to land price risk, especially given the volatile nature of the housing market at the time. As it happened, the delay was favourable to the developer because the land value decreased, reflecting sluggish conditions in the local area.</p>	<p>Stronger policy guidelines on access to publicly owned sites for affordable housing would help to overcome delays in site acquisition.</p>
<p><b>Project Financing</b></p> <p>The project was debt financed from a private bank plus an internal loan. Security for the private loan was provided through mortgages over the Company's existing assets and the site.</p>	<p>The finance package was based on competitive interest rates. A commercial rate of interest was also paid on the internal loan.</p>	<p>Financing the project was unproblematic because the Company had an adequate asset base, achieved from a previous development.</p>
<p><b>Planning Approval Process</b></p> <p>Several months' delay in planning approval was experienced due to a third party appeal. This delay put at risk the price negotiated for the construction of the project.</p>	<p>The review found that the developer did everything they could to manage this risk, including ensuring their development was fully compliant</p>	<p>If government planning policies specify affordable housing as an objective, weak or baseless appeals, which are not unusual for affordable housing projects, may be resolved more expeditiously.</p>
<p><b>Land costs</b></p>	<p>Land costs per unit were very low by industry standards, which reflected a downturn in the market at the time the sale was completed.</p>	<p>This result reflected unusual market circumstances, which would be unlikely to be repeated. A lower affordable housing yield would result.</p>
<p><b>Development costs</b></p>	<p>The total cost per unit for the development was within industry benchmarks.</p>	
<p><b>Project Design and Construction</b></p> <p>A design, construction and tender model of procurement was used.</p> <p>The developer used a fixed price contract to minimise their exposure to construction cost risk because they did not have working capital to support the development of housing projects.</p>	<p>The delivery process operated within the range of normal standards, practice and costs for the residential sector.</p> <p>Stakeholders were generally satisfied with the design of the apartment block.</p> <p>The quick sale of the units (see below) bears out their value for money in the market at the time.</p> <p>During the review, the developer raised a concern that delay in receiving development approval for the project during a period of rising construction costs might have contributed to price pressures on the builder and hence a number of problems that were experienced towards the end of the project. The review found that the market circumstances justified the decision to use a fixed price contract.</p>	<p>The durability of the units retained could not be assessed at this stage and this was identified as an ongoing risk.</p> <p>Problems experienced, such as the quality of finishes and other building defects, could be mitigated in future by full documentation of all the requirements and close liaison with the builder during the construction process.</p>

<sup>8</sup> This is subset of those activities listed in Table 4 that are relevant to this project.

<b>Type and account of activity<sup>8</sup></b>	<b>Findings</b>	<b>Lessons</b>
<b>Pricing and marketing</b>	All 22 units released to market were contracted within 3 weeks. The fast sale of the properties led to some concern that the price set may have been too low. However, from a risk perspective, it was important that the properties were sold as quickly as possible. Prices for subsequent sales in the area do not indicate that the units were under priced.	
<b>Targeting of market housing</b> At initial occupancy, the tenure mix in the project was 21% affordable housing, 14% owner occupiers and 64% private renters There were 3 first homebuyers among initial purchasers.	The desire to sell units to first homebuyers was not achieved because the market at the time of sale (at the peak of the 2003/04 investor boom in housing) made it more difficult for first homebuyers to compete. Pursuing this goal would have involved additional risk for the developer such as slower recovery of money from sales. Sale of the accessible units into the market was successful but it was unclear whether the extra costs of developing these units were recovered.	Specific action (such as a pre-sale option and pre-approved finance for designated groups) is required to assist first homebuyers to compete in strong markets. Developing policy in this area will assist to achieve better results in future projects.
<b>Affordable housing supply</b>	Developer margins from the project enabled the not for profit developer to retain 4 units (including 2 adaptable units) for below market rental housing and to retain working capital for future projects. The 2 adaptable units retained were highly appropriate to the needs of the local clients. Sale of 2 units to the public housing authority assisted with housing lower income households in a mixed income/tenure development.	The positive financial outcome for the project means that the developer can undertake a further project using a similar financing method. The cross subsidy model is capable of producing modest yields of affordable housing in mixed tenure projects.
<b>Operating Position</b> The developer is directly responsible for providing tenancy and asset management services for the apartments retained on a full cost recovery basis.	Under present rent and allocation policy settings the rental units will generate a comfortable profit in the early years. In the longer run, the likely returns for the units could be expected to fall, as both the design and construction approaches adopted may lead to higher maintenance costs in the medium and longer term.	There is little financial capacity to introduce long term debt financing for projects like this. (Note: borrowing for this project was limited to the development period only.) It is important that assets remain tradeable so that longer term risks can be addressed through disposal, if appropriate.
<b>Tenant selection</b> Tenants for the affordable units were sought through referrals and advertising as the project neared completion.	The agency did not have a fully developed policy on allocation of the affordable housing units before they were completed. The units are not affordable to most public and community housing applicants using the standard benchmark of a rent to household income ratio of 30% (see below). Stakeholders did not have a common view about to which income and target groups the units should be offered.	Small providers will face practical difficulties in determining a policy for allocating a very limited supply of affordable housing units. Policy guidelines would assist government-regulated providers to establish a credible allocation policy.
<b>Client outcomes</b> To comply with the developer's PBI (public benevolent institution) tax status rents are set at 74.9% of market rent.	The rent that the developer has to charge to cover the operating costs renders the units affordable for households with incomes above about \$34,000 – using the 30% benchmark. At the time of the review, the rents paid by the tenants selected for the units were above the affordability benchmark of 30% of their household income but were significantly below prevailing rents in the area. Other client outcomes could not be assessed at this stage.	This result gives an indication of the market segment that affordable housing providers can cater to without subsidy support. Operating subsidies (of some form) are needed to target housing to lower income households to meet both operational viability and affordability objectives.

The review concluded that the strong financial success of this project and the affordable housing gain that resulted is partly attributable to the highly profitable market in which the development occurred. The review of the management process found that the agency had adequate risk management strategies in place should these conditions not have prevailed. However, the results of the model are unlikely to be as strong in repeat projects. The main implication of this finding is that the model piloted by this provider is unlikely to yield a significant expansion of affordable housing provision (that is commensurate with the effort and risk involved) at other times and places, in the absence of other enabling strategies.

Judged against the principal affordability objective of providing housing for low and moderate-income households for rent below 30% of household income, the housing units retained by the agency were affordable for households above \$34,000 (2005\$). To house households on lower incomes in dwellings of similar type and location would require an operating subsidy or a rent allowance paid to the tenant.

Measured against the efficiency objective, the review found that the project was small by development standards and relied heavily on voluntary input into project development / management. If not for profit providers are to undertake development efficiently, they will need to upscale their in house capacity for project development and management<sup>9</sup>. Expansion to a more efficient scale of production will also require a larger capital and asset base commensurate with larger financing risks.

Because of its innovative nature, this project exposed the agency to new risks for which the Company (and the government) had not developed policies and strategies in advance. The review found that this situation had contributed to some practical and political difficulties that the Company experienced during the development of the project. In effect, the proposal to develop a self-funded affordable housing initiative ran ahead of the housing policy making process in this case. This finding underlines the importance that stakeholders and providers have placed on having clear policy guidelines for affordable housing in place (Milligan 2005).

The sub-evaluation looking at process showed that lengthy delays that can be experienced in getting approval from government agencies for key aspects of an affordable housing project – in this case, securing the site and obtaining planning approval – could jeopardise replication of projects like this. A more certain policy framework for developers of affordable housing will assist to reduce the significant risks inherent in such delays and make growth more feasible.

#### *5.1.6 Meta evaluation*

A decision and plan to evaluate this project was not made at the outset but during the project development phase. Consequently, clear specification of the objectives and comprehensive supporting information about planning at the outset of the project was not available to the reviewers.

Because the evaluation took place shortly after occupancy by the residents most emphasis was given to the process of development and the performance of the project against the broader and longer-term objectives we presented in Chapter 3 could not be assessed. Consequently the review recommended that longer-term

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<sup>9</sup> Other reports have suggested that, affordable housing developers need to be undertaking 2 or 3 developments (in different stages) at one time to make having an in-house development capacity function viable (Milligan *et al.* 2004; Bisset and Milligan 2004).

impacts be subject to a further evaluation (including a Post Occupancy Evaluation) in 3 to 5 years.

Finally, in terms of building the evidence base from evaluation, the reviewers had difficulty benchmarking the performance of the agency to demonstrate efficiency because there are no standards and benchmarks to evaluate not for profit development of affordable housing in Australia – unlike in the UK where an affordable housing industry is well established. Benchmarking the performance of affordable housing development against traditional development is problematic because very few traditional developers hold rental property for the medium to long term.

## **5.2 Affordable housing program using a special delivery vehicle: Brisbane Housing Company**

### *5.2.1 Background and foundations*

In this example we use an evaluation of the Brisbane Housing Company (BHC), an affordable housing program, to illustrate an approach to evaluating a housing supply side initiative that is program based.

The Brisbane Housing Company was established by the Queensland Government and Brisbane City Council in July 2002. The primary purpose of the Company is to develop affordable housing for low income households in the inner areas of Brisbane, in order to complement existing public, community and private housing options (Milligan *et al.* 2004).

BHC is incorporated as a public company limited by shares under the Corporations Act and is independent from Government. This confers a number of financial benefits on the Company. As a Public Benevolent Institution (PBI) and Income Tax Exempt Charity (ITEC), BHC is exempt from goods and services tax (GST) and other taxes including income tax in the conduct of its charitable activities.

The original business plan for the Company assumed funding of \$60 million over 4 years (to June 2006) to provide 400 units of accommodation. The State Government contributed \$50 million and BCC the remainder. Since then the BHC has been provided with additional funding and to date has received commitments for a total of \$93 million in grant dollars.

An additional advantage of the model is that BHC tenants are potentially eligible for Commonwealth Rent Assistance as the rent they are paying is not classified as “government rent” under the Social Securities Act, 1991. However, unlike the City West Housing program in NSW which houses a mix of very low, low and moderate income groups, the tenants of BHC dwellings are tightly targeted with a large proportion of the tenants being Centrelink clients<sup>10</sup>. (The evaluation found that only 5% of tenants support themselves solely from wages.) This increases the ability of the projects to assist those who are most in need but limits the potential of the BHC to leverage its assets by borrowing against them for further expansion: – that is, tighter targeting means the Company has a reduced ability to repay debt from surpluses generated by their rental operations. This is an example of the potential conflict between the objectives for affordable housing, which we discussed in Chapter 3. The tighter targeting, which assists the project in meeting its equity objective, hampers leveraging and thereby longer term gains in affordable housing.

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<sup>10</sup> Further details of the operations of the Brisbane Housing Company and City West Housing are contained in a recent AHURI report, Milligan *et al.* 2004.



## 5.2.2 Preliminaries

At the end of June 2005, BHC had 184 units operational with a further 186 in various stages of construction and 212 at “committed design” stage. BHC has projected growth to a total of 702 operational units by March 2008. The BHC manages some tenancies but the majority are outsourced, mainly to community housing providers.

The original memorandum of understanding between DoH and BCC secured ongoing grant funding for BHC for a period of four years ending 31 June 2006. Given that BHC has been in operation for over half of the original four-year funding commitment, it was considered timely to undertake a review of performance to date and determine the reasonableness of the organisation’s financial model.

The objects of the BHC require it to meet key social, financial and governance objectives around accountable provision of appropriate, safe, affordable and secure housing alternatives for low income earners living in Brisbane.

The purpose of the evaluation was to provide an independent assessment of the effectiveness of BHC in terms of its performance against these social, financial and governance objectives. The full evaluation is available on the Brisbane Housing Company’s web site.<sup>11</sup>

Very clear terms of reference were established by the government for this evaluation. They were organised in three areas as follows.

### 1. Social evaluation:

- To assess the model’s ability to sustain the achievement of desired social objects, including but not limited to the provision of safe, secure, appropriate, affordable rental housing to various types of low-income households; and
- To assess the extent to which BHC has increased the supply of affordable rental housing in Brisbane for low-income households.

### 2. Financial evaluation:

- To assess the model’s ability to sustain the achievement of the desired financial outcomes of long term financial viability; and
- To assess the model’s ability to leverage government funding to raise additional funding from the private sector.

### 3. Governance:

- To assess the model’s ability to sustain effective, participative, strategic and operational level governance.

The review had elements of clarifying and interactive evaluation approaches as outlined in Chapter 2.

## 5.2.3 Objectives

The mission of BHC is to:

“work in partnership with local communities, service providers, charities and all levels of Government to provide appropriate, secure and affordable rental housing in the city of Brisbane to people in need”  
([www.brisbanehousingcompany.org.au](http://www.brisbanehousingcompany.org.au)).

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<sup>11</sup> [http://www.brisbanehousingcompany.com.au/documents/BHC\\_Evaluation\\_Report\\_Final\\_December\\_2005\\_000.pdf#search=%22brisbane%20housing%20company%20evaluation%22](http://www.brisbanehousingcompany.com.au/documents/BHC_Evaluation_Report_Final_December_2005_000.pdf#search=%22brisbane%20housing%20company%20evaluation%22)

The program model under which BHC operates has been developed from Australian and overseas examples of not-for-profit companies designed to add to the provision of affordable rental housing that meet social policy objectives (KPMG 2006). The intention for BHC to break new ground and complement rather than supplement existing approaches to public and social housing provision is reflected in BHC's constitution. Its objects include:

“to provide an alternative housing option to other social, community and private sector housing providers in Brisbane City, and so develop, within a total asset management environment, a range of housing models and services to meet the varying and changing needs of the Company, clients and the community generally.” (www.brisbanehousingcompany.org.au)

The general logic of the program is that the efficient use of grant funds through disciplined special purpose developments, utilising tax offsets and capturing rent assistance can generate efficient and appropriate tenancy and property outcomes for an affordable housing program.

#### *5.2.4 Methodology*

The method used was based on a four-stage evaluation that included a project initiation phase, followed by separate evaluations of social issues, financial performance and governance. The evaluators were reliant on a number of secondary sources (most notably the BHC) for a significant proportion of the data analysed as part of this review. Some additional data collection was undertaken by way of a tenants' survey as well as a stakeholder consultation process.

Comparisons were made of the financial performance of the project against its original business plan as well as against comparative industry benchmarks including social indicators from community and public housing.

A specialised tool which sets out best practice principles was used to analyse the governance framework and performance of the Company.

Whilst some process evaluations were undertaken (e.g. tenancy management), the emphasis of the evaluation was on outcome evaluations rather than process evaluations.

#### *5.2.5 Conclusions*

A summary and selection of the key findings of the evaluation are provided below from the complete record in the evaluation report (KPMG 2006). The evaluation found generally that the social and financial objectives of the project were met and that the governance of the program was sound. The evaluators also found that BHC had fulfilled its charter to provide appropriate, secure and affordable rental housing in the City of Brisbane to people in need. Hence the primary objective identified in Chapter 3 was being met.

Whilst there had been a number of significant deviations from the original business plan of the Company, these had been largely a result of changing market circumstances. Generally tenants, many of whom had come to Brisbane Housing Company tenancies from very insecure housing situations, were satisfied with their properties. Specifically:

- At least 256 households have been assisted by BHC to date, 86% of whom have been single person households;

- About 80% of the waiting list is made up of single people. The profile of tenants and applicants reflects gaps in affordable housing supply in the inner city and the nature of the housing (e.g. boarding houses) being developed by the Company in response;
- Over 90% of all BHC households to date paid less than 30% of their income in rent at the point of entry into their BHC housing. The average amount paid over that threshold was \$8.90 per week;

Other key findings include:

- Whilst BHC has developed working relationships with a number of social housing agencies through the outsourcing of some of its tenancy management functions, there is scope for further development of these relationships which is likely to contribute to better affordable housing outcomes; and
- Feedback from individual interviews with BHC directors consistently indicated that the Board operates as a cohesive, focused group with a shared understanding of the organisation's financial and social imperatives. The evaluators conclude that (contrary to what may have been the expectations of some) these potentially conflicting objectives of BHC in terms of financial sustainability and social outcomes do not appear to polarise the functioning of the Company's governance structure (KPMG:6)<sup>12</sup>.

A comparison of some of the other findings arising from the project with our proposed supporting objectives is provided in Table 5.2.

### 5.2.6 *Meta evaluation*<sup>13</sup>

In our view, this evaluation was constrained by the very tight specification of the evaluation task set out in the consultant's brief. A broader or more open brief might have generated some additional findings and perhaps encouraged the evaluators to examine more issues associated with the wider set of affordable housing objectives that we developed in Chapter 3.

Without considering these, the study could not determine the relative merit of the particular model. Following the line of reasoning of a realist method – where the institutional and operational context is so important to the effective contribution of a policy mechanism – the inward looking focus of this evaluation may have limited its relevance to the broader policy development process.

As well, the requirement to meet the outputs specified in the brief, tended to focus the project towards impact evaluations and away from process evaluations in places. For example, the evaluation could have considered more fully how BHC dealt with risk management during the development process.

The measures used in the evaluation were often benchmarked against the business plan of the Company. Whilst this is obviously an important measure, an evaluation against a comparator – private developers in the case of development projects<sup>14</sup> and, say, City West Housing (the most obvious comparison in Australia) in the case of tenancy costs – might have provided some additional insights.

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<sup>12</sup> Achieving social objectives through a commercial approach is a highly desirable feature of an affordable housing project or program.

<sup>13</sup> Members of the study team tendered unsuccessfully for the BHC Evaluation Study.

<sup>14</sup> Of particular interest is the land per unit cost for BHC properties versus private sector properties.

A less tightly focussed brief might also have generated some additional discussion on the financial and social merits of, say, a Brisbane Housing Company model, which is tightly targeted to low income households versus, say, a City West Housing model which considers income mix.<sup>15</sup>

**Table 5.2: Comparison of select findings with affordable housing objectives**

<b><i>Objective</i></b>	<b><i>Implications</i></b>
<b><i>Participation</i></b>	The tenant survey revealed some dissatisfaction with tenant participation opportunities – no viable tenants groups existed in any BHC development. It was also unclear to some tenants how complaints could be lodged. A comprehensive strategy is needed for this objective to be met.
<b><i>Tenancy management</i></b>	There is some concern that confusion about roles and responsibilities is occurring between subcontracted tenancy managers and the BHC e.g. tenants were unsure who they should call if they had a maintenance problem – the BHC or their tenancy manager.
<b><i>Non shelter outcomes</i></b>	The evaluation found that BHC tenants are not necessarily aspiring to employment, job change or training and, as such, BHC housing does not necessarily provide a “stepping stone” for individuals to improve their social circumstances (for example, by accessing employment and training) as a secondary outcome of accessing stable, affordable accommodation. Perhaps this situation could be addressed by giving greater weight to tenant support services in tenancy management contracts with the appropriate community housing organisations.
<b><i>Financial viability</i></b>	Detailed financial forecasts through to 2031 indicate that the organisation can potentially be self-sustaining (independent of ongoing financial government support) and achieve a property portfolio of 702 units. However, the review noted that whilst BHC’s financial forecasts appear to be based on realistic assumptions, their achievement is inherently uncertain. Further analysis by the evaluators has indicated that relatively minor changes to a number of key assumptions would have a significant negative impact on the forecast financial position of BHC. This reduces the ability of the BHC to lever its existing assets through a debt financed development strategy.
<b><i>Longer term benefits</i></b>	There is a reasonably large turnover in BHC tenants. Although this is probably inherent in the nature of the group, especially since tenants retain their place on Department of Housing waiting lists, the impact of this situation on costs needs to be monitored. Of greater concern is that appears that unless it acts quickly, BHC may not be in a position to sustain its development program once grant funding is exhausted. The evaluators responded to this finding by recommending:  That any future funding commitment to BHC be linked to a requirement for leverage within agreed parameters. Such an approach would require BHC to develop innovative solutions to funding ongoing growth in its portfolio whilst at the same time capitalising on the existing capability within the organisation to efficiently develop affordable housing (KPMG:5). Suitable opportunities for leveraging that were suggested included mixed used commercial property developments and joint ventures.

<sup>15</sup> These comments are not intended to be a criticism of the final evaluation, which was responding to a tightly specified brief.

## 5.3 Moderate income private housing initiative: Forest Glade, Landcom

### 5.3.1 Background and foundations

This example concerns an initiative of Landcom, the NSW Government's land development agency, to demonstrate how lower cost housing for moderate-income households can be incorporated successfully into a suburban housing project. The project development model involved a partnership between Landcom and a private consortium led by a housing construction company, Cosmopolitan Group. Procurement was a house and land package model. As part of their project management role, Cosmopolitan Group oversaw the design and implementation of the strategies to produce the cost savings and to apply those to the moderate income housing, in close cooperation with their partner Landcom.

A full description of the project (known as Forest Glade Smart Housing), including illustrations of the housing provided, is available at [http://www.landcom.com.au/downloads/file/CaseStudy\\_ForestGlade.pdf](http://www.landcom.com.au/downloads/file/CaseStudy_ForestGlade.pdf). The project was completed in 2003, following which time the project partners commissioned an independent review (Cardew 2004)<sup>16</sup>.

### 5.3.2 Preliminaries

The development, located in Western Sydney on a 3 hectare site, produced 64 dwellings of which 13 (20%) were provided through a public notice and subsequent ballot for sale to moderate-income households who were subject to income and asset eligibility criteria. The target income group was households in an income band of 80% to 120% of the estimated median Sydney Region household income, who did not own or were not purchasing another home.

These homes were were nominated as moderate-income housing and sold for \$156,000 to \$223,000 compared with \$272,000 to \$413,000 for at-market homes; a total of \$1.17m less than total market price. To avoid windfall profits occurring and to maintain affordability, restrictive covenants were placed on the titles of the moderate-income housing. These covenants limited increases in resale prices to 9% per annum for a period of 7 years as well as limiting on-selling to other buyers who met the moderate-income criteria

The purpose of the review was to document, audit and assess the project. The documentation is designed to record not only what was successful but also what was tried and found to be unsuccessful. The audit is a check on the process and accuracy of the inputs rather than outputs. The assessment (impact evaluation) places the study in context and asks whether the aims are fulfilled and whether they were appropriate – that is were they well conceived and designed to make an advance on current practice? It was intended also that the review pass on the lessons learnt to regulators, producers and financiers in the housing industry (*ibid.*).

The audit aspect of the review meant there was a strong focus on the key processes underpinning this initiative: that is, on how specific savings were generated and on how the lower cost housing that resulted was allocated. Thus the full report of the review gives a detailed account of the tasks and negotiations that were undertaken as well as their impacts.

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<sup>16</sup> An unpublished report of the review provided the main source of information for this case study. Landcom expects to release a summary of the review's findings in 2006/07. Two of the authors have also visited the completed development and been briefed on the project details.

### 5.3.3 Objectives

As set out in the review, the objectives of the project were:

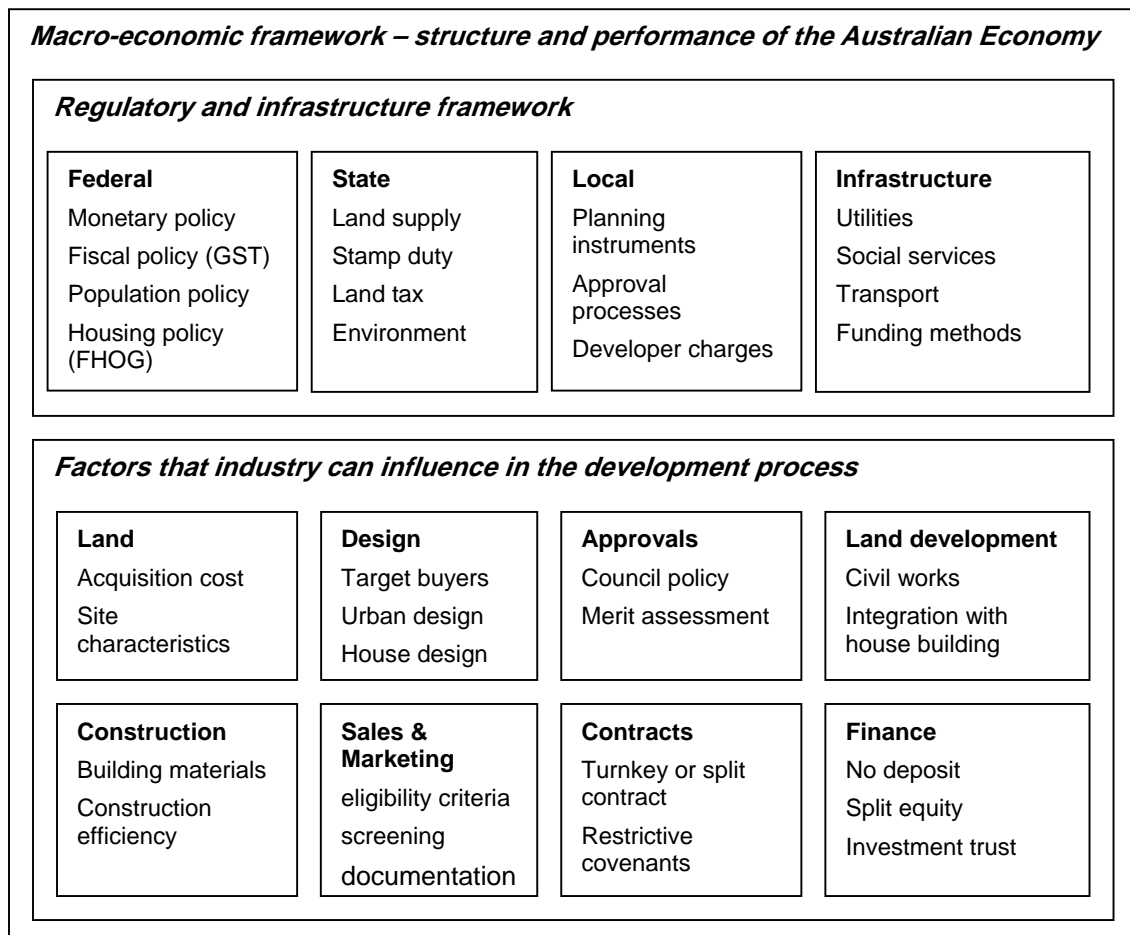
- A replicable, leading edge design of buildings and subdivision that met predefined market, urban quality, diversity, innovative construction and design approach and sustainability criteria;
- A commercial return from the overall project for both parties geared to their contributions;
- 20% of dwellings delivered at the affordability index (30% of household income) for moderate income earners; and
- All dwellings constructed below comparable market costs (*ibid.*).

Essentially the reasoning behind the project was to minimise the costs of development, and to pass on these cost savings to moderate-income households who would otherwise not be able to enter the market affordably in the area.

To achieve efficiencies and cost savings, the project focussed on the levers that could be operated by producers of land and housing, as well as a change to local planning provisions. Other levers such as innovative financing mechanisms were not incorporated and the provision of rental housing was not considered.

The scope and context of the project as depicted by the review is shown in Figure 5.1.

**Figure 5.1: Affordability framework - three tiers of influence**



Source: Cardew 2004:3

### 5.3.4 Methodology

The scope of the methodology used in this review was similar to that for the other cases already described. However, in this example, the multiple methods used in the project to achieve the cost savings and value adding had to be unpacked carefully to enable a valid assessment of which processes delivered what share of the benefits. The expertise of the reviewer in the property development industry helped to achieve a reliable result for this aspect of the evaluation.

Consistent with the nature of the project, activities considered in detail by this review were

- Product design;
- Design guidelines;
- Urban design;
- Building design;
- Materials selection;
- Construction methods;
- Construction cost;
- Marketing and sales; and
- Selecting moderate-income housing purchasers.

The focus of the analysis was on:

- Presenting the bottom line financial performance data, including the internal rate of return for the project;
- An audit of cost savings that were achieved; those that might be achieved at different volumes and by different types of producers; and those that were likely to be repeated. An assessment of whether the savings justified the effort involved was also made;
- How moderate-income housing was achieved- what value was added and what exact cost savings were realised?

### 5.3.5 Conclusions

The review found generally that the commercial, social and physical objectives of the demonstration project were met.

Of most interest to strategies for achieving affordable housing through the market, the review found that the savings that were achieved and applied to the provision of moderate-income housing were produced by:

- Careful attention to urban design, the layout of the houses and land;
- Variations to existing requirements by Council to allow the design efficiencies to be achieved while maintaining design and quality objectives; and
- Systematic and detailed analysis of construction elements, especially materials selection and design parameters to reduce labour costs.

Overall, the project achieved a density of 21 dwellings per hectare against the normal target of 15 dwellings per gross hectare.

Detailed assessment in the review showed that all three elements above contributed to cost savings or greater value for the same cost. The largest saving was obtained from revisions to the Development Control Plan (DCP), the second largest by urban design and the third by materials selection and labour efficiencies.

Using a house land package approach (instead of traditional sale of land and allocation of dwellings) added to the efficiencies (and consequent savings) through providing for land efficiencies, and design and construction efficiencies under the one delivery model.

Other key findings included that:

- The partners received a commercial return on their investment in the project in line with their expectations but lower than typical market yields at the time;
- The project was not externally subsidised, although one off costs associated with getting the project up and running were not included;
- The moderate-income housing produced was well integrated into the development and was perceived to be consistent with the physical and social fabric of the subdivision; and
- The process for allocating the moderate-income houses was fair and effectively administered.

Unlike for the project described in Section 5.1, the partners in this project were established large-scale operators who were able to bear risks that arose on this project, including lengthy negotiating and approval processes.

A summary of some of the more significant lessons arising from the project is provided in Table 5.3 over.

### *5.3.6 Meta evaluation*

Overall this example represents a thoughtful review by an independent evaluator. The review clearly benefited from the expertise of the reviewer – particularly his understanding of property market functions and his appreciation of the wider potential of the project concept.

A feature of the review was the thought given to counterfactual reasoning – e.g. could the cost savings be achieved in another way or at another point the housing cycle? Scenario testing assisted the reviewer to make this sort of assessment.

The thoroughness of the analysis required for a project like this would be difficult to achieve without the full cooperation of the project management, adequate resources and careful documentation of all activities and costs from the outset.

In this case, available resources appear to have been allocated mainly to financial analysis and stakeholder consultations. A Post Occupancy Evaluation of a sample of all buyers in the project was not undertaken. Given the use of innovative internal and external design features in the housing, the higher than normal densities that were achieved and the social integration goals of the project, a POE could be expected to be relevant and valuable to an assessment of the client outcomes and the longer term benefits of the project.



**Table 5.3: Lessons arising from demonstration moderate-income housing project**

<b><i>Issue</i></b>	<b><i>Implications</i></b>
<b><i>Housing types and designs</i></b>	Market preference for detached housing seems to be borne out by level of demand, although a comparable medium density product was not available. Marketing of 2-bedroom housing was more difficult than 3 or 4 bedroom housing. There was slower take up of variations to well known market products indicating the need for caution with choosing different affordable products until they have market acceptance. Allowing changes to the specifications of housing by moderate-income buyers added to the costs and may be questionable for a product of this type.
<b><i>Entry for moderate income households</i></b>	Several aspects of the way that the project was marketed assisted moderate income buyers, including the option of using pre arranged finance, ready availability of solicitors to advice on the covenants and the opportunity to pre-purchase but delay financial settlement (of the land and housing) until construction completion. (Note: this outcome compares favourably with the case described in Section 5.1 where these services were not organised and first homebuyers could not compete with investors.)
<b><i>Administration</i></b>	An alternative agency (such as a not for profit housing provider or cooperative building society) could have taken on administration of the additional requirements for the moderate income housing, which lay outside the core business of the project manager/developer.
<b><i>Adding value</i></b>	The product produced was superior to the average product in the market segment. Housing costs were reduced through better design and cost efficiencies.
<b><i>Replication</i></b>	The review concluded that the project is replicable by any competent and innovation minded producer. However, as a one off project, the additional costs could not be justified. A larger production run would be beneficial. Repeat projects would also allow for cost savings (and risks) to be spread. Higher yields of moderate-income housing may be possible. Local Council support will be a key factor (see below). Whether benefits can be maintained depends on wider market context such as adequate land supply.
<b><i>Policy of local government</i></b>	Council agreed to variations to a normal DCP to contribute to the moderate-income housing objective. This policy stance preserves the benefit gained. Without it any benefit provided - if indeed it was granted - could ultimately be captured by pre-development landowners via higher raw land prices (an unintended impact).

## **5.4 Conclusions**

One of the main purposes of this chapter has been to highlight the value of evaluation research. However, the lack of a policy framework for affordable housing in Australia (Milligan et al 2004) has limited the options for examining the process and outcomes of strategic policy interventions in this field. Nevertheless, the three diverse evaluations of different affordable housing products reveal some important lessons not only for each of the projects/programs but also for the broader affordable housing audience, especially in this initial phase of the development of affordable housing industry in Australia. Hopefully, this snapshot also underlines the value of assembling a library of affordable housing evaluations (see Chapter 6).

Another benefit from the overview of these highly pertinent evaluations is demonstration of the potential of affordable housing interventions. Each of the cases was successful in generating positive outcomes against the primary affordable housing objective and against several supporting objectives in different regional

housing contexts: inner urban, suburban and greenfields sites. Whilst not wanting to overemphasize this point (as less positive examples could have been used), it is worth commenting briefly on some of the common elements of the three strategies. The first is the availability of appropriate skills – the Boards of both CHC and the BHC comprise very experienced Directors with high level skills in social policies and property transactions. Similarly Landcom’s Board and the project team, which oversaw the Forest Glade project, specialise in housing development and marketing. All projects also had ready access to capital, which reduced the development risks and there was a strong commitment to achieving affordable housing outcomes in each case.

The three projects used a different mix of levers to deliver affordable housing benefits:

- CHC used profits from its “for profit” development to subsidise its affordable housing activities, as well as tax benefits and reinvesting its development margin;
- BHC relied mostly on its grant income, the development margin and some tax benefits;
- Forest Glade relied mainly on cost savings and value adding in the design, planning and construction stages of a residential development.

The point at which the designated housing is affordable across the low and moderate-income range is one critical outcome of the choice of these different approaches. This shows how sensitive the choice of levers can be to the social outcomes that will be achieved.

Understanding better how each lever works also highlights the potential for affordable housing providers to address more objectives and increase their leverage by including a greater diversity of levers. For example, CHC could adopt strategies like those used at Forest Glade to target first home buyers for their market housing. Both BHC and CHC could also apply some of the design, planning and construction efficiencies that were generated at Forest Glade. On the other hand, projects like Forest Glade could also include a proportion of long term rental (like CHC) that would assist lower income households.

The cases also highlight the value of a broad approach to evaluation. The CHC and Landcom initiated projects would benefit from the use of post occupancy evaluation surveys (POEs) to better ascertain the views and situation of tenants/purchasers. The evaluation of BHC (commissioned by government) may have been improved by a broader remit. Whilst staging, time and budgetary constraints are often limiting, broader evaluations that address all the relevant activities, as well as both process and impact issues, will usually yield more comprehensive and robust findings.

Finally, seen from the perspective of the ideas and examples included throughout this report and the meta-evaluations above, none of the evaluation approaches described here is necessarily a template for the future. Strong evaluation will result from the continuous development of rigorous methods, broadening skills for evaluation and disseminating findings widely, as we will now discuss further.

## 6 A WAY FORWARD

A key purpose of this report is to provide timely advice to housing officials about a suitable approach to evaluating new affordable housing initiatives in Australia that may result from the present policy interest in affordable housing.

Below we propose an evaluation plan, which has the following aims:

- To improve monitoring of the provision of affordable housing in Australia;
- To increase the amount of comprehensive and independent evaluation of housing policies and programs undertaken with an initial focus on affordable housing initiatives;
- To increase and disseminate learning about new affordable housing initiatives;
- To strengthen the affordable housing policy making process by providing a robust feedback mechanism and a bank of evidence about what works and why; and
- To build capacity and skills for evaluation.

The key elements of the plan which are discussed in turn below are:

- A multi-layered and coordinated national model for up-scaling monitoring and evaluation;
- Processes and infrastructure for managing the evaluation plan; and
- A national core data set for affordable housing.

Following Pinkney and Ewing's view of the importance of taking a feasible approach to evaluation (2006; see Chapter 2), we conclude by identifying some priority actions that we consider will be necessary to get fruitful evaluations in this area off the ground.

### 6.1 Adopting a multi-layered approach

Below we set out a model for a program of evaluation that will support multiple levels and stages of monitoring and evaluation activity under a national (or state) policy for affordable housing, such as a possible new National Affordable Housing Agreement (Table 6.1).

The development of this model is based on our review of evaluation theory, history and practice in the social policy arena and our application of this work to housing practice, in the context of current attempts to improve housing affordability for lower income Australians. As we will now highlight, the model has been designed specifically in consultation with policy makers, to suit the anticipated characteristics of a national strategy on affordable housing.

First, the model attempts to capture the breadth of possible initiatives that could be directed at housing affordability, while also recognising that evaluation activity will need to be selective. Thus it proposes a layered approach to building the evaluation record, so the breadth and depth of evaluation undertaken is balanced and evaluation methods and resources can be used strategically to support policy development and review. This flexibility will allow for resources made available for evaluation to be allocated to different components at different times and across jurisdictions.

Second, it includes a proposal for system level monitoring of the impacts of what is anticipated to be a wide variety of affordable housing interventions. This is in keeping with the major risk perceived by key informants to this project – i.e. that government led initiatives could have highly variable and inconsistent impacts over time and place,

and potentially be counteracting, because of the complexity of the affordable housing challenge, and the significant dynamic influence of factors beyond the housing system and housing policy, such as the macroeconomic environment<sup>17</sup>. Accordingly, in addition to the emphasis given to the importance of incorporating evaluation as an integral component of the policy making process in general, regular monitoring of lead indicators of affordable housing are proposed as a priority to help to mitigate this major risk and trigger timely adjustments to policy and program activities.

Similarly, the framework also incorporates a proposal for increasing surveillance of the efficiency of the housing market in each state and territory, with a focus on detecting impacts of changing market conditions and/or adjustments to regulatory processes on housing affordability. This third feature aims to add to understanding about the interaction of housing market operations and government actions that may promote or hinder market efficiency. However, because evaluations of overall housing market performance could be unwieldy and inconclusive, emphasis is placed on obtaining regular stakeholder intelligence on market conditions, reporting key indicators of market efficiency and undertaking selective evaluations of the impact of particular mechanisms.

Fourth, in keeping with the rules for realist evaluation outlined in Chapter 2 and the recognised need to build capacity for the provision of affordable housing in Australia (see Tables 3.3 and 3.4), emphasis has been placed on evaluations of exemplary practice in the early years of the model's operation. This will help to build the evidence base for what works and to promote learning among the expected diversity of participants. Those who can benefit from such evaluation studies will include private and not for profit partners, government agencies in all spheres, the housing finance sector and those engaged in housing policy research.

Fifth, the model has been designed to encourage a consistent approach to evaluation across jurisdictions and/or agencies. This will also optimise the potential for comparison and learning, and support the pooling and accumulation of evidence to help with the further development/adjustment of specific initiatives and actions over time.

Sixth, a collaborative approach is envisaged. This will help to engage the interest of partner agencies in evaluation and broaden the resource base for the activity.

Finally, by adopting a program of diverse evaluations in this field, limited or inward looking evaluations can be avoided and the usefulness of particular initiatives under a national framework recognised.

The inclusion of a significant case study component in the model just outlined will require criteria for determining candidate projects or initiatives for evaluation. Considerations such as those in the box below could help to determine the scope of evaluation activity and the priority given to evaluating particular initiatives. Answers to these questions will also help to determine the level of resources to be allocated to a particular evaluation activity, and its optimum timing over the life of a project.

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<sup>17</sup> For example, in a focus group for the mid term review of progress in implementing the affordable housing strategy in Tasmania (see Table 3.2) stakeholders indicated that while they thought the policy was well intended its impacts so far had been swamped by the boom in the local housing market (Wise Lord & Ferguson Consulting 2005).

**Table 6.1: A national model for applying evaluation techniques to initiatives on affordable housing**

<i>Layer</i>	<i>Main purpose</i>	<i>Proposed Staging</i>	<i>Elements/Approach</i>
National evaluation of overall processes and impacts of national policy (system level)	<p>Establish evaluation an integral component of the housing policy field</p> <p>Collect evidence for and interpret achievements against broad goals of national policy</p> <p>Diagnose barriers to achievement</p> <p>Monitor processes delivering key outcomes</p> <p>Monitor planned initiatives</p> <p>On the basis of the evidence collected and other contextual factors inform possible adjustments to national policy over time</p>	<p>Annual monitoring of key impact indicators (see 6.5 below) Formal independent evaluation conducted within 18 months of end of each periodic agreement</p>	<p>Assessment of key impact areas Collation and interpretation of results from other layers</p> <p>Reporting of activities, processes and plans by jurisdiction</p> <p>Consultation with partners and key stakeholders</p>
State level monitoring of housing market efficiency with a focus on the relationship to housing affordability	<p>Increase surveillance of dynamic market conditions impacting on housing affordability</p> <p>To assess impacts of government strategies aimed at improving market performance, e.g. streamlined planning approval processes, land supply measures</p>	<p>Regular monitoring of market efficiency using common key indicators</p> <p>Evaluations of adjustments in policy and regulation as appropriate</p>	<p>State level monitoring of housing market efficiency with a focus on the relationship to housing affordability</p>
Case studies of projects with specific features, exemplary practice	<p>Build knowledge about operation (both design and implementation aspects) of particular levers or package of levers</p> <p>To assess particular impacts in a local market context</p> <p>To consider potential for wider application</p> <p>To understand achievements and barriers from different perspectives (given centrality of partners and collaboration) To inform system level evaluation and build broader knowledge base of what works and why</p>	<p>Regular across all jurisdictions Projects selected by agreed criteria Number will depend on available resources</p>	<p>Systematic approach to more in depth analysis of processes and impacts of selected projects, partnerships, models</p> <p>Could be initiated and managed by local partners using common tools and standards for evaluation</p>
Evaluation of component programs, strategies, processes or tools e.g. Development plan for the not for profit sector; local housing strategies, planning tools, product types (e.g. shared equity), regulatory regimes, rent setting and allocation policies etc	<p>Build knowledge about outcomes and operation of particular programs, policies or strategies</p> <p>To improve program and policy designs and implementation</p> <p>To inform system level evaluation</p>	<p>Periodic as negotiated throughout the Agreement</p>	<p>Program evaluation model covering efficiency, effectiveness and appropriateness aspects</p> <p>Enable comparison of processes and outcomes across jurisdictions by using standard approach</p>
Longitudinal and periodic studies of client outcomes	<p>To assess ongoing shelter and non shelter outcomes for target groups</p>	<p>Enable consistent assessment of changes in impacts on clients</p> <p>Inform program and project evaluations about client outcomes</p>	<p>Entry and exit surveys and periodic post occupancy reviews (e.g. after 3 to 5 years of occupancy) Include a sample of projects in regular national tenant satisfaction surveys</p>

### Box 6.1: Possible criteria for selecting case study projects for evaluation

What is the potential magnitude of impact of the initiative?  
What is the nature and degree of risk involved?  
Is the initiative or project designed to address an immediate issue or problem in the housing market?  
Is the initiative once established likely to be sustainable?  
Does it have potential for wider adoption? Is the initiative considered to be groundbreaking or exemplary practice in some way?

## 6.2 Process and supporting infrastructure for managing an evaluation strategy

A beneficial up-scaling in evaluation activity linked to new affordable housing initiatives in Australia will require commitment, leadership, coordinated management, dedicated resources and initial capacity building. Approaches to each of these aspects of an implementation strategy are considered in turn below.

If a national affordable housing agreement is introduced it follows that the parties to that agreement could make the *commitment* to evaluation and include it within that agreement. If a national agreement remains elusive, the commitment could be made by the Ministerial group responsible for specific initiatives – that is, Housing, Planning and Local Government Ministers. If the Council of Australian Governments takes an interest in housing affordability issues, as has been suggested, it would also follow logically from their overarching role to promote stronger and more regular evaluations in a similar way to central government in other places and fields, as discussed in Chapter 2.

*Leadership* and *management* of the evaluation program should come from a specialised group, which is independent of any one government agency but well connected to and representative of the housing fraternity. Core responsibilities of the dedicated group would include:

- Servicing an evaluation panel to advise on an annual program of project/program evaluations;
- Managing resources allocated for evaluation;
- Negotiating with non government partner agencies their role in and contribution to the evaluation program;
- Overseeing establishment of a core data set of indicators and benchmarks (see below);
- Developing and applying strategies to build evaluation capacity; and
- Synthesising and disseminating the results of completed evaluations, including web site management.

These functions parallel those currently undertaken by AHURI Ltd in relation to housing research. Extending AHURI's funding and brief and tapping into capacity within the AHURI network would be one ready way of implementing a national evaluation initiative. This option would also support AHURI's interests in broadening the base and kinds of research it engages in, and increasing its interface with policy making.

Another option would be to establish a standing committee to Housing Ministers' Advisory Council (HMAC) to be serviced by a small, specialised team that would

conduct the above functions under the direction of HMAC. This option would ensure all jurisdictions have a direct say in the way that evaluation is conducted and in priority setting.

As we reported in the background paper to this research (Milligan *et al.* 2005), it is difficult to resolve what funds should be set aside for evaluation in the social policy field. In practice, allocations vary widely. In the US, one guideline is 7%±3% of program funds (quoted in Renger *et al.* 2003). However, actual amounts often seem to have been much less. The level of funding creates problems if budgets are not aligned with expectations or planned methods — such as the use of experimental designs that are more expensive to implement. Also, an approach of tying evaluation funding to the size of the program does not necessarily suit programs and projects of different scales and complexity. Schemes with larger risks may warrant more comprehensive evaluation approaches, for example. Overall the budget allocation for evaluation needs to be determined in context of the evaluation objectives, so available resources match the research and information requirements of the planned approach.

To resource an appropriate annual level of monitoring and evaluation activity on the basis of the model just described, a separate Affordable Housing Monitoring and Evaluation Fund could be set up. This could be based on a membership model with annual fees charged to agencies participating in the national agreement. Potential members would include government agencies in all spheres and not for profit and industry partners. Fees charged could be proportionate to the level of involvement of particular parties (e.g. on the basis of numbers of households to be assisted). Alternatively, funding from the major government agencies responsible for the affordable housing initiatives (including FACSIA and State housing, planning, local government and land development agencies) could be used to leverage industry and partner funds for proposed monitoring and evaluation activity. Under the coordinated model described above, contributors to any fund will benefit not only from the standardised data that is provided and from the outcomes of specific evaluations in their jurisdictions but, as these build up, from the accumulated findings of the evaluations that are funded.

To support the goal of expanding the utilisation of evaluation research in this field, we consider dedicating funds for evaluation will be critical. Without knowing the scale and scope of a future initiative it is not possible to determine what the funding parameters should be. However, we note from Table 3.2 that States and Territories have already committed nearly \$500m since the late 1990s to additional affordable housing strategies with very little of this dedicated to formal independent evaluation. If 1% of these funds had been pooled for evaluation, \$5 million would have been available for this purpose over the last seven years (or the equivalent of approximately \$700,000 per year). Whatever the scale of future initiatives, we recommend that an initial minimum annual amount of no less than \$500,000 to be shared across jurisdictions should be dedicated to evaluation.

A number of specific strategies could be adopted to address the underdeveloped state of housing evaluation in Australia and to ensure that the necessary skills are available to support an expansion of evaluation activity. The priority steps to enhancing capacity could include:

1. Developing a set of national affordable housing evaluation guidelines and tools for evaluation using this report and other materials cited as resources;
2. Developing and running a Housing Evaluators short course or similar training activities;
3. Including all evaluation reports in an evaluation library accessible on the web; and

4. Adding an evaluation stream to the biennial National Housing Conference and/or the newly founded Housing Researchers Conference and invite papers that highlight best/innovative practice and/or a synthesis of the evaluation evidence.

### **6.3 A national core data set for affordable housing**

To support the highest level of evaluation proposed in the model above, data is required that is capable of indicating progress on aggregate changes in the supply and occupancy of affordable housing across Australia. The purpose of these measures would be to give an aggregate picture of the gains (or losses) in the stock of housing that is affordable to the target groups and of the extent of targeting of housing that is affordable to those groups, by looking at what stock they occupy.

Table 6.2 sets out a suggested core set of indicators to support monitoring and evaluation of overall changes in affordable housing provision in Australia. A range of existing and potential data sources could be tapped to provide these indicators as shown. Affordability would be measured against one or more of the standard benchmarks currently in use, for example 30% of household income (see Gabriel *et al.* 2005). Given the extent of the affordability problem across lower income households and the correspondingly broad target groups that are proposed in the Framework (households with incomes up to 120% of median income) but with priority being accorded to special needs and high needs groups, measures should be sensitive to affordability at different levels of income.

The responsibility for and resources to support the development, collection and storage of nationally consistent performance information on affordable housing will need to be determined. Given the potential scope of affordable housing issues and responses across agencies and spheres of government, this is potentially a large and specialised task. One agency that could take on the role is the Australian Institute of Health and Welfare (AIHW) as the function envisaged is similar to the one presently undertaken by that agency for CSHA and SAAP monitoring, as well as for a wide range of other health and welfare collections. Alternatively there may be benefit in having a specialised housing data and market monitoring agency (similar in some respects to the former Indicative Planning Council) with representation from peak industry bodies who hold property and consumer data. Industry members could contribute to the costs of a national collection in return for having access to a wider array of government held information for their purposes. The proposed collection would respond to industry led calls for better market information to assist in their efforts to improve housing affordability<sup>18</sup> and, from the particular perspective of this project, to know when and to what extent improvements across the whole market (not just the subsidised sectors) have occurred.

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<sup>18</sup> In the recent National Forum on Affordable Housing (Canberra, July 2006) leading stakeholders from the private and not for profit housing sectors emphasised the significance of having access to more consistent, timely and reliable housing market information in Australia if efforts to improve national outcomes in this area are going to succeed.



**Table 6.2: National affordable housing core data set**

<b>Broad indicator</b>	<b>Description</b>	<b>Data sources</b>	<b>Issues/ Limitations</b>	<b>Suggested frequency for monitoring<sup>19</sup></b>
<b>Stock of affordable housing<sup>20</sup></b>	% total stock affordable by target groups, tenure and location	Census	Timeliness Only grouped data available	Five yearly
<b>New additions to affordable supply</b>	% new supply affordable to purchase by target groups and location	State government property data bases	Comparability of collections across states. Preferably need net additions (allowing for demolitions)	Annual
<b>New rentals that are affordable</b>	% new rentals affordable by target groups and location	Rental Bond Boards	No Bond Boards in some jurisdictions	Annual
<b>Turnover of affordable housing</b>	% sales of existing housing affordable to purchase by target groups and location	State government property data bases	Comparability of collections across states	Annual
<b>Affordable Occupancy</b>	% households in the target groups living affordably in the dwelling stock by tenure	Census following methodology in Yates <i>et al.</i> (2004b)		Five yearly
<b>Households in housing affordability stress</b>	Number and characteristics of households housed unaffordably	SIH, HES or census following methodology in Yates and Gabriel (2006)	Would benefit from additional measures of degree and duration of stress, as data collection improves (e.g. use of HILDA surveys). Lack of spatial data from surveys (SIH, HES)	Two years (SIH) up to five years (census)
<b>Public, community and Indigenous housing</b>	Changes in the aggregate supply of social housing by location and size	AIHW existing collection	Need to aggregate existing data to report social housing system measure	Yearly

<sup>19</sup> This is the recommended monitoring period. For some variables data collection may be more frequent, for others collection is the limiting factor.

<sup>20</sup> It is assumed that affordable housing will be measured by the ratio standard or another recognised and available measure.

The findings of a recent study of the state of urban data collections related to housing and infrastructure in several jurisdictions is also germane to how this issue could be addressed (Cardew *et al.* 2006). According to that study, the skills to produce and analyse available data on urban management need to be improved in Australia, and better coordination of existing urban data sets of value to industry, government and research agencies should be fostered. It is beyond the scope of this project to determine an optimal response to the broad need to improve urban data collections, promote data sharing, and enhance capacity for analysis (including increasing evaluation activity) in Australia. Such a task will require more specific consideration. However, establishing a national approach to a core data set on affordable housing would be an important contribution to that agenda.

## 6.4 Implementation priorities

Through this report, we have noted that evaluation practice in the housing field in Australia is undeveloped and that there are barriers arising from past practice, political concerns and practical issues (such as having an adequate skills and information base) to using evaluation as integral component of the housing policy development process. In the face of these issues and drawing on recent research in the evaluation and housing fields, we have tried to show that a strong case can be made for the benefits of a realistic approach to evaluation: one that includes consideration of key theoretical questions about how housing markets and housing policies work<sup>21</sup>; builds on what has been learnt about evaluation in similar policy fields; and is introduced realistically – that is, in ways that governments and evaluators can support. We have also identified that the current interest of governments in an innovative and more multifaceted approach to policy on affordable housing represents a strategic opportunity to build in a systematic evaluation strategy from the outset of any set of initiatives.

To advance this agenda, this chapter has described our proposal for a multi-layered and coordinated model of evaluation and our ideas about the development of critical evaluation infrastructure. In our view the potential of this approach to add value to the policy making process in the medium term will depend on a number of priority actions, especially:

- Commitment by governments to evaluation as a desirable policy development tool;
- Dedication of minimum annual funding for an integrated program of evaluations;
- Investing in building up skills and capacity for evaluation in the housing research community;
- Giving priority to the development of a national core data set on affordable housing;
- Use of a diversity of independent, skilled evaluators. Diversity is important to avoid the risk of having ‘formularistic’ evaluations, which can arise when there is an escalation of evaluation activity; and
- Finding the right criteria for selecting appropriate case studies and initiatives for the initial rounds of specific evaluations.

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<sup>21</sup> The evidence base developed by the AHURI network, especially over the last 5 years, provides a fertile starting point for hypothesis generation.

The release of the Framework for National Action on Affordable Housing in 2005 has established a collective and coordinated basis for action on affordable housing policies and programs across Australian jurisdictions. This report has proposed a systematic national approach to evaluating policies and initiatives consistent with that Framework and it has illustrated the potential of the proposed approach to deliver the evidence base that is essential to inform this (and similar) housing policy development and review processes in Australia.

## APPENDICES

### Appendix A: Housing policy and program evaluation — websites and resources

(current at May 2006)

#### *Australia*

<a href="http://www.premiers.qld.gov.au/About_the_department/publications/policies/Governing_Queensland/Policy_Handbook/evaluation/evaluation/">http://www.premiers.qld.gov.au/About_the_department/publications/policies/Governing_Queensland/Policy_Handbook/evaluation/evaluation/</a>	'Policy Handbook': Chapter 7 on Evaluation, QLD Department of Premier and Cabinet
<a href="http://www.projectmanagement.tas.gov.au/guidelines/pm6sum.htm">http://www.projectmanagement.tas.gov.au/guidelines/pm6sum.htm</a>	'Project Management Guidelines Version 6.0': Chapter 11 on Evaluation, Tasmanian State Government
<a href="http://www.pmc.gov.au/implementation/guide/index.shtml">http://www.pmc.gov.au/implementation/guide/index.shtml</a>	'Guide to Preparing Implementation Programs': Cabinet Implementation Unit, Department of PM and Cabinet, Federal Government
<a href="http://www.facs.gov.au/internet/facsinternet.nsf/aboutfacs/programs/house-newsaap_nateval.htm">http://www.facs.gov.au/internet/facsinternet.nsf/aboutfacs/programs/house-newsaap_nateval.htm</a>	'National Evaluation of the Supported Accommodation Assistance Program'
<a href="http://www.anao.gov.au/WebSite.nsf/Publications/4A256AE90015F69B4A25690500098A73/">http://www.anao.gov.au/WebSite.nsf/Publications/4A256AE90015F69B4A25690500098A73/</a>	'Program Evaluation in the Australian Public Service': Report to Federal Parliament by Australian National Audit Office
<a href="http://www.pc.gov.au/ic/inquiry/34public/finalreport/index.html">http://www.pc.gov.au/ic/inquiry/34public/finalreport/index.html</a>	'Public Housing Industry Commission Inquiry Report': Vol.2 Part E 'Evaluation of Housing Assistance Approaches', Australian Government Productivity Commission
<a href="http://www.cdc.gov/eval/framework.htm">http://www.cdc.gov/eval/framework.htm</a>	'Framework for Program Evaluation': CDC Evaluation Working Group
<a href="http://www.apo.org.au">http://www.apo.org.au</a>	Australian Policy Online
<a href="http://www.ahuri.edu.au">http://www.ahuri.edu.au</a>	Australian Housing and Urban Research Institute
<a href="http://www.policylibrary.com/australia">http://www.policylibrary.com/australia</a>	Policy Library, Australia & NZ
<a href="http://www.aes.asn.au/">http://www.aes.asn.au/</a>	Australasian Evaluation Society

#### *United Kingdom*

<a href="http://greenbook.treasury.gov.uk/">http://greenbook.treasury.gov.uk/</a>	'The Green Book': Appraisal and Evaluation in Central Government
<a href="http://www.policyhub.gov.uk/magenta_book/index.asp">http://www.policyhub.gov.uk/magenta_book/index.asp</a>	'The Magenta Book': Guidance Notes on Policy Evaluation
<a href="http://www.policyhub.gov.uk/evaluating_policy/">http://www.policyhub.gov.uk/evaluating_policy/</a>	'Evaluating Policy': Government Social Research Unit Policy Hub homepage for Government Policy Research and Evaluation
<a href="http://www.dwp.gov.uk/asd/asd5/WP2.pdf">http://www.dwp.gov.uk/asd/asd5/WP2.pdf</a>	'Research Methods for Policy Evaluation': Report by Department for Work & Pensions
<a href="http://www.communities.gov.uk/index.asp?id=1151566">http://www.communities.gov.uk/index.asp?id=1151566</a>	'Evaluation of the Low Cost Home Ownership Program': Report for Department for Communities and Local Government
<a href="http://www.odpm.gov.uk/">http://www.odpm.gov.uk/</a>	Office of the Deputy Prime Minister
<a href="http://www.ippr.org.uk/research">http://www.ippr.org.uk/research</a>	Institute for Public Policy Research: research pages. See also publications.
<a href="http://www.evaluation.org.uk/">http://www.evaluation.org.uk/</a>	United Kingdom Evaluation Society

### *New Zealand*

<a href="http://www.spear.govt.nz/SPEAR">http://www.spear.govt.nz/SPEAR</a>	SPEAR: Social Policy and Research Committee, NZ Government (see Bulletins)
<a href="http://econ.massey.ac.nz/cppe/">http://econ.massey.ac.nz/cppe/</a>	Centre for Public Policy Evaluation, Massey University

### *United States*

<a href="http://www.policy-evaluation.org/">http://www.policy-evaluation.org/</a>	The World Wide Evaluation Information Gateway
<a href="http://www.hud.gov">http://www.hud.gov</a>	US Dept of Housing and Urban Development
<a href="http://www.huduser.org/">http://www.huduser.org/</a>	HUD User: Policy Development and Research Information Service
<a href="http://www.huduser.org/publications/affhsg/home.html">http://www.huduser.org/publications/affhsg/home.html</a>	'Expanding the Nation's Supply of Affordable Housing: an Evaluation of the HOME Investment Program' (HUD Report)
<a href="http://www.huduser.org/publications/suppsvcs/shdp.html">http://www.huduser.org/publications/suppsvcs/shdp.html</a>	'National Evaluation of the Supportive Housing Demonstration Program (January 1995)' (HUD Report to Congress)
<a href="http://gsociology.icaap.org/methods/approaches.html">http://gsociology.icaap.org/methods/approaches.html</a>	Global Social Change Research Project: approaches to evaluation and politics of evaluation
<a href="http://oerl.sri.com/">http://oerl.sri.com/</a>	Online Evaluation Resource Library
<a href="http://erx.sagepub.com/">http://erx.sagepub.com/</a>	Evaluation Review (online journal; database of evaluation research)
<a href="http://www.wmich.edu/evalctr/">http://www.wmich.edu/evalctr/</a>	The Evaluation Centre, University of Michigan
<a href="http://www.endhomelessness.org/best/">http://www.endhomelessness.org/best/</a>	National Alliance to End Homelessness: best practice page
<a href="http://www.ncrc.org/bestpractices/index.php/">http://www.ncrc.org/bestpractices/index.php/</a>	National Community Reinvestment Coalition: best practice page
<a href="http://www.rprogress.org/">http://www.rprogress.org/</a>	Redefining Progress homepage: organisation working for sustainability in public policy
<a href="http://www.jchs.harvard.edu/">http://www.jchs.harvard.edu/</a>	Joint Centre for Housing Studies
<a href="http://www.homesight.org/">http://www.homesight.org/</a>	Guide to housing resources online
<a href="http://www.nahro.org/index.cfm">http://www.nahro.org/index.cfm</a>	National Association of Housing and Redevelopment Officials
<a href="http://www.eval.org/">http://www.eval.org/</a>	American Evaluation Association

### *Canada*

<a href="http://www.housing.yk.ca/">http://www.housing.yk.ca/</a>	'Social Housing Program Evaluation 2004': Final Evaluation Findings of Yukon Government Social Housing Program Evaluation
<a href="http://www.cmhc-schl.gc.ca/en/corp/li/index.cfm">http://www.cmhc-schl.gc.ca/en/corp/li/index.cfm</a>	Canadian Housing Information Centre Library (located in National Office of Canada Mortgage and Housing Corporation, Ottawa)
<a href="http://www.evaluationcanada.ca/">http://www.evaluationcanada.ca/</a>	Canadian Evaluation Society

## Appendix B: Australasian Evaluation Society's Guidelines for the Ethical Conduct of Evaluations

Cited from guidelines published at the AES website: <http://www.aes.asn.au>

<b>Stage</b>	<b>Principles</b>	<b>Guidelines</b>
<p><b>A.</b> <b>Commissioning and preparing for an evaluation</b></p>	<p>All parties involved in commissioning and conducting an evaluation should be fully informed about what is expected to be delivered and what can reasonably be delivered so that they can weigh up the ethical risks before entering an agreement.</p> <p>All persons who might be affected by whether or how an evaluation proceeds should have an opportunity to identify ways in which any risks might be reduced.</p>	<p><b>Briefing document</b></p> <p>1. Those commissioning an evaluation should prepare a briefing document or terms of reference that states the rationale, purpose and scope of the evaluation, the key questions to be addressed, any preferred approaches, issues to be taken into account, and the intended audiences for reports of the evaluation. The commissioners have an obligation to identify all stakeholders in the evaluation and to assess the potential effects and implications of the evaluation on them, both positive and negative.</p> <p><b>Identify limitations, different interests</b></p> <p>2. In responding to an evaluation brief, evaluators should explore the shortcomings and strengths of the brief. They should identify any likely methodological or ethical limitations of the proposed evaluation, and their possible effect upon the conduct and results of the evaluation. They should make distinctions between the interests of the commissioner and other stakeholders in the evaluation, and highlight the possible impacts of the evaluation on other stakeholders.</p> <p><b>Contractual arrangement</b></p> <p>3. An evaluation should have an agreed contractual arrangement between those commissioning the evaluation and the evaluators. It should specify conditions of engagement, resources available, services to be rendered, any fees to be paid, time frame for completing the evaluation, ownership of materials and intellectual properties, protection of privileged communication, storage and disposal of all information collected, procedures for dealing with disputes, any editorial role of the commissioner, the publication and release of evaluation report(s), and any subsequent use of evaluation materials.</p> <p><b>Advise changing circumstances</b></p> <p>4. Both parties have the right to expect that contractual arrangements will be followed. However, each party has the responsibility to advise the other about changing or unforeseen conditions or circumstances, and should be prepared to renegotiate accordingly.</p> <p><b>Look for potential risks or harms</b></p> <p>5. The decision to undertake an evaluation or specific procedures within an evaluation should be carefully considered in the light of potential risks or harms to the clients, target groups or staff of the program. As far as possible, these issues should be anticipated and discussed during the initial negotiation of the evaluation.</p> <p><b>Practice within competence</b></p> <p>6. The evaluator or evaluation team should possess the knowledge, abilities, skills and experience appropriate to undertake the tasks proposed in the evaluation. Evaluators should fairly represent their competence, and should not practice beyond it.</p> <p><b>Disclose potential conflict of interest</b></p> <p>7. In responding to a brief, evaluators should disclose any of their roles or relationships that may create potential conflict of interest in the conduct of the evaluation. Any such conflict should also be identified in the evaluation documents including the final report.</p> <p><b>Compete honourably</b></p> <p>8. When evaluators compete for an evaluation contract, they should conduct themselves in a professional and honourable manner.</p> <p><b>Deal openly and fairly</b></p> <p>9. Those commissioning an evaluation and/or selecting an evaluator should deal with all proposals openly and fairly, including respecting ownership of materials, intellectual property and commercial confidence.</p>

<b>Stage</b>	<b>Principles</b>	<b>Guidelines</b>
<b>B. Conducting an evaluation</b>	<p>An evaluation should be designed, conducted and reported in a manner that respects the rights, privacy, dignity and entitlements of those affected by and contributing to the evaluation.</p> <p>An evaluation should be conducted in ways that ensure that the judgements that are made as a result of the evaluation and any related actions are based on sound and complete information.</p> <p>This principle is particularly important for those evaluations that have the capacity to change the total quantum and/or distribution of program benefits or costs to stakeholders in the program.</p>	<p><b>Consider implications of differences and inequalities</b></p> <p>10. Account should be taken of the potential effects of differences and inequalities in society related to race, age, gender, sexual orientation, physical or intellectual ability, religion, socio-economic or ethnic background in the design conduct and reporting of evaluations. Particular regard should be given to any rights, protocols, treaties or legal guidelines which apply.</p> <p><b>Identify purpose and commissioners</b></p> <p>11. Evaluators should identify themselves to potential informants or respondents and advise them of the purpose of the evaluation and the identity of the commissioners of the evaluation.</p> <p><b>Obtain informed consent</b></p> <p>12. The informed consent of those directly providing information should be obtained, preferably in writing. They should be advised as to what information will be sought, how the information will be recorded and used, and the likely risks and benefits arising from their participation in the evaluation. In the case of minors and other dependents, informed consent should also be sought from parents or guardians.</p> <p><b>Be sufficiently rigorous</b></p> <p>13. The evaluation should be rigorous in design, data collection and analysis to the extent required by the intended use of the evaluation.</p> <p><b>Declare limitations</b></p> <p>14. Where the evaluator or evaluation team is faced with circumstances beyond their competence, they should declare their limitations to the commissioner of the evaluation.</p> <p><b>Maintain confidentiality</b></p> <p>15. During the course of the evaluation, the results and other findings should be held as confidential until released by the commissioner, and in accordance with any consent arrangements agreed with contributors. Confidentiality arrangements should extend to the storage and disposal of all information collected. Consent arrangements may include provision for release of information for purposes of formative evaluation and for purposes of validation of evaluation findings.</p> <p><b>Report significant problems</b></p> <p>16. If the evaluator discovers evidence of an unexpected and significant problem with the program under evaluation or related matters, they should report this as soon as possible to the commissioner of the evaluation, unless this constitutes a breach of rights for those concerned.</p> <p><b>Anticipate serious wrong doing</b></p> <p>17. Where evaluators discover evidence of criminal activity or potential activity or other serious harm or wrong doing (for example, alleged child sexual abuse), they have ethical and legal responsibilities including:</p> <ul style="list-style-type: none"> <li>→ to avoid or reduce any further harm to victims of the wrongdoing;</li> <li>→ to fulfill obligations under law or their professional codes of conduct, which may include reporting the discovery to the appropriate authority;</li> <li>→ to maintain any agreements made with informants regarding confidentiality.</li> </ul> <p>These responsibilities may conflict, and also go beyond the evaluator's competence. For a particular evaluation, evaluators should anticipate the risk of such discoveries, and develop protocols for identifying and reporting them, and refer to the protocols when obtaining informed consent from people providing information (Guideline 12).</p>

<b>Stage</b>	<b>Principles</b>	<b>Guidelines</b>
<b>C. Reporting the results of an evaluation</b>	The evaluation should be reported in such a way that audiences are provided with a fair and balanced response to the terms of reference for the evaluation.	<p><b>Report clearly and simply</b></p> <p>18. The results of the evaluation should be presented as clearly and simply as accuracy allows so that clients and other stakeholders can easily understand the evaluation process and results. Communications that are tailored to a given stakeholder should include all important results.</p> <p><b>Report fairly and comprehensively</b></p> <p>19. Oral and written evaluation reports should be direct, comprehensive and honest in the disclosure of findings and the limitations of the evaluation. Reports should interpret and present evidence and conclusions in a fair manner, and include sufficient details of their methodology and findings to substantiate their conclusions.</p> <p><b>Identify sources and make acknowledgements</b></p> <p>20. The source of evaluative judgements (whether evaluator or other stakeholder) should be clearly identified. Acknowledgment should be given to those who contributed significantly to the evaluation, unless anonymity is requested, including appropriate reference to any published or unpublished documents.</p> <p><b>Fully reflect evaluator's findings</b></p> <p>21. The final report(s) of the evaluation should reflect fully the findings and conclusions determined by the evaluator, and these should not be amended without the evaluator's consent.</p> <p><b>Do not breach integrity of the reports</b></p> <p>22. In releasing information based on the reports of the evaluation, the commissioners have a responsibility not to breach the integrity of the reports.</p>

## **Appendix C: Evaluation methods and analytical techniques to support the analysis in chapter 4**

This appendix describes a variety of methods and techniques that can be used to support the evaluation example provided in Chapter 4.

### *Initial review of documentation*

The aim of the initial review of the documentation for the project is to establish the broad parameters of the project and to develop a list of particular issues for further examination. This documentation would include letters to key stakeholders, background reports, feasibility reports, presentations and minutes of appropriate meetings. Out of this review you would expect to:

- Identify the particular aims of the project;
- Identify the governance arrangements for the projects - e.g. was there a specific development committee, who held day to day responsibility for the project, was there a development manager;
- Identify sources of financial data for the project (is a particular sort of development software being used);
- Develop a project timeline that identifies key dates including the date of land acquisition, funding and planning approvals, construction commencement, construction completion and occupation; and
- Identify sources of information about tenancy selection and management.

### *Site inspection*

The aim of the site inspection is to provide the evaluator with:



- An indication of the complexity of the development;
- Locational attributes, such as access to transport and service;
- The quality style and image of the development in relation to the surrounding area;
- One source of information on potential recurrent costs for the tenants/occupiers and the landlord (e.g. by observing what sort of gardens and facilities need to be maintained, are their large areas that require painting, are there other indicators of ongoing maintenance liabilities); and
- The size and functionality of the dwellings (an internal inspection is required).

### *Stakeholder interviews*

This is a major tool in the evaluation. An excellent guide to using stakeholder interviews in evaluations is contained in Pawson and Tilley (1997:183). The key is to view the interview as an open dialogue. A suggested schedule for the stakeholder interviews is:

- Initial interview with agency directors / senior managers to clarify and confirm the nature of the development, the development process etc.;
- Interviews with external stakeholders (builder, selling agents, architect, government stakeholders etc.); and
- Interviews with internal stakeholders (development manager, chair of development committee, development committee members).

The main aims of the stakeholder interviews are to:

- Clarify the elements of the development process;
- Identify any problems that stakeholders saw in the development process with suggestions for improvements; and
- Respond to the concerns of other stakeholders.

Sources of questions for each of the parties are likely to include notes and minutes of the development committee where particular problems might have been raised and issues raised by stakeholders about problems they may have had with another party.

### *Financial evaluation of project*

The financial evaluation of development projects has a long history (Robinson, 1989). Currently, the preferred method is to use discounted cash flow analysis to estimate the financial return of the project using several indicators, including its Net Present Value (NPV) and its Internal Rate of Return (IRR). A primary source of information on property development: appraisal and finance is Isaac (1996).

The Net Present Value of a project is equal to the present value of its income minus the present value of its costs.

The Internal Rate of Return can simply be described as the rate of return on a project. For example, the IRR of a bank account with compound interest of 6% and no bank charges is 6%. As a very rough rule of thumb, for profit developers typically aim for an internal rate of return of between 20 and 25%.

Other key indicators in a financial analysis include:

- Building cost per dwelling unit,
- Land cost per dwelling unit; and

→ Sales price of any dwelling sold in the open market.

In some cases projects might have reasonably low financial returns because organisations will retain properties in the long term instead of selling dwellings like traditional developers. In this case it is important to examine the impact of the project on the balance sheet of the organisation: that is, what are the cash and property assets of the organisation before and after the development?

There are a number of software programs that can be used to examine closely the financial outcomes of a development project. Probably the best known in Australia is *Estate Master* which is a Development Feasibility template developed by a firm of development consultants, Hill PDA. ([www.estatemaster.net](http://www.estatemaster.net)).

A very useful tool in determining the performance of the project is to compare the results of the development with industry standards. These are available in publications. For example, Rawlinsons (2006) provides detailed data on the likely development and building costs across Australia.

In addition to the final financial analysis of the project, another worthwhile step is to compare the final results with the initial feasibility estimates of the project.

As part of the financial evaluation it is useful to examine the history of the financial analysis of the project. If the project has been using a development software package, it is important to examine the outputs from this package at different dates from initial feasibility through to completion see how the financial assumptions have changed. This will help highlight the major changes in costs and revenues as the project has developed and will help focus on what elements of the risk management strategy were put in place (e.g. how did the organisation react to an unexpected increase in building costs and should they have anticipated it). Where the initial feasibility forecasts are substantially different from the actuals outcomes, the source of the differences will need to be analysed.

A separate financial analysis needs to be undertaken of the recurrent costs of the development. How much rent is being collected and will that be enough to cover the traditional tenancy management costs and the upkeep of the building while at the same time achieving the primary objective, to keep rents affordable for the intended target groups.

### *Post-occupancy evaluation*

Post Occupancy Evaluation (POE) involves systematic evaluation of opinion about buildings in use from the perspective of the people who use them. It assesses how well buildings match users' needs, and identifies ways to improve building design, performance and fitness for purpose. An excellent introductory reference is Preiser *et al.* (1988)

The POE survey can help to identify physical issues, such as building faults and the quality of design, and broader resident satisfaction levels. It could include a number of measures that are already collected at the national level in the social housing sector to allow for some benchmarking. Useful measures that are included in these national surveys are:

- The % of tenants identifying amenity aspects of the dwelling as important and meeting their needs;
- The % of tenants identifying location aspects of the dwelling as important and meeting their needs; and
- The % of tenants reporting overall satisfaction.

Such measures provide a readily comparable summary measure of the functioning of the development. If the development is a new development it would be most appropriate to undertake the survey after the tenants have lived in the development for a short period – say at least 3 months. Only a relatively short survey is required – usually a drop off and return to collect survey is most appropriate in this setting since people often want to demonstrate or show someone the problems with the building that they are describing.

The post occupancy survey can also identify the circumstances of the tenants and occupants and answer the question about whether the selection policies were adhered to. A more detailed post-occupation survey at a later date can focus on broader issues including the important issue of the non-shelter outcomes of the development.

If the agency has undertaken exit and entry surveys / interviews with occupants, data from these may also be useful to the evaluation, provided that ethical standards, such as for privacy, can be met. If these data are not available, one recommendation of the evaluation may be to obtain more information in future about client pathways and experiences with occupancy of the development, using a standard format.

#### *Review of documents, reports, policies, presentations*

Any development and letting process accumulates a range of documentation that needs to be examined. In the development activity, the various contracts that have been entered into and special reports like the list of defects prepared for the builder before occupation and any claims for variations from the building contract by the builder are going to be key.

On the policy side, the key documents relate to issues of tenant and occupant selection, pricing/rent policies, policy for reviewing eligibility and ongoing management plans, including tenant participation policies and strategies and asset management plans. These documents can be compared to national standards where these are available. For example the national community housing standards (NCHF 2003) will cover many of the tenancy and property management activities of affordable housing projects. It has been suggested during consultations for this project that these should be extended to cover development activities and a broader range of affordable housing options.

#### *Key data sources on rents and dwelling prices*

There is a variety of estimates of house prices and rents available across Australia to assist with an assessment of the value of housing that is sold to the market through the project. The Reserve Bank provided an excellent review of house price data that highlighted the problems with time lags (Reserve Bank, 2004). Data on asking rents is available from those States who have authorities that collect rental bonds. Because of possible limitations with these sources, however, it may be more appropriate in some cases to obtain timely valuation advice on the state of the market from local property agents by asking them to provide recent data on comparable rents and sales in the local area.

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# ATTACHMENT

## Framework for national action on affordable housing

### *Framework for national action on affordable housing*

- Strategic, integrated and long term vision for affordable housing
- Deliverables for affordable housing
- Stated commitment from all jurisdictions

*Affordable housing is housing which is affordable for low and moderate income households across home ownership, private rental as well as public rental tenures.*

National Action on Affordable Housing will be achieved through two streams of activities, those directly related to 'Affordable Housing Delivery and Management' and those 'Parallel Policy Parameters' for which responsibilities are managed outside housing portfolios and influence the housing market more broadly.

### *Building on success*

There are some promising programs and projects being undertaken by individual jurisdictions to increase the supply of affordable housing. Many of these have broader application nationally and are shared through national networks. Some examples include:

<b><i>Affordable Housing Delivery/ Management</i></b>	<b><i>Parallel Policy Parameters</i></b>
→ Brisbane Housing Company (QLD)	→ Stamp duty concessions (ALL)
→ City West Housing Company (NSW)	→ Planning system affordable housing targets (SA)
→ Joint Venture arrangements (ALL)	→ Land banking, supply and sequencing (SA, VIC, NSW, WA, ACT)
→ Urban Renewal Partnerships (ALL)	→ Developer agreements (NSW, SA)
→ Home loan finance (SA, WA)	→ Local Government partnerships with housing providers (ALL)
→ Key worker housing (SA, NSW)	→ Concessions on fees and charges (ALL)
→ Large Housing Associations (ALL)	→ Ongoing affordability measures e.g. five star energy ratings, transport (ALL)
→ Private rental agreements (ALL)	
→ Housing adaptability policies (ALL)	
→ Aged care models (ALL)	

While these may provide opportunities for increasing the supply of affordable housing in some areas, these delivery mechanisms and parallel policies alone cannot solve the growing shortfall of affordable housing without targeted economic and financial support.

### *Schedule 1. Structuring current approaches (2005/06)*

Schedule 1 identifies those activities, which can readily be aligned nationally and will provide important information and infrastructure to facilitate the implementation of subsequent schedules in the Framework. There are four commitments to be fulfilled by June 2006 outlined in Schedule 1 attached:

1. Create a National Sector Development Plan for Not for Profit Housing Providers, which will enable them to participate in large scale affordable housing initiatives;
2. Adopt a national approach to defining and analyzing affordable housing need at geographic levels and how it can be reflected in planning policy and regulations. It

will support the identification of tenures, products, and price points necessary to meet household needs;

3. Review current subsidy streams and investigate the potential to strengthen certainty in light of the commitment to increase the role of the private sector and the development of the not for profit sector and to leverage new investment in affordable housing; and
4. Implement the work plan detailed in Commitment 4 (attached) to identify mechanisms and policy initiatives that will deliver increased affordable home ownership and rental opportunities for consideration by Joint Housing, Planning and Local Government Ministers in August 2006.

<b>Affordable Housing Delivery/Management</b>	<b>Parallel Policy Parameters</b>
1. National Sector Development Plan for not for profit affordable housing providers	2. National approach to housing need analysis reflected in planning policy and regulations 3. Options to strengthen certainty in subsidy arrangements for affordable rental housing 4. Package of reform options (subsidy, financing, etc) for Ministerial consideration in Aug 2006

*Schedule 2. Packaging reform options (2006/07)*

No individual housing lever is sufficient to resolve affordability in its own right and combinations of certain levers are mutually reinforcing and could amplify benefits. In some instances, one lever becomes useful only when coupled with others. There is a role for all levels of government as responsibility for the effectiveness of levers is shared.

A package of policy reform options will be prepared for consideration by Ministers in August 2006. Ministers will be asked to consider these reforms and identify areas for further development on a collaborative and no-commitment basis, noting that jurisdictions will need to consider their respective Cabinet processes. Issues to be addressed will include, but not be limited to:

<b>Affordable Housing Delivery/Management</b>	<b>Parallel Policy Parameters</b>
→ Diversifying affordable housing delivery sector	→ Improving market efficiency
→ Strengthening subsidy arrangements	→ Leveraging financing
→ Expansion of special programs (e.g. for particular target groups)	→ Adopting land supply and planning mechanisms
	→ Aligning taxation policy*

\* work funded by States and Territories only

*Schedule 3. Cabinet/ COAG consideration for further development (2007/08)*

Principle 11 of the CSHA explicitly calls for a comprehensive approach for affordable housing across all levels of government. Many of the policy levers, which impact on affordable housing supply reside outside housing portfolios and are likely to have financial implications for government. While each jurisdiction will be asked to indicate their commitment to these reforms in Schedule 2, there will be a need for whole of government endorsement of this framework to achieve mutually agreed objectives.

Specific deliverables and targets will be established in pursuit of a strategic, integrated and long-term vision for affordable housing.

<b><i>Affordable Housing Delivery/Management</i></b>	<b><i>Parallel Policy Parameters</i></b>
→ Reforming affordable housing delivery and financing	→ Adopting complementary/ parallel policies to support affordable housing

### *Summary of schedules*

<b><i>Framework for national action on affordable housing</i></b>	
<b><i>Affordable Housing Delivery/Management</i></b>	<b><i>Parallel Policy Parameters</i></b>
<b>Building on success</b>	
→ Brisbane Housing Company (QLD)	→ Stamp duty concessions (ALL)
→ City West Housing Company (NSW)	→ Planning system affordable housing targets (SA)
→ Joint Venture arrangements (ALL)	→ Land banking, supply and sequencing (SA, VIC, NSW, WA, ACT)
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→ Private rental agreements (ALL)	
→ Housing adaptability policies (ALL)	
→ Aged care models (ALL)	
<b>Schedule 1</b>	
Approved, Aug 2005	
→ National Sector Development Plan for not for profit affordable housing providers	→ National approach to housing need analysis reflected in planning policy and regulations
	→ Options to strengthen certainty in subsidy arrangements for affordable rental housing
	→ Package of reform options (subsidy, financing, etc) for Ministerial consideration in Aug 2006
<b>Schedule 2</b>	
For Ministerial consideration in Aug 2006	
→ Diversifying affordable housing delivery sector	→ Improving market efficiency
→ Strengthening subsidy arrangements	→ Leveraging financing
→ Expansion of special programs (e.g. for particular target groups)	→ Adopting land supply and planning mechanisms
	→ Aligning taxation policy*
<b>Schedule 3</b>	
For Ministerial consideration in Aug 2007	
→ Reforming affordable housing delivery and financing	→ Adopting complementary/ parallel policies to support affordable housing
<b><i>Framework for national action on affordable housing</i></b>	
→ Strategic, integrated and long term vision for affordable housing	
→ Deliverables for affordable housing	
→ Stated commitment from all jurisdictions	

\* work funded by States and Territories only

## Schedule 1 – 2005/ 2006

### **Commitment 1-**

Create a National Sector Development Plan for not for profit housing providers, which will enable them to participate in large scale affordable housing initiatives.

### **Rationale**

An enhanced not for profit sector, complementary to public housing, would have the potential to:

- Provide more flexible responses to a range of household types and local opportunities and circumstances; and
- Provide more opportunities to engage private and local community partners in the delivery of affordable housing and produce housing at a lower cost.

A nationally consistent approach will contribute to the confidence of investors, who operate nationally and internationally. It will also provide the potential for cost efficiencies and economies of scale in skill and resource development.

This strategy is identified as an early priority because:

- the development of infrastructure of this nature requires a long lead time;
- this infrastructure will facilitate the implementation of other aspects of the action plan; and
- a number of jurisdictions have already adopted strategies consistent with this approach.

### **Commitment 2-**

Adopt a national approach to defining and analysing affordable housing need at geographic levels, which is reflected in planning policy and regulations and provides comparable standards of affordability. The use of clear definitions and a consistent process to identifying housing need will ensure identification of the range of household needs and inform the range of tenures, products, and price points necessary to deliver housing to meet those needs.

### **Rationale**

An adequate supply of affordable, well-located and appropriate housing is a key factor in achieving sustainable communities. It has a direct bearing on key sustainability objectives, including social diversity, inclusiveness, equity and competitiveness of places, and impacts on ecological outcomes and the quality of design.

The provision of housing operates within a market system where the provision of affordable housing is impacted to a large degree by economic and financial factors outside of the planning system, however the planning system can have an impact on the market-based system.

The land use planning process can influence the supply and range of housing produced both in new development and redeveloping areas. Planning Ministers agree that planning and providing for affordable housing utilising planning mechanisms is an important contributor to sustainable communities based on the triple bottom line approach to sustainability, through providing economic, environmental and social improvements.

The planning system can contribute to the provision of affordable housing by:

- enabling an efficient supply of land for housing for a broad range of residential densities and opportunities;
- encouraging housing type and diversity at different price points to meet different housing needs;
- facilitating residential development at locations with good access to services and facilities
- protecting existing or requiring the replacement of affordable housing stock where redevelopment of that stock
- takes place.

Tools to analyse housing need would primarily be adopted at Local, State & Territory levels. National coordination & consistency will contribute to:

- Improved and nationally consistent understanding of housing needs, within a spatial context.
- Inform the development of policy parameters, which are appropriate to local need analysis; and
- Cost efficiencies and economies of scale in skill and resource development.

**Commitment 3-**

Review current subsidy streams and investigate the potential to strengthen certainty in light of the commitment to increase the role of the private sector and the development of the not for profit sector.

**Rationale**

Reliable subsidy streams to bridge the gap between the return required by investors and affordable housing returns is necessary to attract external investment into affordable rental housing.

Delivering affordable rental housing, particularly of the most disadvantaged end of the income scale and in higher cost markets, often requires some degree of subsidy. The more certain the subsidy streams, the more potential there is to leverage additional resources into the supply of affordable rental housing. There is a suite of current and possible subsidy options and sources that warrant investigation for their potential in the context of the wider outcomes being pursued under this Framework.

This strategy has a co-dependent relationship with Commitment 1 and will inform the packaging of options for affordable rental housing developed under Commitment 4.

It is considered a priority because:

→ Reliable subsidy streams are a pre-requisite to leveraging additional investment and financing.

**Commitment 4-**

Identify mechanisms and policy initiatives that will deliver increased affordable home ownership and rental opportunities for low-moderate income households (less than \$56,219 gross annual income nationally) for consideration by Ministers.

**Rationale**

resourcing affordable housing and leveraging more investment. It outlines options to establish the institutional and infrastructure requirements to support the effective delivery of affordable housing and bring confidence and certainty to financing and investment arrangements.

This work is important as it will

- Build on extensive research and work in this area;
- Recognize the multiplicity of levers and different opportunities presented by individual housing markets by providing a suite of options for both national and state/ jurisdictional consideration in 2006;
- Propose substantive initiatives to expand and improve housing assistance delivery informed by, but which go beyond individual pilots;
- Provide a clear picture of what policy changes might be needed to deliver affordable housing at an appropriate scale, and to attract the private sector;
- Offer Ministers the opportunity to consider possible changes to policy in a collaborative, but non-committal manner;
- Draw effective responses into a national plan for action, which is endorsed through individual jurisdictional statements of intent as well as joint Ministerial commitment (Schedules 2 & 3);
- Provide useful information base to explore the benefits of a National Affordable Housing Agreement, including its potential scope, objectives and elements.

## **AHURI Research Centres**

Queensland Research Centre  
RMIT-NATSEM Research Centre  
Southern Research Centre  
Swinburne-Monash Research Centre  
Sydney Research Centre  
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