March 2024

Costing a Youth Housing Program

Over 100 organisations have come together to support the Home Time Campaign to 'unlock Australia's housing system for 16-24-year-olds who are homeless and unable to access housing'. The campaign is **calling for the development of a national pool of 15,000 dedicated youth tenancies for children and young people aged 16-24.** However, in the short term there is an opportunity to direct the additional (and unallocated) $1 billion investment made into the National Housing Infrastructure Facility (NHIF) last October to kick start a youth tenancy program. This paper explains what could be achieved if an investment of this scale was made in youth housing.

This modelling has been based on the Affordable Housing Assessment (AHAT) tool that was developed across a number of AHURI and CHIA funded projects[1].

Specific cost parameters were recently updated through work commissioned by CHIA National, and contains an expanded discussion on the methodology as well as detail on inputs[2].

Development Costs

The modelling assumes a 60/40 split between metro and regional areas, with costings for each of these based on development in the Melbourne Inner East region for typical metropolitan development and NSW Mid North Coast for a typical regional development.

- Melbourne Inner East: apartment development
- NSW mid north coast: attached housing
- An average 2-bedroom dwelling size is assumed, but recognise in reality developments would be mixed and include cluster and congregate housing.

Tenant incomes, rents and revenue

- Each dwelling assumes that two rent paying tenants will occupy each dwelling.
- Rent for each tenant will be set to a maximum of 25% of their income plus any CRA they may be eligible for based on current rates. For the purposes of this model it is assumed that the full allocation of CRA will be captured by housing providers in line with CRA maximisation policies.
- The income profile of tenants assumes that half the tenants will be receiving Youth Allowance, and half receiving Job Seeker. This equates to the average of each of the two payments. Table 1 summarises the incomes and rents payable fortnightly and weekly.

Table 1: Tenant rent and Commonwealth Rent Assistance estimates

	Fortnightly payments as at March 2024	Rent Fortnightly (@25% income)	Rent Weekly (@25% income)	CRA Per week	Total Rent (incl CRA)
Youth Allowance	$639.00	$159.75	$79.88	$6.13	$86.01
Job Seeker	$749.20	$187.30	$93.65	$16.46	$110.11
AVERAGE	**$694.10**	**$173.53**	**$86.76**	**$11.30**	**$98.06**

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Table 2 Summary of dwelling output

	Modelled SA4 region	Dwellings	Dwelling type	Development Costs per unit (incl. land)	NPV Total development cost
Urban	Melbourne - Inner East	1,258	Apartment	$477 K	$582 M
Rural	Mid North Coast	838	Attached	$513 K	$418 M

Operating Costs

Operating expenses relate to the management of dwellings themselves and for tenancy management, as well as allocation for responsive and planned maintenance and a longer sinking fund. It also includes an allowance for insurances and council and water rates. This does not include any additional wrap around services that may be provided and indeed needed for this group of people.

Projected output for $1billion capital work program

On the basis of a capital injection of $1billion, it is estimated that approximately 2,090 dwellings could be constructed based on a 60/40 urban/regional split. This is summarised in table 2.

Ongoing operating deficit

It is very important to outline that there exists a revenue and cost deficit such that the total amount of rent that can be collected does not cover operating expenses. This means that there is no capacity to leverage any kind of finance, and more importantly these dwellings would require ongoing subsidy of around $4,000 per dwelling per annum to cover basic costs.

Figure 1 Per Dwelling Annual Operating Costs and Revenue

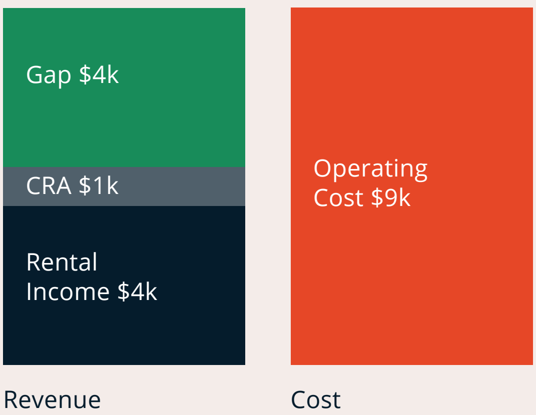

Figure 1 shows the basic funding gap between operating expenses and rental income that would need to be filled on an ongoing basis. This assumes that all capital costs associated with the development of the dwellings in the first have been covered.

As a final note on this deficit, it assumes that these dwellings are delivered in isolation from any other form of housing or larger housing projects. If these were developed within projects that contained a mix of tenures, this would alter the revenue streams in aggregate, creating more financially viable outcomes.

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Endnotes

1 Randolph, B., Troy, L., Milligan, V. and van den Nouwelant, R. (2018) Paying for affordable housing in different market contexts, AHURI Final Report No. 293, Australian Housing and Urban Research Institute Limited, Melbourne, https://www.ahuri.edu.au/research/final-reports/293

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Troy, L., Van den Nouwelant, R., Randolph, B. (2019). Estimating need and costs of social and affordable housing delivery, March 2019, (pp. 1 - 18). Sydney, Australia: City Futures Research Centre, University of New South Wales, https://cityfutures.be.unsw.edu.au/research/projects/filling-the-gap/

2 Troy, L & van den Nouwelant, R (2023) Costing social and affordable housing delivery across Australia, UNSW Sydney & University of Sydney, Sydney