

# Calculating Social Return on Investment (SROI) for Affordable Housing

## Recommendations for an SROI Framework for Affordable Housing in Canada

### INTRODUCTION

CMHC commissioned a literature review and analysis of existing SROI studies of affordable housing. The research looked at the impacts considered, how impacts were being measured and what financial proxies were used to quantify social returns. The project rated each SROI study of housing investment, based on methodology and the efficacy/appropriateness for Canada. Finally, the project provided recommendations for a framework to measure SROI for affordable housing in Canada.

### FINDINGS

#### Baseline data

- Prior to any analysis, a baseline scenario should be created against which the impacts of investment in affordable housing can be compared.
- Baseline data should include:
  - prior well-being of the residents and prior neighbourhood conditions;
  - facility condition index (FCI) of current (social housing) and prior housing;
  - demographics (age, sex, household size, income);
  - investment amounts by building or amenity type, spending and operational costs, and income from assets and operations;
  - land use opportunity costs;
  - investment characteristics including location, funders, number of new units;
  - average/market rent;
  - evaluation time horizon assumptions—considering short-term (jobs, safety, access to amenities) and long-term impacts (health care costs, crime rate costs).

#### Social Return on Investment

The benefits of affordable housing extend beyond the number of units built or households housed; they can include impacts on health, employment, GDP and broader social implications for Canada.

- Social return on investment (SROI) offers a viable way to demonstrate the impact of government spending on housing by attaching a monetary value to the benefits housing brings to residents, housing providers and the local economy.
- There is a well-established, internationally accepted methodology for calculating SROI.
- SROI calculations are only as good as the inputs chosen and the valuation of those inputs: the framework.
- It is also important that an SROI framework be applicable to the Canadian context.

#### Assessing existing SROI research

- Studies were evaluated on how easily their methodology could be applied in an SROI calculation in Canada, using two ratings:
  - The Literature rating based on the type of research, methodology and usefulness of the measures.
  - The “efficacy and appropriateness rating,” which considered the replicability, reliability and appropriateness of the measure and its financial proxy in Canada.

#### An SROI framework

- The framework includes an impact to be measured, an appropriate financial proxy and the source for Canadian data.
- There are eight categories of impacts, with their corresponding financial proxies (see figure 1). Each impact or change is considered at three levels: government and GDP, community or region, and residents.
- Taken together, these impacts and proxies would allow for a comprehensive, robust and rigorous SROI calculation.

A framework with eight categories and 24 impact measures was proposed for calculating affordable housing SROI.

**Figure 1:** Recommended SROI Framework for Affordable Housing

<b>HEALTH CARE</b>	Living conditions (for example, housing quality, overcrowding)	Health care utilization (government costs)	Socio-economic determinants of health	Housing quality (facilities condition index)	Stress	Health care usage (resident expenditures)
<b>ACCESS TO AMENITIES</b>	Amenities and community space	Culturally rich and vibrant communities	Local spending	Youth and family support programs	Transportation	
<b>SOCIAL SUPPORT AND CONNECTEDNESS</b>	Resident safety	Social stability	Neighbourhood satisfaction	Active social network/ community		
<b>EDUCATION AND LITERACY</b>	Earning potential	Access to resources – internet	Education performance			
<b>AFFORDABLE HOUSING</b>	Disposable income	Low-income employment				
<b>ENVIRONMENT</b>	Utilities	Greenhouse gases (GHGs)				
<b>JUSTICE</b>	Justice system costs					
<b>SOCIAL SERVICES SPENDING</b>	Social services system costs					

## Other considerations

It can be difficult to measure the financial impact of social outcomes, and there are some particular limitations and challenges inherent to SROI calculations for affordable housing:

- Double counting may increase social return, for example where similar financial proxies (for example, the difference between market rent and social housing rent) are used to measure different impacts.
- Pre- and post-measurements—Measuring residents' previous housing conditions and other characteristics (health, social integration) is difficult and is often done by measuring recalled changes or improvement.
- Longitudinal outcomes may take some time to be manifest or may not be captured if they outlast a tenant's stay in an affordable housing development. Ongoing health benefits, benefits from increased education or benefits from future ability to purchase a home thanks to rent savings may continue to accrue after a tenant exits affordable housing.
- Identifying direct financial proxies can be a challenge. An optimal impact measure and financial proxy combination would be social housing improving a resident's health, and thus reducing emergency room visits, which have a known cost. It is more difficult to identify financial proxies for more nuanced impacts, such as increased self-confidence as a result of social housing.

## IMPLICATIONS

There are numerous hypothesized benefits from affordable housing—better quality, less costly or better-located housing. But measuring and valuing impacts require a sound analytical framework and substantial data collection. In most cases, a change in the perceptions, actions or condition of residents must be identified; often a survey of residents (or possibly surveys at several points in time) is necessary. Changes in residents' financial situations; their usage of health, social, recreation or education/literacy services; as well as their perceptions of safety, community support and so on, are needed in order to determine impact(s) of moving to social housing.

The General Social Survey from Statistics Canada can provide aggregate or benchmark figures for some impacts, such as satisfaction with neighbourhood or social interaction within a community, but these must be compared to self-reported information from residents.

Some aggregate data is also required, for example market rents, for comparison to actual rents in affordable units. And some higher level aggregate data, such as neighbourhood crime rates or neighbourhood usage of medical services, can be useful for calculation of savings to various support systems.

In the final step, the financial cost or benefit for each of these impacts/changes must be estimated. This research project identified the most recent efforts to apply SROI to the field of housing. The analysis and construction of this framework demonstrated the challenges in calculating the social return on investment in affordable housing.

## FURTHER READING

Full report – *Measures for Calculating Social Return on Investment for Affordable Housing* ([https://eppdscrmssa01.blob.core.windows.net/cmhcprodcontainer/sf/project/archive/research\\_2/measures\\_for\\_calculating\\_sroi\\_.pdf](https://eppdscrmssa01.blob.core.windows.net/cmhcprodcontainer/sf/project/archive/research_2/measures_for_calculating_sroi_.pdf))

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