

AFFORDABLE HOUSING

Developer Information Sheet 03:

PRICE VARIANCE

What is an affordable housing price variation?

For sales to home buyers, a variance of up to 15 per cent above the maximum sale price can be applied for in cases where the developer meets criteria in relation to environmental inclusions, unique finance options, location to transport and dual occupancy.

The variation assists developers to provide better quality affordable housing, both at the initial sale price and in relation to reducing ongoing living costs. In the Adelaide City Council area developments automatically qualify for the 15 per cent variance due to their proximity to public transport and provision of higher density living.

The variation is only able to be applied on dwellings and house and land packages and cannot be applied to land only.

Provision for a price variation is included under the Affordable Housing Gazette notice (*Determination of Criteria for the Purposes of the Concept of Affordable Housing, Regulation 4 of Development Act 1993*),

- (3) If the dwelling:
- a) has features which make it more energy efficient and environmentally sustainable; or
 - b) is on a small allotment within close proximity of public transport; or
 - c) is offered for sale in conjunction with a financing product that increases an eligible buyer's purchasing capacity, or
 - d) provides for dual occupancy living;

the developer/owner may seek approval from the Minister with applications for approval directed to the Chief Executive Renewal SA for a variation of the price by up to 15%.

What sorts of price variations are available?

Variations to the maximum price for an affordable housing dwelling are available as follows:

1. Environmental variance 1 (5 per cent variance)

Applies to dwellings with features that improve energy efficiency and environmental sustainability:

- o Certified by an approved house energy rating assessor (www.sa.gov.au) as achieving a seven (7)* star rating
- o Include a plumbed rainwater tank.

2. Environmental variance 2 (up to 15 per cent variance)

Applies to dwellings with features that improve energy efficiency and environmental sustainability:

- o Certified by an approved house energy rating assessor (www.sa.gov.au) as achieving a seven (7)* star rating
- o Include a plumbed rainwater tank

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- Include a photovoltaic electricity generator (over and above the seven star rating) of at least 1.5kW (if the residence has two or less bedrooms), or 2.0kW (if the residence has three or more bedrooms).

3. Density and location variance (Up to 15 per cent variance)

Applies to dwellings on small allotments within close proximity to public transport (higher density/transport oriented development):

- An allotment less than 250m² (or average allotment for multi storey developments)
- Within 400m of a high frequency bus corridor 'Go Zone' (as listed at www.adelaidemetro.com.au),
- Within 800m of an Adelaide metropolitan train or tram service.

4. Finance variance (Up to 15% variance)

Dwellings must be offered in conjunction with a specialised home financing product, for example:

- Low deposit loan
- Shared equity opportunity
- Rent to Buy model

Specialised finance products are designed to lower the barriers to home ownership or to increase the buyer's purchasing power. Any specialised finance product must ensure that no more than 30 per cent of income is spent on mortgage costs for a moderate income buyer.

5. Dual occupancy variance (Up to 15 per cent variance)

Dwelling must provide a dual occupancy role, with an accessory dwelling that may be attached or detached to the primary dwelling on a single allotment of land.

How do I apply for a price variance?

A variation request form is available from your Affordable Housing Officer. Applications need to be submitted to Renewal SA in writing (email is acceptable). Variation requests will be assessed on a case by case basis.

Developers requesting a variation must specify:

- Proposed price
- Basis of the price variation requested (i.e. which variation option)
- Appropriate plans and information (as outlined in the request for variation form template).
- Allotments for which the variation is sought.

The total price including the variance must not exceed fair market value of the property, and Renewal SA may seek a qualified valuation to assess fair market price.

How is a variance request assessed?

A variance request is assessed on the increased purchasing power it will give to the buyer or how it represents ongoing savings as a result of the variance approval. The decision for the percent variance permitted rests with Renewal SA.

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As detailed in the Land Management Agreement, a variation request can be approved up to 15% above the maximum sale price as listed in the government gazette. If the maximum price increases through a change in the gazetted price points, a new valuation must be submitted to support any increase above the new price point or previously approved variation.

For Finance variation requests, it is the responsibility of the developer and finance provider to ensure their finance product complies with the ACCC's third line enforcing processes.

Delivery examples

There are a number of ways to use the price variance options, including:

- a. A small to moderate sized home on a lot less than 250m² within 400m of a bus corridor 'go zone' may be valued at a market rate up to \$381,800 (\$332,000 + up to 15% variance)
- b. A \$381,800 house and land package combined with an optional shared equity financing product may effectively bring the sale within the purchasing power of a moderate income household (\$332,000 + 15% price variance)
- c. An environmentally sustainable "7 star rating" residence that includes a plumbed rainwater tank may be valued at a market rate up to \$348,6,000 (\$332,000 + 5% price variance)
- d. A small to moderate sized home on a moderate sized allotment with a second attached or detached dwelling on the same title (accessory dwelling unit allowing for dual occupancy), valued at a total market rate of up to 381,800 (\$332,000 + up to 15% variance)
- e. The sale or retention of an affordable housing dwelling (regardless of price) to a registered housing provider that has committed to provide an affordable rental outcome (i.e. public housing provider or state leveraged rental program)

Further information

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