



Developer Information Sheet 03:

AFFORDABLE HOUSING PRICE VARIANCE

What is an affordable housing price variation?

Where affordable housing is being developed for sale to eligible home buyers, a variance above the maximum prescribed price can be applied for in cases where the developer meets criteria in relation to environmental inclusions, proximity to public transport, or unique finance options.

This assists developers to provide better quality affordable housing, both at the initial sale price and in relation to reducing ongoing living costs.

Provision for a price variation is included under the Affordable Housing Gazette Notice (*Determination of Criteria for the Purposes of Affordable Housing, Regulation 4 of South Australian Housing Trust Act 1995*).

Where the land or dwelling meets the criteria as set out in the Gazette Notice, the developer may seek approval to increase the maximum prescribed price by up to 10% for any one variance, and up to 15% for any two variances combined. Applications for a variation of the maximum prescribed price must be directed to the SA Housing Authority, Affordable Housing and Market Solutions.

Types of price variations available

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

1a Environmental variance 1 (up to 5 per cent variance)

The dwelling has features which make it more energy efficient and environmentally sustainable.

Applies to dwellings that are certified by an approved house energy rating assessor (www.sa.gov.au) as achieving a seven (7) * star rating or above.

Supporting documents

- Report from an approved NatHERS accredited house energy rating assessor as achieving a minimum of NatHERS (7)* star energy efficiency rating for each affordable housing property for which the price variance is being requested.

1b Environmental variance 2 (up to 5 per cent variance)

The dwelling has features which make it more energy efficient and environmentally sustainable.

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

- All electric appliances and must have parts available and serviceable within Australia.
- Heat boosted or electric boosted solar hot water system.
- Include a photo-voltaic 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.



Environmental variances 1 and 2 can be added together to achieve a 10% price variance.

Supporting documents

- Building specifications indicating inclusions of features required for environmental sustainability (all electric appliances, heat boosted or electric boosted solar hot water system, and a photo-voltaic electricity generator) for each affordable housing property for which the price variance is being requested.

2. Proximity to Public Transport / Density variance (up to 10 per cent variance)

The property (being a land only allotment or dwelling) is on a small allotment within a certain proximity to public transport.

Applies to dwellings on small allotments or land only within proximity to public transport (higher density/transport-oriented development):

- An allotment less than 250m² (or average allotment for multi storey developments), and
- Within the following distances to high frequency public transport of either:
 - 400m walking distance from the dwelling/allotment to an Adelaide Metro 'Go Zone' bus stop (as listed at www.adelaidemetro.com.au), or
 - 800m walking distance from the dwelling/allotment to an Adelaide Metro tram stop, train station, or public transport interchange.

In the Adelaide City Council area developments automatically qualify for the 10 per cent variance due to their proximity to public transport and provision of higher density living.

Supporting documents

- A map showing the location of each affordable housing property to which the application applies, and walking distance to a public transportation stop being a bus Go-Zone, or train / tram / O-Bahn station, or public transport interchange. Map should be provided in a form of route calculation via Google maps.
- Land division plan showing lot size.

3. Finance variance (up to 10 per cent variance)

The dwelling is offered for sale in conjunction with a financing product that increases an eligible buyer's purchasing capacity.

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.

Dwellings must be offered in conjunction with a specialised home financing product, for example (but not limited to):

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

This variance can only be applied to affordable housing dwellings (i.e., completed homes or house-and-land packages).

Note that at the moment the only financial institution providing shared equity loans in South Australia is HomeStart Finance.

Supporting documents



- Documentation (letter of support or email) from financial institution agreeing to the provision of innovative financing options for affordable housing properties in subject project. Documentation will need to include:
 - Calculations indicating the out-of-pocket costs of affordable housing property to the eligible buyer and how the finance product meets requirements of costing households no more than 30% of their gross income.
 - Contact details of contact person at financial institution providing specialised innovative financing products.

Price variances table

Affordability Indicators as at February 2020 (Price Point)	Maximum Price Point	Variance (+ 5%)	Variance (+ 10%)	Variance (+ 15%)
Greater Adelaide - Dwelling prices, including house and land, and apartments (inclusive of GST)	\$417,000	\$437,850	\$458,700	\$479,550
Greater Adelaide - Land only purchase price (inclusive of GST)	\$187,650	n/a	\$206,415 (Transport variance is applicable only)	n/a
Rest of State - Dwelling prices, including house and land, and apartments (inclusive of GST)	\$339,000	\$355,950	\$372,900	\$389,850
Rest of State - Land only purchase price (inclusive of GST)	\$152,550	n/a	\$167,805 (Transport variance is applicable)	n/a

Applying for price variances

A Price Variance Application Form is available from your Affordable Housing Officer. Application forms need to be submitted to SA Housing Authority 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 SA Housing Authority may seek a qualified valuation to assess fair market price.

Assessing price variances

A variance request is assessed on the following:

- increased purchasing power it will give to the buyer, or



- how it represents ongoing savings to the home buyer.

The assessment is based on the Price Variance Application Form and supporting documents submitted by the developer. The approval of the percent variance granted is at the discretion of the SA Housing Authority.

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 forcing 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 walking distance to an Adelaide Metro 'Go Zone' bus stop' may be valued at a market rate up to \$458,700 (\$417,000 + 10% variance).
- b. Use of a shared equity finance product is attached to the property sale conditions which means that a buyer could save up to 25% of their loan repayment costs. For example, this means that for an apartment with a sale price of \$580,000, a home buyer only needs to make repayments on a primary loan of \$435,000 (less than \$417,000 + 10% finance variance), and no interest and repayments are payable on a secondary shared equity loan.
- c. An environmentally sustainable "7-star rating" residence valued at a market rate up to \$437,850 (\$417,000 + 5% price variance).
- d. A small to moderate sized home on a lot less than 250m² within 400m walking distance to an Adelaide Metro 'Go Zone' bus stop, that has been assessed to have a 7-star rating \$479,550 (\$417,000 + 15% variance).

Further information

Affordable Housing and Market Solutions

SA Housing Authority

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