



## Developer Information Sheet 03:

# AFFORDABLE HOUSING PRICE VARIANCE

### What is an affordable housing price variation?

For sales to home buyers, a variance above the maximum sale price can be applied for in cases where the developer meets criteria in relation to environmental inclusions, unique finance options or location to public transport.

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 10 per cent variance due to their proximity to public transport and provision of higher density living.

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 Price by up to 10% for any one variance, and up to 15% for any two variances combined. Applications for a variation of the Price must be directed to the Chief Executive, SA Housing Trust. Available variances include where:

- a) The dwelling has features which make it more energy efficient and environmentally sustainable; or
- b) The property is a small allotment, or is on a small allotment within proximity of public transport; or
- c) The dwelling is offered for sale in conjunction with a financing product that increases an eligible buyer's purchasing capacity.

### Types of price variations available

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

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

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

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

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.



## 2. Public Transport/Density and location variance (Up to 10 per cent variance)

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

- An allotment less than 250m<sup>2</sup> (or average allotment for multi storey developments), and
- Within high frequency public transport of either:
  - Within 400m walking distance from the dwelling/allotment to an Adelaide Metro 'Go Zone' bus stop (as listed at [www.adelaidemetro.com.au](http://www.adelaidemetro.com.au)), or
  - Within 800m walking distance from the dwelling/allotment to an Adelaide Metro tram stop or train station.

## 3. Finance variance (Up to 10 per cent variance)

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:

- 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).

*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)	\$367,000	\$385,350	\$403,700	\$422,050
Greater Adelaide - Land only purchase price (inclusive of GST)	\$165,150	n/a	\$181,665 (Available on proximity public transport only)	n/a
Rest of State - Dwelling prices, including house and land, and apartments (inclusive of GST)	\$298,000	\$312,900	\$327,800	\$342,700
Rest of State - Land only purchase price (inclusive of GST)	\$134,100	n/a	\$147,510 (Available on proximity public transport only)	n/a



### Applying for price variances

A variation request form is available from your Affordable Housing Planning Officer. Applications 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.

Any previously approved variances will continue to be honoured under the previous variance model (2010-2020) and the 2019-2020 variance prices. Any other variances will need to comply with the model outlined in this fact sheet.

### Assessing price variances

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 SA Housing Authority.

A variation request can be approved up to 10% for one variance and up to 15% for two variances above the maximum sale price as listed in the government gazette.

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 250m<sup>2</sup> within 400m walking distance to an Adelaide Metro 'Go Zone' bus stop' may be valued at a market rate up to \$403,700 (\$367,000 + 10% variance).
- b. A shared equity finance product which means that a buyer could save up to 25% of their upfront costs, bringing an apartment valued at \$505,000 down to \$403,700 (\$367,000 + 10% price variance).
- c. An environmentally sustainable "7-star rating" residence valued at a market rate up to \$385,350 (\$367,000 + 5% price variance).
- d. A small to moderate sized home on a lot less than 250m<sup>2</sup> within 400m walking distance to an Adelaide Metro 'Go Zone' bus stop, that has been assessed to have a 7-star rating \$422,050 (\$367,000 + 15% variance).

### Further information

#### Affordable Housing Team

SA Housing Authority

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