

Practice note no. 16

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Calculation of offsets for affordable and diverse housing

This practice note provides guidance to developers for the calculation of offsets for the provision of affordable and diverse housing within the Bowen Hills and Northshore Hamilton Priority Development Areas (PDA).

The information in this document is for guidance only. Any offsets must be confirmed by Economic Development Queensland for each development.

Affordable and diverse housing offsets

Under the Infrastructure Funding Framework (IFF), an offset is available for up to 50 per cent of the value uplift charge. Up to 30 per cent of the total value uplift charge may be offset where affordable and diverse housing is provided in a development. Offsets for affordable housing are not available where a superior design outcome (which includes affordable housing) has been approved for the development.

Table 1 outlines the level of affordable and diverse housing which is required to be provided in order to receive a corresponding level of offset against the value uplift charge.

Table 1 - Pro-rata application of affordable housing offset

Affordable and diverse housing product as a percentage of the total development	Offset against total value uplift charge
5%	0%
6%	3%
7%	6%
8%	9%
9%	12%
10%	15%
11%	18%
12%	21%
13%	25%
14%	27%
15%	30%

A guide to delivering what EDQ considers to be affordable and diverse housing for the Brisbane Local Government Area is provided in Tables 2 and 3. The Price Rent and Price Buy figures are targeted mainly to those on low to moderate incomes. For the purpose of this practice note, low to moderate income earners are defined as:

- » Low income: those earning greater than 50 per cent but less than 80 per cent of the annual median household income for the Brisbane Local Government Area.¹
- » Moderate income: those earning between 80 per cent - 120 per cent of the annual median household income for the Brisbane Local Government Area.¹

A full offset (30 per cent of the total value uplift charge) will be considered where an applicant achieves the diversity and affordability criteria for 15 per cent of dwellings within their development. A partial offset will be considered where an applicant can demonstrate that they achieve the diversity and affordability criteria for between 5 - 14 per cent of dwellings within their development.

Table 2: Project size, mix and diversity

To achieve the desired level of diversity within a development, the following requirements are to be met:

Project Size	Product Diversity	Mix
Less than 25 dwellings	Provide product from two income bands in Table 3.	An even mix of each from two income bands.
More than 25 dwellings	Provide product from a minimum of three income bands in Table 3.	An even mix from each of the three income bands.
More than 100 units	Provide product from a minimum of three income bands in Table 3 and including product that meets the requirements of income band 4.	Minimum 30% Income Band 1 Minimum 30% Income Band 2 Minimum 30% Income Band 3, and Minimum 10% Income Band 4 or a minimum of 1 unit, whichever is the greater.

Table 3: Housing affordability and diversity

% of median annual household income Brisbane LGA	Income Band 1 50%	Income Band 2 80%	Income Band 3 100%	Income Band 4 120%
Product	1 bed	2 bed (less than 100 m ² GFA)	2 bed (more than 100 m ² GFA)	3 bed
Income	\$55,248	\$88,684	\$110,855	\$133,026
Nominal Household Type	Single (S) / Couple (C)	S/C, up to 1 dependent	S/C, up to 2 dependents	All
Price Rent (Max)	\$320 per week	\$512 per week	\$639 per week	\$767 per week
Price Buy (Max)	\$290,000	\$461,000	\$574,000	\$688,000

1. The definition of low to moderate income earners is derived from the Centre for Affordable Housing, NSW Department of Family and Community Services.

Housing affordability is dynamic and subject to fluctuations in interest rates, government policy and changes in personal circumstances. To accommodate these factors, the following parameters have been applied in calculating the affordable purchase price:

- » 5 per cent deposit
- » First Home Owner's Grant (or other grant) of \$7000
- » amortisation period of 30 years
- » 6 per cent interest rate
- » affordable debt service calculated at 35 per cent of household income.

Affordable rent is defined as not exceeding 30 per cent of the gross household income.

Offsets assessment

To receive the requested offset, the developer will need to be able to demonstrate to EDQ that they have delivered the required product and at the required price point. This will be evidenced by providing:

- » a statement verifying that the affordable dwellings built meet the requirements of Tables 2 and 3
- » copy of sales contract and registration for those units sold, or
- » rental agreement for those units rented. The rental agreement must be for a minimum of one year and include an option for a further 5 one year lease extensions. The rental increase for each year is to be limited to income changes in line with the Wage Price Index for Queensland and in accordance with the EDQ Guideline 16 - Housing.

Any application for offsets will not be considered until the building has been constructed and the dwellings at the time of sale, are either sold or rented.