Practice note no. 8

Issued: February 2012

Calculation of monetary contribution in lieu of affordable housing product

Where affordable housing product is to be provided under the housing diversity requirements of a residential project, the ULDA may allow a monetary contribution to be made in lieu of product as part of the development approval process. This only applies to the UDAs of Bowen Hills and Northshore Hamilton.

The following process will convert the housing diversity requirement to an equivalent monetary contribution. The ULDA will seek to utilise the monetary contribution for affordable housing within the UDA where it was generated.

Note: * is multiplication

Number of dwellings

The number of dwellings to be provided will be calculated using the following formula:

No. of Equivalent Affordable Dwelling (EAD) = Project residential floor area / 80 * 5 per cent[1]

(Rounded to the nearest whole number)

Where:

80 is the estimated size in square metres of an affordable two bedroom unit.

The affordable housing rent (AHR)

The affordable housing rent (AHR) to be used in calculation of the monetary contribution will be:

AHR = median annual household income in the Local Government Area * .3

Where, the median annual household income data is calculated by adjusting the most recent ABS census for median household income using Consumer Price Index.

1 The figure of 5 per cent is used for example purposes only. The actual percentage of affordable housing will be determined for individual development purposes based on a range of matters including the affordable housing targets in the relevant development scheme.

Equivalent monetary contribution

The equivalent affordable housing monetary contribution (AHMC) of providing the product will be calculated by the following:

AHMC = EAD * (MR-AHR) * 15* 1.1

Where:

MR = estimated annual market rent in the area for a two bedroom unit of around $80m^2$

AHR = estimated annual affordable house rent

15 = Number of years the dwellings are to be made available for affordable rental

The increment factor (1.1) is included to approximate the administrative and transaction costs in sourcing alternative product under a long term lease arrangement.

The agreement which will be entered into as part of the development approval process will contain, as a minimum, the following information in relation to the delivery of housing product:

- the number of rental dwellings to be provided at affordable rental rate
- the median annual household income
- the estimated market rent of equivalent product in the local area
- the affordable housing monetary contribution
- the expected timing for the delivery of product and any requirements for bonding against the requirements
- the required affordability retention mechanisms and associated documentation.

Table 1: Indicative worked example - conversion of AHC to product

Assumed - affordable housing contribution				**1,000,000**
Ownership product				
Income target	70,000	80,000		
Market sale price	500,000	500,000		
Affordable price	254,000	290,000		
Price difference (MP_AHP)	246,000	210,000		
Number agreed to be delivered	1	1		
Product value	246,000	210,000		= 456,000
Rental product				
Income target	80,000	70,000	50,000	
Market rent	480	480	480	
Affordable rent	460	405	290	
Weekly difference	20	75	190	
Price difference (MR-AHR) annualised as 365/7	1,043	3,911	9,907	
Number of years	15	15	15	
Number agreed to be delivered	5	2	2	
Product value (Price difference *years *number)	78,375	117,330	297,210	= 493,915
Residual payment required in cash				50,085