



CASE STUDY

AFFORDABLE HOUSING FEASIBILITY

INTRODUCTION

This case study demonstrates a development feasibility model for mixed social housing. Two scenarios have been provided:

1. Purchase of land and development of a new building and operated for 30 years post completion.
2. Purchase of existing property with minor refurbishment and operated for 30 years

The scenarios both assume the same mix of social housing, market housing and affordable housing, with NRAS (National Rental Affordability Scheme) support for the latter.

The modeling assumes no terminal value at the end of 30 years, however the model has the capacity to include a terminal value if required.

SCENARIO 1 – DEVELOPMENT OF NEW BUILDING

Scenario 1 assumes a land purchase of \$2m and \$12m property development for 95 apartments, being:

- 42 bedsits for social housing,
- 40 2-bedroom affordable housing units,
- 11 bedsits for market housing, and
- 2 2-bedroom units for market housing.

A commonwealth grant of \$10m is provided for social housing while the land and some works in kind are provided by State Housing. The balance of funding is sought through a \$3.5m commercial loan which comprises of a Principal & Interest loan at 8% over 17 years.

INPUTS AND PREFERENCES

PREFERENCES

- General > Regional Settings
 - Set Stamp Duty to 'Nil'
- General > Cash Flow Periods
 - Set cash flow rest periods to 'Quarterly'
 - Resize Model to 135 time periods
- Taxation > Tax Type
 - Set 'Auto- General Tax Rule' for the liability calculation type
- Taxation > Cost and Revenue Inputs
 - All costs to be Net of GST
- Financing > Global Settings
 - Financing Level is set to 'Advanced'
- Financing > Loan 1
 - Interest Payment Method is set to 'Capitalised'
 - Facility Limit is set to 'Fixed Amount'
 - Drawdown method is 'progressively when required'
 - Deselect 'automatic maturity' for the loan and set it to be refinanced by 'Equity'.

PRELIMINARY

- Cash Flow Title = Scenario 1 Description (Optional)
- Project Start Date = Jan 2010 (Jan- March 2010 is time period 0)
- Project Size a = 95 dwellings
- Project Size b = 6,650 sqm
- Site Area = 4,200 sqm
- Floor space ratio = 1.6

LAND PURCHASE COSTS

- Land Purchase \$2m Quarter start 0 Span 1. We have assumed a land value of \$2m which is transferred by government as a grant to the affordable housing provider. To avoid this being a cost to the project we have booked into Other Income a grant of \$2m.
- Add GST to land purchase = 'N'
- Other Acquisition Costs: Legal fees are a fixed amount of \$3,500 and valuation fees of \$7,000 are all paid in time period 0 and span 1 quarter.

Land Purchase Price		2,000,000	
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Code	Stage		% of Land Purchase Price		AND/OR Lump Amount
			% paid	Amount	
1002	-	Deposit in Trust Account ¹	0.00%	-	-
1003	-	Payment 1	0.00%	-	-
1004	-	Payment 2	0.00%	-	-
1005	-	Payment 3	0.00%	-	-
1006	-	Payment 4	0.00%	-	-
1007	-	Settlement (Balance)	100.00%	-	2,000,000
1008	-	Stamp Duty ¹	NIL	-	-
		Interest on Deposit in Trust Account	0.00%	Interest from deposit shared between parties	
		Profit Share to Land Owner	0.00%		

Paid progressively as project makes a profit.

Code	Stage	Other Acquisition Costs (to be entered Exclusive of GST)	% of Land Price exc Tax		AND/OR Lump Amount
			% paid	Amount	
1011	-	Legals	0.00%	-	3,500
1012	-	Valuation	0.00%	-	7,000

Quarter Start	Quarter Span	Cash Flow Period
0	-	-
0	-	-
0	-	-
0	-	-
0	-	-
0	1	Jan-10 - Jan-10
0	1	Jan-10 - Jan-10

Quarter Start	Quarter Span	Cash Flow Period
0	1	Jan-10 - Jan-10
0	1	Jan-10 - Jan-10

COST ESCALATION

- All costs have been escalated at 2.5% per annum.
- Cost codes have been set up as follows:
 - SH - Social Housing
 - AH - Affordable Housing
 - CH - Commercial Housing (market rent)
 - This allows us to separate these costs under the construction cost section.

PROFESSIONAL FEES

- Design fees are set at 4% of construction costs and quarter start 0 and span 3 Add GST = 'N'.
- Other professional fees are set at 2% and pro-rata with construction time period with 'C' input. Add GST = 'N'.
- Development management fees are set at 2% of project costs (excluding land) and quarter start is 'C'. Add GST = 'N'.

CONSTRUCTION COSTS

- Quarter start is 3 and span is 5 quarters. Exclude for fit out which is quarter start 8 and span 1. Add GST = 'N', for all cost items.

Description	Cost Type	Units	Base Rate / Units	Escalate (E,R,N) ¹	S-Curve
Construction Social Housing	SH	42	90,000	e	s
Construction Affordable Housing	AH	40	120,000	e	s
Construction Commercial Housing	CH	13	140,000	e	s
Parking (Commercial + Affordable)	OT1	40	2,500	e	s
Fit out of accommodation & manager office	OT2	95	12,500	e	s

STATUTORY FEES

- DA application fees are \$5,000, paid in quarter 0.

MAINTENANCE COSTS

- Broken into 2 groups:
 - Life cycle costs which are major planned works. We have minor works set at 2.5% (0.5% per annum) of escalated construction costs in Year 5, 15 & 25 and major works set at 10% (1 % per annum) of escalated construction costs in Year 10, 20 & 30.
 - General maintenance and faults are unplanned and hence we have spread in 10 year blocks set at 5% of construction cost (0.5% per annum).

Make Good Life Cycle Costs

Costs to be entered Exclusive of GST

Description	%of Construction ¹	AND / OR No. Units	Base Rate / Unit	Escalate (E,R,N)	S-Curve
Year 5 post completion	2.50%			e	e
Year 10 post completion	5.00%			e	e
Year 15 post completion	2.50%			e	e
Year 20 post completion	5.00%	-	-	e	e
Year 25 post completion	2.50%	-	-	e	e
Year 30 post completion	5.00%	-	-	e	e
-	0.00%	-	-	-	-
-	0.00%	-	-	-	-
-	0.00%	-	-	-	-
-	0.00%	-	-	-	-

Quarter Start ²	Quarter Span	Cash Flow Period
28	1	Jan-17 - Jan-17
48	2	Jan-22 - Apr-22
68	1	Jan-27 - Jan-27
88	2	Jan-32 - Apr-32
108	1	Jan-37 - Jan-37
126	2	Jul-41 - Oct-41
0	-	-
0	-	-
0	-	-
0	-	-

¹ Based on net costs.² Pro-rata with Construction ('C') or Settlements ('S')**Maintenance Cyclical & Faults**

Costs to be entered Exclusive of GST

Description	%of Construction ¹	AND / OR No. Units	Base Rate / Unit	Escalate (E,R,N)	S-Curve
Maintenance Faults & cyclical 1yr - 10	5.00%			r	e
Maintenance Faults & cyclical 11yr - 20	5.00%	-	-	r	e
Maintenance Faults & cyclical 21yr - 30	5.00%	-	-	r	e

Quarter Start ²	Quarter Span	Cash Flow Period
8	40	Jan-12 - Oct-21
48	40	Jan-22 - Oct-31
88	40	Jan-32 - Oct-41

PROPERTY HOLDING & MANAGEMENT COSTS

- The following holding and management costs have been assumed:
- Rates and Taxes: \$6,000 per quarter (\$24,000 per annum)
- Insurance: \$3,200 per quarter (\$12,800 per annum)
- Garden & Grounds: \$3,200 per quarter (\$12,800 per annum)
- Tenancy Management: \$900 per tenancy (95* 900 = \$85,000 per annum)

Land Holding Costs

Costs to be entered Exclusive of GST

Description	No. Units	Base Rate /unit/term	Term ¹	Escalate (E,R,N)
Rates & Taxes	1	6,000	Q	R
Insurance	1	3,200	Q	R
Landscaping	1	1,000	m	R
Contingency	1	1,000	m	R
Tenancy Management (\$900pa per tenancy)	95	75	m	R
-	-	-	-	-

Quarter Start	Quarter Span ²
0	128
0	128
8	119
8	119
8	119

SALES & RENTAL REVENUE ESCALATIONS

- Revenue codes have been set up as follows:
 - SH - Social Housing
 - AH - Affordable Housing
 - MH - Market Housing (market rent)
 - CS - Community Space
 - NRA – NRAS
 - Com - Commercial Office
 - MG - Make Good
 - WIK - Works in Kind
 - LTG - Land Transfer Grant
 - HCG - Housing Construction Grant
- All items except NRAS, WIK, LTG & HCG have been escalated at 2.5% per annum. NRAS WIK, LTG & HCG have 0% escalation.

OTHER INCOME

NRAS is entered at a non-escalated amount of \$8,000 per affordable unit at the end of each anniversary for 10 years. The transfer of land is shown as a \$2m grant otherwise the model would assume funding for its purchases. The COA grant is for social housing and some other items provided as works in kind by State Housing and is shown as a grant as per below:

Other Income

Other Income to be entered Exclusive of GST

Description	Land Use Code	Units	Base Rate / Units	Quarter Start	Quarter Span
NRAS Subsidy Yr1	NRA	40	8,000	13	1
NRAS Subsidy Yr2	NRA	40	8,000	17	1
NRAS Subsidy Yr3	NRA	40	8,000	21	1
NRAS Subsidy Yr4	NRA	40	8,000	25	1
NRAS Subsidy Yr5	NRA	40	8,000	29	1
NRAS Subsidy Yr6	NRA	40	8,000	33	1
NRAS Subsidy Yr7	NRA	40	8,000	37	1
NRAS Subsidy Yr8	NRA	40	8,000	41	1
NRAS Subsidy Yr9	NRA	40	8,000	45	1
NRAS Subsidy Yr10	NRA	40	8,000	49	1
		1		0	1
DHWA Contribution (WIK)	HCG	1	6,080,000	0	1

FINANCING

- For Loan 1 inputs:
 - Enter \$3.5m into Fixed Amount.
 - Set quarter maturity to quarter 68 (15 years after rental commencement).
 - Set the interest rate at 8%.
- For Loan 4 inputs:
 - Set the interest rate to 8%. This loan acts as an overdraft account with interest capitalised.
- Note that equity is nil as all grants and subsidies are shown as other income.

PROJECT HURDLES

Set the Discount Rate at 9.65% to represent a social return inclusive of inflation and 11% Return on Equity.

REVENUE ASSUMPTIONS

The rental income is entered on the 'Tenants' worksheet as per the following schedule:

Category	#	Rental	Comment
Social Housing 1 bed	42	\$100/wk	Not at Maximum CRA
Market Housing 2 bed	2	\$200/wk	90% of market rent
Market Housing 1 bed	11	\$160/wk	90% of market rent
Affordable Housing 2 bed	40	\$108/wk	65% of market rent

In all cases we have allowed a 5% vacancy allowance to account both for vacancies and rental arrears/underpayment.

Description	Land Use Code	Units	Total Area SqM	Current Rent /Unit/week	Outgoings and Vacancies		
					Amount /Unit/week	% of Rent	Total Per Annum
Social Rents @\$100pwk	SH	42	2,520	100	-	5.00%	10,920
Commercial rents @\$200pwk	MH	2	160	200	-	5.00%	1,040
Commercial rents @\$160wk	MH	11	660	160	-	5.00%	4,576
Affordable Housing at 35% discount of	AH	40	2,400	108	-	5.00%	11,232

Rental escalation rates are set at 2.5% per annum

Description	Escalated Rent at Lease Start /Unit/annum	Rental Review Escalation Rates by Year (Commence 1 year after Lease Start)									
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10 +
Social Rents @\$100pwk	5,463	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Commercial rents @\$200pwk	10,927	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Commercial rents @\$160wk	8,741	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Housing at 35% discount of	5,900	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%

SUMMARY REPORT

The modeling results are as follows, the project demonstrates a continuous project surplus growing to over \$7m.

0,000 GFA 1 per 0.03 sqm of site area				Total AUD	AUD Per GFA	AUD Per dwelling	Blank
Revenues							
	Quantity	SqM	AUD/SqM				
Gross Sales Revenue	-	-	-	-	-	-	-
Less Selling Costs	-	-	-	-	-	-	-
Less Purchasers Costs	-	-	-	-	-	-	-
NET SALES REVENUE	-	-	-	-	-	-	-
	Average Yield	Units	AUD/Unit/week				
Gross Rental Income	-	95.00	112.42	25,317,627	3,807	266,501	
Social Housing	-	42.00	100.00	9,956,370			
Affordable Housing	-	40.00	108.00	10,240,838			
Market Housing	-	13.00	166.15	5,120,419			
Less Outgoings & Vacancies	-	-	-	(1,265,881)	190	13,325	
Less Letting Fees	-	-	-	-	-	-	
Less Incentives (Rent Free and Fitout Costs)	-	-	-	-	-	-	
Less Other Leasing Costs	-	-	-	-	-	-	
NET RENTAL INCOME	-	-	-	24,051,746	3,617	253,176	
Interest Received	-	-	-	-	-	-	
Other Income	-	-	-	16,515,662	2,484	173,849	
TOTAL REVENUE (before GST paid)	-	-	-	40,567,408	6,100	427,025	
Less GST paid on all Revenue	-	-	-	-	-	-	
TOTAL REVENUE (after GST paid)	-	-	-	40,567,408	6,100	427,025	
Costs							
Land Purchase Cost	-	-	-	2,000,000	301	21,053	
Land Acquisition Costs	-	-	-	10,500	2	111	
Construction Costs (inc. Contingency)	-	-	-	12,541,077	1,886	132,011	
Social Housing	-	-	-	3,850,656	579	40,533	
Affordable Housing	-	-	-	4,889,722	735	51,471	
Commercial Housing	-	-	-	1,854,019	279	19,516	
Other	-	-	-	101,869	15	1,072	
Other	-	-	-	1,247,617	188	13,133	
Contingency	-	-	-	597,194	90	6,286	
Professional Fees	-	-	-	1,342,173	202	14,128	
Statutory Fees	-	-	-	5,000	1	53	
Make Good Life Cycle Costs	-	-	-	4,748,195	714	49,981	
Maintenance Cyclical & Faults	-	-	-	2,919,279	439	30,729	
Other	-	-	-	-	-	-	
Project Contingency (Reserve)	-	-	-	-	-	-	
Land Holding Costs	-	-	-	8,519,417	1,281	89,678	
Pre-Sale Commissions	-	-	-	-	-	-	
Finance Charges (inc. Fees)	-	-	-	-	-	-	
Interest Expense	-	-	-	1,396,143	210	14,696	
TOTAL COSTS (before GST reclaimed)	-	-	-	33,481,784	5,035	352,440	
Less GST reclaimed	-	-	-	-	-	-	
TOTAL COSTS (after GST reclaimed)	-	-	-	33,481,784	5,035	352,440	
Performance Indicators					Per GFA	Per dwelling	
¹ Net Development Profit				7,085,624	1,066	74,586	
³ Development Margin (Profit/Risk Margin)	Based on total costs (inc selling costs)			21.16%			
⁴ Residual Land Value	Based on Target Margin of 20% (Exclusive of GST)			2,160,168	325	22,739	
⁵ Net Present Value	Based on Discount Rate of 9.65% p.a. Nominal			1,814,246			
⁶ Benefit Cost Ratio				1.1022			
⁷ Project Internal Rate of Return (IRR)	Per annum Nominal			-34.30%			
⁸ Residual Land Value	Based on NPV (Exclusive of GST)			3,814,247	574	40,150	
Equity IRR	Per annum Nominal			N.A.			
Equity Contribution				-			
Peak Debt Exposure				3,435,121			
Equity to Debt Ratio				N.A.			

SCENARIO 2 – REFURBISH EXISTING BUILDING

Details of this scenario, a property purchase and minor refurbishment, are as follows:

INPUTS AND PREFERENCES

PREFERENCES

- General > Regional Settings
 - Set Stamp Duty to 'Nil'
- General > Cash Flow Periods
 - Set cash flow rest periods to 'Quarterly'
 - Resize Model to 135 time periods
- Taxation > Tax Type
 - Set 'Auto- General Tax Rule' for the liability calculation type
- Taxation > Cost and Revenue Inputs
 - All costs to be Net of GST
- Financing > Global Settings
 - Financing Level is set to 'Advanced'
- Financing > Loan 1
 - Interest Payment Method is set to 'Capitalised'
 - Facility Limit is set to 'Fixed Amount'
 - Drawdown method is 'progressively when required'
 - Deselect 'automatic maturity' for the loan and set it to be refinanced by 'Equity'.

PRELIMINARY

- Cash Flow Title = Scenario 2 Description (Optional)
- Project Start Date = Jan 2010 (Jan- March 2010 is time period 0)
- Project Size a = 95 dwellings
- Project Size b = 6,650 sqm
- Site Area = 4,200 sqm
- Floor space ratio = 1.6

LAND PURCHASE COSTS

- Land Purchase \$7.2m Quarter start 0 Span 1.
- Add GST to land purchase = 'N'
- Stamp Duty will automatically be set to nil.
- Other Acquisition Costs: Legal fees are a fixed amount of \$3,500 and valuation fees of \$7,000 are all paid in time period 0 and span 1 quarter.

Land Purchase Price	7,200,000
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	% of Land Purchase Price		AND/OR Lump Amount
	% paid	Amount	
Deposit in Trust Account ¹	0.00%	-	-
Payment 1	0.00%	-	-
Payment 2	0.00%	-	-
Payment 3	0.00%	-	-
Payment 4	0.00%	-	-
Settlement (Balance)	100.00%		7,200,000
Stamp Duty ¹	NIL		-
Interest on Deposit in Trust Account	0.00%	Interest from deposit shared between parties Paid progressively as project makes a profit.	
Profit Share to Land Owner	0.00%		

COST ESCALATION

- All costs have been escalated at 2.5% per annum out to Jan19, except:
 - Professionals Fees are set at 0% p.a.
 - Make Good Life cycle Costs at 4% p.a.
 - Maintenance Cyclical Costs at 4% p.a.
 - Land Holding Costs at 4.0% p.a.
- Cost codes have been set up as follows:
 - SH - Social Housing
 - AH - Affordable Housing
 - MH - Market Housing (market rent)
 - This allows us to separate these costs under the construction cost section.

PROFESSIONAL FEES

- Project Management Fee of \$11,025. Input 'N' in Escalation. S Curve will blank out. Set quarter start to 'C' to match construction draw downs.
- Development management fees are set at 2% of project costs (excluding land) and quarter start is set to C. Add GST = 'N'.

Description	% of Construct. ¹	AND / OR No. Units	Base Rate / Unit	Escalate (E,R,N)	S-Curve	Quarter Start ²	Quarter Span	Cash Flow Period
Project Management	0.00%	1	11,025	n	s	c	s	Jan-10 - Apr-10
	0.00%	-	-	-	-	0	-	-
	0.00%	-	-	-	-	0	-	-
	0.00%	-	-	-	-	0	-	-
	0.00%	-	-	-	-	0	-	-
	0.00%	-	-	-	-	0	-	-
	0.00%	-	-	-	-	0	-	-
	0.00%	-	-	-	-	0	-	-
	0.00%	-	-	-	-	0	-	-
	0.00%	-	-	-	-	0	-	-
	0.00%	-	-	-	-	0	-	-
	0.00%	-	-	-	-	0	-	-
	0.00%	-	-	-	-	0	-	-
	0.00%	-	-	-	-	0	-	-
	0.00%	-	-	-	-	0	-	-
	0.00%	-	-	-	-	0	-	-
	0.00%	-	-	-	-	0	-	-
	0.00%	-	-	-	-	0	-	-
	0.00%	-	-	-	-	0	-	-
	0.00%	-	-	-	-	0	-	-
	¹ % Based on Net Costs					² Pro-rata with Construction (C ³)		
Development Management	2.00%	% of Project Costs (exc land)			-	c	-	Jan-10 - Apr-10

CONSTRUCTION COSTS

- Construction is only a minor refurbishment of \$360,000 starting in Quarter 0 and spanning 2 quarters. Construction contingency is set to 9%.

Description	Cost Type	Units	Base Rate / Units	Escalate (E,R,N)1	S-Curve
Construction Social Housing	SH	1	360,000	e	s

STATUTORY FEES

- DA application fees are \$5,000, paid in quarter 0.

MAINTENANCE COSTS

- Broken into 2 sections:
 - Life cycle costs which are major planned works. We have minor works set at \$350,000 every 5 years i.e. Year 5, 10,15, 20 & 25. Set E to escalation and adopt 'E' (even spread) under the S curve.
 - General maintenance and faults are unplanned and hence we have spread \$280,000 in 10 year blocks (\$28,000 per annum escalating at 4% per annum) with escalation set to a rise and fall – input 'R'.

Make Good Life Cycle Costs

Costs to be entered Exclusive of GST

Description	% of Construction ¹	AND / OR No. Units	Base Rate / Unit	Escalate (E,R,N)	S-Curve	Quarter Start ²	Quarter Span
Year 5 post completion	0.00%	1	350,000	e	e	29	1
Year 10 post completion	0.00%	1	350,000	e	e	48	2
Year 15 post completion	0.00%	1	350,000	e	e	68	1
Year 20 post completion	0.00%	1	350,000	e	e	88	2
Year 25 post completion	0.00%	1	350,000	e	e	108	1
Year 30 post completion	0.00%	1	350,000	e	e	126	2
	0.00%	-	-	-	-	0	-
	0.00%	-	-	-	-	0	-
	0.00%	-	-	-	-	0	-
	0.00%	-	-	-	-	0	-

¹ Based on net costs.² Pro-rata with Construction ("C") or Settlements ("S")**Maintenance Cyclical & Faults**

Costs to be entered Exclusive of GST

Description	% of Construction ¹	AND / OR No. Units	Base Rate / Unit	Escalate (E,R,N)	S-Curve	Quarter Start ²	Quarter Span
Maintenance Faults & cyclical 1yr - 10	0.00%	1	280,000	r	e	8	40
Maintenance Faults & cyclical 11yr - 20	0.00%	1	280,000	r	e	48	40
Maintenance Faults & cyclical 21yr - 30	0.00%	1	280,000	r	e	88	40

PROPERTY HOLDING & MANAGEMENT COSTS

- The following holding and management costs have been assumed:
 - Rates and Taxes: \$6,000 per quarter (\$24,000 per annum)
 - Insurance: \$3,200 per quarter (\$12,800 per annum)
 - Garden & Grounds: \$1,000 per month (\$12,000 per annum)
 - Contingency at \$1,000 per month (\$12,000 per annum)
 - Tenancy Management: \$900 per tenancy (95* 900 = \$85,000 per annum)

Description	No. Units	Base Rate /unit/term	Term ¹	Escalate (E,R,N)
Rates & Taxes	1	6,000	Q	R
Insurance	1	3,200	Q	R
Landscaping	1	1,000	m	R
Contingency	1	1,000	m	R
Tenancy Management (\$900pa per tenancy)	95	75	m	R

SALES & RENTAL REVENUE ESCALATIONS

- Revenue codes have been set up as follows:
 - SH - Social Housing
 - AH - Affordable Housing
 - MH - Market Housing (market rent)
 - CS - Community Space
 - NRA – NRAS
 - Com - Commercial Office
 - MG - Make Good
 - WIK - Works in Kind
 - LTG - Land Transfer Grant
 - HCG - Housing Construction Grant
- All items except NRAS, WIK, LTG & HCG have been escalated at 2.5% per annum. NRAS WIK, LTG & HCG have 0% escalation.

OTHER INCOME

NRAS is entered at a non-escalated amount of \$8,000 per affordable unit at the end of each anniversary for 10 years. A State Housing Grant of \$6.080 is also assumed in quarter 0.

Description	Land Use Code	Units	Base Rate / Units
NRAS Subsidy Yr1	NRA	40	8,000
NRAS Subsidy Yr2	NRA	40	8,000
NRAS Subsidy Yr3	NRA	40	8,000
NRAS Subsidy Yr4	NRA	40	8,000
NRAS Subsidy Yr5	NRA	40	8,000
NRAS Subsidy Yr6	NRA	40	8,000
NRAS Subsidy Yr7	NRA	40	8,000
NRAS Subsidy Yr8	NRA	40	8,000
NRAS Subsidy Yr9	NRA	40	8,000
NRAS Subsidy Yr10	NRA	40	8,000
DHWA Contribution (WIK)	HCG	1	6,080,000

FINANCING

- For Loan 1 inputs:
 - Enter \$2.0m into Fixed Amount.
 - Set quarter maturity to quarter 68 (15 years after rental commencement).
 - Set the interest rate at 8%.
- For Loan 4 inputs:
 - Set the interest rate to 8%. This loan acts as an overdraft account with interest capitalised.
- Note that equity is nil as all grants and subsidies are shown as other income.

PROJECT HURDLES

Set the discount rate at 9.65% to represent a social return inclusive of inflation and 11% on return on equity.

REVENUE ASSUMPTIONS

The rental income is entered on the 'Tenants' worksheet as per the following schedule:

Category	#	Rental	Comment
Social Housing 1 bed	42	\$100/wk	Not at Maximum CRA
Market Housing 2 bed	2	\$200/wk	90% of market rent
Market Housing 1 bed	11	\$160/wk	90% of market rent
Affordable Housing 2 bed	40	\$108/wk	65% of market rent

In all cases we have allowed a 5% vacancy allowance to account both for vacancies and rental arrears/underpayment.

Description	Land Use Code	Units	Total Area SqM	Current Rent /Unit/week	Outgoings and Vacancies		
					Amount /Unit/week	% of Rent	Total Per Annum
Social Rents @\$100pwk	SH	42	2,520	100	-	5.00%	10,920
Commercial rents @\$200pwk	MH	2	160	200	-	5.00%	1,040
Commercial rents @\$160wk	MH	11	660	160	-	5.00%	4,576
Affordable Housing at 35% discount of	AH	40	2,400	108	-	5.00%	11,232

Rental escalation rates are set at 2.5% per annum

Description	Escalated Rent at Lease Start /Unit/annum	Rental Review Escalation Rates by Year (Commence 1 year after Lease Start)									
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10 +
Social Rents @\$100pwk	5,463	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Commercial rents @\$200pwk	10,927	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Commercial rents @\$160wk	8,741	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Housing at 35% discount of	5,900	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%

SUMMARY REPORT

The modelling results are as follows. The project demonstrates a continuous project surplus of over \$9m.

				Total AUD	AUD Per GFA	AUD Per dwelling	** Blank **
Revenues							
	Quantity	SqM	AUD/SqM				
Gross Sales Revenue	-	-	-	-	-	-	-
Less Selling Costs	-	-	-	-	-	-	-
Less Purchasers Costs	-	-	-	-	-	-	-
NET SALES REVENUE	-	-	-	-	-	-	-
Gross Rental Income							
	Average Yield	Units	AUD/Unit/week				
Social Housing	-	95.00	112.42	25,317,627	3,807	266,501	
Affordable Housing	-	42.00	100.00	9,956,370			
Market Housing	-	40.00	108.00	10,240,838			
	-	13.00	166.15	5,120,419			
Less Outgoings & Vacancies	-	-	-	(1,265,881)	190	13,325	
Less Letting Fees	-	-	-	-	-	-	
Less Incentives (Rent Free and Fitout Costs)	-	-	-	-	-	-	
Less Other Leasing Costs	-	-	-	-	-	-	
NET RENTAL INCOME	-	-	-	24,051,746	3,617	253,176	
Interest Received	-	-	-	-	-	-	
Other Income	-	-	-	9,280,000	1,395	97,684	
TOTAL REVENUE (before GST paid)	-	-	-	33,331,746	5,012	350,860	
Less GST paid on all Revenue	-	-	-	-	-	-	
TOTAL REVENUE (after GST paid)	-	-	-	33,331,746	5,012	350,860	
Costs							
Land Purchase Cost	-	-	-	7,200,000	1,083	75,789	
Land Acquisition Costs	-	-	-	10,500	2	111	
Construction Costs (inc. Contingency)	-	-	-	392,400	59	4,131	
Social Housing	-	-	-	360,000	54	3,789	
Contingency	-	-	-	32,400	5	341	
Professional Fees	-	-	-	328,425	49	3,457	
Statutory Fees	-	-	-	5,000	1	53	
Make Good Life Cycle Costs	-	-	-	4,749,869	714	49,999	
Maintenance Cyclical & Faults	-	-	-	1,723,791	259	18,145	
Other	-	-	-	-	-	-	
Project Contingency (Reserve)	-	-	-	-	-	-	
Land Holding Costs	-	-	-	8,987,900	1,352	94,609	
Pre-Sale Commissions	-	-	-	-	-	-	
Finance Charges (inc. Fees)	-	-	-	-	-	-	
Interest Expense	-	-	-	732,781	110	7,713	
TOTAL COSTS (before GST reclaimed)	-	-	-	24,130,664	3,629	254,007	
Less GST reclaimed	-	-	-	-	-	-	
TOTAL COSTS (after GST reclaimed)	-	-	-	24,130,664	3,629	254,007	
Performance Indicators							
¹ Net Development Profit				9,201,082	Per GFA	Per dwelling	
³ Development Margin (Profit/Risk Margin)				38.13%	1,384	96,853	
⁴ Residual Land Value				8,973,183	1,349	94,455	
⁵ Net Present Value				2,307,419			
⁶ Benefit Cost Ratio				1.2089			
⁷ Project Internal Rate of Return (IRR)				20.86%			
⁸ Residual Land Value				9,507,418	1,430	100,078	
Equity IRR				N.A.			
Equity Contribution				-			
Peak Debt Exposure				2,203,682			
Equity to Debt Ratio				N.A.			