



## Harbour Trust Rental Subsidy Principles for Partners

These Principles set out the equitable and transparent basis for the application of rental subsidies by the Harbour Trust's Tenant Selection Committee to qualifying Partners leasing buildings, facilities and land (collectively defined 'Buildings' for the purpose of this policy) on Harbour Trust sites. It replaces the *Policy for the Community Use of Trust Lands and Buildings (2010)* and it should be read in conjunction with the *Harbour Trust Leasing Policy*, which is applicable to the leasing of all Harbour Trust Buildings.

'Partners' under these Principles are those organisations which the Harbour Trust has assessed against the eligibility criteria and agreed to grant a subsidy in respect of that organisation's lease or licence in accordance with these Principles.

### 1. Introduction

The Harbour Trust's mission is to bring to life our natural and cultural heritage and provide a lasting legacy for all Australians through conservation, remediation and the adaptive reuse of places in our care. It is reliant on the income it generates, principally from the use of its Buildings, to deliver the objectives and priorities set out in the Sydney Harbour Federation Trust Act (2001), the Harbour Trust Comprehensive Plan, Management Plans and Corporate Plan.

In accordance with the Harbour Trust Leasing Policy, in selecting users for its Buildings, the Harbour Trust considers the contribution the user makes to the achievement of these objectives and priorities. The Harbour Trust recognises that not-for-profit tenants and licensees can make valuable and direct contributions to the work of the Harbour Trust, well beyond the contribution normally expected of other users of its Buildings.

The provision of subsidised rent is similar to the Harbour Trust providing grant funding to qualifying not-for-profit organisations. The subsidy assists these organisations to deliver their core activities in ways which also significantly aid the Harbour Trust in achieving its objectives and priorities.

These Principles operate subject to the operational needs of the Trust. They do not give rise to any entitlement to a subsidy. All subsidies are granted in the absolute discretion of the Trust.

## **2. Objectives of these Principles**

The key objectives of these Principles are:

- To establish qualifying criteria to identify not-for-profit organisations who may be eligible for a fixed term rental subsidy.
- To recognise the tangible value, benefits and contribution of services, programs and activities provided by Partners in achieving the Harbour Trust's objectives and priorities.
- To support organisations determined to be Partners to:
  - carry out their core programs and activities in making a direct contribution to the delivery of the Harbour Trust's objectives and priorities in ways that would not otherwise be achievable by another tenant or licensee without subsidy; or
  - carry out activities and programs which would otherwise need to be provided by the Harbour Trust itself to achieve its objectives and priorities.
- To establish the maximum level of support the Harbour Trust may provide to Partners collectively and individually in any financial year based on the Harbour Trust's financial circumstances.
- To establish an equitable mechanism to determine the level of subsidy the Harbour Trust may offer to a qualifying Partner in the form of a discount to market rent for a fixed term period.
- To set out a process for monitoring and reviewing rental subsidies and reporting on the contribution made to the Harbour Trust's objectives and priorities by subsidy recipients.

## **3. Preconditions to the application of these Principles**

These Principles only apply in relation to leases or licenses to organisations which meet the essential eligibility criteria described in section 4 below.

Notwithstanding that an applicant may meet the essential eligibility criteria described in section 4 below, if a Building is made available through a Competitive Application Process or is advertised on the Trust's Subsequent Availability List, these Principles only apply if the documentation for the Competitive Application Process or Subsequent Availability List indicates that they apply.

Even if these Principles apply, any subsidy is given at the absolute discretion of the Trust.

## **4. Eligibility as a Partner**

Eligibility as a Partner will be assessed by Harbour Trust staff under the supervision of a member of the Tenant Selection Committee.

<b>Essential Eligibility Criteria</b>
Not-for profit organisation under ATO definition or incorporated association
Holds an ABN
Holds the required licences for its activities and can demonstrate compliance with all relevant legislation
Maintains appropriate insurances (including \$20m public liability)
Demonstrated ability to meet its financial obligations for the term of the tenure arrangement with the Harbour Trust
Demonstrated necessity for a rental subsidy to carry out the proposed activities
Appropriate governance arrangements with transparent reporting

Other entities, including individuals, are not generally eligible to qualify as a Partners.

All applications to lease Buildings are subject to the Harbour Trust Leasing Policy. Applicants must first satisfy the conditions of the Leasing Policy before being considered for eligibility as a Partner. Exemptions to this requirement may be made at the discretion of the Executive Director.

Existing tenants or licensees may apply for a rental subsidy during the term of their tenure arrangement.

#### **5. Allocation of funds for subsidies**

In any financial year, the Harbour Trust may contribute up to 5% of its annual net income from leasing its residential and commercial Buildings as rental subsidies to qualifying Partners.

The total subsidy made available will be determined by the Executive Director having regard to the operational and financial circumstances of the Harbour Trust. It will be reviewed on a quarterly basis taking into account the number and value of subsidies awarded at the time.

#### **6. Market Rent**

The level of subsidy is calculated as a percentage discount against market rent.

Market rent is the estimated annual rent which could be achieved if the Building is let on the open market. It is determined by the Harbour Trust with reference to valuation evidence and comparable market transactions for the range of uses permitted for the Building under the site Management Plan.

Market rent includes a contribution to the Harbour Trust's outgoings in managing the site as a public park, based on the Building's proportion of total net lettable area for the site.

## 7. Determination of subsidy level

The following criteria are used to assess the percentage subsidy offered to a Partner by the Trust. Applicants are required to address the criteria in making their application for a rental subsidy.

The scoring methodology is based on the applicant's ability to pay, the uniqueness of its core activities and the contribution its activities make to the Harbour Trust's objectives and strategic priorities. Unless the TSC determines otherwise all criteria are of equal importance and must be taken into account to determine the level of subsidy.

In regard to each Building (whether it is a First Time Leasing Opportunity, a Subsequent Leasing Opportunity or a Lease renewal) the TSC is at liberty to:-

- determine the maximum level of subsidy;
- rank the criteria to determine the level of subsidy;
- identify any additional requirements that an applicant for a subsidy must meet to be entitled to a subsidy.

To ensure transparency and accountability, if the TSC determines any of the matters referred to above, the determination should be made at the commencement of the Competitive Application Process or when the Building is listed on the Subsequent Leasing Availability List. Any subsidy in regards to Lease renewals must be approved before being offered by the TSC.

The assessment of the percentage subsidy offered to a Partner by the Trust is carried out by a sub-committee of the Tenant Selection Committee (comprising at least 3 members) with the assistance of Harbour Trust staff.

Applications, including the proposed subsidy level, are recommended to the Harbour Trust's Tenant Selection Committee for approval.

## 8. Criteria for determining level of subsidy

Applicants are required to address the following criteria in their subsidy application.

No	Criterion		
1	Degree to which the Applicants core activities assists in meeting the objectives and priorities identified in Harbour Trust Plans <i>(The Applicant should make a meaningful contribution to the Trust's objectives and priorities)</i>		
2	Financial resources of the Applicant (including potential financial resources) <i>(The Applicant should be genuinely needy)</i>		

3	Uniqueness of the Applicant in delivering the core activities		
4	Accessibility and appeal of the Applicant's core activities to the broader community including introducing site users from outside the local area  <i>( Ideally the Applicant should add to the amenity of the relevant Trust site)</i>		
5	Degree to which the Applicant's core activities on site reduce the need for resourcing by the Harbour Trust  <i>(Ideally the Applicant should be undertaking activities or providing services that would otherwise be provided by the Trust)</i>		
6	Degree to which the Building suits the Applicant's requirements in delivering the core activities compared with the Building's suitability for other types of activity or use		
7	Prospect of Applicant's core activities attracting complementary tenants and licensees to the site		
8	Nature and extent of any other subsidies paid to the Applicant or any related entity.		

## **9. Term of the subsidy**

Subsidies are offered for a fixed term, usually being the length of the initial term of the tenure arrangement with the Harbour Trust (or the remainder of the initial term where an organisation applies for a subsidy during the course of a tenure arrangement).

## **10. Tenure arrangement**

The tenure arrangement will be determined by the Harbour Trust according to the use of the Building and may take the form of a lease, licence, Memorandum of Understanding or other contractual arrangement.

The tenure arrangement will clearly identify:

- The market rent;
- The fixed term of the subsidy;
- The value of the subsidy as a percentage of the market rent;
- The value of the subsidy as a dollar value in Year 1; and
- The requirements for reporting on the contribution made by the Partner to the Harbour Trust's objectives and priorities.

## **11. Renewal of tenure arrangements**

Where the tenure arrangement contains an option to renew, a qualifying Partner may apply for a new subsidy prior to exercising its option to renew its lease.

The subsidy renewal application is assessed with reference to:

- the Harbour Trust's subsidy principles as it exists at the time of application
- the Harbour Trust's priorities and objectives as they exist at the time of application
- the Harbour Trust's total and individual subsidy allocation(s) for the financial year at the time of application;
- competing or anticipated demand for rental subsidies at the time of application.

The outcome of a subsidy renewal application does not affect the Partner's right to exercise an option without a rental subsidy. However, in this instance the Partner must be able to demonstrate, to the Harbour Trust's satisfaction, its ability to fund any financial obligations arising as a result of the tenure arrangement prior to the commencement of a further term.

## **12. Subsidy monitoring and review process**

To assist the Harbour Trust in informing the community about the contribution of subsidy recipients, performance measures must be agreed with the recipient prior to lease commencement, and the activities of Partners will be reviewed on an annual basis.

Partners are required to submit a statement to the Harbour Trust by the end of each financial year:

- 1) Outlining the organisation's activities with particular reference to the agreed performance measures and contribution to the Harbour Trust's objectives and priorities; and
- 2) Confirming the organisation's ongoing compliance with the relevant essential eligibility criteria for Partners.

Harbour Trust staff will assess whether the subsidy recipient continues to meet the Essential Eligibility Criteria during the term of the subsidy. In the event subsidy recipient no longer meets the Essential Eligibility Criteria, the subsidy will be withdrawn by the Tenant Selection Committee.

The level of subsidy will also be reviewed on a regular basis by Harbour Trust staff.

In the event the activities of the subsidy recipient do not reflect the level of subsidy awarded by the Harbour Trust (by reference to the scoring criteria applicable at the time of awarding the subsidy); the subsidy may be withdrawn or reduced by the Tenant Selection Committee.

### **13. Conflicts of Interest**

All Tenant Selection Committee members (and any Harbour Trust staff appointed in accordance with these Principles) are subject to the Harbour Trust's Code of Conduct and Fraud Policy which require members to act impartially and ethically.

Prior to any assessment or evaluation of rental subsidy applications, Tenant Selection Committee members (and any staff appointed in accordance with these Principles) must declare in writing any actual or potential conflict of interest they may have in relation to the applicant.

Declarations of interest will be handled in accordance with the provisions set out in the Harbour Trust Leasing Policy.

### **14. Dispute Resolution**

There is no appeals process in relation to the application of these Principles, and any recommendation or decision made under it is final.

Author	Executive Officer	November 2016
Reviewer	Executive Director Director and Director of Property & Business Development	November 2016
External Probity Review	APAC Probity Advisory and Auditing Consultants	29 November 2016
Board approval	Board Meeting	8 December 2016
Last amended	Board Meeting	1 September 2017
Next review		