



## Harbour Trust Rental Subsidy Policy for Contributory and Delivery Partners

This policy sets out equitable and transparent principles for the application of rental subsidies by the Harbour Trust's Tenant Selection Committee to qualifying Contributory and Delivery 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.

The policy principles apply to the Harbour Trust's commercial and residential property portfolio.

### 1. Introduction

The Harbour Trust is a self-funding agency responsible for the vision planning and management of former Defence sites around Sydney Harbour. 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.

### 2. Policy Objectives

The key objectives of this policy are:

- To establish qualifying criteria to identify not-for-profit organisations who may be eligible for a fixed term rental subsidy. Qualifying organisations are categorised as either a Contributory Partner or a Delivery Partner.

- To recognise the tangible value, benefits and contribution of services, programs and activities provided by Contributory and Delivery Partners in achieving the Harbour Trust's objectives and priorities.
- To support organisations determined as Contributory 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.
- To support organisations determined as Delivery Partners to carry out activities and programs which would otherwise need to be provided by the Harbour Trust itself to achieve its objectives and priorities, and which could not be achieved by a Contributory Partner.
- To establish the maximum level of support the Harbour Trust may provide to Contributory and Delivery 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. Eligibility as a Contributory or Delivery Partner

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

<b>Essential Eligibility Criteria</b>	<b>Contributory Partner</b>	<b>Delivery Partner</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	✓	✓
Delivers services or programs in formal partnership with the Harbour Trust, or on behalf of the Harbour Trust at its request	✗	✓

Other entities, including individuals, are not generally eligible to qualify as Contributory or Delivery Partners.

All applications to lease or licence 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 may be made for Delivery Partners.

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

#### **4. 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.

The level of subsidy offered to a single Contributory Partner is capped at 25% of the total rental subsidy made available by the Harbour Trust in the relevant financial year, subject to the value of subsidies awarded at the time.

#### **5. 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.

#### **6. Determination of subsidy level**

The following scoring methodology is used to calculate the percentage subsidy. 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.

Scoring 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.

Delivery Partners may be eligible for a rental subsidy of up to 100%, subject to the Harbour Trust's financial circumstances.

Contributory Partners may be eligible for a rental subsidy of up to 50%, subject to the Harbour Trust's financial circumstances and the recovery, as a minimum, of any outgoings incurred in relation to the Building.

## 7. Criteria for determining level of subsidy

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

No	Criterion	Contributory Partner Points*	Delivery Partner Points*
1	Degree to which the organisation's core activities directly meet the objectives and priorities identified in Harbour Trust Plans <i>(Organisation directly meets identified priorities = max points)</i>	15	50
2	Ability to access or capacity to raise other sources of funding such as grants, subscriptions, donations or through enterprise <i>(Organisation has no access to other funding = max points)</i>	5	N/A
3	Uniqueness of the organisation in delivering the core activities <i>(Contribution to Harbour Trust priorities can only be delivered by applicant = max points)</i>	5	15
4	Accessibility and appeal of the organisation's core activities to the broader community including introducing site users from outside the local area <i>(High demand for organisation's activities with no limitation on access = max points)</i>	5	25
5	Degree to which the organisation's core activities on site reduce the need for resourcing by the Harbour Trust <i>(Organisation delivers a desired service which would otherwise need to be provided by the Harbour Trust = max points)</i>	5	Essential req'ment
6	Degree to which the Building suits the organisation's requirements in delivering the core activities compared with the Building's suitability for other types of activity or use <i>(Building is more suitable for, or unique to, the organisation's use than any other use = max points)</i>	10	25
7	Prospect of organisation's core activities attracting complementary tenants and licensees to the site <i>(Organisation very likely to attract complementary tenants = max points)</i>	5	N/A

	Total points available	50	115
	Total subsidy as % of market rent	Up to 50%	Up to 100%

\* 1 point = 1% rental subsidy, subject to the maximum rental subsidy thresholds outlined in this policy.

For Contributory Partners, applicants must score points against at least five of the seven criteria to be eligible for a subsidy.

## **8. 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).

## **9. 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.

## **10. 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 policy 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.

## **11. 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 Contributory and Delivery 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.

## **12. Conflicts of Interest**

All Tenant Selection Committee members (and any Harbour Trust staff appointed in accordance with this policy) 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 this policy) 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.

## **13. Dispute Resolution**

There is no appeals process in relation to this policy, 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		