

## Treasury Circular \*recreated from old file

### TC98-04 Property Development Projects Supported by a Precommitment to a Government Floor Space Lease

#### Summary:

The Budget Committee has agreed that where approval is sought for private property development on Crown Land and the development is supported by a precommitted government floor space lease, the proposal is to be assessed in accordance with the *Guidelines for Private Sector Provision of Public Infrastructure*.

Approval to enter into the precommitment is required from the Budget Committee of Cabinet, prior to an agency seeking proposals from the private sector. This is essential because a precommitment to a floor space lease has the potential to create public assets and impose long term financial obligations on Government.

In general, accommodation leasing proposals should:

- Be made on commercial terms;
- Have an appropriate sharing of risks between the parties;
- Be an *operating lease*; not a *finance lease*; and
- Result in a net benefit to the public sector.

In the preparation of submissions for Budget Committee, attention is drawn to the requirements of the *Guidelines*. In particular proposals should:

- Be consistent with the Government's Accommodation Strategy;
- Include fully developed performance specifications for the project;
- Take into account consultation on inter agency impacts;
- Establish that there is a net benefit to Government from pursuing the precommitment;
- Ensure adequate resourcing and a realistic implementation timetable;
- Identify all substantial land use planning, environmental and regulatory issues;
- Include economic and financial appraisals for all feasible options;
- Include a review of contingent liabilities of the project and preliminary assessment of the way in which the project might be accounted for; and;
- Assess the potential risks to the parties involved and include a risk management plan.

Where the property development project is supported by a precommitment to a floor space lease which has a capital value less than \$5 million, approval is needed by the Treasurer in accordance with Treasury Circular TC 98/05.

**John Pierce**  
**Secretary**