

## University of Maine System

### **ADMINISTRATIVE PRACTICE LETTER**

#### **SUBJECT: ACQUISITION OF REAL PROPERTY THROUGH PURCHASE, GIFT, LEASE, OR LICENSE**

#### **Note: Refer to IV-C for Signature Authority designation**

#### **1. Purchase of Real Property**

Each proposal for real property purchase will be initiated by the particular University and submitted to the Treasurer for review and staffing, and appropriate action. The proposal shall include:

- a. justification for the proposed purchase including how the acquisition supports the University mission;
- b. a map showing the location of the property with respect to the balance of the campus;
- c. tabulation of land and/or building area(s)
- d. copies of any documents indicating presence of any potential hazardous materials;
- e. two appraisals of the property in order to establish the fair market value of the real property;
- f. a statement identifying the source of funds and payment plan for the purchase;
- g. a projection of the annual maintenance and operating costs associated with the proposed acquisition and the source of funding for such costs.

The System Office staff shall review each University request in a timely fashion, and if supportive, authorize System Legal Counsel to arrange for a title search and to prepare a purchase agreement with the understanding that purchase is subject to Board of Trustees approval. All outside costs incurred in the acquisition process will be borne by the University seeking to acquire the property.

#### **2. Gift or Bequest of Real Property**

The Board of Trustees reserves to itself the authority to accept gifts made to the University of Maine System. Information on all potential gifts of real estate will be transmitted to the Treasurer for consideration and review prior to indication of acceptance of the gift, the responsibility for which rests solely with the Board of Trustees.

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In reviewing the proposed gift, the Treasurer and System Office shall consider such items as location, long and short term plans for use of the property, acreage and building square footage, annual maintenance and operating costs for the gift property, and legal liabilities resulting from ownership of the property.

Final acceptance of all gifts of real estate will be made by the Board of Trustees upon recommendation of the Finance/Facilities Committee.

In accepting gifts of real property, the following actions should be taken and documented prior to the Trustees' acceptance of the gift:

1. Legal Counsel review of the title to the property.
  2. A review of the liability issues associated with the acceptance and use of the property.
  3. A review of the historical use of the property and the material contained in or on the property as they relate to potential environmental hazards.
  4. A program plan explaining the use of the property in relation to the mission (provided by the University receiving the gift of property).
  5. A financial plan explaining the level and source(s) of funding necessary for the on-going operation of the asset (provided by the University receiving the gift of property).
  6. Approval by the Treasurer.
3. Lease of Real Property
1. Under certain conditions, leases may require approval of the Board of Trustees. Refer to Board of Trustees Policy 801 Acquisition of Real Property.
  2. Lease Request forms (including attached floor and/or site plans) and copies of all leases must be forwarded to the System Office of Facilities for inclusion in the master lease file.

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3. Leases must include specific language provided on the System Facilities Office Website regarding insurance, indemnification, life safety systems, etc., or be reviewed and approved, prior to signing, by the System Office for acceptability of alternative language.
4. Renewal option periods must state a specific period and may not exceed the length of the original lease. Written evidence of the University's intent to exercise any renewal must be provided to the landlord with a copy to the System Office.
5. If the premises to be leased will be used for research involving application of chemicals on or over the premises, a detailed description of the research must be provided with the lease to the System Office for review prior to signature, regardless of the length of the lease.

Note: In all cases, the word "lease" or "leases" includes lease, lease agreement, lease renewal, lease amendment or lease addendum.

The following steps are important in establishing a lease:

- a. Possible sites must be inspected for compliance with fire codes and accessibility standards.
- b. Several alternative sites should be reviewed to find the most appropriate site.
- c. A financial analysis should be prepared to compare the cost of alternative sites.
- d. Negotiations for a leased site should begin at least 6 months prior to the desired occupancy date to provide time for any necessary renovations and the approval process.
- e. Lease agreements should provide for a renewal option when it is anticipated that program needs will continue.
- f. In the event that a month-to-month lease is the only alternative, a Letter of Understanding must be exchanged between the parties, with a copy to the System office.
- g. Lease proposals requiring Board approval should be submitted at a Board meeting at least 3 months prior to desired occupancy.

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- h. A statement must be provided from the Lessor identifying any known environmental or health hazards in the facility.
- i. All leases should contain a termination clause permitting the University to cancel the lease with a maximum of one year's notice.
- j. All real estate leases must be in the name of the University of Maine System.
- k. Requests for Board approval of new leases must include an estimate of annual operating costs and identify source of funding (charterfield combinations) for lease payments and operating costs, as well as the frequency of payments.
- l. A lease request for Board approval must include purpose and justification for leasing of facility including how the acquisition supports the University's mission.
- m. The University wishing to initiate a lease must submit to the System Office of Facilities a completed UMS Real Estate Lease Report Form, available from the System Office of Facilities website.
- n. Negotiations for exercise of a lease renewal option should commence at least 6 months prior to end of current lease term.
- o. Amendments to a lease extending the lease period or renewal of a lease beyond the stated option period(s) require following all procedures for a new lease.

#### **Related Documents:**

University of Maine System Charter - Section 4-C

Policy 801 Acquisition of Real Property

Policy 802 Disposition or University as Lessor of Real Property

APL Section I.G.2 General Accounting for Capital Assets

APL Section IV-C Signature Authority

**Approved by the Treasurer of the University of Maine System. Official copy on file in the Treasurer's office.**

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**Chief Financial Officer and Treasurer**