



## POLICIES AND PROCEDURES

### CORPORATE POLICY

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Subject: Real Estate Acquisition and Development

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#### **A. Purpose**

Frameworks within which the Foundation may acquire, sell, trade, exchange and develop real property in support of the University's mission.

#### **B. Background**

- A. Title 5, California Code of Regulations, section 42500(a), lists essential functions the Trustees have determined are appropriate for auxiliary organizations. Subsection 12 lists: Acquisition, development, sale and transfer of real and personal Property including financing transactions related to these activities.
- B. In order for the Foundation to perform the Section 42500(a)(12) function, an Appropriate operating agreement with the University covering this function shall be in effect. At the time that this Policy Statement is adopted, the University and the Foundation have in effect a Master Operating Agreement (MOA) that includes "acquisition and development of real property."
- C. Executive Order No. 676 provides limited authority to a campus president to accept gifts of interest in real property within specific criteria.
- D. Executive Order No. 703 (superseded by Executive Order 876) sets forth a comprehensive procedural framework in connection with auxiliary organization financing activities that may involve a real property interest.



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- E. Executive Order No. 747 established policies and procedures for projects involving real property development.
- F. California Corporations Code Section 5230 et seq. sets certain standards of conduct of the Foundation Board of Directors, its officers and management in the performance of duties and transactions, including those involving real property, requiring good faith, in a manner believed to be in the best interest of the corporation, and with such care, including reasonable inquiry, as an ordinary prudent person in a like position under similar circumstances.
- G. California Corporations Code Section 5240(b) generally requires management of Foundation invested assets (including reinvesting, purchasing, acquiring, exchanging and selling) to a standard that avoids speculation, looking instead to the permanent disposition of assets, considering probable income, as well as the probable safety of its capital.

### C. Policy

#### A. Real Estate Transaction Purposes

This policy statement is intended to apply to the following broad real property transaction purposes by the Foundation:

1. Meeting University facility and programmatic needs; and
2. Supporting the University's faculty, staff and student housing programs.
3. Supporting the University Advancement Division in acceptance, management and disposition of gifts of real property.

#### B. Real Estate Acquisition Funding Mechanism Established

To fund real property acquisitions for the Foundation through this policy statement, the Executive Director may establish appropriate written asset transfer procedures using generally accepted accounting principles and practices.

#### C. Funding Sources

Real property transactions involving restricted assets (such as donated property) shall respect the terms and conditions of the restrictions upon the asset. Unrestricted funds may be utilized to acquire real property.



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### **D. Real Property Transaction Criteria**

The Executive Director or designee is delegated authority to transact real property (or any interest therein) by purchase, sale, trade, lease, or by internal asset exchange, such that following applicable criteria have been met:

1. The transaction has been preceded by an appropriate and documented “due diligence” review that includes, but is not limited to, an appraisal or other valuation, legal, financial, environmental (if applicable), land-use, return on investment, and transaction purpose considerations.
2. The proposed real property transaction and its intended purpose and result shall be consistent with laws, regulations, policy and procedures applicable to the transaction.
3. The University President, Vice President for Administrative & Finance/CFO, or designee has formally approved the proposed real property transaction with a finding that such transaction is in support of the University’s mission.
4. Foundation Management has the authority to make an offer for a real estate acquisition for an amount not to exceed SIX HUNDRED FIFTY THOUSAND DOLLARS (\$650,000).
5. The proposed transaction is on “arm’s length” and equitable basis, particularly with the regard to internal asset exchanges or transfers to another campus auxiliary organization.

### **D. Reports to the Board**

The Executive Director shall periodically report to the Board on significant real property transactions subject to this policy statement.

### **E. Implementing Guidelines**

The Executive Director is authorized to establish written management guidelines consistent with and in implementation of this policy statement.