

Standard Practice Guide Policies

View (/policy/601.23)	Edit (/node/353/edit)	Delete (/node/353/delete)
Revisions (/node/353/revisions)	Clone (/entity_clone/node/353)	

Real Estate Transactions

601.23

Applies to: All Employees

Regents Bylaw 3.07 says it is the exclusive province of the Board of Regents to acquire and sell real estate for the university. There are only two exceptions to this requirement: Bylaw 3.05, which allows the executive vice president and chief financial officer (EVPCFO) to accept gifts of real estate when the maintenance will not add to the ordinary operating budget of the university; and Bylaw 3.07, which allows the EVPCFO to dispose of gifted real estate not located near one of the three campuses. Chapter III of the bylaws gives the EVPCFO authority over all other real estate transactions. In April 2002, the EVPCFO was granted authority to review and adopt new real estate policies provided those are consistent with the bylaws. This document refers to the terms “lease” and “license,” which are two different types of real estate agreements. A lease is an agreement that creates an interest in real property in which the landowner turns over specifically described premises to the exclusive possession of a tenant for a definite period of time and for consideration commonly called “rent.” A license does not create an interest in real property, does not create exclusive possession, and is generally revocable at the pleasure of the landowner.

A. THE REAL ESTATE OFFICE

Real estate transactions are handled on behalf of the EVPCFO through the university's Real Estate Office located within Facilities and Operations. The Real Estate Office reports to the EVPCFO through the associate vice president for facilities and operations (AVPFO).

The Real Estate Office oversees and manages the following on behalf of the university: .

1. Development of university real estate policies and procedures that are consistent with the university bylaws. Policies will be made available to the university community through the Real Estate Office.

2. Leases of non-university real property (office, commercial, residential)
 1. Build to suit arrangements
 2. Execution of contracts for renovations of non-university property for university purposes
 3. Capital leases and lease-to-buy arrangements
3. Purchases and sales of real estate
4. New real estate developments
5. Access to university property
 1. Easements, licenses, rights-of-way, access agreements and memoranda of understanding involving University real estate
6. Boundary disputes

B. DELEGATION TO UM-FLINT, UM-DEARBORN, AND OTHER UNIVERSITY DEPARTMENTS, SCHOOLS AND COLLEGES

The EVPCFO has delegated authority to the Real Estate Office for certain matters involving real estate, but any long-term or significant commitment must come to the EVPCFO for a decision upon the recommendation of the Real Estate Office and AVPFO. The EVPCFO has also delegated limited authority concerning real estate to the chancellors at UM-Flint and UM-Dearborn as described in Section III C.

Further, the EVPCFO has also delegated limited authority regarding the use of University real property or use by the university of third party real property to certain other university departments, schools and colleges, as set forth in the Delegation of Authority to Bind the University to External Agreements on Business and Financial Matters, SPG 601.24, and as described below.

- a. University residence hall space: Housing contracts with students are managed and approved by University Housing;
- b. University Unions retail space, ballrooms, and conference rooms: Leases with food vendors and stores in the University Unions, and short-term licenses with a term of no more than 7 days (“short-term licenses”) for the use of ballrooms and conference rooms are managed and approved by the University Unions, the form of license shall be approved by the Real Estate Office and the Office of the Vice President and General Counsel;
- c. University athletic venues: Licenses for use of space at university athletic venues for food and merchandise sales with a term of no more than five years, and short-term licenses for the use of university athletic venues such as Michigan Stadium or the Crisler Center are managed and approved by the Department of Intercollegiate

- Athletics and Procurement Services, the form of license shall be approved by the Real Estate Office and the Office of the Vice President and General Counsel;
- d. University performing arts venues: Short-term licenses that are managed and approved by University Productions include Hill Auditorium, Power Center, Arthur Miller Theatre, Rackham Auditorium, and the Lydia Mendelssohn Theatre. For other venues located in buildings dedicated to a specific unit, school, or college, the form of license shall be approved by the Real Estate Office and the Office of the Vice President and General Counsel;
 - e. Space assigned to a specific unit, school, or college: Short-term licenses for the use of space at buildings dedicated to a specific unit, school, or college are managed and approved by the administrative head of that unit, or the dean of that specific school or college, or the dean's designee. These licenses will (1) comply with other university policies and guidelines; (2) use of classroom space shall align with the Class and Classroom Scheduling Policy; and (3) the form of license shall be approved by the Real Estate Office and the Office of the Vice President and General Counsel;
 - f. Food service operations in schools, colleges, and unit buildings: Licenses for the use of space in schools, colleges, and unit buildings for food service operations by an external vendor are managed and approved by Procurement Services with direction from a designated representative of the sponsoring executive vice president or vice president, as authorized. Use of space in schools, colleges, and units buildings for food service operations by M-Dining are managed and approved by a designated representative of the sponsoring executive vice president or vice president in partnership with the unit.
 - g. University laboratory space and/or laboratory devices: Licenses for use of university laboratory space and/or laboratory devices, so long as (1) those licenses are for a term shorter than 12 months, (2) the form of license is approved by the Real Estate Office and the Office of the Vice President and General Counsel, and (3) the use is approved by the dean of the specific school or college that operates the building in which the laboratory is located;
 - h. University parking lots: Parking agreements for use of university parking lots are managed and approved by Logistics, Transportation and Parking;
 - i. Hotel and conference rentals: Rental contracts for the use of hotel and conference space at non-university properties are approved by Procurement Services;
 - j. Storage unit rentals: Rental contracts for the use of storage unit space at non-university properties are approved by Procurement Services; and
 - k. Use of university facilities or property (grounds) for movie or television filming: License agreements for the use of university facilities or property (grounds) are managed and approved by the Office of the Vice President for Communications.

C. LEASING NON-UNIVERSITY SPACE

a. General Requirements

With the exceptions of Michigan Medicine, UM-Flint, and UM-Dearborn included below, any unit at the university requesting additional space not owned or managed by the university must first notify the Real Estate Office with an explanation of (a) the funding source for additional space, and (b) the programmatic needs the space will serve. The Real Estate Office, working with the unit and the Office of the Provost and Executive Vice President for Academic Affairs, will determine whether space within the university's existing inventory can accommodate the needs (the preferred option) or whether alternatives should be pursued. All negotiations with third parties, developers, landlords, realtors, brokers, and the like are undertaken on behalf of the university only by the Real Estate Office in consultation with the AVPFO and EVPCFO.

In deciding whether to lease space outside the university, the Real Estate Office will consider evaluation criteria including cost, market conditions, location, square footage, suitability to the university unit's needs, priorities, and related considerations.

For leases exceeding 25,000 square feet with the potential duration exceeding two years including options to extend the term, the Real Estate Office along with Procurement Services will issue a request for proposal (RFP) with evaluation criteria. For an existing lease with option to extend or to execute an option to expand, the Real Estate Office along with Procurement Services may decide not to issue an RFP. Instead, evaluation criteria will be considered and an analysis will be performed to the satisfaction of the EVPCFO.

b. Michigan Medicine

Any unit in Michigan Medicine requesting additional space not owned or managed by the university must notify the Michigan Medicine Real Estate and Leasing manager with an explanation of (a) the funding source for additional space, and (b) the programmatic needs the space will serve.

The Michigan Medicine Real Estate and Leasing manager, working with the unit, will determine whether space within the university's existing inventory can accommodate the needs (the preferred option) or whether alternatives should be pursued. The Michigan Medicine Real Estate and Leasing manager must consult with and receive prior approval from the Real Estate Office. The Michigan Medicine Real Estate and Leasing manager may negotiate with third parties, developers, landlords, realtors, brokers, and the like, but such negotiations are subject to the final review and approval of the Real Estate Office, working in close consultation with the AVPFO and the EVPCFO. The bylaws and the university's real estate policy govern all such negotiations and transactions.

c. UM-Flint and UM-Dearborn

The EVPCFO has delegated limited authority to the chancellors at UM-Flint and UM-Dearborn to execute certain short-term leases. These leases require prior review and approval of the university's Real Estate Office and the Office of the Vice President and General Counsel. All other real estate transactions for these campuses are handled by the university's Real Estate Office. The bylaws and the real estate policy govern all real estate transactions for UM-Flint and UM-Dearborn

D. LEASING/LICENSE/USE OF UNIVERSITY SPACE

The Real Estate Office will handle any leases, licenses, easements, access agreements, and other agreements for the use of the university space not covered in Section II above. Improved or unimproved university property may be leased or licensed to an individual or entity through (a) competitive bidding; (b) competitive sealed proposals; or (c) direct negotiation.

The Real Estate Office shall use the method that provides the best value to the university. In determining what is the best value to the university, the Real Estate Office shall consider: (a) the rental or other consideration to be received; (b) the reputation and creditworthiness, and if applicable, the experience of the tenant or licensor; (c) the extent to which the occupancy by the tenant or user serves the needs of the university; and (d) any other relevant factor that a landlord would consider in selecting a tenant or user.

The lease or license shall contain business terms that are in the best interest of the university.

If the lease is for a privatized construction project to serve a university purpose (for example, student housing, bookstore, etc.), the project must (1) service a demonstrated institutional need, and (2) meet design and construction standards consistent with the approved master plan and architectural standards for the campus. Board of Regents requirements for capital projects must also be satisfied or the board would need to approve the project.

E. GENERAL TERMS

The Real Estate Office handles all real estate matters except the limited circumstances described herein. Faculty or staff who are contacted by an outside entity about real estate must promptly notify their dean, director, or designee. If a dean or director becomes aware that an outside entity wishes to offer real estate to the university, he or she must promptly contact the Real Estate Office, which will determine in consultation with the AVPFO and the EVPCFO whether it is in the university's interest to pursue the matter.

The real estate policy is available from the Real Estate Office. Faculty and staff with questions about the acceptance, management, and disposition of real estate should consult the real estate policy or contact the Real Estate Office directly.

File Attachments

Printable PDF of SPG 601.23 (<https://spg.umich.edu/sites/default/files/601x23.pdf>)

SPG Number:

601.23

Applies To:

All Employees

Date Issued:

April 11, 2005

Owner:

Office of the Executive Vice President and Chief
Financial Officer

Last Updated:

January 29, 2019

Primary Contact:

Office of the Executive Vice President and Chief
Financial Officer

Next Review Date:

January 29, 2024

Related Links:

Regents Bylaw 3.07 (<http://www.regents.umich.edu/bylaws/bylaws03.html#7>)

Hard copies of this document are considered uncontrolled. If you have a printed version, please refer to the University SPG website (spg.umich.edu) for the official, most recent version.

© 2019 The Regents of the University of Michigan