

UNIVERSITY POLICY

Policy Name:	Leasing of Real Estate				
Section #:	40.2.24	Section Title:	Financial Management: Fiscal Management	Formerly Book:	n/a
Approval Authority:	Board of Governors		Adopted:	04/14/2021	Reviewed:
Responsible Executive:	Executive Vice President – Chief Financial Officer and University Treasurer		Revised:		
Responsible Office:	Office of Real Estate Administration		Contact:	real.estate@ipo.rutgers.edu	

1. Policy Statement:

University real estate (land, buildings, including space within a building, air rights, data centers) (whether owned by the University or leased from another person or entity or otherwise occupied by the University) must be used for purposes that contribute to its mission of education, research, healthcare, and/or community outreach. No University unit or individual can enter into a lease agreement or any other kind of contractual arrangement, including business agreements that include the use of University or third-party space as part of the arrangement, without first receiving the proper approval as outlined in this policy.

2. Reason for Policy:

To ensure that all real estate, owned or leased/occupied, by the University, is used to provide facilities or space for faculty, staff, and students in support of the University’s mission; to minimize financial risk; to minimize exposure to environmental risk; to ensure compliance with applicable laws and statutes; to clarify legal responsibility and uphold the University’s reputation; to enhance accountability and transparency; to meet requirements for lease accounting; and to avoid conflicts of interest.

3. Who Should Read This Policy:

University administrators, including but not limited to, Chancellors, Vice Presidents, Vice Chancellors, Deans, Directors, Department Chairs, and Business Administrators.

4. Resources:

Information and forms regarding real estate activities can be found at: <https://ipo.rutgers.edu/pdd/real-estate>. Information regarding lease accounting may be found at: <https://uco.rutgers.edu>.

5. Definitions:

Net Leasing Value: The summation of the net present value of rental payments (omitting any operating costs embedded in the rent payment) plus the cost of FFE (furniture and fixed equipment), OIT (Office of Information Technology) infrastructure, and other capitalized assets required to utilize the property.

GASB Statement No. 87: A newly required standard for lease accounting, establishing a single approach to accounting and reporting for leases and other arrangements where real estate is used by a party that is not the owner of the real estate. Under this GASB 87 standard, all leases are categorized as financing, and the University is required to recognize the lease (or other real estate use arrangement) as a liability on its balance sheet.

6. The Policy

- A. The leasing of real estate space from other persons or entities and the leasing of University-owned real estate space to other persons or entities must support the University's mission and must have received all applicable internal approvals in writing prior to the execution of any documentation. For this purpose, "leasing of real estate space" means any arrangement whether formally called a lease or not, where a University unit or University personnel use space owned by a third-party, or, where non-University people or entities lease or occupy space owned by the University.
- B. The following transactions require the respective approvals:
- a. Leasing of real estate space of any value
 - i. Approval of a Senior Vice President, Executive Vice President, or Chancellor who has responsibility over the University unit or personnel who will be leasing the space, and
 - ii. Executive Vice President – Chief Financial Officer and University Treasurer (this officer must approve all leases of real estate space).
 - b. Leasing of real estate space with a Net Leasing Value in excess of \$5 million.
 - i. In addition to the Senior Vice President, Executive Vice President, or Chancellor, and the Executive Vice President – Chief Financial Officer and University Treasurer as noted in subsection a. above, the Board of Governors.
- C. Documents associated with leasing real estate space, whether the University is the tenant or the landlord, once approvals are complete, shall be executed by the Executive Vice President – Chief Financial Officer and University Treasurer. These documents often use the word "lease" in the title, but the absence of the word "lease" does not mean the document is not subject to this policy. License agreements and many types of business agreements may involve use of real estate space.

The Office of Real Estate Administration has responsibility for ensuring that all real estate activities are in compliance with this policy. The Office of Real Estate Administration administers all leases, maintains databases of the University's real estate agreements, and manages the lease portfolio within the University's lease accounting system, and maintains all original real estate documents and files for all University property, owned and leased.