

Title/Subject: **REAL ESTATE: PURCHASE, SALE AND/OR DONATION**

Applies to:  faculty  staff  students  student employees  visitors  contractors

Effective Date of This Revision: July 1<sup>st</sup>, 2006

Contact for More Information: Contracting & Purchasing, Development, General Counsel

Board Policy  Administrative Policy  Procedure  Guideline

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**BACKGROUND:**

The university is obtaining more requests to receive real estate as either a donation or as a purchase. Accepting a donation of or requesting a purchase of real estate carries with it the potential for the university to incur costs beyond either the purchase or perceived value of the donation. Unpaid taxes, environmental study costs and the inability to quickly sell the property for the cash are just a few. The university's preference for accepting real estate, unless there is a clearly identified educational use, is to immediately turn the property into a sale and receive the cash benefit.

**PURPOSE:**

This procedure is designed to set up a process for:

1. determining the university's interest in a piece of property
2. acquiring (purchase or donation) the property
3. selling the property
4. assigning costs
5. minimizing the university's liabilities

**DEFINITIONS:**

Real estate for this policy and procedure is defined as any parcel of land or parcel of land with dwelling (s) erected upon it, considered for receipt by the university.

**POLICY:**

Any real estate accepted by the university shall follow the procedures outlined in the table below.

**PROCEDURE:**

Forms and other related information may be found at Contracting and Purchasing Services website at:  
<http://www.purchasing.cmich.edu>

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Authority: M. Rao, President  
History: No Prior History  
Indexed as: Real Estate: Acquisition, Donation & Sale

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## Procedures for the Acquisition, Donation and Sale of Real Estate

Action to be Taken for:	Acquisition	Donation **	Sale
<p>1. <b>Request to Accept or Acquire and/or Sell Real Estate</b> form. Department/College fills out Acceptance form and obtains appropriate signatures. Submits the form and any attachments (appraisals, address, owner, etc.) to the Vice President for Finance and Administrative Services (VP F&amp;AS) or his designee.</p>	Yes	Yes, initial assessment should be sent to the Vice President of Development & Alumni Relations (VP of D&AR) or his/her designee. VP of D&AR's office should determine if property may be used or sold in reasonable time with the VP F&AS office.	Yes
<p>2. <b>Communicate the impending acquisition/donation and/or sale.</b> VP F&amp;AS office shall inform the Director of Contracting &amp; Purchasing Services (DC&amp;PS), Director of Risk Management and Insurance, Controller, University Counsel and Senior Officer for Facilities Management.</p>	Yes	Yes	Yes
<p>3. <b>Obtain an "independent" appraisal.</b> DC&amp;PS shall initiate to determine the value of property.</p>	Yes	<b>No</b> , if the donor has provided a qualified up-to-date "independent appraisal" of the property. It should include recent sales around the property. <b>Yes</b> , if property will be a "charitable gift annuity" or a "charitable remainder trust".	Yes

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4. <b>Environmental check (transaction screen or phase I).</b> DC&PS will initiate a contract. (Note: See attached, "Preliminary Environmental Risk Review").	Yes	Yes, DC&PS will confirm with VP of D&AR's office when completed and the results of the testing.	NA
5. <b>Contract with an independent surveyor.</b> VP F&AS shall authorize DC&PS, if necessary, to initiate to determine the property's actual boundaries.	Yes	Yes	NA
6. <b>Title search.</b> University Counsel and/or DCP&S shall request to determine restrictions, easements, unpaid taxes, marketability and whether there are any "association" fees etc.	Yes	Yes	
7. <b>Discuss the same with the President.</b> VP F&AS reviews the information obtained from the previous steps.	Yes	VP F&AS and VP of D&AR reviews the information obtained from the previous steps and discuss the same with the President.	Yes

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<p>8. <b>Submit a resolution to the Board of Trustees.</b> VP F&amp;AS initiates for approval to proceed to acquire and/or sell property.</p>	<p>Yes</p>	<p>VP of D&amp;AR initiates and submits a resolution to the Board of Trustees for approval to proceed to accept and/or sell <b>donated</b> property. Gifts of real estate may occur during the time period between the last Board of Trustees meeting of the calendar year and the end of the calendar year. The President may act with the approval of the Board of Trustees from their last meeting in the calendar year, to approve gifts of property received during that time.</p>	<p>Yes</p>
<p>9. <b>Contract with a realtor to sell property OR prepare a purchase and/or sale agreement.</b> DC&amp;PS or University Counsel shall initiate. Note: Title option or title insurance requirements will be included in the purchase agreement.</p>	<p>Yes</p>	<p>Yes</p>	<p>Yes</p>
<p>10. <b>Arrange to shut-off or transfer into CMU's name all utilities.</b> DC&amp;PS (or designee) shall initiate. Seller/Donor are responsible for all costs until sale/donation is transacted.</p>	<p>Yes</p>	<p>Yes</p>	<p>Yes</p>

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11. <b>Purchase/Sale Agreements</b> VP F&AS or DC&PS shall sign the purchase and/or sale agreement.	Yes	VP of D&AR signs gift agreement for use of property. (i.e. sale proceeds to establish endowed scholarship)	Yes
12. <b>Obtain/deposit check</b>	DC&PS requests a check be prepared from designated cost center.	NA	DC&PS deposits the check in the requested cost center, less university costs (environmental check, title search, appraisal, property taxes, association fees)
13. <b>Closing.</b> University Counsel or the DC&PS will represent the University at the closing including review of closing statements, affidavits, deeds, etc.	Yes	NA	Yes
14. <b>Record deed</b> and other necessary documents in appropriate registry of deeds office. University Counsel (or designee) shall handle.	Yes	Yes	NA
15. <b>Notify the appropriate tax authorities.</b> University Counsel shall inform authorities of the purchase/donation and/or sale and CMU's tax-exempt status.	Yes	Yes	

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16. <b>Form 8283 with IRS for gifts over \$5000.</b> VP of D&AR or designee shall inform the donor of the requirement for filing the form.	NA	Yes	<b>Prepare and submit an 8282 Donee Information return.</b> If the donated property is sold within two years of it being donated, the VP of D&AR or designee shall handle.
17. <b>Notify Accounting Services and Risk Management.</b> DC&PS will notify them of the date the property will be acquired or sold and/or value or sale price.	Yes	Yes	Yes
18. <b>Issue a 1099 form (Proceeds from Real Estate).</b> Controller will initiate and send to seller.	NA	NA	Yes

**Notes:**

1. Any initial costs not paid by donor shall be paid for out of cost center: 26895 - University Development Special Services. This same cost center will be reimbursed for these costs from the proceeds of a sale when the check is deposited. The actual monies that a cost center receives from a donation other than cash will be the "actual" cash proceeds minus any costs incurred by the university to obtain the cash value of the donation. Costs incurred by the university to determine whether it will accept a gift that is later not accepted will be solely borne by cost center 26895.
2. Determine whether unpaid taxes, utilities, etc., will affect the total amount of donor's gift noted by university. Expenses associated with the actual sale (realtor, title company etc.) will not affect gift value identified by donor.
3. The following shall take place when considering a gift of real estate in exchange for a charitable gift annuity (CGA): a) payments to annuitants shall be deferred for a minimum of one year. b) value placed on CGA will be the appraised value as determined by an independent qualified appraiser minus costs associated with the sale and the acceptance of the property such as environmental study, broker's fees, unpaid taxes, advertising and other related costs.

\*\* please also refer to guidelines for accepting real estate for development office at <http://www.purchasing.cmich.edu>

*Central Michigan University reserves the right to make exceptions, modify or eliminate this policy. This document supersedes all previous policies, procedures and directives relative to this subject. Please refer questions or concerns to the Originating Department.*