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Property, Leasing and Construction Proposed Changes

Board of Trustees
April 9, 2019



BOG's Delegated Authority

- N.C. Gen. Stat. 116-31.12 delegates to the Board of Governors the authority to authorize the constituent institutions and The University of North Carolina to **acquire and dispose of real property by lease** if the lease is for a term of not more than ten (10) years.
- N.C. Gen. Stat. 116-31.11 delegates to the Board of Governors the authority with respect to the **design, construction, or renovation of buildings, utilities, and other property developments** of The University of North Carolina requiring the estimated expenditure of public money of two million dollars (\$2,000,000) or less.
- Further, the statutes directs the Board of Governors to establish a policy by which these authorizations **may be further delegated to the boards of trustees of the constituent institutions or to the President of the University of North Carolina.**



- In February 2018, the Board of Governors (BOG) requested Board of Trustees (BOTs) to provide feedback on authorities currently exercised by the BOG more appropriately exercised by BOTs.
- The BOG is working to properly allocate authority and responsibility to boards of trustees for campus-based matters.
- The Committee on Budget and Finance gave preliminary approval in December 2018 for proposed additional delegations of powers and duties to the boards of trustees related to acquisitions and dispositions of real property and capital improvement projects.
- The BOG's Committee on Budget and Finance is slated to consider these proposed policy revisions during its meeting on March 21, 2019.
- At that time, it may recommend approval of the policies to the full Board at the next BOG meeting in May, subject to additional changes which may be incorporated by System Office staff after the review and comment period.



Policy References

- These are the new proposed policies and regulations and amendments to existing policies in the following sections of The Code of the University of North Carolina and the UNC Policy Manual:
 - Appendix 1 of The Code, “Delegations of Duty and Authority to Boards of Trustees” (amendment)
 - Section 200.6, UNC Policy Manual, “Policy on Delegation of Authority to the President” (amendment)
 - Section 600.1.1, UNC Policy Manual, “Policy on Design, Construction, and Financing of Capital Improvement Projects” (amendment)
 - Section 600.1.3, UNC Policy Manual, “Policy on Authority for Real Property Transactions” (new)
 - Section 600.1.3[R], UNC Policy Manual, “Regulations on Acquisition and Disposition of Real Property Authority” (new)
 - The current Sections 600.1.3, 600.1.3[R] and 600.1.4[R] will be repealed.

REAL PROPERTY

OTHER THAN LEASE

- “Other than lease” refers to acquisition or disposition of property through transactions such as:
 - Sale
 - Easement
 - Right-of-way
 - License
 - Demolition
 - Gift
- You can further characterize these types of transactions as either being permanent or temporary/conditional.





Current Authority for Real Property Other than a Lease

| Annual Rent | Type | BOT | President | BOG | DOA | Council of State |
|------------------------|----------|-----|-----------|-----|-----|------------------|
| Not more than \$49,999 | Any Type | X | | | X | X |
| \$50,000 - \$249,999 | Any Type | X | X | | X | X |
| \$250,000 or more | Any Type | X | | X | X | X |



Proposed Authority for Real Property Other than a Lease

| Annual Rent | Type | CFO | Chancellor | BOT | President | BOG | DOA | Council of State |
|---|---|-----|------------|-----|-----------|-----|-----|------------------|
| \$0 – 499,999* <small>BOT may authorize Chancellor to authorize transactions less than \$50,000*</small> | Permanent Fee simple, easement or demolition | X | X | X | | | X | X |
| \$500,000 – 749,999 | Permanent Fee simple, easement or demolition | X | X | X | X | | X | X |
| \$750,000 or more | Permanent Fee simple, easement or demolition | X | X | X | X | X | X | X |

Instruments granting revocable, non-transferable, time-limited licenses to use property for specific purpose may be executed by chancellors or designee based on institution policies

Note: proposed policy gives Chancellor almost \$50,000 authority, if granted by BOT, to authorize transactions not included in current policy



NEW! Proposed Additional Delegated Authority for Real Property Other than a Lease

| Annual Rent | Term | CFO | Chancellor | BOT | President | BOG | DOA | Council of State |
|--|---|-----|------------|-----|-----------|-----|-----|------------------|
| \$0 – 999,999* <small>BOT may authorize Chancellor to authorize transactions less than \$50,000 *</small> | Permanent Fee simple, easement or demolition | X | X | X | | | X | X |
| \$1,000,000 – 1,249,999 | Permanent Fee simple, easement or demolition | X | X | X | X | | X | X |
| \$1,250,000 or more | Permanent Fee simple, easement or demolition | X | X | X | X | X | X | X |

Instruments granting revocable, non-transferable, time-limited licenses to use property for specific purpose may be executed by chancellors or designee based on institution policies

Note: New proposed policy gives Chancellor almost \$50,000 authority, if granted by BOT, to authorize transactions



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REAL PROPERTY

By Lease





Current Authority for Leasing

| Type of Lease | Annual Rent | Term | Chancellor | BOT | BOG | DOA | Council of State | Average Time |
|-------------------------------------|-------------------|------------------------|------------|-----|-----|-----|------------------|---------------|
| Agency | No more than \$5k | No longer than 3 years | X | | | | | 1 - 2 Months |
| Department of Administration | > \$5k ≤ \$25k | No longer than 3 years | X | | | X | | 2 - 3 Months |
| State Property Advertised | \$25k or more* | > 3 years* | X | X | X | X | X | 9 - 12 Months |



Proposed Authority for Leasing

| Annual Rent | Term | CFO | Chancellor | BOT | President | BOG | DOA | Council of State |
|--|-------------------------|-----|------------|-----|-----------|-----|-----|------------------|
| \$0 – 449,999 <small>BOT may authorize Chancellor to authorize transactions of less than \$50,000</small> | No longer than 10 years | X | X | X | | | | |
| \$500,000 – 749,999 | No longer than 10 years | X | X | X | X | | | |
| \$750,000 or more | No longer than 10 years | X | X | X | X | X | X | X |
| \$0 or more | > 10 years | | | X | | X | X | X |

* Note: Proposed policy gives Chancellor \$45k more authority, if granted by BOT, to authorize transactions than current policy.



Current Additional Delegated Authority for Leasing

| Annual Rent | Term | CFO | Chancellor | BOT | President | BOG | DOA | Council of State |
|-----------------------|-------------------------|-----|------------|-----|-----------|-----|-----|------------------|
| \$0 – 150,000 | No longer than 10 years | X | X | | | | | |
| \$150,001 – 350,000 | No longer than 10 years | X | X | X | | | | |
| \$350,000 – \$500,000 | No longer than 10 years | X | X | X | X | | | |
| \$500,001 or more | No longer than 10 years | X | X | X | X | X | | |
| \$0 or more | > 10 years | | | X | | X | X | X |

Currently, only UNC, NCSU, ECU and UNCW have enhanced delegated authority. UNCG, as authorized by this Board, is seeking the same. Anticipating to be on the BOG May agenda.



Proposed Additional Delegated Authority for Leasing

| Annual Rent | Term | CFO | Chancellor | BOT | President | BOG | DOA | Council of State |
|--|-------------------------|-----|------------|-----|-----------|-----|-----|------------------|
| \$0 – 749,999 <small>BOT may authorize Chancellor to authorize transactions of \$50,000 or less *</small> | No longer than 10 years | X | X | X | | | | |
| \$750,000 – 999,999 | No longer than 10 years | X | X | X | X | | | |
| \$1,000,000 or more | No longer than 10 years | X | X | X | X | X | | |
| \$0 or more | > 10 years | | | X | | X | X | X |

* Note: unless amended, proposed policy gives Chancellor almost \$100,000 less authority, if granted by BOT, to authorize transactions than current policy.



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CAPITAL IMPROVEMENT PROJECTS (Over \$300K)

Design, Construction
and Financing





Current Authority to Approval of Capital Improvement Projects

| Project Cost | Chancellor | BOT | President | BOG |
|---|------------|-----|-----------|-----|
| Over \$300,000 but no more than \$500,000 | | | X | |
| Over \$500,000 | | | | X |

Authority only applies to projects fully funded (design, construction and operations) from funding sources other than the state's general fund.



Proposed General Authority for Capital Improvement Projects

| Project Cost | Chancellor | BOT | President | BOG |
|------------------------|------------|-----|-----------|-----|
| No more than \$750,000 | | X | | |
| No more than \$750,000 | | | X | |
| Over \$750,000 | | | | X |

Authority only applies to projects fully funded (design, construction and operations) from funding sources other than the state's general fund.



NEW! Proposed Additional Delegated Authority for Capital Improvement Projects

| Project Cost | Chancellor | BOT | President | BOG |
|--------------------------|------------|-----|-----------|-----|
| No more than \$1,000,000 | | X | | |
| No more than \$1,000,000 | | | X | |
| Over \$1,000,000 | | | | X |

Authority only applies to projects fully funded (design, construction and operations) from funding sources other than the state's general fund.



Criteria to Receive Additional Delegated Authority for Capital Improvement Projects

- Campus must establish, in a written **comprehensive self assessment**, that it has the necessary administrative, technical and support resources to properly carry out the delegated authority.
- **Chancellor certifies** in writing that the campus has the necessary administrative, technical, and support resources.
- Campus constitutes a **campus capital project review committee** comprised of individuals with technical expertise, strategic perspective and executive authority to perform the required duties.



Criteria to Receive Additional Delegated Authority for Capital Improvement Projects

- The constituent institution has an individual on staff with substantial experience in managing capital improvement projects and the chancellor has designated that individual as the campus **capital project coordinator**.
- The constituent institution has appropriate and **sufficient technical and professional staff** with demonstrated capability in the **planning, financing, and oversight** of capital improvement projects.
- An **assessment team from the system office**, assembled and led by the Senior VP for Finance, has reviewed the institution's assessment, has performed an on-site capabilities appraisal, and has recommended delegation to the President.



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Questions?