UNIVERSITY OF HOUSTON SYSTEM
ADMINISTRATIVE MEMORANDUM

SECTION: Fiscal Affairs

AREA: Asset Management

SUBJECT: Sale, Lease, Purchase or Conveyance of Real Property

1. PURPOSE

This administrative memorandum establishes procedures for the sale, lease, purchase, or conveyance of real property or any interest in real property.

All real estate services for the University of Houston System ("UHS") and its component universities are provided exclusively by the Office of Real Estate Services ("ORES"). ORES is also responsible for ensuring that all coordinating the real estate activities of the System and its component universities with the various entities that form part of a particular real estate transaction. The UHS Office of Real Estate Services is responsible for ensuring the fulfillment of the requirements for approvals and reporting to the UHS Board of Regents prescribed in Board Policy 55.01.1 are satisfied. In concert with these responsibilities, UHS component universities shall be responsible for the timely notification of any and all potential real estate transactions to ORES, the UHS Office of Real Estate Services.

2. POLICY

2.1. Real property or any interest in real property shall be sold when it is determined to be in excess of the needs of the University of Houston System or when it is determined to have no value for the purpose for which it was originally intended, or for other purposes deemed to be consistent with System mission and business affairs.

   The acquisition or disposition of real property, or of the right to use real property, by UHS shall be fair and transparent and in accordance with all statutory and regulatory requirements.

2.2. The System recognizes the fiduciary responsibility to conduct a market analysis and to sell real property at fair market value. Property may be sold for less than fair market value at the discretion of the Board of Regents.

2.3. Board Policy 55.01.1 states that Board approval in an open meeting is required for any contract for the purchase, sale, lease, or conveyance of a real property interest, which includes the conveyance of any rights in real property, with certain exceptions, including but not limited to:

   2.3.1. Utility easements for a utility involving the supply of water, gas, electricity, telephone service, or other communication systems by a
governmental entity or utility provider.

2.3.2. Leases where UHS is the lessee and/or tenant and the obligation of the lease is under $1,000,000. Obligation of the lease shall include all rent, tenant improvement costs and other expenses payable by the system or a member.

2.3.3. Oil and gas leases with an expected bonus equal to or less than $100,000.

3. PROCEDURES

3.1. Two designated appraisals shall be obtained on the real property in order to ascertain a fair market value. Board Policy 51.01 requires at least two appraisals to demonstrate fair market value for the acquisition or sale of real property with a market value of $300,000 or more; such appraisals will be obtained by ORES. The most recent appraisal of the local property tax appraisal district may be used for one of these reports, so long as such report was produced within the last twelve (12) months and is accepted by the Vice Chancellor for Administration and Finance. Real property with a reasonably anticipated fair market value of less than $300,000 may be demonstrated by approved documentation other than by appraisal.

3.2. All sales of real property shall either be competitively bid or listed by ORES with a real estate brokerage firm local realtor. If a transaction involves another public agency or other circumstances that warrant, the transaction may be negotiated directly between the parties, if approved by the Interim Vice Chancellor for Administration and Finance in advance.

3.3. Sales by competitive bidding shall provide for sufficient public notice of the sale, timely solicitation of sealed bids (when applicable), accurate legal description of the property or property interest, adequate and convenient time for public inspection prior to the sale, and a provision for rejection of any and all bids.

3.4. Sale by sealed bid shall be advertised at least one time in at least one newspaper of general circulation in the county where the property or property interest is located.

3.5. All sales shall be for cash or cash bankable equivalent.

3.6. Contracts for sale, purchase, lease, or conveyance of real property or any interest in real property shall be approved reviewed by the Interim Vice Chancellor for Administration and Finance.

3.7. The leases must provide for an initial term of a specified duration and may include options to renew for as many terms (each term must be of specified duration) as the University of Houston System institutional considers to be in its best interest. Consideration should also be given to negotiating an early termination right on the part of UHS the UH System institution.
3.78. **Leases must be reviewed and approved by ORES**—All sales, leases, purchases, conveyances of real property or any interest in real property must be reviewed and approved by the Office of General Counsel (“OGC”) as to form and reviewed by ORES as to business terms.

4. **ADDITIONAL INFORMATION**

4.1 **Universities are required** UH System institutions are strongly encouraged to involve ORES in the early negotiations of all real property transactions leases. ORES will consult with the institution, at the institution’s request, on any such transaction lease.

4.2. If required, documentation of Board approval shall be submitted with the contract to OGC for review and approval.

4.3. The Chancellor shall execute Board approved contracts for the sale, purchase, lease, or conveyance of real property or any interest in real property, unless noted by the Chancellor’s Delegation of Authority Table, which is published by the Office of Contract Administration on their website.

4.4. Proceeds of the sale shall be allocated for the purposes authorized in the current operating budget or, if donated endowed, in accordance with donor specifications.

4.5. If real property received as a gift is sold within three years of the donation, the UHS System Office of Stewardship shall be notified so the given component university and the donor can file the proper forms with the Internal Revenue Service (IRS).
5. REVIEW AND RESPONSIBILITY

Responsible party: Associate Interim Vice Chancellor for Administration and Finance

Review: Every five years, on or before December 1

6. APPROVAL

Approved: Jim McShan
Senior Interim Vice Chancellor for Administration and Finance

Renu Khator
Chancellor

Date: December 4, 2015

REVISION LOG

<table>
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<tr>
<th>Revision Number</th>
<th>Approval Date</th>
<th>Description of Changes</th>
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<tbody>
<tr>
<td>1</td>
<td>10/26/1993</td>
<td>Initial issue</td>
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<tr>
<td>2</td>
<td>05/27/2010</td>
<td>Applied revised SAM template to meet current documentation standards. Added other purposes consistent with System mission and business affairs in Section 2.1. Changed Board Policy number from 01.04 to 55.01.01 in Section 2.3. Updated Section 3.2 on transaction negotiation. Changed Vice Chancellor for Administration and Finance to Executive Vice Chancellor for Administration and Finance throughout text. Changed University Counsel to General Counsel throughout text. Added Section 3.10 on the System Office of Stewardship being informed of gifts of real property. Changed review period from annually on or before May 1 to Every three years on or before December 1. Added Executive Vice Chancellor for Administration and Finance to approval process. Removed Section 5, Indexing Terms</td>
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<td>Revision Number</td>
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<td>3</td>
<td>12/04/2015</td>
<td>Applied revised SAM template and added new Revision Log. Changed title from Conveyance of Real Property to Sale, Lease, Purchase or Conveyance of Real Property. Added information to Section 1 about the responsibilities of the Office of Real Estate Services (ORES). Added lease of real property to Section 2.3. Added Section 3.7 on leases including options to renew and termination rights. Removed original Section 3.8, and added Section 3.8 on requirement for ORES to review and approve leases. Added Section 4.0, Additional Information. Added Section 4.1 on involving ORES early in negotiation of all leases, and Section 4.2 on possible requirement for General Counsel to review and approve documentation and contract for Board approval. Updated Section 4.3 with information on deviation from Chancellor executing Board approved contracts unless noted by the Chancellor’s Delegation of Authority.</td>
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