September 16, 2019

To: President Timothy Killeen
    Chancellor Michael Amiridis
    Chancellor Robert Jones
    Chancellor Susan Koch

From: Avijit Ghosh

Ref: Amendment to State Property Control Act

Last month the Governor signed an amendment to the Property Control Act that allows universities to retain the proceeds from the sale or lease of real property deemed to be surplus. The Act stipulates conditions for disposition of surplus real property and the use of proceeds from such sales. The attached document, developed in consultation with the legal counsel’s office, provides a set of procedures which are in accordance with the directives of the Act and BOT policies that my office proposes to follow.

Thank you.

Encls
Procedure for the Sale of “Surplus Real Property”

On August 7, the Governor signed Public Act 101-0213, amending the State Property Control Act. The amendment authorizes Illinois public universities to sell, lease or otherwise convey their “surplus” real estate. The Board of Trustees must determine, on a case by case basis, whether the real estate in question is “surplus.” Surplus means real estate that is “vacant, unoccupied or unused and which has no foreseeable use” by the university.

The Act allows the proceeds from such sale or lease to be retained by the university as long as such proceeds are held in a separate account and utilized for funding deferred maintenance and emergency repair work.

This memo provides initial guidelines for initiating and completing the sale or lease of any interest in surplus real property held by the University of Illinois System.

Overarching Objectives

The amended Act is a change from current practice, and, for the first time, enables sale or lease of surplus real property for the benefit of the university. The objectives of this proposed guideline is to:

1. Ensure that all actions and transactions are performed in accordance with the Act.
2. Assure fair market value for all assets and ensure sale or lease terms that are in the best interest of the university.
3. Utilize a sale process that is open, transparent and consistent with applicable state/federal laws and with professional real estate standards.
4. Assure compliance with conditions for the use of funds and maintain appropriate records.
5. Follow relevant Board of Trustees directives.

Procedure:

1. The chancellor of any university can initiate the process for sale or lease of surplus real estate by providing a request to the comptroller. Such request should include the location, address and other details of the said property, current condition and occupancy of the property, and the rationale for considering the property as surplus.
2. The comptroller, in consultation with appropriate university officials, may make a preliminary determination whether the property qualifies as surplus property. The comptroller may request additional due diligence analysis by the university real estate office.

3. If the comptroller deems the property to be “surplus,” the BOT will be briefed and its approval sought to designate the property as surplus.

4. Once BOT designates the property as surplus, the real estate office will arrange the property to be appraised by at least one MAI appraiser. The real estate office will also undertake other due diligence necessary to determine fair market value or fair market rent for the subject property.

5. Any sale of property will be transacted by the university real estate office and will be through auction, sales brokers or open RFP process, as determined by the comptroller. Alternatively, a university may request the property to be traded for other real estate assets.

6. Irrespective of the method of sale, the potential sale of property or lease will be advertised in at least one publication of general circulation in the county in which the property is to be sold.

7. All proceeds from sale or lease of surplus property will be deposited in a separate surplus property account designated by the comptroller.

8. To request transfer of funds from the surplus property account, universities should provide documentation to the comptroller to demonstrate that funds will be used for repair, renovation or deferred maintenance projects.

9. From time to time, the comptroller will submit a report or otherwise inform the BOT on the use of funds from the surplus property account.