

System-wide Policy: FI0620 - Capital Outlay	
Version: 5	Effective Date: 12/20/2017

FI0620 – Capital Outlay

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Objective:

To provide policies addressing capital outlay projects, responsibilities of the university officials who manage such projects, and basic requirements of applicable state agencies.

Policy:

General Policy

1. This section contains policies for administering funds to be used for design, construction, renovation, acquisition, and major maintenance of university properties. Detailed instructions related to capital outlay projects are provided for the Executive Vice President, the Office of the Chief Financial Officer (CFO), Office of the Executive Director of Capital Projects, Division of Facilities Planning, Division of Real Property and Space Administration, Controller’s Office, Treasurer’s Office, Purchasing Department,

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and those responsible for the building program at each campus and unit, including the chief business officers.

2. The policies also outline the basic requirements of state agencies such as the State Building Commission (SBC), State Department of General Services (State of Tennessee Real Estate Asset Management - STREAM), Tennessee Higher Education Commission, and Tennessee State School Bond Authority. The SBC has a policy and procedure for projects that require approval by the commission and pertinent definitions (i.e. major maintenance). The policy can be viewed from the Tennessee Office of State Architect's website (see section 2.01 of the policy). If there are any questions about SBC policy or procedures, please contact the Office of Capital Projects.
3. Following these policies will help ensure that maximum effectiveness is obtained from dollars made available for capital outlay projects through proper authorization procedures, adequate controls, and an information system that will assist the appropriate university decision makers.
4. All proposals or requests for state funding for capital projects must comply with fiscal policy [BT0017 - Process for Submitting Legislative Proposals and Funding Requests to the General Assembly](#) (BT0017 was previously FI0107).

Unexpended Plant Funds

5. Generally, funds for construction, renovation, acquisition, disposal, and major maintenance of university properties will be accounted for in Unexpended Plant Funds on a project basis. A project is defined as a capital outlay undertaking for construction of a new building (including the purchase of major equipment for new facilities); acquisition of land; an addition, major alteration or renovation of an existing building with a total project cost exceeding \$100,000; and other campus improvements such as new roads, walks, utility and lighting systems, and tennis courts
6. All funds provided as a result of the annual capital outlay request will be accounted for in plant funds, which include state capital outlay appropriations, State School Bond Authority authorizations, state capital maintenance appropriations, and any other state-appropriated funds designated for capital outlay purposes. Federal grant funds for projects included in plant funds also will be accounted for in this group of accounts. In

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addition, funds for all new construction, whatever the source, should be accounted for in plant funds. Each campus or unit must provide the funding account to the Office of Capital Projects and the Controller's Office at the beginning of the project if any portion of it will have institutional funds. If the project has only institutional funds, the project must be funded at the beginning of the project. If a project has a combination of state or federal and institutional funding, the state or federal funds will be spent first unless the campus stipulates otherwise. When the state or federal funds have been fully expended, the project must be funded immediately with institutional funds.

7. Renovation and alteration projects over \$100,000 must be accomplished through plant funds. Each campus or unit must provide the funding account to the Office of Capital Projects and Controller's Office at the beginning of the project if any portion of it will have institutional funds. If the project has only institutional funds, the project must be funded at the beginning of the project. If a project has a combination of state or federal and institutional funding, the state or federal funds will be spent first unless the campus stipulates otherwise. When the state or federal funds have been fully expended, the project must be funded immediately with institutional funds. Such work for less than \$100,000 may be accomplished through plant funds at the discretion of the Chief Financial Officer (or designee). Renovation and alteration projects less than \$100,000 funded by Current General Funds of a campus or unit may be handled through a current fund expenditure account (see 20 of this policy).

Required Approvals

8. The following approvals are required for the capital outlay projects described below.
 - a. **Board of Trustees.** The Board of Trustees annually approves capital outlay, capital maintenance, and institutionally funded projects approved and/or funded by the General Assembly. This approval also authorizes the university to enter into contracts required for professional design services and construction for such projects. The Board also approves campus land acquisition plans and all amendments or revisions to those plans. These approvals authorize the university to purchase land within the boundaries of the plan when funds are

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available. The Board also approves the purchase of land outside the campus boundaries.

- b. **Technical Approval.** State laws (TCA 62-2-107) require a registered architect, engineer, or landscape architect to prepare plans on all public work projects involving construction or maintenance which is estimated to cost over \$25,000 and alters the structural, mechanical, or electrical system of the project. Therefore, the university must secure the services of either an outside or a university engineer or architect to prepare such plans.
- c. **State Building Commission and Tennessee Higher Education Commission.** The State Building Commission and the Tennessee Higher Education Commission must approve the construction of any new building; any project funded by direct appropriation of the General Assembly; any major maintenance project over \$100,000, regardless of funding source; and any renovation project that changes the functional use of a building. Therefore, any project plans initiated by a campus or unit that meet these criteria must be submitted to the Office of Capital Projects and the Division of Facilities Planning for review, processing, and obtaining the necessary approvals.

The university and the State Building Commission must approve all demolition of university structures; therefore, a request for demolition should be submitted to the Director of Real Property and Space Administration, who obtains the necessary approvals.

The State Building Commission also must approve (1) all property acquisitions by the university other than those secured by gifts that do not obligate the expenditure of university or state funds for capital improvements or continuing operating expenses, (2) leases and leaseholds (see [FI0625 - Lease of Real Property by or to the University](#)), and (3) all property sales other than sales of gift property. (The Board of Trustees also must approve such acquisitions and sales.)

The Director of Real Property and Space Administration is responsible for coordinating property purchases and sales. Therefore, all matters related to

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property purchases and sales should be submitted to the Director of Real Property and Space Administration, who obtains the necessary approvals. The state approvals for property acquisition and sales generally are obtained in two to four months.

- d. **Tennessee State School Bond Authority.** The Tennessee State School Bond Authority was created in 1965 to provide a mechanism for combining the capital needs of the state's colleges and universities to reduce financing costs. Financing construction for revenue-producing projects such as dormitories, athletics facilities, parking garages, student centers, and clinical facilities is provided through agreements with the School Bond Authority. The Authority must approve the financing plans for all projects that require the issuance of bonds, notes, or other debt obligations. The CFO is responsible for obtaining such approvals.

Capital Outlay Responsibilities

Executive Vice President

9. The Office of the Executive Vice President (EVP) is responsible for administering the capital outlay program according to the guidelines in this policy and to any other pertinent university, state, or federal guidelines. These responsibilities include all of the activities of the Office of Capital Projects, the Division of Facilities Planning, and the Division of Real Property and Space Administration.

Associate Vice President for Capital Projects

10. The Executive Director of Capital Projects is responsible for administering to the Division of Facilities Planning and the Division of Real Property and Space Administration and is responsible for:
- Developing, executing and maintaining overall facility capital projects and campus master plans.

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- Working with campuses to provide guidance, feedback, and approval of program statements for campus facilities in consultation with appropriate campus personnel.
- Developing the capital outlay request to be submitted to the state.
- Developing and managing the capital outlay program, including hiring and supervising architects, engineers, contractors, vendors, etc.
- Ensuring that funds are spent as directed by the Board of Trustees and appropriate state agencies.
- Assisting with applying for federal and other outside funds whenever possible and meeting the requirements of the granting agencies or grant recipients.
- Securing necessary university, state, and federal approvals for capital projects and real property transactions.
- Obtaining the required approvals from the State Building Commission for planned facilities and real property transactions.
- Administers leasing and leasehold improvements.
- Recommend capital match requests to the Chief Financial Officer.
- Reviewing current status of projects with the EVP and CFO to determine the following:
 1. Timeline of closing institutionally funded SBC approved projects if the project has been on hold longer than six months.
 2. Timeline of closing all SBC approved projects with limited activity, and no immediate plans regarding future activity (design or construction).
 3. Timeline for transferring remaining state appropriations on a project to the campus residual accounts if there are no plans for immediate work.
 4. The campus business officer will be consulted before the projects are submitted to the state to be closed.
- Review requested budgetary changes on major capital projects with the CFO and EVP if the budget needs to be increased due to programmatic changes. The

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CFO and EVP will determine if the action requires Board of Trustees approval. A major capital project has an approved budget greater than \$20 million.

The Executive Director of Capital Projects will approve plans submitted for capital outlay and capital maintenance projects upon recommendation of the Director of Facilities Planning and Director of Real Property and Space Administration, who consult with appropriate campus or unit officials. Projects that involve the construction of new facilities or the renovation of an existing facility require the use of a designer. If there is a question on whether a designer is needed for a project, the campus or unit should contact the Director of Facilities Planning for guidance.

Director of Facilities Planning

11. The Director of Facilities Planning is primarily responsible for:

- Working with the Director of Real Property and Space Administration and campus officials to develop program requirements for new facilities and major facilities renovations.
- Overseeing the designer selection process and working with a campus/unit if they want the campus consultant to be the designer on a project.
Recommendations on designers are sent to the State Building Commission who makes the final decision on the designer for a project costing over \$100,000.
- Administering contracts for the design and construction of capital outlay projects.
- Coordinating efforts of contracted designers with appropriate campus officials or representatives and the Director of Real Property and Space Administration in designing and planning new capital outlay projects.
- Maintaining budgets for capital outlay projects and obtaining the approval of the Executive Director of Capital Projects, and campus/unit Chief Business Officer for project budget changes.
- Approving all disbursements on capital outlay project accounts unless such authority has been officially delegated as approved by the Executive Director of Capital Projects.

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- Working with the Director of Real Property and Space Administration and the campus representative to recommend buildings and facilities development plans to the Executive Director of Capital Projects and to campus officials.
- Developing capital project budgets to present to the Executive Director of Capital Projects, the Chief Financial Officer, the Executive Vice President, and appropriate campus personnel.
- Assisting the Executive Director of Capital Projects with interaction with the Board of Trustees and the State Building Commission in matters related to capital projects.
- Managing capital project development and implementation as a service to campuses and units including designating a Facilities Planning project manager as a point-of-contact for the campus or unit Chief Business Officer and Facilities Services Director.
- Ensuring the campus or unit representative is informed of project implementation milestones and progress regarding approvals, scope, schedule, and budget. Any cost proposals that will use a portion of the funds designated for contingency must be approved by the campus or unit in writing (see 19 c).
- Obtaining campus representative approvals for user requested deviations from the project implementation plan.

Director of Real Estate Administration

12. The Director of Real Estate Administration is primarily responsible for:

- Working with appropriate campus and unit officials, the Director of Facilities Planning, and Executive Director of Capital Projects, to develop and maintain campus master development plans.
- Providing leadership in planning campus expansion, vehicular and pedestrian traffic patterns, and other elements of campus planning.
- Managing the acquisition and disposition of university land.
- Ensuring that policies and procedures for land acquisition and disposition are followed.

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- Assisting the Executive Director of Capital Projects with the Board of Trustees and the State Building Commission in matters related to real property.
- Working with the Director of Facilities Planning to recommend buildings and facilities development plans to campus officials, Executive Director of Capital Projects, and the Executive Vice President.
- Working with the Associate Vice President for Capital Projects, Director of Facilities Planning, and appropriate campus personnel to develop capital outlay and capital maintenance budgets.
- Working with the Associate Vice President for Capital Projects, the Director of Facilities Planning, and campus officials to develop program requirements for new facilities.
- Coordinating the sale of gift or surplus property, which includes determining the method of sale, selecting real estate agents, etc.
- Coordinate, process and track leases and leasehold improvements.
- Manage Space Inventory, Space Standards, Space Utilization and Space Allocation Guidelines.
- Manage the process to demolish university buildings.
- Manage real property and lease inventory.

All projects that involve purchasing land, easements, rights-of-way, and new building sites are to be coordinated through the Director of Real Property and Space Administration.

Capital Projects Budget Director

13. The responsibilities of the Capital Projects Budget Director:

- Overseeing and communicating with the Director of Facilities Planning and the Director of Real Property and Space Administration on capital project budgets.
- Communicating with campus Chief Business Officers on capital project issues (i.e. funding, expenditures, encumbrances, etc).
- Providing Chief Business Officers (and designees) with capital project budget information and actual expense reports.

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- Reviewing invoices and other expenditure documentation for compliance with contracts and university fiscal policy.
- Reviewing all capital project contracts, amendments, and change orders for financial and policy purposes.
- Ensuring encumbrances are properly recorded for each capital project.
- Coordinating with the Executive Director of Capital Projects, Director of Facilities Planning, and the Director of Real Property and Space Administration on State Building Commission matters.
- Assisting the Executive Director of Capital Projects and the Director of Facilities Planning on the development of capital outlay and capital maintenance budgets.
- Working with the Division of Facilities Planning project managers on budget or financial issues related to capital projects.

Chief Financial Officer

14. The responsibilities of the Chief Financial Officer (or designee) are:

- Prescribing accounting and budgetary controls to ensure fiscal stewardship and compliance with requirements of the university administration, Board of Trustees, and appropriate state agencies.
- Developing sufficient management information to aid all responsible personnel in the building program, in university administration, and at each campus.
- Monitoring space utilization and space inventory records used in determining present and future space needs.
- Approve capital outlay project match fund requests.

Controller's Office

15. The responsibilities of the Controller's Office (or designee) are:

- Maintaining adequate accounting records of all Unexpended Plant Fund transactions.
- Maintaining official copies of all contracts, invoices, vouchers, and other documents related to the receipt and disbursement of plant funds.

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- Ensuring that all transactions comply with pertinent university, state, and federal regulations and contractual arrangements.
- Requesting construction warrants from the state on projects funded by capital outlay and maintenance appropriations and the Tennessee State School Bond Authority.
- Making appropriate arrangements for handling retainage as provided by state law.

Campus Representatives

16. The Chancellor of each campus (or designee) will designate a person to be responsible for the building program at the campus level which will be communicated to the Director of Facilities Planning. Responsibilities of the campus representative are:

- Initiating program statements for facilities and serving as campus coordinator for program statement development.
- Developing capital outlay requests including movable equipment needs to submit to the Executive Vice President, the Chief Financial Officer (or designee) and the Executive Director of Capital Projects.
- Assisting the Executive Director of Capital Projects, Director of Facilities Planning (or representative), and Director of Real Property and Space Administration during all phases of a project to ensure that the needs of the campus are being met.
- Informing the campus Chief Business Officer on the status of each project and all project activities that will impact the project scope, schedule, or budget.
- Providing the Director of Facilities Planning the required information for project approvals and implementation including estimated total project costs and funding sources. All adjustments to the budget will be provided to the Director of Facilities Planning.
- Providing the Facilities Planning project manager a listing of all activities that will be performed by campus or unit personnel along with a cost estimate. The campus representative cannot discuss these services with the contractor without the prior approval of the project manager. The expenses associated

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with these services must be entered into the accounting system as a transfer and follow workflow approval. All expenses that are posted outside of workflow will be reversed by the Controller's Office. Documentation supporting such expenses must accompany the transfer request.

- Approving all user requests for project plan deviations and providing the approvals to the Facilities Planning project manager for implementation.
- Approving or rejecting cost proposals and additional design services should occur within 10 business days of receiving the request from the Office of Capital Projects. Written notification of acceptance or rejection must be sent to the Executive Director or Budget Director of the Office of Capital Projects. If written notification is not provided within this time period, then the request will be assumed to be approved by the campus. If additional time is needed to review cost proposals or additional design services are needed, the campus should acknowledge receipt of the request and request additional time.
- Notifying the Division of Facilities Planning project manager of needed project changes in a timely manner.
- Maintaining campus space utilization and space inventory records used in determining present and future space needs.
- Working with the Executive Director of Capital Projects and the Director of Real Property and Space Administration to address all real property activities.
- Ensure prior approval has been granted from the Executive Director or Budget Director of Capital Projects for a campus or unit to perform any work on an SBC project. This includes items the campus or unit intends to transfer to the project. The written authorization from the Office of Capital Projects must be included as support documentation with the transfer otherwise the transfer request in IRIS will be rejected.

Personnel at each campus can best determine the movable equipment needs for each facility. The Director of Facilities Planning will determine the desirability of employing design services for movable equipment. Movable equipment requirements will be submitted through the Director of Facilities Planning acquisition (see 19b. of this policy).

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The campus or unit chief business officer must provide status information on any State Building Commission approved project if there has been no financial activity within 18 months of its approval. The Chief Business Officer and the Director of Facilities Planning will meet to decide if such project(s) should be removed as a State Building Commission approved project.

Budgetary Control Over Capital Project Related Expenditures

17. Director of Facilities Planning and Capital Projects Budget Director. Budgetary control over approved projects on the official university accounting records will be exercised on the total project funding level. The Director of Facilities Planning will maintain capital outlay project budgets and the Capital Projects Budget Director will obtain the approval of the Executive Director of Capital Projects and the campus/unit Business Officer, concerning any project budget change.

Although it is often necessary to establish a project account before receiving all required approvals, the funds may not be expended without the appropriate approvals.

18. Controller's Office. The Controller's Office handles the accounting transactions to record state capital outlay appropriations. All transfers to, from, or within plant funds will be submitted to the controller (or designee) to determine that all regulations regarding the use of funds have been followed, necessary approvals have been obtained, and satisfactory explanation or documentation for the transaction has been provided. When project expenditures are completed, either the Director of Facilities Planning or Director of Real Property and Space Administration will notify the Controller's Office to close the project account and to return any remaining funds to the funding source or arrange for other appropriate disposition.

Encumbrances and Obligations

19. The encumbrance of obligations against Unexpended Plant Fund projects occurs when formal contracts, purchase orders, and change orders are issued as follows:

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- a. **Contracts.** Agreements with designers, construction contractors and, at times, design and construction related firms must be by formal contract. These contracts must be approved by the Chief Financial Officer and forwarded to the Controller's Office. The amount of each contract then will be recorded as an encumbrance against the project account, and the uncommitted balance of the project will be reduced.
- b. **Purchase Orders.** A second method for encumbering plant funds is through purchase orders. All purchase orders or requisitions related to capital projects (including moveable equipment) will be processed through the Office of Capital Projects unless this request is specifically delegated to the campus representative in writing. The campuses will provide all the necessary information to process the purchase orders or requisitions to the Office of Capital Projects. The Budget Director will forward the items to the purchasing department.

Normal purchasing department procedures will be followed for plant fund projects.

- c. **Change Orders.** During the construction of a project, the amount specified in the contract or purchase order may need to be increased or decreased by a change order which may be prepared by a project designer. Change orders must be approved by the Director of Facilities Planning after consultation with appropriate campus officials and approval from the campus representative if contingency fund is used (If over half of the contingency fund is used then approval is also required from the Chief Business Officer.) Programmatic changes requested by building users that result in change orders should be approved by the appropriate campus officials and forwarded to the Executive Director of Capital Projects and the Director of Facilities Planning.

Because a change order modifies the original contract, it must be submitted through the normal contract review process and executed by the Chief Financial Officer (or designee). The University is responsible for following the current State Building Commission policy on change orders.

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In rare circumstances, the Director of Facilities Planning may need to approve an emergency change. This emergency approval will normally involve a small change in the contract amount. The Director of Facilities Planning will notify the Executive Director of Capital Projects and Chief Financial Officer (or designee) as soon as possible in writing, with copies to the Controller's Office and the appropriate campus official. A formal change order will be executed at the earliest possible date.

Delegation of Authority to Campus Officials

20. Unexpended Plant Fund Projects. Selected plant fund projects that cost between \$25,000 and \$100,000 may be handled by campus officials who are authorized to initiate purchases, to approve change orders that do not increase the dollar scope of the project above \$100,000, and to approve disbursements against project funds. Overall project bidding will be handled in accordance with university policy. After the contract award, project management may be delegated to appropriate campus officials to expedite purchasing, change orders, and disbursements.

If a campus wants to oversee an institutionally funded project that costs between \$100,000 and \$1 million, it must complete Form T-49 (REQUEST FOR APPROVAL OF CURRENT GENERAL RENOVATION, ALTERATION, OR CAPITAL OUTLAY PROJECT) and forward the request for the necessary approvals. The campus or unit will assign a campus representative and the Director of Facilities Planning will assign a project manager. The campus representative is responsible for updating the project manager on the project's status. If the T-49 is rejected, the Division of Facilities Planning will oversee the project. As described in part 6 of this policy, facilities projects over \$100,000 will be handled through plant funds.

All expenses incurred by the campus or unit for an approved project they are managing must be transferred to the associated "J" account during the fiscal year in which the expense occurred. Upon completion of the assigned project, the campus representative must confirm completion to the Executive Director of Capital Projects, Budget Director of Capital Projects, or the Director of Facilities Planning. All expenses for the project

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must be transferred in the same fiscal year, unless campus representative can provide an explanation for deferment.

- 21. **Campus Use of Consultants.** Campuses and units shall not use their approved consultants to perform design services for projects greater than \$100,000 unless the consultant has been approved by the SBC to perform such services.

Payment for Construction and Related Work

- 22. Disbursements for construction and related expenses charged against plant funds will be made only on receipt of original documentation with the necessary approvals and the account to be charged. The original documents may consist of an invoice or a contractor's statement of materials in place or construction in progress. With the exception of real estate purchases, documentation to disburse plant funds must be approved for payment by the Director of Facilities Planning. The Director will establish the procedures and prior approvals necessary to ensure that items have been received or constructed according to contract specifications.

Financial Status Reports

- 23. Within the university's ERP system, IRIS, a variety of periodic and ad hoc reports are available and may be run by any interested party such as the Controller's Office, Executive Director of Capital Projects, Director of Facilities Planning, and appropriate campus representatives.

The Director of Facilities Planning will prepare a monthly report for outlay, maintenance, and disclosed projects overseen by the Division of Facilities Planning. The report will disclose the encumbrances and cumulative expenses against the project budget. This report will be distributed to appropriate campus and unit personnel.

Acquisition and Disposition of Real Property

- 24. The Division of Real Property and Space Administration is responsible for the acquisition and disposition of all university real property: institutional, gift, and leased property. In

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general, the Division of Real Property and Space Administration may inspect property, prepare site inspection reports, prepare deeds, request appraisals, manage property, determine highest and best use of the property, and prepare closing documents. The Division of Real Property and Space Administration is under the supervision of the Executive Director of Capital Projects.

25. The State Department of General Services, STREAM has the authority and responsibility to manage the acquisition and disposal of real property by the state of Tennessee. Whenever real estate transactions require approval outside the university system, the Division of Real Property and Space Administration will coordinate the process with State Department of General Services. Also, General Services has supporting duties to the State Building Commission. Whenever university projects require the approval of the commission, the Division of Real Property and Space Administration will work with Executive Director of Capital Projects to obtain the approval.
- a. **Institutional Property.** The Division of Real Property and Space Administration manages the acquisition of all institutional property. Institutional property is acquired and supported by state appropriations and is generally considered campus properties (Knoxville, Martin, Chattanooga, Health Science Center, UTSI, and the Institute of Agriculture). The University of Tennessee Board of Trustees, the Tennessee Higher Education Commission, the State Department of General Services, and the State Building Commission must give their approval before any property can be bought or sold. Acquisition of institutional property must also comply with the approved Land Acquisition Plan or Master Plan of the campus for the purpose of campus expansion.
 - b. **Gift Property.** Gift property is considered to be all real property the university acquires from donors. This may be property acquired by deed or devise. The Division of Real Property and Space Administration is responsible for managing all gift real property throughout the entire process from acquisition to closing. The sale of gift property is subject to the approval of the Board of Trustees, but not of the State Building Commission. (Most gift property donations after July 1, 2011, will be handled through the University of Tennessee Foundation, Inc. The university may still receive gift property after July 1, 2011, based on donor

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stipulations. This policy only addresses potential gifts or gift property deeded to the university.)

- c. **Leased Property.** The Division of Real Property and Space Administration is the proponent agency for the acquisition of all real property by lease. Refer to [FI0625 - Lease of Real Property by or to the University](#) for leasing procedures.

Institutional Property

26. **Acquisition.** Rules and regulations outlined by General Services, TCA 4-15-102, TCA 12-2-112, and the STREAM 06-20-2-2 govern the acquisition of property by the University of Tennessee. When the university desires to purchase property for general campus expansion, the state legislature will have appropriated sufficient funds or institutional funds will be used for the acquisition. The deed to property acquired by the university will be titled to the "State of Tennessee." The Division of Real Property and Space Administration will obtain the approval for the acquisition from the campus or unit Chief Business Officer, the Executive Director of Capital Projects, and the Chief Financial Officer. Prior to the acquisition, the University of Tennessee Board of Trustees and the Tennessee Higher Education Commission must have approved the Land Acquisition Plan or the campus Master Plan delineating the property to be acquired.

- a. **Request.** The acquisition of real property begins with a request to the State Building Commission for permission to acquire the property for the purpose of campus expansion. A request for property acquisition by purchase may originate within any budget entity. The campus or unit Chief Business Officer should forward the request to the Director of Real Property and Space Administration, which will determine that no other university properties can be used for the required project or activity and that the university will acquire only the interest that best suits the proposed project.
- b. **Available Funds.** The campus or unit Chief Business Officer will determine whether funds are available and not otherwise encumbered. For any acquisition to be funded by issuance of debt, the campus or unit business office must prepare pro forma funding statements outlining the projected funding, timing, and requirements. Total funds required include all fees and other costs incurred

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as part of a real property transaction. Fees and other costs may include survey, appraisal fees, title policy fees, closing costs, and demolition and relocation assistance. (All relocation assistance payments as required in Chapter 608, Public Acts of 1972 will be calculated by the Division of Real Property and Space Administration and approved by the Chief Financial Officer (or designee).

- c. **Land Acquisition Plan.** Any proposed real property acquisition will be shown on the approved Campus Plan and/or Land Acquisition Program for the budget entity. If the property to be acquired is not within the area shown as the future campus boundaries, the university, through the Division of Real Property and Space Administration, must submit a revised Land Acquisition Plan to the Board of Trustees and to the Tennessee Higher Education Commission. This requirement does not apply to non-campus property, such as property with the Research and Education Centers.
- d. **Required Approvals.** The University must obtain approval for acquisition by the Tennessee Higher Education Commission, General Services, and the State Building Commission. The Division of Real Property and Space Administration will manage the transaction through the state approval process.
- e. **Acquisition Process.** General Services will work with the University throughout the acquisition process. State real property acquisition procedures govern this process. After negotiations with the property owner have led to a business understanding, the Division of Real Property and Space Administration will prepare an Option to Purchase form or contract for purchase. The Division of Real Property and Space Administration will process the option or contract through the contract review procedure for signature by a university vice president and state officials. General Services will prepare a draft deed that requires the state attorney general's approval. After such approval, a closing date is set. The title company will record the deed in the county register's office, and the original is sent to the STREAM Office, with copies sent to the Division of Real Property and Space Administration. In certain instances, it may be necessary or advantageous for the university to appoint a local attorney for the purpose of title examination and/or deed preparation and closing services. General Services must approve the appointment of an attorney. The Division of

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Real Property and Space Administration must send a DISBURSEMENT AUTHORIZATION FOR PURCHASE OF REAL PROPERTY (FORM T-48) to the Chief Financial Officer to initiate payment for the real property purchase. In addition, the Division of Real Property and Space Administration must file and maintain an approved Real Property Transaction Request form (RPM-1), the survey and/or legal description, title search, appraised documents, contract or options to purchase, closing statements, and letters of correspondence pertaining to the acquisition.

27. Disposition.

- a. **Request.** To sell property declared surplus to the University's needs, the Division of Real Property and Space Administration must contact General Services and be in compliance with all current operating procedures of the State Building Commission. General Services will determine whether a state agency or department has a need to acquire (by purchase or exchange of real property) the property declared surplus by the university. The Division of Real Property and Space Administration will prepare and process STREAM Transaction forms and Land Disposal Questionnaires to General Services.
- b. **Closing.** If no state department, agency, or institution requests the surplus property, the Division of Real Property and Space Administration through General Services will manage the sale of the surplus property. The process will operate under state law, General Services guidelines, and State Building Commission policies and procedures in effect for the disposal of surplus property.
- c. **Easements and Rights-of-way.** The granting of easements and rights-of-way will be on the basis of fair market value except in cases where an economical benefit will accrue to the university. The University of Tennessee Board of Trustees and the State Building Commission must approve all grants of easements and rights-of-way. Current state law and General Services and State Building Commission policies govern any grants of easements or rights-of-way.
- d. **Exchange of Property.** From time to time, the university may wish to exchange properties, easements, or rights-of-way with the state or another governmental agency where the benefits will accrue to both parties and the citizens of the

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state of Tennessee. The University of Tennessee Board of Trustees must approve all exchanges of real property. Conveyance to other state agencies will be by a Transfer of Jurisdiction handled through General Services.

- e. **Services by State of Tennessee Real Estate Management (STREAM).** General Services will usually handle the appraisal, advertising, bid procedure, and evaluation of bids for the university.

28. Condemnation. The Division of Real Property and Space Administration will send a memo to the university's general counsel requesting that they send a written request to the Board of Trustees to approve condemnation proceedings. Upon the Board's approval, the general counsel will prepare the legal proceedings for condemnation with the assistance of the Division of Real Property and Space Administration. When the university administration determines that the property is required for university purposes and that funds are available, the procedures contained in 24 above should be followed whenever possible. This authority is granted to the university by *Tennessee Code Annotated*, Sections 23-17-301 and 29-16-101 to 29-16-124, inclusive, and Sections 49-3-1101 to 49-3-1103, inclusive as amended.

Gift Property

29. Encumbered Property. All real property acquired will be titled in the name of "The University of Tennessee." Generally, all property will be acquired unencumbered. The development officer, with the assistance of the Division of Real Property and Space Administration, will ensure there are no back taxes on the property. Normal survey exceptions (i.e., easements for utility lines, set-back lines, right-of-way lines, etc., that do not impair the university's usage) and current-year real estate tax exceptions will be approved. The Division of Real Property and Space Administration and the development office must address any environmental concerns before gift property is accepted.

30. Acquisition.

- a. **Request.** Before completing negotiations to accept a gift of real property to the university, the development office will inform General Counsel, the Chief Financial Officer and the Division of Real Property and Space Administration. Development will prepare the Initial Property Reports and forward them to the

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Division of Real Property and Space Administration. The university will not pay for appraisals on potential gift property unless approved by the Chief Financial Officer (or designee). Appraisals secured by the university on university property acquired by gift may not be used to substantiate property value for tax purposes as reported by the donor on IRS Form 8283. The Division of Real Property and Space Administration will determine the need for a new appraisal based on the director's review of the donor's appraisal, reasonableness of the comparable sales used, and age of the appraisal.

- b. **Required Approvals.** The Chief Financial Officer (or designee) and the general counsel must give written approval prior to the acceptance of any deed conveying real property from any source. This approval will be in the form of the gift acceptance letter.
- c. **Deed Preparation.** The deed will be recorded in the register's office in the courthouse of the county where the property is located. The recorded deed will be filed in the official documents file.

31. **Administration.** All expenses related to the acquisition, maintenance, and disposition of gift real property will be accumulated and netted from property sale proceeds or income received on the property. All such expenses incurred by the university are to follow university purchasing procedures and be approved by the Division of Real Property and Space Administration. If, however, a university entity uses the real property during the university's holding period, current operating funds can be used to pay for maintenance and operating expenses. Recurring expenditures (annual taxes, monthly utility bills, annual property owner fees, etc.) will be handled by the Treasurer's Office, after approval by the Division of Real Property and Space Administration. The Division of Real Property and Space Administration, through the Office of Risk Management, will procure insurance coverage on gift property.

The Division of Real Property and Space Administration will prepare an asset management and disposition plan to determine what is the most cost-effective alternative concerning the selling or holding of the gift property. It is the university's desire to quickly and actively market the property for sale. The Division of Real Property

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and Space Administration may acquire a market analysis report from realtors active in the market and a current appraisal to determine the fair market value of the property.

32. Disposition.

- a. **Updated Appraisal.** If an updated appraisal is necessary, Real Estate Administration will determine the particular appraisal needed (i.e., an appraisal of agricultural, residential, commercial, or industrial property) and select an appropriate, qualified appraiser.
- b. **Determination of Sale Price.** Real Estate Administration will review the appraisal and determine a fair market value. If the university determines that the appraisal is less or more than fair market value, another appraisal must be obtained. The university will not sell property for less than the appraised value, unless provided in item i. below.
- c. **Review of Original Gift Conditions.** The development office will provide the conditions and requirements of the trust, will, or gift to the Division of Real Property and Space Administration. The inspection report should indicate the account number wherein the sale proceeds will be directed as specified in the trust.
- d. **Approval by the Board of Trustees.** The sale of gift property by the university must be approved by the University of Tennessee Board of Trustees or the Executive Committee upon recommendation of the Chief Financial Officer (or designee). Whenever it is prudent to list and/or sell gift property before the next scheduled board meeting, the president, upon the recommendation of the Chief Financial Officer has the authority to approve the sale at or above the appraised value.
- e. **Method of Sale.** The Division of Real Property and Space Administration will determine the method of sale to best serve the interests of the university, the donor, and any trust beneficiaries.
- f. **Review of Offers.** Upon obtaining bids or a contract for sale, the Division of Real Property and Space Administration will obtain the review and approval of the Executive Director of Capital Projects, Chief Financial Officer and the General

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Counsel. The Division of Real Property and Space Administration will follow appropriate mortgage underwriting guidelines when the university has a security interest in the property. These guidelines include items such as credit checks, requiring personal guarantees, minimum down payments, and competitive interest rates.

- g. **Closing Arrangements.** Upon approval of the sale, the Division of Real Property and Space Administration will make arrangements for closing. If the donor filed an IRS Form 8283 and the university sells the property (within two years of acquiring the gift property), the university must file the IRS Form 8282 within 125 days of sale closing. The Treasurer's Office will send a copy of the Form 8282 to Real Estate Administration and the donor.
- h. **Proceeds of the Sale.** Immediately after closing, the Division of Real Property and Space Administration will transmit any funds received to the Treasurer's Office to credit to the proper account. After the Division of Real Property and Space Administration receives the original recorded deed back from the county register, it will file the deed with the official documents.
- i. **Sale at Less than the Appraised Value.** After appropriate actions have been taken to offer proper exposure to the market, the Division of Real Property and Space Administration may request approval of the University of Tennessee Board of Trustees to sell at less than appraised value. Before seeking the Board's approval, the request must be approved by the Executive Director of Capital Projects, vice president for development and the Chief Financial Officer (or designee).

Procedures

Knoxville:	http://budget.utk.edu/fiscal-policy/
Health Science Center:	https://uthsc.policymedical.net/policymed/home/index?ID=de47aa28-16aa-408b-9c96-cb04f232964f&
Institute of Agriculture:	https://ag.tennessee.edu/Pages/UTIApolicies.aspx
Martin:	http://www.utm.edu/departments/finadmin/procedures.php

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Chattanooga:

<http://www.utc.edu/business-financial-affairs/fiscalpolicies.php>

Forms

- [FI0620 - Appendix A \(Request for Budget Revision, Form T-15\)](#)
- [Request for Approval of Current General Fund Renovation, Alteration, or Capital Outlay Project \(Form T-49\)](#)

Contact

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Related Policies: [FI0625 - Lease of Real Property by or to the University](#), [BT0017 - Process for Submitting Legislative Proposals and Funding Requests to the General Assembly](#) (BT0017 was previously FI0107)