EXT-011

Investment Guidelines for University Real Estate Loans to the University of Virginia Foundation

Effective Date Wednesday, January 20, 2016

Status Final

Last Revised Thursday, September 18, 2025

Policy Type University

Contact Office Treasury Management

Oversight Executive
Vice President and Chief Financial Officer Executive Vice President and Chief Operating Officer

Applies To Academic Division.

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Reason for Policy

Investment guidelines have been established for the University to issue Real Estate Loans to the University of Virginia Foundation in order to achieve a level of independent financial strength for the Foundation to pursue its objectives in serving the University.

Definition of Terms

Real Estate Loan

Description

Funds advanced by the University to the University of Virginia Foundation to acquire strategic real estate assets that serve the financial and programmatic needs of the University.

Policy Statement

In June 1992, the University Real Estate Foundation adopted a policy regarding the repayment of loans to the University which stated that the Real Estate Loans would be non-interest bearing. Repayment would be based on the activities of specific assets (in essence, without recourse to the Foundation's other assets or activities), and,

after the principal on the loans was repaid, gifts would be made to the University's endowment. The University has established the following guidelines:

1. **Acquisition of Properties for the University:**
   To acquire properties for the University, the following requirements must be met:

   a. Purchase must be approved by the Foundation's Board and the University of Virginia's Executive Vice President and Chief Operating Officer.
   b. Department must provide comfort to the Chief Operating Officer that it has the funds to purchase the property.

   The Foundation will assess a 1% acquisition fee, a 1% disposition fee, direct expenses associated with acquisition and sale, plus management fees, if necessary.

   An interest rate similar to that which the Foundation receives from outside creditors will be assessed. Rental income, if any, will be credited against this expense.

2. **Gifts of Real Estate:**
   For gifts of real estate, the following conditions will apply:
   - The Foundation will charge a 1% acquisition fee, a 1% disposition fee (capped at $25,000 for both), direct expenses associated with acquisition and sale, plus management fees, if necessary, against the proceeds of the gift.
   - The University will provide a $50,000 imprest fund to cover expenses incurred prior to the sale of property.
3. **Ongoing Operations:**
   Operations will be maintained in the following manner:
   - Income will be used first to amortize indebtedness, with parties other than the University, related to improvements and carrying costs for the project.
   - When feasible, excess income will be used to secure third-party debt to repay the principal on the Real Estate Loans. The balance, if any, shall remain with the Foundation.
4. **Sale of Properties:**
   Other than properties purchased for a specific department, which will be sold on a fully-cost basis, all properties will be sold at market value based on an MAI (Member of the Appraisal Institute) appraisal secured by the Foundation. The proceeds will be used as follows:
   a. First to repay indebtedness with third parties.
   b. Additional proceeds will be used to repay Real Estate Loans.
   c. Any excess proceeds after "a" and "b" above are met, will be allocated 50% to the University of Virginia as a gift and 50% to the Foundation to establish its own capital base. In the case of insufficient proceeds, the University may choose to forgive any remaining amounts due.
   d. In all cases, a surplus or deficit of proceeds may be netted against any or all remaining loan with the approval of both parties.

5. **Compliance with Policy:**
   Failure to comply with the requirements of this policy may result in the University of Virginia Real Estate Foundation unable to pursue its objectives in serving the University and may result in disciplinary action up to and including termination in accordance with relevant University policies.

   Direct questions about this policy to Treasury Management.

Major Category External Relations

Next Scheduled Review Monday, September 18, 2028

Revision History
Confirmed 9/18/25; Added Compliance section 2/3/22.

Category Cross Reference
Finance and Business Operations

Supercedes Policy Text

IX.D.7 Investment Guidelines for University Endowment Loans to University of Virginia Foundation.

Approved By Policy Review Committee

Approved Date Friday, January 15, 2016