



THE UNIVERSITY OF NORTH CAROLINA  
AT  
CHAPEL HILL

MEMORANDUM

TO: Deans, Directors, and Department Chairs

FROM: Robert N. Shelton  
Executive Vice Chancellor and Provost  
Nancy D. Suttentfield  
Vice Chancellor for Finance and Administration

DATE: October 1, 2001

SUBJECT: New Policy for Leased Space

Attached is a new University policy that addresses the criteria for planning and oversight for leased space and guidance for funding the cost associated with leasing non-university owned facilities. It is effective October 1, 2001. This policy places a greater emphasis on long range planning, effective utilization of University owned space and the direct charging of lease costs to sponsored projects when allowable. It replaces all previous guidelines on leased space. Some highlights are:

**1. Compliance for Leased Space with Sponsored Projects**

The document provides clarification when rent is to be charged directly to sponsors, covered by funds from the Central Facilities and Administrative (F&A - Overhead) pool, or some combination of sponsor funds, Central Overhead, or departmental/center funding. For sponsored projects, this means increased attention to specific requirements contained in the University's negotiated F&A rate with the federal government, e.g., the Off-Campus definition for treatment of rent that states:

*For all activities performed in facilities not owned by the institution and to which rent is directly allocated to the project(s), the off-campus rate will apply. Grants or contracts will not be subject to more than one F&A cost rate. If more than 50% of a project is performed off-campus, the off-campus rate will apply to the entire project.*

In accordance with the new policy, if the preponderance of effort is performed in non-university facilities rent should be charged to the sponsor and the off-campus rate applied to the project.

**2. Procedure for Leasing of OFF-campus Space**

UNC space must not be available.

Prior to official submission of a lease request, informal discussion with the Property Office is encouraged (966-3296).

The Lease Request Form (copy attached) must be completed and submitted to the Property office with an organizational chart that includes titles, FTEs, and salary grades.

If Central Overhead funds are required to fund the lease payments, additional approval is required by the Budget Committee through the Property Office.

Please address any questions regarding the new policy or its implementation to the Property Office.

Attachments: Leased Spaced Policy  
Lease Request Form

## **LEASED SPACE POLICY**

It is the intention of The University of North Carolina at Chapel Hill to insure that currently owned space is utilized with the greatest efficiency. The University Administration wants to assure that Carolina leases space only when it is appropriate to do so given the nature of the space needed, the location of the programs and the space demands on the campus. When leasing is required, the University Administration also wants to assure the rental rates are cost/beneficial.

### **Planning and Oversight**

Because the University Administration has primary responsibility for space management, it is critical to assure the proper planning for and adequate review of each leasing decision. Therefore, Vice Chancellors and Deans must include long-range space needs, including leases, as part of the annual planning process. Lease requests included in the annual planning process will be forwarded to the Facilities Planning Committee, for referral to the Space Planning Committee and the University Budget Committee for programmatic and financial review respectively. Recommendations of the two committees will be jointly forwarded to the Facilities Planning Committee for a final administrative decision.

If approved, the Property Office will initiate the Board of Trustee and State approval processes and monitor the lease through final execution. The Property Office is charged with obtaining the best rental rates in the area where leasing is to occur and to negotiate multiple year renewal options where appropriate. The Property Office will report semi-annually on all leased space to the Facilities Planning Committee, which will exercise oversight on leasing activity. The report should be submitted to the Facilities Planning Committee in June and December, before the semi-annual reports on leased space are presented to the Board of Trustees.

## **Funding**

As stated in the preceding section, the University Budget Committee is responsible for the financial review of lease requests. Decisions regarding the sources of funds to be used in paying rent should be based on the following principles. The Budget Committee can grant exceptions to these principles but should do so under extraordinary circumstances.

In those cases where the sponsor allows lease payments to be recovered from the project budget and the unit has justified more space, the lease should be directly charged to the project<sup>1</sup>. If the Central Facilities and Administrative (Overhead) Pool is currently funding the lease payment for a unit and the sponsor(s) allow lease payments to be recovered from the project, the budget should be adjusted at the earliest opportunity.

In those cases where a sponsor does not allow lease payments to be recovered from the project budget<sup>2</sup> and the unit has justified more space, then up to 50% of the cost will come from the Central Overhead Pool overhead and the balance will be borne by the unit.

If a move is required by the University Administration, 100% of the costs will be borne by the Central Overhead Pool.

If a temporary move is required by the unit as part of a construction project in the Capital Improvement Program, 100% of the costs will be borne by the 5% reserve on State Bond projects, as funds permit. Non-State Bond projects will be addressed on a case-by-case basis.

If an administrative unit currently in leased space needs to expand and the unit has justified its need, 100% of the cost will be borne by the Central Overhead Pool.

## Use of University Space by Third Parties

Generally, the use of University facilities by third parties is governed by the Policy on Use of University Facilities for Noncommercial and Commercial Purposes<sup>3</sup>, (November 1, 1990). However, the University may, from time to time, permit third parties to use University facilities for research or academic purposes consistent with the University's mission. All such uses must be approved by the appropriate Dean/Vice Chancellor, the Space Use Committee, and the agreement for the proposed use must be reviewed and approved by an attorney from the Office of University Counsel. A copy of the final use agreement must be filed with the Property Office and the Office of Contracts and Grants. Approval of the financial arrangements must be obtained from the University Budget Committee.

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<sup>1</sup> Off-campus projects are those conducted in leased facilities not owned by the University where the space rental costs are directly charged to the sponsor, or in facilities not owned or leased by the University. When a project is located in leased space for which the lease costs are not paid by the campus but are directly charged to the project, the off-campus rate is applicable.

<sup>2</sup> If a sponsored project is located in a facility leased by the University for which rental costs are paid by the campus and not charged to the sponsored project, the on-campus rate is applicable.

<sup>3</sup> The Policy on Use of University Facilities for Noncommercial and Commercial Purposes can be found at the following website - [www.fpc.unc.edu](http://www.fpc.unc.edu)

## LEASE REQUEST FORM

Any University office proposing to rent space from a private property owner must complete this form. The form must be completed whether a new lease or the renewal of an existing lease. The request should be forwarded, **ALONG WITH AN ORGANIZATIONAL CHART (including names, titles, position number and salary grade)**, directly to the University Property Office, 103 Giles Horney Building, CB #1060, and Carolina Campus. The requesting department should complete all numbered items on the form. Questions should be directed to the Property Office. (966-3296). Use additional sheets if necessary.

1. School/Department/Program:  
  
Present location(s) if presently occupying space:
2. Why is this space needed?
3. State preference for general location and give justification for preference. (All possible consideration will be given to preferred location; however, recommended location will be affected by such factors as rental rates, other lease terms and ADA compliance.)
4. Give proposed use of space (office, library, classroom, laboratory, storage, etc. - please indicate any unusual space needs):
5. Criteria and requirements for space (special air conditioning, special wiring, special telephone, computer and other related equipment, copy machines, etc.)
6. Justification for requirements:
7. Fund source for requirements if needed beyond the unfitting allowance by lessor: \_\_\_\_\_
8. Desired duration of lease: \_\_\_\_\_ Desired renewal options: \_\_\_\_\_
9. Desired commencement date of lease: \_\_\_\_\_
10. **Fund sources: (Please indicate account numbers & identify in Item No. 15)**
  - a. For rental (including utilities & janitorial services): \_\_\_\_\_
  - b. For maintenance or repairs not covered by Lessor \_\_\_\_\_
  - c. For restoring damaged areas upon vacating premises, if applicable: \_\_\_\_\_

\_\_\_\_\_ %Trust Funds. \_\_\_\_\_ %State Funds \_\_\_\_\_ %Overhead \_\_\_\_\_ %Contract/Grants \_\_\_\_\_ % Other

**If more than one account is being used to pay please indicated % to be paid from each account.**
11. Is this a New Lease Request or exercising a renewal option?
12. If new Lease, did your grant application state that additional space would be required? \_\_\_\_\_
13. Estimated gross square feet needed: \_\_\_\_\_. (Actual figure to be determined by conference between you, Facilities Planning and Property Office based on organizational chart provided and manner in which space is to be utilized.)

**(OVER)**



**LEASE REQUEST FORM****ATTACHMENT A**

This portion, if applicable, to be completed by the Leasing Manager, UNC Property Office. The requesting department should complete the Lease Request Form. Questions should be directed to the Property Office. (966-3296). Use additional sheets if necessary.

<u>DEPARTMENT</u>	<u>CURRENT ANNUAL LEASE</u>	<u>REQUESTED ANNUAL LEASE</u>	<u>REQUESTED INCREASE (RECURRING)</u>		<u>POSSIBLE NON-RECURRING COST</u>

NEW SPACE REQUEST: \_\_\_\_\_

OR

RENEWAL OPTION: \_\_\_\_\_

PRESENT LOCATION OF EXISTING LEASE: \_\_\_\_\_

PRESENT SQUARE FOOTAGE OCCUPIED: \_\_\_\_\_ -

PRESENT LEASE AGREEMENT EXPIRES: \_\_\_\_\_

PRESENTLY PAYING:

ANNUALLY: \_\_\_\_\_

MONTHLY: \_\_\_\_\_

COST PER SQUARE FOOT: \_\_\_\_\_

INCLUDES:

JANITORIAL COST: \_\_\_\_\_

UTILITY COST: \_\_\_\_\_

TELEPHONE COST: \_\_\_\_\_

PARKING: \_\_\_\_\_

ANTICIPATED SQUARE FOOTAGE BASED ON ORGANIZATIONAL CHART: \_\_\_\_\_ -

ANTICIPATED COST PER SQUARE FOOT: \_\_\_\_\_

ANTICIPATED ANNUAL COST: \_\_\_\_\_

ANTICIPATED MONTHLY COST: \_\_\_\_\_

ANTICIPATED TECHNOLOGY COST PER SQUARE FOOT: \$4.00 \_\_\_\_\_

TOTAL SQUARE FOOTAGE \_\_\_\_\_ x ANTICIPATED COST PER SQUARE FOOT FOR TECHNOLOGY = \_\_\_\_\_. (This is for internal wiring only and does not reflect cost for fiber optic connection)