

8. Property Lease Delegation of Authority – UNCW.....Jonathan Womer

Situation: The Board of Trustees of UNC Wilmington has requested authority, consistent with G.S. 116-31.12, to directly acquire and dispose of real property by lease if the lease term is for a term of not more than 10 years.

Background: North Carolina General Statute Section 116-31.12 gives the Board of Governors the authority to authorize the constituent institutions and the General Administration to directly acquire and dispose of real property by lease if the lease is for a term of not more than 10 years. These leases do not require approval from the Department of Administration (DOA) or Council of State. Board policy for this statute is found in UNC Policy 600.1.3.1 and the associated regulation is 600.1.3.1 [R]. By regulation, institution leases must still come before the Board of Governors for approval if they are over \$500,000 a year. Currently, the Board has approved North Carolina State University, the University of North Carolina at Chapel Hill, East Carolina University, and the President to operate under GS 116-31.12.

Assessment: Using delegated disposition authority for larger leases saves about six to eight months in the lease development process and a few weeks for smaller leases. UNCW has 210 acres designated as a Millennial Campus (approximately 155 acres on main campus and 55 acres at the Center for Marine Science, a marine bio-tech research facility). The campus has a number of opportunities for future development and nearly 40 new leases and premises licenses are expected over the next year. A team from General Administration, with participation from a currently designated campus, reviewed UNCW's self-assessment and performed an on-site capabilities appraisal to confirm the assessment. The team is in agreement that UNCW meets the criteria of UNC Policy 600.1.3.1 and regulation 600.1.3.1 [R].

Action: This item requires a vote.

Property Lease Delegation of Authority – The University of North Carolina at Wilmington

North Carolina General Statute Section 116-31.12 gives the Board of Governors the authority to authorize the constituent institutions and the General Administration to directly acquire and dispose of real property by lease if the lease is for a term of not more than 10 years. These leases do not require approval from the Department of Administration (DOA) or Council of State. Board policy for this statute is found in UNC Policy 600.1.3.1 and the associated regulation is 600.1.3.1 [R]. By regulation, institution leases must still come before the Board of Governors for approval if they are over \$500,000 a year.

Currently, the Board has approved North Carolina State University, the University of North Carolina at Chapel Hill, East Carolina University, and the President to operate under GS 116-31.12. To become an authorized institution the campus must:

- Have staff with sufficient experience,
- Designate a University Property Officer and have a centralized organizational structure of the property management,
- Have a documented comprehensive policy and associated procedures in accordance with UNC Policy 600.1.3.1 and 600.1.3.1 [R],
- Be certified by the Chancellor to meet the policy, and
- Have the policy adopted by the Board of Trustees.

Campuses have reported significant benefits from the flexibility of delegated lease authority. Using delegated disposition authority for larger leases has saved them six to eight months in the lease development process. Even smaller leases are required to go to DOA for review if the delegated authority is not used and this process often takes months. Delegated campuses can use in-house real estate legal counsel for the drafting, editing, and review of the documents. As a result, these smaller leases can be executed in weeks. This speed is

particularly important in meeting the expectations of the campus corporate partners who lease space.

UNC Wilmington has a real estate and legal staff with decades of experience, much from previous employment at larger, out-of-state institutions with far more independent real estate authority. The campus expects to process nearly 40 leases and premises licenses in the next year with a continuing increase in corporate partnerships.

The campus has 210 acres designated as a Millennial Campus, with approximately 155 acres on main campus and 55 acres at the Center for Marine Science, a marine bio-tech research facility located on the Intracoastal Waterway ten miles from main campus. This includes the new MARBIONC research facility that was completed in 2013 and is designed for public/private occupancy with approximately one half of the laboratory spaces within the building specifically targeted to foster potential research alliances with private partners and available for lease to private researchers. To date, three leases have been executed with non-UNCW research companies. The short term goal is to establish at least six partnerships this year leading toward 100% occupancy within two years.

UNCW has requested this authority to help it meet its development goals and meet the expectations of its private research and real estate community. Recent experience with grant-based opportunities has indicated that flexibility greatly enhances potential successes. Research partners appreciate the ability to enter relationships with a high degree of predictability and speed. This is also true in real estate transactions, as an example:

A significant opportunity for academic growth and the enhanced ability of UNCW to assist veterans lies in the UNCW Onslow Campus currently located at Coastal Carolina Community College in Jacksonville, N.C. UNCW is in need of additional space to allow for expansion of course offerings to serve demand from the

community and military personnel. Current enrollment at the Onslow Extension Site is 820 students, a 12.3% increase over 2013-14 and a 71% increase since 2009. Due to the stable economy of Jacksonville, available space for this expansion will be limited. The ability to respond and secure a desirable and affordable location in the Jacksonville real estate market will require a timely response to a landlord by UNCW.

A team from General Administration, with participation from a currently designated campus, reviewed UNCW self-assessment and performed an on-site capabilities appraisal to confirm the assessment. The team is in agreement that UNCW, and its real estate staff, meets the criteria of UNC Policy 600.1.3.1 and regulation 600.1.3.1 [R].

It is recommended that the Board of Governors delegate to the Board of Trustees of the University of North Carolina at Wilmington authority consistent with G.S. 116-31.12, UNC Policy 600.1.3.1 and 600.1.3.1 [R] to acquire and dispose of real property by lease if the lease term is for a term of not more than 10 years.