Gifts of Real Estate: Guidance for Gift Officers

Gifts of real estate to the University of Illinois Foundation (the “Foundation”) for the benefit of one of the system’s universities are complex matters involving multiple offices. “Success” in closing these gifts depends on a number of factors that must be fully evaluated. Please ask the following questions up front to ensure a better giving experience for the donor and, hopefully, a higher rate of success in closing the potential gift of real estate:

<table>
<thead>
<tr>
<th>Question</th>
<th>Rationale</th>
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<tbody>
<tr>
<td>“Is your property a timeshare or cemetery plot?”</td>
<td>The Foundation doesn’t accept either. If the property is one of these items, it’s disqualified.</td>
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<td>“What brought you to consider gifting your property?”</td>
<td>We need to determine if the donor has genuine philanthropic intent. If not, the property may be declined.</td>
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<td>“Do you own the property? How do you own it?”</td>
<td>How the property is owned (e.g.: personally, via LLC, via C-corporation, via S-corporation, via personal undivided interest, etc.) has a direct impact on various charitable gift planning options.</td>
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<td>“Does your property have a mortgage or any other debt attached to it?”</td>
<td>If a property has debt, it cannot be donated without a method of relieving or transferring that debt prior to it being transferred to the Foundation.</td>
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<td>“Are you aware of any tanks under the ground, previous industrial uses for the property, or anything else that could be relevant as an environmental issue?”</td>
<td>Environmental “red flags” like these will likely be disqualifiers or require significant analysis by the Foundation before acceptance.</td>
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<td>“Would you expect us to continue to own the property for any reason?”</td>
<td>The Foundation generally is not looking to own more property, but there are some exceptions for farmland or real estate a university wants for an existing need. (A holding restriction should not be suggested, but it is helpful to know if the donor has an inherent expectation for use or a holding period for the property in question.)</td>
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<td>“What’s your timeline for donating your property?”</td>
<td>The Foundation prefers as much advance notice as possible – and at a minimum needs two months – to plan and prepare for a successful analysis and transfer of a real estate gift. If your donor’s timeline is compressed, particularly toward the end of the calendar year, it is highly unlikely we can successfully complete the gift by year end.</td>
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<td>“Do you expect to occupy or access the property after you gift it?”</td>
<td>Retaining occupancy or access will limit the gift’s available options and will decrease the likelihood of the Foundation accepting it.</td>
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Adverse answers to the above questions diminish the ability to successfully close a gift of real estate. If the proposed gift is a cemetery plot or timeshare, politely decline further discussion of the potential gift. Otherwise, let the donor know you will need to bring in a colleague from the Foundation for further discussion and evaluation of the options available for accepting and structuring the potential gift. Please be careful to manage the donor’s expectations and not promise the gift will be accepted.

Once you’re back at your office, reach out to your Gift Planning contact. That contact will join you for your next donor conversation, and the two of you will proceed through our “Preliminary Review” questionnaire. Gift Planning, in conjunction with other colleagues, will determine if the answers to the preliminary review questions warrant proceeding with gift discussions through engagement of the Foundation’s Office of Real Estate and Financial Services for full review and acceptance.
PRELIMINARY REVIEW
(To Be Completed by the Gift Officer and Gift Planning Representative)

Donor’s Name: 
TED ID: 

Key Property Descriptors

• Address (including unit number, if applicable):

• Legal description (Coordinates/township information for farmland and similar properties):

• Size (by square footage or acreage):

• Type: Residential, Commercial, Industrial
  ○ Is the property undeveloped?
    ○ Is the property farmland or timber? If yes, please provide details:
      ▪ What’s the number of tillable acres?
      ▪ If timber/other, has the timber ever been harvested or are there harvest opportunities?
  ○ Are there any structures on the property? If yes, please provide details:
    ▪ Residential?
      – Donor’s primary home?
      – Multi-family home? How many units?
      – Donor’s non-primary home?
      – Rental property?
    ▪ Farmland?
      – Are there machine sheds, grain bins, or farmhouses on the property? If yes, please provide details:
      – Is there a current tenant in the home? If yes, is the donor willing to allow for any homestead to be split off from the tillable acres and sold after the property is gifted?
  ▪ Commercial?
    Provide a description, including uses, past and present:

  ▪ Industrial?
    Provide a description, including uses, past and present:

• Environmental considerations
  ○ Are any of the following on the property, formerly on the property, or in the immediate area?
(If yes, please provide details as appropriate)

- Gas station:
- Dry cleaner:
- Factory:
- Landfill:
- Underground storage tank:
- Storage shed:
- Other potential environmental “red flags”:
  - Has a Phase 1 Environmental Study ever been conducted on the property?
    (If yes, please attach all available documentation.)

- Real Estate Taxes
  - What is the property’s real estate tax identification number (PIN in Illinois)?
  - What are the real estate taxes on the property for the current year?
  - Has the assessment of the property been appealed? If so, with what result?
  - What are the annual real estate taxes?
    - Does that include any exemptions? If so, please specify which:
    - Are any real estate taxes past due?

- Condominium/Co-op/Homeowners Association
  - Is the real estate part of a multi-unit building or complex? If yes:
    - Is a charitable gift of the property permitted?
    - Is a charitable gift of the property subject to approval by any board or group?
      (If yes, provide details, including the pertinent declaration, rules, or other governing instrument.)
    - Is the sale of the property subject to a right of first refusal or approval by any party or board or group? (If yes, please describe in detail.)
    - Is the unit subject to a special assessment currently or is a special assessment under consideration by the governing board?
    - Is the condo association or other owners’ association subject to any current litigation? (If yes, please provide details.)
    - Is the unit current in payment of its assessments and fees?
What are the monthly association fees?

Ownership
- How is ownership held? (Personally, LLC, C Corporation, S Corporation, Trust, Undivided Interest, Family Limited Partnership?)
- Do any mortgages or liens exist on the property? If yes:
  - For what amount(s)?
  - If there is a mortgage, can the donor pay it off before making the gift?
  - If there is another type of lien, can the donor have it removed before the gift? (e.g., mechanic’s or tax lien)

Are there any easements on/through the property? If yes:
- What kind?
- By whom?
- Further details:

Property Value and Marketability
- When was the property purchased?
  - Was it within the last three years?
  - What is the donor’s cost basis?
  - Has any depreciation been taken against that basis and, if so how much?

What is the property’s fair market value?
- How do we know that number (e.g.: appraisal, area sales, donor’s best guess, etc.)?
  - Has a qualified appraisal been done? If yes, please share a copy and answer:
    - When?
    - By whom?
    - What’s the appraiser’s contact information?
  - Has the property been on the market recently (circle one)? If yes:
    - When?
    - For what amount(s)?
    - Were there any offers?
  - Is there any cash flow involved? If yes:
− What’s the estimated annual revenue?
− What are the estimated annual expenditures?
− What is its estimated net cash flow?

- Is the property currently involved in any pending litigation? If yes, what kind?

○ Are there any tenants on the property? If yes:
  - Describe the lease arrangement(s) and attach the leases:

  - Is rent current and has it ever been late in the past two years:

  - Who is currently managing the property?
    - Property manager’s contact information:
    
    - If the property is managed by the donor, is the donor willing to assist in the management until the property can be sold?

  - Are there any expectations any tenants will remain on the property after transfer/sale?

○ Is there insurance on the property? If yes:
  - What kind?
  
  - For what amount?

○ Do we know of any code requirements the property is not in line with? If yes:
  - Which?
  
  - What’s the cost to correct those deficiencies?

○ Does the donor have a preferred Realtor? If yes:
  - Who?
  
  - What is the contact information?

○ Does the donor have any potential buyers for the property? If yes:
  - Who?
  
  - Is there a prearranged sale agreement? (If no, tell the donor not to sign one without talking with us.)

• Does the donor have an attorney or financial adviser she plans to use through this process? If yes:
  ○ What kind of adviser(s)?

  ○ Name(s) and contact information?

• Who should be contacted to access the property and in what manner?
SECONDARY REVIEW

(To be completed by UIF Real Estate and Financial Services)

Donor Type (Individual, Business, or Estate):
Donor Legal Name:

Donor Contact Information
- Mailing address:
- Phone number:
- Email address:

Gift Information:
- Type: Outright/Life Income/Life Estate
- Prospective gift date:

Site Visit Appraisal/Assessment
- Date evaluated:

- Prepared By:
  - Mailing address
  - Phone number
  - Email address
- Value:
- Property survey results:
- Zoning status:
- Ingress/egress details:
- Description of prior use(s) of the property:
- Any contemplated or anticipated condemnations, rights-of-ways or other actions by municipality(ies)?
- Description of the surrounding properties’ use(s):
- Description of the building(s) on the property:
- Tiling and drainage information:
- Is the property enrolled in any governmental program—farm or conservation (CRP)?
- Any lead and radon disclosure(s)?
- Any mold disclosure(s)?
- Residential Real Property Disclosure Report completed?
- Environmental assessment necessary?
Second-Level Details

- Property manager details
  - Contact information:
    - Management agreement in hand?
    - Lease assignment/information on existing leasing activity?
    - Lease contract/termination?

- Financial information (last three years) for income property received?

- Will a real estate tax exemption be pursued for the property?

- Letter from UIF Comptroller requesting purchase/donation?

- Taxes (UIF or University Real Estate Services)
  - Existing real estate taxes, insurance premium, and assessments attributable to the property
  - Insurance:
    - Date email sent to Risk Management
CLOSURE DETAILS
(To Be Completed by UIF Real Estate and Financial Services)

- Form 8282 completed (if necessary)?
- Form 8283
  - Date sent to appraiser:
  - Date received from appraiser:
  - Date sent to donor:
- Deed approved by legal counsel?
  - Date of current deed:
  - Copy of recorded deed received?
- Title commitment approved by legal counsel?
  - Date received:
  - Recorded in cash receipts?
- Property information entered into “UIF Property Status Report.xlsx” or successor tracking interface?
- UIF Treasurer approval required?
- Selling firm/agent
  - Contact information:
    - Market analysis for value and salability?
    - Date listed:
    - List price:
    - Sales price:
    - UIF President approval for sale?
- Local utility information/switchover:
  - Gas:
  - Water:
  - Electric:
  - Sanitation:
- Has Legal Counsel and the Realtor prepared the sales contract?
- Has Legal Counsel prepared and approved the deed?
- Send copies of closing documents to accounting
- Send checks to Cash Receipts or Trust Services
- Notify property manager (if necessary)
- Remove documents from safety deposit box
- Board action?
- Send property file to records