Valuation of Investment Real Estate

University Policy

Applies to: All university personnel responsible for the management of real estate investments owned directly by the university or Ohio State University Foundation

Responsible Office

Office of Business and Finance

POLICY

Issued: 01/27/2008
Revised: 01/07/2021 (minor revision)

The university will regularly appraise all real estate investments to determine current market value.

Purpose of the Policy

To establish management over the valuation of certain types of real estate investments owned directly by the university or Ohio State University Foundation.

Definitions

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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</thead>
<tbody>
<tr>
<td>Exception</td>
<td>Any violation of or noncompliance with a university policy issued by the Office of Business and Finance (Business and Finance).</td>
</tr>
<tr>
<td>Waiver</td>
<td>Permission granted to a unit to operate differently than specified or required by a university policy issued by Business and Finance.</td>
</tr>
</tbody>
</table>

Policy Details

I. Background
   A. The university’s long-term investment pool invests in real estate using various vehicles.
   B. There are professionally managed funds, including real estate investment trust (REIT) and real estate oriented private equity funds. These funds are managed by third party real estate managers and incorporate their own formal valuation and revaluation policies and procedures. These funds are not the focus of this policy.
   C. The long-term investment pool may directly own real estate. The Ohio State University Foundation receives real estate gifts, most of which are sold, but may be held for investment. The university’s general fund may also own investment real estate. This policy covers these types of real estate investments, including those owned directly by the university or Foundation for investment purposes.

PROCEDURE

Issued: 01/27/2008
Revised: 01/07/2021 (minor revision)

I. Valuation
   A. Real estate investments are valued at market value for reporting purposes.
   B. Market values are determined by obtaining a qualified appraisal of all directly-owned real estate properties. [Appraisal Institute] appraisers are used to determine fair market values.
   C. Each directly-owned real estate investment property will be appraised at least every two years, unless a deferral is warranted. Appraisals will typically be conducted in the spring, to be available for June 30 valuations.

II. Valuation Deferrals
   A. In certain instances a valuation may not be needed.
   B. Financial Services must perform the following steps to conclude whether an appraisal is necessary or a deferral is warranted:
      1. Perform and document a walk-through of the property.
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2. Consult with real estate appraiser(s) or broker(s) concerning market conditions, documenting conclusions.
   C. If after collecting the above information, if it is determined that the market value has not changed from the previous appraisal, then a deferral will be made and documented.
   D. A deferral should not be made two consecutive times.
   E. Every property must be appraised at least every four years.

III. Waivers to this policy must be approved in advance and documented by the Office of Business and Finance, using the Business and Finance University Policy Waiver Request.

IV. Policy Violations
   A. All policy violations must be tracked as an exception in accordance with the Fiscal Stewardship policy.
   B. The university may require successful completion of training.
   C. The university may enforce corrective action, up to and including termination, in accordance with applicable policies or rules.
   D. The university may seek restitution, as appropriate.
   E. Criminal charges may be filed, as appropriate.

Responsibilities

<table>
<thead>
<tr>
<th>Position or Office</th>
<th>Responsibilities</th>
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<tbody>
<tr>
<td>Financial Services</td>
<td>Perform steps to conclude whether an appraisal is necessary or a deferral is warranted, as appropriate.</td>
</tr>
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</table>

Resources

Governance Documents
   Fiscal Stewardship policy, busfin.osu.edu/sites/default/files/111 internalcontrols.pdf

Business and Finance University Policy Waiver Request, docsign.net/Member/PowerFormSigning.aspx?PowerFormId=fd68959a-4afb-48bb-a0ae-67521b9ad821&env=na1&acct=387d1013-fb1c-4705-9bd9-7cf575f484ce&v=2

Appraisal Institute, appraisalinstitute.org/

Contacts

<table>
<thead>
<tr>
<th>Subject</th>
<th>Office</th>
<th>Telephone</th>
<th>E-mail/URL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy questions</td>
<td>Financial Services, Office of Business and Finance</td>
<td>614-292-6261</td>
<td>busfin.osu.edu/treasurer</td>
</tr>
<tr>
<td>Policy questions</td>
<td>Office of Investments, Office of Business and Finance</td>
<td>614-292-7887</td>
<td>busfin.osu.edu/investments</td>
</tr>
</tbody>
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History

Issued: 01/27/2008
Edited: 09/01/2014
Reviewed: 07/21/2015
Edited: 06/01/2019 Number removed from title
Revised: 01/07/2021 Minor revision