


## MEMORANDUM

**To:** Vice Presidents for Administration  
Executive Facilities Officers

**From:** Elvyra F. San Juan   
Assistant Vice Chancellor  
Capital Planning, Design and Construction

**Reporting Window**  
May 2, 2011 to May 31, 2011

**Date:** May 2, 2011

**Re:** 2012/2013 Tax Compliance, Space and Facilities Reporting

This memo requests campus changes to the custodial space report for the development of the 2012/2013 support budget request for new space, property insurance, and updates for the Space and Facilities Database (SFDB) for fall 2011. This call letter continues to outline the efforts and the steps needed to comply with the Internal Revenue Service (IRS) and State Treasurer's Office (STO) private use reporting procedures for all State and Nonstate Tax-Exempt Bond Funded facilities.

As the private use reporting procedures were new to campus operations during the last call letter we will continue our efforts to collect missing information and streamline the updating process. The necessary steps for compliance with the private use reporting procedures and a records retention system are described herein and are to be incorporated within the current Space and Facilities Database reporting window.

During fall 2010, the Chancellor's Office (CO) reviewed submitted documentation for all tax-exempt bond funded facilities with subleased and research spaces. The CO was able to cross reference with the Capital Planning Project Database for missing information, such as project fund number and dollar amount. Also, the CO cross referenced the Systemwide Revenue Bond (SRB) projects list, provided by the Financing and Treasury unit, against campus submittals. During this effort we compiled a *Facilities with Private Use Checklist On File with the CO* list that contains facilities with completed forms and a *Facilities Requiring Private Use Checklist* list that identifies all facilities that still require appropriate documentation from campuses. We request campuses to review and report all missing data for each list in order to continue our efforts to collect the information required to comply with IRS reporting procedures.

Chancellor's Office staff has worked with tax counsel to develop report forms (CPDC Forms 4-2, 4-4) to identify "safe-harbors" acceptable to the IRS for Tax-Exempt Bond Funded Facilities that receive external research funding and/or contain areas subleased for private use. Private activity use is generally defined as any arrangement with a commercial entity, a nonprofit organization unrelated to the CSU, or the US Government (including federally funded research grants) for a right to use a facility by means of ownership, leases, management, special legal entitlement, or special economic benefit. A large campus facility may house several areas with externally funded research activities and/or privately subleased areas; the status of all such areas in a tax-exempt bond funded facility must be reported annually.

Campus Vice Presidents for Administration shall assure compliance in reporting tax-exempt bond financed facilities and spaces occupied by externally funded research, and subleased areas.

This call letter establishes a six-step process for compliance with IRS private use reporting procedures:

1. Review the enclosed *Facilities with Private Use Checklist On File with the CO* list of State and Nonstate Tax-Exempt Bond Funded Facilities.
2. Review the enclosed *Facilities Requiring Private Use Checklist* of State and Nonstate Tax-Exempt Bond Funded Facilities.
3. Identify any new or previously unreported State and Nonstate Tax-Exempt Bond Funded Facilities which may include external research funding and/or areas subleased for private use.
4. Complete the *Private Use Checklist* and all appropriate forms.
5. Report the space use as part of the annual SFDB reporting process.
6. Maintain records for the life of the Tax-Exempt Bond.

### **IRS REPORTING PROCEDURES**

1. Facilities with Private Use Checklist on File with the CO
  - a. The CO Tax-Exempt Task Force has reviewed the fall 2010 campus submittal for State and Nonstate Tax-Exempt bond funded facilities and compiled a list of the completed submittals.
  - b. This memo requests campuses to review the *Facilities with Private Use Checklist on File with the CO*, Attachment A, and answer the question in the last column, "Are there any changes to the Private Use info/status compared to the previous year?", with a "yes" or "no" in regards to any changes compared to the information submitted during the last reporting window.
  - c. If yes, please follow the instructions in Step 4 below and submit appropriate forms to reflect updates.
  - d. Once campus has reviewed the list and completed all updates, the *Facilities with Private Use Checklist On File with the CO* will require the signature of the Vice President for Administration/Finance verifying the list.
2. Facilities Requiring Private Use Checklist
  - a. With campuses reporting efforts during last fall, the CSU is getting closer to collecting all pertinent information needed to comply with the IRS tax-exempt reporting requirements. However during the campus review process, our records indicate there are still missing forms for a few tax-exempt bond funded facilities.
  - b. This memo requests campuses to review the *Facilities Requiring Private Use Checklist*, Attachment B, and submit appropriate forms as stated in Step 4 below. (Chico, Maritime Academy, and Sonoma have fully reported and can skip this step.)
3. Identify Tax-Exempt Bond Funded Facilities
  - a. The facilities subject to IRS compliance on private activity use include all facilities financed with either (1) State general obligation bonds (GO); (2) State Public Works Board issued lease revenue bond funds (LRB) since 1988; and (3) all Systemwide Revenue Bond (SRB) financed projects, for the duration of the bond life, plus five years (typically 35 years).

- b. Campuses shall continue their efforts to report any new tax-exempt bond funded facilities on the main campus and off campus center(s), whether or not there is on-going private activity use.

#### 4. Campus Complete Required Forms

- a. For facility update in Step 1, missing forms in Step 2, or reporting a new tax-exempt funded facility from Step 3, campus will complete a *Facilities and Property Survey Private Use Checklist* (Attachment C). If you respond "Yes" to any of the six checklist questions, follow the directions for that item to complete the appropriate supporting documentation on **CPDC Form 4-2 and/or 4-4**.
- b. **CPDC Form 4-2** (Attachment D) *Facility Information Worksheet* should be completed for each facility that includes Subleased Areas.
- c. **CPDC Form 4-4** (Attachment E) *CSU Compliance with IRS "Private Business Use" Exclusions for Research Projects* should be completed for each facility that includes areas designated for externally funded research.
- d. All forms require signatures signifying validity of information and approval of private use. These forms will be submitted to the STO via the CO. The forms serve to identify the "safe-harbors" for private use acceptable to IRS.
- e. Digital versions and instructions for these forms are available at:  
[http://www.calstate.edu/cpdc/Facilities\\_Planning/Space\\_Mgmt/Forms/](http://www.calstate.edu/cpdc/Facilities_Planning/Space_Mgmt/Forms/)

#### 5. CO Review Campus Forms

- a. The CO Tax-Exempt Task Force will review annual campus submittals of all referenced forms to determine if tax counsel review is necessary. Financing and Treasury will report "safe-harbors" for private use to the STO annually as requested in order to maintain the tax-exempt status of bonds.
- b. The facilities information provided during the reporting window will be validated and entered into the SFDB which in turn will provide detailed reports as required by IRS and STO.

#### 6. Next Steps

- a. Campus shall continue to incorporate internal procedures for the administration of externally funded research use and leasing of space that will incorporate the review of the *Private Activity Use Checklist* as part of the **initial** stages of a research grant proposal or proposed sublease of space.
- b. Campuses with new State Public Works Board (PWB) lease revenue bond funded facilities shall provide proposed sublease agreements within these facilities to CPDC for PWB review and approval at least two months **prior** to leasing space to auxiliaries or private lessees.
- c. Both the campus and CO will continue to retain auditable records for the term of the bonds (typically 35 years) as required by the IRS. Campus records are required to document payment of invoices for the original project construction or renovation funded by tax-exempt bonds (as best possible for older buildings); and all subsequent facility leases, subleases and management contracts for private activity use such as food service, bookstores, etc. Records of sponsored research must also be retained. Please review the Records Retention Checklist, which is available on the CSU website:  
[http://www.calstate.edu/cpdc/Facilities\\_Planning/Space\\_Mgmt/Resource\\_Documents/](http://www.calstate.edu/cpdc/Facilities_Planning/Space_Mgmt/Resource_Documents/)

## **2012/2013 CUSTODIAL SPACE AND PROPERTY INSURANCE**

Please review and follow the Custodial and Farm Space Policy and Guidelines, which are available on the CSU website: [http://www.calstate.edu/cpdc/Facilities\\_Planning/Space\\_Mgmt/Resource\\_Documents/](http://www.calstate.edu/cpdc/Facilities_Planning/Space_Mgmt/Resource_Documents/).

Attachment F is your campus' 2011/2012 Custodial Report. Please review this document and report all **new** state-maintained square footage, and any changes to the campus' facility, farm square footage and improved and unimproved acreage on the custodial worksheet (CPDC 4-1). Your campus' CPDC 4-1 worksheet is available on the CSU website. Please access the following URL to download the file: [http://www.calstate.edu/cpdc/Facilities\\_Planning/Space\\_Mgmt/Forms/CustMaint/index.shtml](http://www.calstate.edu/cpdc/Facilities_Planning/Space_Mgmt/Forms/CustMaint/index.shtml).

Custodial funding requests for new facility space must be accompanied by the Facility Information Sheet (CPDC 4-2) and the Space and Facility Database Worksheet (CPDC 4-3). The detailed use of assignable square feet for occupied new space during fall 2011 is also required to be reported by the campus SFDB coordinator during this SFDB annual update. CPDC 4-2 and CPDC 4-3 forms can be downloaded from the CSU website: [http://www.calstate.edu/cpdc/Facilities\\_Planning/Space\\_Mgmt/Forms](http://www.calstate.edu/cpdc/Facilities_Planning/Space_Mgmt/Forms).

Campuses are required to submit square footage data for **all** state and nonstate facilities listed on the campus master plan and legend. Complete information on the campus facility inventory is required for accurate facility data for insurance purposes, as well as benchmarking for energy conservation and physical plant staffing.

Any reported changes submitted to CPDC by May 31, 2011 will be reflected on the 2012/2013 Custodial and Farm Space Report, and forwarded to the CSU Budget Office after review.

## **FALL 2011 SPACE AND FACILITIES DATABASE UPDATE**

The SFDB provides essential information related to facility planning, space planning and utilization. Campus capacity entitlements of lecture and teaching laboratories are based on the SFDB data. The SFDB must be updated and reconciled on an annual basis as this information serves as the foundation for several capital planning processes and campus requests for new space support budget funding. Reported changes in capacity and assignable square footage are updated annually for inclusion on the Capital Planning tools.

The SFDB annual reporting window will be open from May 1 to May 31, 2011 in order to support the capital outlay planning processes and to correlate the update with the Academic Planning Database (APDB) fall term reporting schedule.

The campuses' fall 2010 SFDB space files are available in Excel format on the CO website at: [http://www.calstate.edu/cpdc/Facilities\\_Planning/Space\\_Mgmt/Reports/Campus\\_SFDB/Fall2010\\_sfdb.shtml](http://www.calstate.edu/cpdc/Facilities_Planning/Space_Mgmt/Reports/Campus_SFDB/Fall2010_sfdb.shtml).

All rooms that are scheduled for fall term classes must be included in the SFDB update to correlate with the APDB fall term section audit report and avoid non-matching SFDB facility/space ID errors. All SFDB update data must be entered during the May 2011 reporting window period. Please refer to the SFDB User Manual for step by step instructions on the update process. The SFDB User Manual is also available on the website at: [http://www.calstate.edu/cpdc/Facilities\\_Planning/Space\\_Mgmt/Resource\\_Documents/SFDB\\_User\\_Manual/](http://www.calstate.edu/cpdc/Facilities_Planning/Space_Mgmt/Resource_Documents/SFDB_User_Manual/).

## **CONTACTS and SUBMITTALS**

a. For questions contact:

- Custodial space and SFDB - Theresa Tsik, Associate Facility Planner at (562) 951-4159.
- Facility leases - Tom Roberts, Director of Contract Services and Procurement at (562) 951-4583.
- Property insurance - Rebecca Skidmore, Risk Management Analyst at (562) 951-4574.
- Private use in state facilities - Larry Piper, Chief of Facilities Planning at (562) 951-4106.

- Private use in nonstate facilities - Rosa Renaud, Senior Financial Manager at (562) 951-4566.
  - Sponsored programs - Sue DeRosa, Director of Sponsored Programs (562) 951-4213.
- b. Submittals: Please return your electronic custodial and property insurance submission to Theresa Tsik, Associate Facility Planner at [ttsik@calstate.edu](mailto:ttsik@calstate.edu). Submit all requested CPDC Private Use reporting forms and updates to Larry Piper, Chief of Facilities Planning, at [lpiper@calstate.edu](mailto:lpiper@calstate.edu).
- c. The CO Tax-Exempt Task Force solicits your comments and suggestions towards the improvement of the procedures outlined by this memo for compliance with the private use reporting process and record retention system.

ESJ:TT

Attachment A: Facilities with Private Use Checklist On File with the CO  
Attachment B: Facilities Requiring Private Use Checklist  
Attachment C: Facilities and Property Survey Private Use Checklist  
Attachment D: Facility Information Worksheet (subleased area), CPDC 4-2  
Attachment E: Compliance with IRS "Private Business Use" Exclusions for Research Projects in Tax-Exempt Bond Funded Facilities (externally funded research), CPDC 4-4  
Attachment F: 2011/2012 Custodial Report

- c: Physical Plant Directors  
Chief Research Officers  
Chief Budget Officers/FOA Delegates  
Risk Managers  
Procurement Officers  
Facility and Space Planners  
SFDB Coordinators  
Benjamin F. Quillian, Executive Vice Chancellor/Chief Financial Officer, Chancellor's Office  
George Ashkar, Assistant Vice Chancellor/Controller, Chancellor's Office  
Charlene Minnick, Assistant Vice Chancellor/Chief Risk Officer, Chancellor's Office  
Rodney Rideau, Director of System Budget, Chancellor's Office  
Shawn Holland, Physical Plant Program Manager, Chancellor's Office  
Rebecca Skidmore, Risk Management Analyst, Chancellor's Office  
CPDC Planners  
CO Tax-Exempt Task Force:  
Elvyra F. San Juan, Assistant Vice Chancellor, CPDC  
Robert Eaton, Senior Director, Financing and Treasury  
Rosa Renaud, Senior Financial Manager, Financing and Treasury  
Angelique Sutanto, Senior Financial Analyst, Financing and Treasury  
Sue DeRosa, Director of Sponsored Programs Administration  
Tom Roberts, Director of Contract Services and Procurement  
Darryl Dearborn, Contract Manager, Contract Services and Procurement  
Roberta McNiel, Manager, Internal Control and Compliance, Financial Operations  
Nikhil Bassi, Systemwide Tax and Legislation Analyst, Financial Operations  
Larry Piper, Chief of Facilities Planning, CPDC  
Nancy Freelander-Paice, Executive Program and Fiscal Manager, CPDC  
Theresa Tsik, Associate Facility Planner, CPDC  
Eric Chan, Space Analyst, CPDC