MEMORANDUM

To: Vice Presidents for Administration
   Executive Facilities Officers

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

Date: March 28, 2014

Re: 2015-2016 Tax Compliance, Custodial, Space and Facilities Reporting

This call letter requests campus updates to private use reporting, and to the custodial space report for the development of the 2015-2016 support budget requests for new space, property insurance, and updates for the Space and Facilities Database (SFDB) for fall 2014.

The steps needed to comply with the Internal Revenue Service (IRS) and State Treasurer’s Office (STO) private use reporting procedures are outlined below for all state and nonstate tax-exempt bond funded facilities. The steps for compliance with the private use reporting procedures and a records retention system are described herein and are to facilitate the campus response during the current Space and Facilities Database reporting window.

Chancellor’s Office (CO) staff continues to work with our tax counsel to improve and clarify 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 U.S. 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. Campuses may have several facilities, spaces, or areas with externally-funded research activities and/or privately subleased facilities or areas. The status of all such tax-exempt bond funded campus facilities, spaces or areas must be reported annually and monitored to assure compliance.

Campus Vice Presidents for Administration & Finance/Chief Financial Officer (CFO) shall assure compliance in reporting tax-exempt bond financed facilities and spaces occupied by externally funded research, and subleased areas or spaces. Please note campuses are required by the IRS to maintain accounting, lease, grant, and other related records and documentation for the duration of bond(s) plus five years, generally 35 years. Please refer to the Records Retention Checklist (Attachment F) for a complete listing.

IRS REPORTING PROCEDURES

1. Review the enclosed 2014 Private Use Status Update (Attachment A) list of state and nonstate tax-exempt facilities.
   a. The CO has reviewed the fall 2013 campus submittals 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 2014 Private Use Status Update list 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 Steps 3 and 4 below and submit appropriate forms to reflect updates. Once the campus has reviewed the list and completed all updates, the 2014 Private Use Status Update list form will require the signature of the Vice President for Administration & Finance/CFO verifying the list.

d. If “no”, please submit the 2014 Private Use Status Update list to the CO with the required signature of the Vice President for Administration & Finance/CFO.

2. For this reporting period, 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.

   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 (PWB) issued lease revenue bond funds since 1988; (3) all Systemwide Revenue Bond (SRB) financed projects; and (4) Commercial Paper (CP). All four types shall be reported for the duration of the bond life, plus five years (generally 35 years).

   b. Campuses shall continue their efforts to monitor, identify, and report any new tax-exempt bond funded facilities on the main campus and off-campus center(s). See Step 5 for additional information.

   c. Please follow instructions in Steps 3 and 4 below and submit the appropriate forms to reflect any new or unreported private use items.

3. Complete the Private Use Checklist and all appropriate forms.

   a. For facility updates identified in Step 1 or reporting a new tax-exempt funded facility from Step 2, campus will complete a Facilities and Property Survey Private Use Checklist (Attachment B). 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 as described below.

   b. CPDC Form 4-2 (Attachment C) Facility Information Worksheet should be completed for each facility that includes Subleased Areas.

   c. CPDC Form 4-4 (Attachment D) 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 checklists and forms require signature of the Vice President for Administration & Finance/CFO signifying the validity of the 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/
4. Report the space use as part of the annual SFDB reporting process.

   a. **CPDC Form 4-3** (Attachment E) *Space And Facility Database Worksheet* should be completed to update space use for private activity, as reported in Step 1 or Step 2. Note that these space changes should be submitted along with fall 2014 updates.

5. 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 *Facilities and Property Survey Private Use Checklist* as part of the **initial** stages of a research grant proposal or proposed sublease of space. Federal grant funded contracts should be reviewed.

   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 State Public Works Board review and approval at least two months **prior** to leasing space to auxiliaries or private lessees.

   c. Campus shall forward this memo to the Enterprise Program Directors, Auxiliary Organization Directors, and to any person(s) that will be involved in providing the necessary information to comply with the reporting procedures.

   d. Campus shall continue to incorporate internal procedures for monitoring of any on-going or new private activity usage and leasing of space utilizing the review of the *Facilities and Property Survey Private Use Checklist* as part of the continual compliance with IRS regulations. This includes private activity use that may relate to equity contribution from facilities such as student unions and campus housing, or program reserves. Note: In general, there is a 10% limit on private use based on assignable square footage.

   e. CO Financing and Treasury will ask campuses to complete an Allocation of Bond Proceeds analysis for state and nonstate tax-exempt bond funded facilities at different points in time in order to document expenditures, equity contributions, and private activity usage. This is done to ensure compliance with IRS regulations.

   f. 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 as outlined in *Records Retention Checklist*, Attachment F. Campus records are required for each bond funded project (for both state and nonstate facilities) to document accounting and 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. Campuses need to be able to access records in a timely and systematic manner.

**2014-2015 CUSTODIAL SPACE AND PROPERTY INSURANCE**

Attachment G is your campus’ 2014-2015 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.

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 2013 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.

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 30, 2014 will be reflected on the 2015-2016 Custodial and Farm Space Report, and forwarded to the CSU Budget Office after review.

FALL 2014 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 use as capital planning tools: http://www.calstate.edu/cpdc/Facilities_Planning/Space_Mgmt/Reports/campus_SumCap.shtml.

The SFDB annual reporting window will be open from May 1, to May 30, 2014 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 2013 SFDB space files are available in Excel format on the CO website at: http://www.calstate.edu/cpdc/Facilities_Planning/Space_Mgmt/Reports/Campus_Fac/2013/.

All rooms that are scheduled for fall term classes must be included in the SFDB update to correlate with the APDB 2014 fall term section audit report and to avoid non-matching SFDB facility/space ID errors. All SFDB updates must be entered during the May 2014 reporting window period. Please refer to the SFDB User Manual for step by step instructions on the update process. The SFDB User Manual is available on the website at: 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 Tsk, 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, Senior Risk Management Analyst at (562) 951-4574.
- Private use in state facilities - Eric Chan, Associate University Planner at (562) 951-4109.
- Private use in nonstate facilities - Rosa Renaud, Associate Director 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 and IRS Private Use reporting forms to Theresa Tsik, Associate Facility Planner at ttsik@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.

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Attachment A: 2014 Private Use Status Update
Attachment B: Facilities and Property Survey Private Use Checklist
Attachment C: Facility Information Worksheet (subleased area), CPDC 4-2
Attachment D: Compliance with IRS “Private Business Use” Exclusions for Research Projects in Tax-Exempt Bond Funded Facilities (externally funded research), CPDC 4-4
Attachment E: Space and Facility Database Worksheet, CPDC 4-3
Attachment F: Records Retention Checklist

c: Directors of Facilities Operations
Chief Research Officers
Chief Budget Officers/FOA Delegates
Risk Managers
Procurement Officers
Facility and Space Planners
SFDB Coordinators
Sally F. Roush, Interim Vice Chancellor, Business and Finance, Chancellor’s Office
George V. Ashkar, Assistant Vice Chancellor/Controller, Chancellor’s Office
Rodney Rideau, Acting Deputy Assistant Vice Chancellor, Budget, Chancellor’s Office
Shawn Holland, Physical Plant Program Manager, Chancellor’s Office
Rebecca Skidmore, Senior Risk Management Analyst, Chancellor’s Office
CPDC Planners

CO Tax-Exempt Task Force:
Elvyra F. San Juan, Assistant Vice Chancellor, CPDC
Robert Eaton, Acting Deputy Assistant Vice Chancellor, Financing & Treasury/Systemwide Risk Management
Rosa Renaud, Associate Director, Financing and Treasury
Angelique Sutanto, Assistant Manager, 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
Larry Piper, Chief of Facilities Planning, CPDC
Nancy Freelander-Paice, Director of Capital Programs, CPDC
Theresa Tsik, Associate Facility Planner, CPDC