5.2.5 REAL ESTATE LEASES

Last updated on:

This Guide Memo describes policies that apply to off-campus real estate leases. Capital and operating lease liabilities utilize the University’s debt capacity. All uses of debt must comply with the University’s debt policy and require prior approval. The only parties authorized to execute documents that commit Stanford to real estate lease obligations are the Vice President for Land, Buildings & Real Estate; the Associate Vice President, Real Estate; or their designees. For relevant policies, see section 1 in Administrative Guide Memo 5.1.1: Procurement Policies [1]. Approvals, requisition processes and reporting requirements are included.

Authority:
Approved by the Vice President for Land, Buildings & Real Estate.

1. Definitions and Terms

Real Estates Leases
Real Estate Leases are contracts under which a lessee has committed to pay stipulated cash payments for the use of real estate for a specific period of time. Real Estate leases are considered long-term financial obligations of the University. Therefore, all new real estate leases and lease renewals are considered a use of the University’s debt capacity.

2. Real Estate Leases

a. Background
When the academic core campus becomes more space-constrained, academic and administrative units begin to look for options outside of campus boundaries to fulfill their space requirements. While physical planning on campus is centrally managed with rules and guidelines established by the University, locations off campus are subject to a completely different set of jurisdictional regulations and University policies depending upon where a particular property is situated. Prospective off-campus users should be made aware of these respective policies prior to choosing their final space destination. These policies are intended to address the political and economic realities of locating an operation or unit outside the academic core campus.

b. Off-Campus Leasing Requirements
1. All off-campus users (whether occupying space on Stanford Real Estate Lands or not) are required to:
   a) Confirm their use and/or proposed construction plan confirms with the local zoning code
   b) Understand jurisdictional design and construction review and approval processes
   c)
Pay all necessary fees for jurisdictional and University approval (GUP/SIP fees do not apply)
d) Engage their own resources, including leasing agent, to find space and negotiate the lease
e) Self-administer leases
f) Consult with LBRE before removing property from County property tax rolls

d. Requisition
Prior to negotiating lease terms, departments must submit an off-campus lease requisition form to the
Associate Vice President, Real Estate. The form can be downloaded from the Land, Buildings & Real Estate
website [2]. The Associate Vice President, Real Estate will advise in the search, or direct the requestor to an
approved real estate advisor.

e. Approval Forms
Prior to executing a lease, departments must submit an off-campus lease approval form to the Associate Vice
President, Real Estate. Real estate lease approval forms can be downloaded from the Land, Buildings & Real
Estate website [2]. After approval of the lease transaction and execution of the lease, departments must
request a Purchase Order or BU number from Procurement for the total contracted cash payments over the
term of the lease, to ensure proper recording of the transaction and to enable payments.

f. Lease Terms
The Associate Vice President, Real Estate or their designee, will assist departments in negotiating lease
terms. Real estate leases must be executed by the Vice President for Land, Buildings & Real Estate, the
Associate Vice President, Real Estate or their designee, or the Administrator designated by the Finance
Committee of the Board of Trustees. Material exceptions to standard terms must be reviewed and approved
by the Office of the General Counsel.

**g. Reporting Requirements**
By January 15 of each year, departments must provide Land, Buildings & Real Estate a schedule of all real estate lease obligations to assist with the preparation of the University’s College Exemption property tax filing.

**h. Insurance**
Lessor’s insurance for real estate leases should cover damage to the building and premises and injury occurring in the building’s common areas. For more information, contact the Director of Risk Management.

**i. Change of Terms**
Departments must observe the start and stop dates of the lease. Occupying the real estate property outside the terms of the agreement has significant contractual implications and may subject Stanford to additional rental charges, early termination charges, and other liabilities. The lessor’s insurance may be valid only during the stated period. To terminate a real estate lease early, the department must contact the Associate Vice President, Real Estate.

**j. Renewals and Extensions**
Departments must follow the approval process to extend the duration of the original contract, exercise options included in the original contract, or renew a real estate lease.


**Links**