

## **Board Policy 0110 Supplement**

### **The Claremont Colleges, Inc. (TCC) Policy for Valuation of TCC Property to Be Transferred to Constituent Member Institutions**

This policy shall amend and clarify Policy No. 0110 adopted by the Consortium Board of Overseers on January 18, 2006, and by The Claremont Colleges Board of Directors on [date] which governs the valuation of property owned by The Claremont Colleges, Inc. (TCC) to be transferred to constituent member institutions. This Policy Supplement further describes the required qualifications of appraisers, the required methodology for appraisals and instructions to appraisers.

**1. Appraisers.** Except as set forth in Section 4, all property to be transferred by TCC to an acquiring constituent member institution (or institutions, in either event, an “**Acquiring Institution**”) shall be valued by appraisers selected by TCC, having the qualifications and using the reconciliation methodology set forth in this Section 1.

a. **Selection; Payment of Costs.** TCC shall select appraisers having the qualifications set forth in Section 1(b), and all costs and fees of the appraisers shall be paid by TCC.

b. **Required Qualifications.** All appraisers providing appraisals of property to be transferred from TCC to an Acquiring Institution shall have the following qualifications:

An appraiser shall:

i. Not be a past or current employee of TCC or any of its constituent member institutions or otherwise be affiliated (such as an alumnus) with any constituent member institution;

ii. Be an MAI member of the Appraisal Institute in good standing;

iii. Be a State of California Certified General Real Estate Appraiser in good standing;

iv. Have at least 10 years of full-time experience appraising property in Southern California;

v. Have substantial experience appraising properties of the type to be appraised (e.g., if the appraisal is for vacant land, the appraiser should have experience appraising vacant land of similar size); and

vi. Preferably, have experience appraising land used for educational purposes.

c. **Multiple Appraisals; Price Rectification.** In each instance of a transfer of TCC property to an Acquiring Institution, TCC shall select and retain two qualified appraisers.

i. **Similar Materials and Specifications.** Each appraiser shall be provided with the same statement of facts affecting the property and materials (such as title reports or other studies) and appraisal instructions. Any follow-up communication or direction (whether in response to an appraiser's question or otherwise) shall be in writing and submitted by TCC to both appraisers and to the Acquiring Institution.

ii. **Rectification.** When both appraisals are completed, if the valuation set forth in the higher valuation is less than 20 percent greater than the lower valuation, the purchase price of the property shall be the average of the valuation set forth in the two appraisals. If the valuation set forth in the higher valuation is more than 20 percent greater than the lower valuation, then a third qualified appraiser shall be retained by TCC (with costs paid by TCC). TCC shall provide the third appraiser with all statements, materials and instructions previously provided to the first two appraisers together with all work product submitted by the first two appraisers to TCC. The third appraiser shall be instructed to (a) review all materials provided by TCC to the first two appraisers, (b) review the work product of the first two appraisers, (c) perform her or his own independent appraisal, (d) determine a value that is neither lower than the lower valuation nor higher than the higher valuation determined by the first two appraisers, and (e) provide a written statement of the reasons why her or his valuation differs from one or both of the previous valuations. The purchase price of the property shall be the valuation set forth in the third appraisal.

2. **Appraisal Specifications.** Except as set forth in Section 4, all property to be transferred by TCC to an Acquiring Institution shall be valued by appraisals having the specifications set forth in this Section 2.

a. **Time of Appraisal.** All appraisals shall be performed within six months prior to the transfer or effective transfer of TCC property to ensure that pricing has not changed substantially between the appraisal date and the sale date. In circumstances in which the sale date is to be substantially delayed (such as by the requirement that a subdivision be completed), price stability may be created by establishing a purchase price within six months after the appraisals have been performed and then transferring ownership costs to and assessing interest on the unpaid purchase price on the Acquiring Institution from the date of such effective transfer.

b. **Property Description; Archaic Easements and Covenants.** TCC shall provide appraisers with a preliminary title report describing the land to be sold (with such report to be prepared by a title company selected by TCC, and the costs of such report shall be paid by TCC). If the title report contains archaic or otherwise removable easements or covenants, TCC shall attempt to remove such easements and covenants prior to providing the title report to the appraisers or, if a rapid appraisal is desired, TCC may elect to determine which easements and covenants are likely to be removed and instruct the appraisers not to consider such easements and covenants when conducting their appraisals. The fees and costs associated with removing the easements and covenants shall be paid by TCC.

c. **Zoning; Deed Restriction; Repurchase Option.**

i. Zoning. Appraisers shall be instructed to consider the effect of the then-existing zoning on the value of the property being appraised.

ii. Imposition of Deed Restrictions; Repurchase Option. TCC shall place deed restrictions and repurchase conditions on property transferred from TCC to an Acquiring Institution. The deed restrictions shall require that the acquired property be used for nonprofit educational purposes by the Acquiring Institution and shall provide TCC with an option to repurchase the property at market value in the event that the Acquiring Institution intends to alter the usage of, or to transfer, the acquired property. Except as set forth in Section 4, market value at repurchase shall be calculated using the same methodology as was used when the Acquiring Institution acquired the property from TCC.

iii. Consideration of Deed Restrictions; Repurchase Option on Valuation. Because it is anticipated that TCC may utilize funds received from the sale of property currently owned by TCC to purchase replacement property, and it is deemed disadvantageous for TCC to be required to sell property for less than its free-market acquisition pricing, the appraisal methodology shall differ between property owned by TCC at the date this policy is adopted and property acquired by TCC after the date this policy is adopted.

A. Property Owned Prior to This Policy's Adoption. With respect to the transfer of property that is owned by TCC as of the date of this policy's adoption, appraisers shall be instructed to consider the impact of the deed restrictions and repurchase option to be imposed by TCC on the value of the property to be acquired.

B. Property Acquired After This Policy's Adoption. With respect to the transfer of property that is acquired by TCC after the date of this policy's adoption, appraisers shall be instructed not to consider the impact of the deed restrictions and repurchase option to be imposed by TCC on the value of the property to be acquired.

d. **Condition of Property and Improvements**. The appraisals shall consider the then-current condition of the property and improvements being appraised.

e. **Multiple Purchasers**. In instances in which the Acquiring Institution consists of more than one constituent member institution, with each institution acquiring a portion of a larger site owned by TCC, appraisals shall be performed on the entire site with the aggregate market value allocated among the purchasers pursuant to Section 3.

3. **Allocation of Valuation**. In instances in which the Acquiring Institution consists of more than one constituent member institution, the purchase price and any costs shall be allocated between the constituent member institutions in accordance with (a) the proportionate share of the entire site being acquired by each constituent member institution (e.g., if three constituent member institutions were acquiring three acres of land, they would each pay one-third of the purchase price and any costs) or (b) as unanimously agreed in writing by each of the acquiring constituent member institutions.

4. **Replacement Cost Review**.

a. Replacement Cost Review. "Replacement Cost Review" means review by the Board to determine only if a proposed disposition will result in proceeds equal to the

Replacement Cost (as defined in the following paragraph).

b. Use of Replacement Cost Review. When TCC transfers improved property that is used or intended to be used by TCC to a constituent member institution, Replacement Cost Review shall be used to establish the value of such property.

c. Replacement Cost. “**Replacement Cost**” means (i) the appraised value (established pursuant to the Appraisal Policy) of the land to be transferred and (ii) the estimated cost to construct a facility (“**Construction Cost Estimate**”) (1) of the same size, quality and character, as the improvements being transferred, (2) using modern materials and current standards, design and layout, (3) at prices existing on the appraisal date but allowing for cost escalations during a three year design and construction process, and (4) including soft costs, such as design and engineering fees and permit fees.

d. Construction Cost Estimate. Construction Cost shall be determined by two qualified construction cost estimators each (i) selected by TCC, (ii) paid by TCC, (iii) working independently, (iv) having at least five years’ experience in estimating construction costs for like improvements in Southern California, and (v) not a regular employee of TCC.

e. Rectification. When both Construction Cost Estimates are completed, if the cost set forth in the higher estimate is less than 20 percent greater than the cost set forth in the lower estimate, the Construction Cost Estimate used to determine Replacement Cost shall be the average of the valuation set forth in the two Construction Cost Estimates. If the cost set forth in the higher estimate is more than 20 percent greater than the cost set forth in the lower estimate, then a third qualified construction cost estimator shall be retained by TCC (with costs paid by TCC). TCC shall provide the third estimator with all statements, materials and instructions previously provided to the first two estimators together with all work product submitted by the first two estimators to TCC. The third estimator shall be instructed to (i) review all materials provided by TCC to the first two estimators, (ii) review the work product of the first two estimators, (iii) perform her or his own independent estimation, (iv) determine a construction cost that is neither lower than the lower cost estimate nor higher than the higher cost estimate determined by the first two estimators, and (v) provide a written statement of the reasons why her or his estimate differs from one or both of the previous estimates. The Construction Cost Estimate used to determine Replacement Cost shall be the Construction Cost Estimate provided by the third estimator.

f. Repurchase Price. In instances of property sold by TCC to an Acquiring Institution using the Replacement Cost Review methodology, the repurchase option shall specify that TCC may repurchase the acquired property for a price that equals the greater of (i) the price paid by the Acquiring Institution using Replacement Cost Review methodology or (ii) the appraised market value as described in Sections 1 and 2.

**Policy history:**

Adopted by the CUC Board Executive Committee, 12/20/2011

Section 1.c.ii amended by Resolution of the CUC Board, 05/13/2015

Section 4 amended by Resolution of the CUC Board via unanimous written consent, 06/30/2015

Approved for name change revision by TCC Board of Directors, April 3, 2018

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