

Commercial Rent Arrears Policy

Effective Date: August 9, 2006

Policy Statement

Commercial tenants must keep their lease obligations and pay their rent and fees in full and on time. Those who have rent arrears are obligated to make full payment. Staff must, to the best of their ability, treat tenants fairly and consistently.

Reason(s) for the Policy

From a University-wide perspective, it is important that there is some consistency of treatment of commercial tenants and that it is possible to show that consistency to tenants and those who inquire and advocate on their behalf. The response to these tensions is likely to be in procedural consistency that requires the same schedule and type of follow up with a tenant, and still allows for individual plans and discretion on escalation to more stringent enforcement of an arrears case.

Primary Guidance to Which This Policy Responds

None

Responsible University Office & Officer

Vice President for Real Estate, Real Estate Group
Controller, Finance

Revision History

None

Who is governed by This Policy

Staff of Commercial Leasing, Asset Management and Leasing & Acquisitions
Controller's Office and Finance Department

Who Should Know This Policy

Staff of Commercial Leasing, Asset Management and Leasing & Acquisitions
Controller's Office and Finance Department

Exclusions & Special Situations

None

Policy Text

Commercial tenants who have leases or licenses with the University are obligated to make all rent or fee payments in full and on time. When a Commercial tenant has arrears, Commercial Leasing and Asset Management must work with the tenant following a consistent procedure. According to the Procedure, the tenant is contacted numerous times in person, by phone and in writing to confirm understandings, develop agreements and

procedures and make payments. If the tenant still does not keep his financial obligations, Commercial Leasing and Asset Management can explore escalation steps. In addition, in a parallel process, the Financial Departments of the University must work closely with the Real Estate Group to ensure that Rent Arrears Reports and other related information are circulated for the appropriate review on a regular basis with updates information and that responsible parties are kept apprised of the situation.

Responsibilities

Commercial Leasing and Asset Management are responsible for working with commercial tenants who have arrears. They must follow a consistent procedure.

- Components of a consistent follow up procedure include:
 - An initial letter automatically generated by the billing system for any rent not received by a certain date
 - A conversation, by phone or in person, between the tenant and Commercial Leasing and Asset Management for arrears that are 30, 60, or 90 days old, with subsequent documentation (usually an email or letter) making a record of the conversation(s) and confirming any agreements and decisions arrived at
 - The creation of an official arrears case for any arrears that are more than 120 days old. All cases will get reported on the quarterly arrears report managed by the Controller's Office. All arrears cases will receive broader attention and discussion (i.e. with executive staff along with Commercial Leasing and Asset Management)
 - For each arrears case, the Commercial Leasing and Asset Management will work with the tenant to explore a range of payment options and arrive at plan with measurable follow-through components (e.g. amounts, dates) and that will reduce and clear the arrear in a timeframe that is acceptable to the University
 - In cases where a tenant will not work towards a plan, reneges on a plan, or otherwise fails to meet the terms of the plan, the Commercial Leasing and Asset Management is authorized and required to explore escalation steps with University executive staff

- On a regular basis, the University, under the direction of the Controller, will review and make decisions on which rent arrears will be written off. Decisions will be informed by the assessment and recommendation of the commercial property manager, but will, ultimately, be the responsibility of the Controller. A decision to write off a rent receivable does not preclude the possibility of pursuing the arrear. Rent arrears that are written off will be reported in the subsequent quarterly report, and will receive any additional documentation deemed appropriate or necessary. Each operating unit is expected to keep a reserve fund of a reasonable estimated amount to cover rent receivables that are ultimately written off.

- The Controller's Office will create and circulate a rent arrears report, and it will be the responsibility of each commercial property manager to report new cases

and provide updates and status information on existing cases until they are resolved. The quarterly report for commercial rent arrears will be circulated to Commercial Leasing and Asset Management, identified executive staff of each facility organization, the Executive VP for Finance and the Senior Executive VP.

Definitions

None

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