Real estate solutions for most property types

Real estate may be the most highly appreciated asset an individual owns. Yet real estate — whether it’s a commercial property, a rental property, the family home or undeveloped land — is often overlooked as a powerful charitable giving asset.

A gift of real estate to Arizona State University can be a highly effective financial and philanthropic strategy, allowing property owners to leverage one of their most valuable investments to achieve maximum impact with their charitable giving. Depending on which giving strategy your clients choose, their real estate donation could involve a commission for you.

Property owners enjoy immeasurable benefits, but they must also be aware of the potential downsides as well. Simply caring for land or property requires significant time and financial resources, and capital gains tax on the sale of the asset can be severe. When gifting real estate, however, owners may avoid such challenges and secure immediate financial benefits, including significant tax savings, while simultaneously supporting students and enhancing the future of higher education at ASU. University Realty accepts and monetizes real estate gifts for the ASU Foundation.
Bargain sale

Perhaps you have a problem property on your hands. Deferred maintenance? Functionally obsolete? Struggling to lease or sell the property? Close to losing the listing? If your client owns a property that is hard to sell or has challenges, they have the opportunity to sell their property for a cash price less than the appraised value in exchange for a variety of possible benefits, to the donor:

- Bring in cash from the sale.
- Receive a charitable tax deduction on the gifted portion in the year the gift was received plus up to five years after to realize the full deduction.
- Reduce capital gains tax.
- Remove taxable assets from their estate.
- Enjoy relief from the burden of upkeep and property taxes.

Real estate professional benefits:

- Help reduce clients’ tax liability from other business income.
- Monetize challenging listings.
- Potentially earn multiple commissions: not only can you sell your listing, the opportunity exists to reposition, lease and resell the property on behalf of the ASU Foundation.

Industrial example:

University Realty acquired a dated manufacturing building in Broadway Industrial Park through a bargain sale. The warehouse is 50,450 square feet on about 4.3 acres of land and is zoned for general industrial use. The property was appraised at just under $4.3 million, and University Realty provided the seller $2.5 million in cash plus a recognized charitable donation of almost $1.8 million. University Realty leased the parking lot before selling the property to an opportunity zone developer for $4.3 million.
Residential example:
University Realty acquired a rental home through a direct donation. The donors have been longtime ASU donors and gifted their rental house to fund naming rights and scholarships pledged to The College of Liberal Arts and Sciences. The donors could recognize the full value of the donation and avoid significant capital gains tax by donating the property. University Realty accepted the property, completed some minor repairs, and listed it with a broker familiar with the neighborhood — the property sold for $635,000.

Commercial example:
University Realty acquired Studios 5C, an office building, through a bargain sale. The seller developed the property about 20 years ago and desired to phase out of investment real estate and complete estate planning. The property was appraised at just under $7 million, and University Realty provided the seller with almost $6 million in cash plus a recognized charitable donation of $1 million. We have since leased the balance of the building.
Broker/real estate agent frequently asked questions

Will I still get a commission on the transaction?
If the property is part of a bargain sale, the sale involves a cash purchase, which would produce a commission under the seller listing agreement. The broker/real estate agent’s benefit comes in helping us reposition the property to be leased and/or resold, both additional commissionable events. We often use the procuring broker to either sell or lease the property when it is ready for sale/lease. The transaction helps ASU provide education and enrichment opportunities to students.

What if there is debt on the property?
The debt portion could be considered part of the cash component of a bargain sale, with a gift tax receipt for the difference between the cash value and the appraisal. Note that any capital gains will be allocated proportionately to the sale.

What if there is deferred maintenance on the property?
The benefit of working with University Realty on these projects is that we welcome value-add opportunities, and have the expertise and capability to reposition and bring the property up to market conditions. If capable, the broker involved in the original transaction will have the opportunity to market the updated property when complete.

How fast can you close the transaction?
As quickly as we can complete our required due diligence, which usually includes an updated survey and Phase I environmental report. The qualified appraisal is ordered by the seller/donor and must be from a qualified appraiser as defined by the IRS. Appraisals are only good for 60 days prior to the transaction closing.

What type of property will you accept?
We evaluate all types of commercial and residential property, in wide ranging conditions. We do perform extensive due diligence to verify feasibility, and any potential liabilities, prior to acceptance.

Does the property need to be near Arizona State University, or in metro Phoenix?
No, we’ve accepted property across the country, and looked at international opportunities as well.
What if my seller is an LLC or has partners?
The LLC isn’t an obstacle. Depending on circumstances, the LLC may sell the property under a bargain sale. Taxation of the LLC will determine cash and tax benefits that will be allocated in accordance with ownership interests as well as who benefits from the receipted gift. If there is a partnership, the partners will receive a pro-rata share of cash, and separate gift tax receipt for their pro-rata share, when donated.

What’s the benefit of a donation or bargain sale?
There are many benefits: potential reduction of capital gains, a deductible tax receipt to use for up to five years plus the year the gift was given, fulfilling a pledge of funds, relief from the burden of upkeep and property taxes.

What properties won’t you take?
Property without deeded access, property without any access to water or water rights or manufactured homes.

Contact us to discuss bargain sales and other real estate gift options in greater detail:

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Types of real estate your client can gift

- Residential property
- Vacation property
- Commercial property
- Industrial property
- Undeveloped land
- Farmland with water rights

All gifts of real estate are subject to the ASU Foundation acceptance policy and will be inspected by an ASU Foundation representative. Additionally, the IRS requires that the owner of the property obtain a qualified appraisal in order to substantiate the income tax charitable deduction. We are unable to accept timeshares, property without deeded access, property without any access to water or water rights, or manufactured homes.