

**Real Estate Pooled Income Funds:**  
***A Strategic Opportunity for Illinois  
Higher Education Institutions***



Colleges and universities are navigating an increasingly complex financial landscape. While charitable giving is, for now, and thankfully, trending upward, institutions face persistent challenges: declining public funding, demographic shifts, rising costs, and increased public scrutiny of higher education's value proposition.

In this environment, Illinois colleges and universities need tools that meet this moment. The Real Estate Pooled Income Fund (REPIF) is one such tool that offers a strategic way to unlock real estate value, attract donor support, and generate long-term institutional benefit.

**Introducing REPIF**

A REPIF is a charitable trust that invests exclusively in real estate owned by a college or university. The structure begins with the institution creating a charitable trust that will hold and manage real estate assets. Once the fund is capitalized through donor contributions, the institution sells property to the REPIF in a sale-leaseback transaction. This provides the institution with an immediate lump sum of capital while allowing it to retain operational control of the property through a long-term lease.

The lease payments made by the institution become the fund's income stream. These payments are distributed annually to donors based on their proportional share in the fund. Donors may also benefit from tax advantages. They receive a partial charitable deduction based on the present value of the remainder interest that will eventually pass to the institution. If the REPIF holds depreciable property, donors may also receive pass-through depreciation deductions.

Upon a beneficiary's death, the remainder interest associated with their contribution is transferred to the institution, completing the charitable gift. This structure is designed to comply with IRS rules governing pooled income funds and private foundations. It avoids self-dealing by ensuring that the trustee is either the institution itself or a supporting organization under the institution's control. The fund's governing documents explicitly prohibit prohibited transactions and maintain safeguards to ensure compliance with applicable tax law.

**Strategic Uses of REPIF**

The capital the institution receives in this transaction can be used for any legal purpose, from campus improvements to student support, while offering donors meaningful tax advantages and a steady income stream. Institutions may use REPIF proceeds to fund

capital projects, such as new buildings, renovations, or infrastructure upgrades. Others may direct funds toward student-focused initiatives, including scholarships, research stipends, or name, image, and likeness (NIL) payments for student-athletes.

For institutions facing enrollment pressures or funding cuts, a REPIF can provide breathing room by offering liquidity without taking on new debt. It can also serve as a bridge for long-term planning, allowing institutions to monetize underutilized real estate while maintaining operational control through leaseback arrangements.

### **REPIF vs. Traditional Pooled Income Funds**

Traditional pooled income funds (PIFs) have fallen out of favor with higher education development staff—and for good reason. While once valued for their simplicity, PIFs now struggle to meet the expectations of modern donors and institutions. Their reliance on income-producing assets like bonds and dividend-paying stocks means that in low-interest-rate environments, donor payouts shrink dramatically. Income is distributed annually, but capital gains are not, leaving donors with minimal returns even when the fund's overall value increases.

PIFs also suffer from limited flexibility. Payouts are tied to the lifespan of the beneficiary and cannot be structured for a fixed term. Donors have little to no control over how their contributions are invested, and the valuation rates for charitable deductions are tied to interest rate trends, further diminishing appeal during low-rate periods.

A REPIF changes the equation. Rather than relying on market-driven income assets, a REPIF invests in a single, tangible asset with a controlled investment return in the form of lease payments. This structure offers predictability and stability. The institution sets the lease terms, balancing affordability with donor return. Rental income becomes the basis for annual distributions, offering donors a more meaningful and consistent income stream. The fund's performance is not subject to market volatility or interest rate fluctuations, making it a more attractive and strategic option for both donors and institutions.

### **A Timely Solution**

The continued growth in charitable giving reflects enduring donor confidence in higher education. A REPIF builds on that momentum, offering a sophisticated giving vehicle that aligns donor interests with institutional needs.

For Illinois colleges and universities seeking to expand their fundraising toolkit, a REPIF is more than a financial instrument. It's a strategic opportunity to deepen donor relationships, strengthen balance sheets, and invest in the future.

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