Resolution to Amend the Long-Term Lease with the Children's National Research Center

JOINT FINANCE AND RESOURCE MANAGEMENT COMMITTEE AND BUILDINGS AND GROUND COMMITTEE

July 28, 2023

Virginia Tech and Children's National Research Center (Children's National) enjoy a strong partnership to collaborate to develop novel treatments for pediatric cancer and diseases. As part of the collaboration, Virginia Tech holds a long-term lease of 12,350 rentable square feet of space on the hospital's 160,000 square foot research and innovation campus. The campus is located on the former Walter Reed Army Medical Center in the northwest section of the city and is the nation's first innovation campus focused on pediatric cancer and disease research.

Virginia Tech's existing space at the Children's National houses a team of the Fralin Biomedical Research Institute (FBRI) with a highly active and diverse research portfolio that encompasses cancer research, neuroscience, neurobiology, and more. The leased space includes a mix of laboratories, offices, meeting rooms, and other spaces for FBRI's cancer research and pediatric portfolio.

The existing lease includes an option for Virginia Tech to expand its space in the facility, and the university is ready to exercise this option as part of a planned strategic research growth between FBRI and Children's National. Under the option, Virginia Tech may expand the additional square feet of rentable space, effectively doubling its space to approximately 24,700 square feet.

The terms of the option include an initial ten years with extensions through 2051. The total costs of the lease expansion with all extensions through 2051 is \$20 million including an \$11.3 million net present value of lease payments and \$8.7 million of one-time costs for upfits to create the type of research space required by FBRI. The university has developed an entirely nongeneral fund resource plan to support the one-time and ongoing costs of the lease expansion.

Under the 2006 Management Agreement between the Commonwealth of Virginia and the university, the Board of Visitors has the authority to approve the budget, size, scope, and funding of nongeneral fund capital outlay projects, including long-term leases. This request is for authorization to amend the university's existing lease with Children's National to include an additional 12,350 rentable square feet for furthering research.

RESOLUTION TO AMEND THE LONG-TERM LEASE WITH THE CHILDRENS NATIONAL RESEARCH CENTER

WHEREAS, Virginia Tech is in the first phase of a partnership and lease with the Children's National Research Center (Children's National) to develop novel treatments for pediatric cancer and diseases; and,

WHEREAS, as part of the collaboration, Virginia Tech currently leases 12,350 rentable square feet within Children's National 160,000 square foot facility with terms that provide extensions through the year 2051; and,

WHEREAS, the existing lease includes an option for Virginia Tech to expand its space by leasing an additional 12,350 rentable square feet; and,

WHEREAS, Virginia Tech desires to expand its research partnership with Children's National and to exercise its option to lease additional space; and,

WHEREAS, Virginia Tech has developed an entirely nongeneral fund plan sufficient to cover the estimated \$550,000 of incremental annual lease cost and a not-to-exceed one-time cost of \$8.7 million for tenant improvements; and,

WHEREAS, the present value of the lease terms through 2051, including the \$8.7 million one-time tenant improvement costs, is \$20 million; and,

WHEREAS, under the 2006 Management Agreement between the Commonwealth of Virginia and Virginia Tech, the Board of Visitors has authority to approve the budget, size, scope, debt issuance, and overall funding of nongeneral funded major capital outlay projects, including long-term leases.

NOW, THEREFORE, BE IT RESOLVED, that the university be authorized to amend the Long-term Lease with Children's National Research Center to include additional space up to 12,350 rentable square feet and to upfit the space with incremental leasing costs not to exceed a net present value of \$20 million.

RECOMMENDATION:

That the resolution authorizing Virginia Tech to amend the long-term lease with Children's National be approved.