

Capital Outlay Plan for 2022-2028

JOINT FINANCE AND RESOURCE MANAGEMENT COMMITTEE AND BUILDINGS AND GROUNDS COMMITTEE

February 26, 2021

Background:

The university prepares an updated Six-Year Capital Outlay Plan (Plan) every two years as part of its normal planning and budgeting processes. The Plan is a critical component of positioning the university for state support of Educational and General capital projects and for advancing high priority projects that may be funded entirely with nongeneral fund resources. The next state capital outlay plan will be for the 2022-2028 period and will be established in the 2022 budget session of the General Assembly. Traditionally, the state requires each institution to submit a capital plan in June of the year before a new biennium begins. Based on that timetable, a plan from the university for 2022-2028 will be due to the state in June of 2021. At this time, the state has not yet provided instructions or specific guidance for the development of a plan.

In preparation for the 2022-2028 Plan submission to the state, the Campus Planning and Capital Financing unit coordinates a process to develop a listing of high priority projects for the planning period. The process includes the following major phases:

1. Identify a comprehensive list of space and facility needs, (shown in Appendix 1);
2. Develop potential solutions for each need;
3. Filter out solutions that do not meet the capital project threshold, must be referred for further programming and operating plan development, and/or logistically exceed the six-year planning period;
4. Consolidate the list of solutions for duplication and package the solutions into capital projects;
5. Organize the list of projects into a subset for General Fund requests that must be submitted to the state for budget consideration and a subset for entirely nongeneral fund projects that may be authorized by the Board of Visitors;
6. Rank the General Fund list in priority order for funding based on strategic impact and funding potential; and
7. Review the list internally with university leadership for presentation to the Board of Visitors.

The prioritized rankings of General Fund projects for both the University Division and the Cooperative Extension/Agricultural Experiment Stations (CE/AES) agencies of Virginia Tech are shown in Attachment A, and projects that call for entirely nongeneral fund support are listed in Attachment B.

General Fund Requests, Attachment A:

The highest priority projects requesting General Fund resources are listed under each division of Virginia Tech in their priority order, which reflects the strategic priorities of Virginia Tech and state priorities as understood at this time. The total dollar value of the list exceeds projected resources likely to be allocated to Virginia Tech during the planning period. By including a variety of high priority needs in the listing, the university ensures it has the flexibility to adapt to various state capital funding programs that may emerge over the upcoming 12 months.

The state requires that an institution's Board of Visitors review and approve projects prior to submission in the state budget process. Because the submission date to the state may occur before the June 2021 Board of Visitors meeting, the university is seeking the review and approval of the list of potential projects for inclusion in its submission to the state, shown in Attachment A. When guidance and instructions are received from the state, the university will prepare and submit its capital budget items based upon the projects included in Attachment A. If future instructions and/or guidance from the state necessitate a change in the rankings or arrangement of projects in the General Fund listing, a final list with adjustments as submitted to the state will be brought to the Board of Visitors for review and ratification at a subsequent meeting.

Nongeneral Fund Projects, Attachment B:

Attachment B lists the highest priority projects that call for entirely nongeneral fund resources in their budget and that are reasonably expected to be implemented by 2028. This section covers the auxiliary enterprise system projects and other projects requesting some combination of private support, returned overhead dollars, external construction grants, and/or nongeneral fund debt to fund the total costs, including capital leases.

Under the university's Management Agreement with the state for Capital Projects, the Board of Visitors has the authority to approve and implement projects supported 100 percent by nongeneral funds. Each project follows a three-step approval process by the Board of Visitors and those that require external debt require a fourth approval step. The steps include 1) inclusion in the approved Six-Year Capital Outlay Plan, 2) authorization for planning to produce design documents to validate the project's feasibility, 3) authorization for construction when funding is available and sufficient, and 4) approval of external debt required for any capital project prior to issuance.

Auxiliary enterprise projects with a financing plan that calls for an increase of student fees depend on Board of Visitors approval of the rates as part of the Tuition and Fee package. Projects with a financing plan that calls for private gifts depend on the successful completion of donation commitments and cash receipts.

Project Costs:

The projects costs shown on the Plan reflect total project cost estimates based on campus historical experience, industry trends, benchmarking of unit costs for program descriptions, and scope of the proposed facilities. The estimates reflect costs escalated to a mid-point of construction three years out.

Debt Financing:

Projects with nongeneral fund support, including portions of some gift campaigns, may use external debt to finance a portion of the project. Each potential debt financing undergoes an internal financial feasibility assessment to ensure resources are sufficient to cover the full debt service term without unnecessary financial risk to the unit's operations.

The positioning of debt is further analyzed to ensure the university does not exceed the parameters of the university debt policy or debt management practices, which sets a maximum limit of a five percent ratio of total annual debt service to total operating expenses. This evaluation is projected six-years out and includes anticipated issuances for projects in the Plan. The Board of Visitors reviews and approves an annual report of debt capacity and debt ratio and authorizes individual debt packages prior to an issuance. These practices provide an important set of controls to ensure the institution's debt obligations do not become a point of inflexibility in reaching the operational goals of the institution, to ensure the university is holding sufficient debt capacity for its highest priorities, and to ensure compliance with restructuring requirements for credit ratings and debt ratios.

Division of Student Affairs Capital Improvement Program:

During this Six-Year Plan update cycle, the Division of Student Affairs introduced a novel concept for exploration. The proposal calls for exploring an opportunity to repurpose the funding authorized for certain projects to establish phase one of a new student life district that would be phased over time to include residential, dining, recreation, and student commons spaces. A key feature of the concept is for the new village to be accessible to campus and to follow a design standard and building delivery system that controls costs. The funding plan for this proposal calls for the consolidation of funding for the Global Business and Analytics Complex Residence Hall, Slusher Hall Replacement, and the dining program's food processing facility. The university's next steps call for further internal programming, master planning, and operating planning to develop a full-blown implementation plan for the student life district concept. The university will provide updates on the progress of this concept at future Board of Visitors meetings.

RECOMMENDATION:

That the Capital Outlay Plan for 2022-2028 as shown in Attachments A and B, be approved and for the university to submit the items in Attachment A in the state's capital budget process in accordance with future instructions and guidance from the state.

March 22, 2021

Attachment A

General Fund Six-Year Capital Outlay Plan for 2022-2028

as of February 26, 2021

		Dollars in Thousands		
		<u>General Fund</u>	<u>Nongeneral Fund</u>	<u>Total</u>
University Division				
1	Randolph Hall Replacement	\$ 208,800	\$ 23,200	\$ 232,000
2	Hahn Hall Renovation and Expansion	71,700	28,000	99,700
3	Academic Renewal Package	80,000	-	80,000
	Renovate Media Building			
	Student Advising and Academic Services Center			
	Classroom Renovations			
	Music / Theater Program Space			
	Lane Hall Renovation			
4	Robeson Hall Renovation	37,000	7,300	44,300
5	Newman Library Renovation	70,300	-	70,300
6	Derring Hall Renovation	94,000	7,600	101,600
7	Life, Health, Safety, Code Compliance Package	6,000	-	6,000
	Total University Division Projects	<u>\$ 567,800</u>	<u>\$ 66,100</u>	<u>\$ 633,900</u>
 Cooperative Extension / Agriculture Experiment Station Division (CE/AES)				
1	Improve Research Facilities	\$ 26,900	\$ -	\$ 26,900
	Center Woods Complex Improvements			
	System-wide Agricultural Research and Extension Centers Improvements, Phase I			
2	Replace Animal Based Facilities at Glade Road	26,300	-	26,300
3	Construct Animal Production and Livestock Facilities, Phase II	27,100	-	27,100
4	Construct Plant and Environmental Sciences Research Facility (HABB-II)	68,200	-	68,200
	Total CE/AES Division Projects	<u>\$ 148,500</u>	<u>\$ -</u>	<u>\$ 148,500</u>
 Total General Fund Capital Plan for 2022-2028		 <u><u>\$ 716,300</u></u>	 <u><u>\$ 66,100</u></u>	 <u><u>\$ 782,400</u></u>

Attachment B
Nongeneral Fund Six-Year Capital Outlay Plan for 2022-2028
as of February 26, 2021

	Dollars in Thousands		
	<u>General Fund</u>	<u>Nongeneral Fund</u>	<u>Total</u>
Blacksburg Academic			
Gilbert Street Building (long-term lease)	\$ -	\$ 60,000	\$ 60,000
Hitt Hall - Academic Component	-	36,000	36,000
New Building for Pamplin College of Business	-	80,800	80,800
Research Swing Space (long-term lease)	-	20,000	20,000
Veterinary Teaching Hospital Expansion	-	21,000	21,000
	<u>-</u>	<u>217,800</u>	<u>217,800</u>
Blacksburg Auxiliaries			
Food Processing Center and Warehouse	-	10,000	10,000
Hitt Hall -- New Dining Center	-	43,000	43,000
Tennis Center Improvements	-	4,000	4,000
	<u>-</u>	<u>57,000</u>	<u>57,000</u>
Greater Washington D.C., Metro Area			
Ballston: Renovate Research Space	-	5,000	5,000
	<u>-</u>	<u>5,000</u>	<u>5,000</u>
Total Nongeneral Fund Capital Plan for 2022-2028	<u>\$ -</u>	<u>\$ 279,800</u>	<u>\$ 279,800</u>
GRAND TOTAL SIX-YEAR CAPITAL OUTLAY PLAN	<u>\$ 716,300</u>	<u>\$ 345,900</u>	<u>\$ 1,062,200</u>

Attachment C

Project Descriptions for the 2022-2028 Capital Outlay Plan

JOINT FINANCE AND RESOURCE MANAGEMENT COMMITTEE AND BUILDINGS AND GROUNDS COMMITTEE

February 26, 2021

General Fund Projects – Attachment A:

University Division

1. Randolph Hall Replacement

Randolph Hall was constructed in 1952 with an addition in 1959, and no major renovations since construction was completed. This project envisions razing and replacing the entire 166,000 GSF existing building and constructing a new 284,000 GSF building at the same site. The funding plan for this project includes \$23.2 million of private gifts.

2. Hahn Hall Renovation and Expansion

Hahn Hall was constructed in 1988 with an addition in 2002, and no major renovations since construction was completed. The proposed project includes renovating the entire 71,100 GSF existing building and expanding with a 53,000 GSF addition to provide space for instructional classrooms, laboratory space, and support space for the physics and chemistry programs.

3. Academic Renewal Package

This project packages together several small and medium sized high priority facility renewal items.

- **Renovate Media Building:** This subproject will renovate the entire 13,200 square foot Media Building located in the Creativity and Innovation District to provide updated spaces for art programs.
- **Student Advising and Academic Services Center:** This subproject will renovate the entire 24,500 GSF of the G. Burke Johnson Student Center to repurpose it for the consolidation of Undergraduate Academic Affairs and Degree and Enrollment Management functions.
- **Classroom Renovations:** This subproject will renovate approximately 56,250 GSF of outdated and underutilized general assignment classroom space to meet the existing space demand and to support planned enrollment growth.

- Music / Theater Program Space: The subproject relocates the music and theater programs from Squires Student Center to a new approximately 85,800 GSF facility in the Creativity and Innovation District. This is a critical precursor to vacating Squires Student Center to move forward other major projects in the Creativity and Innovation District.
- Lane Hall Renovation: Originally known as Barracks No. 1, Lane Hall was built in 1888 and converted to office use in 1967. This subproject is for the renovation and preservation of the 26,580 GSF historic building to house academic programs.

4. Robeson Hall Renovation

Robeson Hall was constructed in 1960 with no major improvements or renovations since construction was completed. The project includes renovating the 66,000 GSF existing building to provide modern laboratories and support space to meet the needs for instructional classrooms and laboratory space for the physics and materials sciences programs.

5. Newman Library Renovation

Newman Library was constructed in 1955 with an addition in 1980, with no major renovations since construction was completed. This project envisions constructing a new library storage facility off-campus followed by a renovation of the entire Newman Library to address student demand for a high-quality library environment with up-to-date interactive learning formats.

6. Derring Hall Renovation

Derring Hall was constructed in 1969 with only one major improvement via renovation since the original construction was completed. This request is to renovate and modernize this high demand instructional building for physical sciences programs.

7. Life, Health, Safety, Code Compliance Package

The university's health, safety, and accessibility initiative for the campus is an ongoing effort, and the university includes a request for this program in each capital plan. This project continues progress on needed campus improvements including accessibility improvements and life safety repairs that are beyond the scope of the Maintenance Reserve program.

Cooperative Extension / Agricultural Experiment Station Division

1. Improve Research Facilities

- **Center Woods Complex Improvements:** This project proposes 25,900 gross square feet (GSF) of improvements to the Center Woods Complex for the Fisheries and Wildlife program, located off Plantation Road.
- **System-wide Agricultural Research and Extension Centers Improvements, Phase I:** This project will address the top priority infrastructure and renovation needs for Agricultural Research and Extension Centers across the state. This phase of the project includes approximately 50,660 GSF of space for the programmatic needs.

2. Replace Animal Based Facilities at Glade Road

This project relocates agricultural and animal-based assets from the Glade Road area to better long-term locations near the College of Agriculture and Life Sciences and the Virginia-Maryland College of Veterinary Medicine facilities. The project includes multiple new construction projects that contain approximately 64,200 GSF as well as the demolition of outdated assets.

3. Construct Animal Production and Livestock Facilities, Phase II

This project completes the two-part effort to systematically replace approximately 228,200 GSF of animal-based facilities that have exceeded their useful life. The state appropriated a phase one project to address 126,000 GSF of improvements. This phase two project includes approximately 102,600 GSF of renewed animal and multi-use facilities primarily serving beef cattle, equine, sheep, and poultry research. The replacement facilities consolidate functions and operational efficiencies.

4. Construct Plant and Environmental Sciences Research Facility (HABB-II)

This project is to provide a second 94,000 GSF modern research space that will focus on plant sciences within the Agricultural Experiment Station including research laboratories, laboratory support space, research offices, faculty offices, and graduate student research space.

Nongeneral Fund Projects – Attachment B:

Blacksburg Academic

Gilbert Street Building (long-term lease)

The Virginia Tech Foundation is constructing a new facility adjacent to the North End Center. This building will provide space for retail operators on the ground level with the upper floors dedicated to university programs. The university will enter a long-term lease agreement with the Foundation.

Hitt Hall – Academic Component

Hitt Hall includes approximately 55,000 gross square feet (GSF) of space for instruction and laboratory space, as well as faculty, staff, and graduate student work space for the growing School of Construction. The new building will be located in the northwest area of campus near Bishop-Favrao Hall and the new Classroom Building. The overall funding plan for this project includes \$25 million of private gifts.

New Building for Pamplin College of Business

The project includes approximately 104,000 GSF of new construction to house the Pamplin College of Business. The proposed building will provide the college expanded, modern instructional space sufficient to meet demand for interactive learning including a variety of general purpose and specialized classrooms, learning laboratories, and seminar rooms. The funding plan for this project includes \$40.4 million of private gifts.

Research Swing Space (long-term lease)

The Corporate Research Center is constructing an approximately 68,000 GSF facility configured for research functions. The space is necessary to provide swing space capacity to renovate high priority academic buildings.

Veterinary Teaching Hospital Expansion

The project includes approximately 16,300 GSF of renovation and 25,300 GSF of new construction at the veterinary hospital to provide space for program expansion and enrollment growth. The funding plan for this project includes \$7 million of private gifts.

Blacksburg Auxiliaries

Food Processing Center and Warehouse

This project is for a new 45,000 GSF food processing center and warehouse to provide Dining Services with modern space for central food preparation, bakeshop, and cold storage to meet the growing demands of campus dining centers.

Hitt Hall – New Dining Center

The new dining hall will be co-located with the Hitt Hall academic program and will be located in the northwest area of campus near Bishop-Favrao Hall and the new Classroom Building.

Tennis Center Improvements

This project will renovate the existing tennis facilities to include expanded locker rooms, team lounges, medical training support, and fan viewing areas. The funding plan for this project includes \$4 million of private gifts.

Greater Washington D.C., Metro Area

Ballston: Renovate Research Space

This approximately 20,000 rentable square foot renovation will reconfigure existing space to better serve the university's long-term goals for the Ballston area including research to address topics related to national and homeland security.