

Capital Project Resolution for the Applied Projects Building

JOINT FINANCE AND RESOURCE MANAGEMENT COMMITTEE AND BUILDINGS AND GROUNDS COMMITTEE

August 1, 2017

The Office of the Vice President for Research and Innovation (OVPRI) supports the university community and its missions by fostering quality research and scholarship, enhancing the ability to respond to national research priorities, encouraging and directing inquiry into new and emerging fields, promoting solutions to problems and advances of basic knowledge in diverse disciplines, and interdisciplinary cooperation.

The university's research portfolio of work in applied projects in Blacksburg, VA includes work being conducted in a leased facility. The research program is growing, and OVPRI has determined a permanent facility is needed to accommodate the program's current and future activities. The university completed an internal space study in spring 2017 which shows approximately 45,000 gross square feet of office, laboratory, and applied projects research space is needed to co-locate university faculty, staff, and students who support a wide range of extramural funded research and experiential learning programs in the areas of economic, homeland, and national Security.

The university evaluated several options to acquire permanent space including purchasing and renovating the existing leased building, purchasing and renovating a nearby facility, constructing a new building on campus, and constructing a new building in the Virginia Tech Corporate Research Center (CRC). The most effective and economical solution is the construction of a new 45,000 gross square foot building in the CRC. The university worked with the CRC on a facility feasibility study, which shows a facility that meets the program needs with all necessary upfits and certifications, can be completed for total project cost of \$8.4 million.

The plan to implement this solution calls for the Virginia Tech Foundation (Foundation) to deliver a building (Applied Projects Building) to be located in the CRC with financing from the Foundation. The university will enter a long-term lease with the Foundation for the entire facility at a rate sufficient to retire the debt and financing costs and cover normal operating expenses.

The university is ready to proceed with the project, and has developed an entirely nongeneral fund resource plan sufficient to cover the \$8.4 million of project costs. 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. This request is for authorization to move forward with a capital lease for the Applied Projects Building.

RESOLUTION OF A CAPITAL LEASE FOR THE APPLIED PROJECTS BUILDING

WHEREAS, Virginia Tech's vision to expand research activities includes work in a wide range of extramural funded research programs in the areas of economic, homeland, and national security; and,

WHEREAS, Virginia Tech requires approximately 45,000 gross square feet of office, laboratory, and applied projects space located in the Virginia Tech Corporate Research Center (CRC) to support the research program; and,

WHEREAS, the plan to implement this solution calls for the Virginia Tech Foundation (Foundation) to deliver a 45,000 gross square foot building located in the CRC, inclusive of necessary upfits and certifications for a total cost of \$8.4 million, with financing from the Foundation; and,

WHEREAS, the university will enter a long-term lease for the entire facility at a rate sufficient to retire the debt and financing costs and cover normal operating expenses; and,

WHEREAS, the lease rates will be based on a break-even arrangement with the rates reverting to usual and customary property carrying costs after the facility costs are retired; and,

WHEREAS, Virginia Tech has developed a nongeneral fund resource plan sufficient to support the full costs of the lease; 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 capital leases.

NOW, THEREFORE, BE IT RESOLVED, that Virginia Tech be authorized to enter into a capital lease with the Virginia Tech Foundation for the development of approximately 45,000 square feet of office, laboratory, and applied projects space inclusive of upfits and certifications.

RECOMMENDATION:

That the above resolution authorizing Virginia Tech to enter into a capital lease with the Virginia Tech Foundation for the Applied Projects Building be approved.

September 11, 2017