

Capital Project Resolution for the Intern Park Facility

JOINT FINANCE AND RESOURCE MANAGEMENT COMMITTEE AND BUILDINGS AND GROUNDS COMMITTEE

August 1, 2017

The Virginia Tech Transportation Institute (VTTI) is one of seven research institutes created by Virginia Tech. VTTI focuses on research projects that saves lives, time, and money, and has effected significant change in public policies for driver, passenger, and pedestrian safety. VTTI is advancing the design of vehicles and infrastructure to increase safety and reduce environmental impact. The VTTI portfolio of projects includes more than 300 active sponsored research projects totaling approximately \$40 million of expenditures annually.

VTTI's activities include significant research and development projects and collaborations with industry. These projects provide exceptional opportunities for a hands-on/minds-on approach to learning for students. VTTI has developed an intern program under which an automotive company sponsors a project that involves up to eight undergraduate student interns working in teams. The projects are defined and overseen by corporate sponsors in collaboration with faculty mentors, and the students report to industry sponsors as employees throughout their internship. The intern experience allows students to develop valuable skills to complement their academic instruction, which enhances employability.

To expand support for students and build upon relationships with industry sponsors, VTTI is requesting an approximately 15,000 gross square feet building on its existing campus located at 3500 Transportation Research Plaza, Blacksburg, Virginia. The building (Intern Park Facility) is envisioned as an interdisciplinary advanced-learning facility focused on accelerating practical skill development and would include flexible studio space multiple garages, and shop facilities equipped with state-of-the-art tooling.

The plan to implement the Intern Park Facility calls for the Virginia Tech Foundation (Foundation) to deliver the Intern Park Facility with financing from the Foundation. The budget for the total project cost is \$2.5 million, and the university will enter a long-term lease with the Foundation for the Intern Park 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 Intern Park Facility, and has developed an entirely nongeneral fund resource plan sufficient to cover the \$2.5 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 Intern Park Facility.

RESOLUTION OF CAPITAL LEASE FOR THE INTERN PARK FACILITY

WHEREAS, Virginia Tech's vision for a hands-on/minds-on approach to learning and to expand research and development under the Virginia Tech Transportation Institute (VTTI) is a strategic initiative for the future of the institution; and,

WHEREAS, VTTI requires approximately 15,000 gross square feet of garage and studio space for an Intern Park Facility envisioned as an interdisciplinary advanced learning laboratory focused on accelerating practical skill development; and,

WHEREAS, VTTI desires that the proposed building be located on its existing campus located at 3500 Transportation Research Plaza, Blacksburg, Virginia; and,

WHEREAS, the plan to implement this facility calls for the Virginia Tech Foundation (Foundation) to deliver a 15,000 gross square feet building for a total cost of \$2.5 million with financing from the Foundation; and,

WHEREAS, the university will enter a long-term lease for the Intern Park 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 the Intern Park Facility.

RECOMMENDATION:

That the above resolution authorizing Virginia Polytechnic Institute and State University to enter into a capital lease with the Virginia Tech Foundation to construct the Intern Park Facility be approved.

September 11, 2017