

Capital Project for the Acquisition of Falls Church Property

JOINT FINANCE AND RESOURCE MANAGEMENT COMMITTEE AND BUILDINGS AND GROUNDS COMMITTEE

February 24, 2019

Virginia Polytechnic Institute and State University (Virginia Tech) and the University of Virginia (UVA) acquired ownership of 2.19 acres on Haycock Road in 1994 and a shared interest in a ground lease of an adjoining 5.33 acres in 1995, which leased real property is owned by the City of Falls Church. The universities subsequently constructed an approximate 101,154 square foot academic building on the leased 5.33 acres. This area, containing a total of 7.52 acres and all improvements, is commonly known as the VT/UVA Northern Virginia Center (Center). Based upon the costs and funding of the Center, and by agreement between the universities, Virginia Tech holds a sixty percent interest in the Center and UVA holds a forty percent interest.

The University of Virginia desires to convey, and Virginia Tech desires to acquire, all of UVA's right, title, and interest in the universities' shared fee simple title ownership and shared leasehold interest in the Center. Virginia Tech and UVA have worked cooperatively to reach a purchase agreement for the property. Under this agreement, Virginia Tech will pay \$8.23 million to acquire all of UVA's interest in the Center. Further, Virginia Tech has taken actions to ensure the transaction amount for the property is no more than market value and that the acquisitions can be made without substantial risk of liability.

Once the transaction with UVA is concluded, Virginia Tech desires to acquire the fee simple title to the 5.33 acres currently leased from and owned by the City of Falls Church, Virginia. The land lease includes a purchase option price of \$3.35 million, with a net balance due of \$2.85 million after consideration of a \$500,000 deposit made in 1996. The option has an exercise date of 2021 and the university is working collaboratively with the City of Falls Church to accelerate the transaction timing.

The sum of the actions described above result in Virginia Tech owning both parcels of land and the building. Virginia Tech is ready to proceed with the acquisitions and has developed a resource plan sufficient to cover the \$11.08 million of costs. Under the 2006 Management Agreement between the Commonwealth of Virginia and Virginia Tech, 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 the acquisition of UVA's interest in the Center and the acquisition of the 5.33 acres leased from and owned by the City of Falls Church, Virginia.

**RESOLUTION OF A CAPITAL PROJECT FOR THE ACQUISITION
OF FALLS CHURCH PROPERTY**

WHEREAS, by Deed dated December 1, 1994, recorded January 12, 1995 in the Clerk's Office of the Circuit Court of Fairfax County, Virginia, in Deed Book 9334, Page 0241, The Rector and Visitors of the University of Virginia (UVA) and Virginia Polytechnic Institute and State University (Virginia Tech) acquired 2.19 acres in the Dranesville District, Fairfax County, Virginia, from Miller and Smith, Inc., a Virginia corporation; and,

WHEREAS, by Ground Lease Agreement dated January 10, 1995, UVA and Virginia Tech leased 5.33 acres adjoining the aforementioned 2.19 acres from the City of Falls Church, Virginia, which 5.33 acre and 2.19 acre parcels are shown and described on the attached drawing entitled "VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY Northern Virginia Center Falls Church, Fairfax County, Virginia;" and,

WHEREAS, the Ground Lease Agreement contains an option to purchase the 5.33 acres from the City of Falls Church beginning in the twenty-sixth (26th) year of the lease (2021), in compliance with terms and conditions stated in the Ground Lease Agreement; and,

WHEREAS, Virginia Tech and UVA jointly developed the 5.33 acre, including the approximately 101,154 square foot instructional and academic building located thereon, and 2.19 acre parcels to create the VT/UVA Northern Virginia Center (Center), which opened in 1996; and,

WHEREAS, by agreement between the universities, Virginia Tech holds a 60 percent interest in the Center and UVA holds a 40 percent interest; and,

WHEREAS, UVA desires to convey, and Virginia Tech desires to acquire, UVA's 40 percent interest in the Center; and,

WHEREAS, Virginia Tech desires to acquire the fee simple title interest in the 5.33 acre parcel of the Center currently leased from and owned by the City of Falls Church, Virginia no later than 2021; and,

WHEREAS, Virginia Tech has developed a financing plan sufficient to support the \$11.08 million costs of the acquisitions; and,

WHEREAS, under the 2006 Management Agreement between the Commonwealth of Virginia and Virginia Tech, the university has the authority to issue bonds, notes or other obligations that do not constitute State tax supported debt; and,

WHEREAS, the Finance and Resource Management Committee will further review and approve a financing resolution prior to securing permanent financing for the debt component of the project plus amounts needed to fund issuance costs, reserve funds, and other financing expenses; 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.

NOW, THEREFORE BE IT RESOLVED, that Virginia Tech be authorized to execute Purchase Agreements and any and all other documents to effectuate Virginia Tech's acquisition of UVA's entire interest in the VT/UVA Northern Virginia Center; to effectuate Virginia Tech's acquisition of the fee simple title interest in the 5.33 acre parcel currently leased from and owned by the City of Falls Church, Virginia; and to secure temporary short-term financing through any borrowing mechanism that, prior to such borrowing, has been approved by the Board, as applicable, in an aggregate principal amount not to exceed the \$11.08 million authorized for the total project budget, plus related due diligence, issuance costs, and financing expenses.

RECOMMENDATION:

That the above resolution authorizing Virginia Tech to execute Purchase Agreements and any and all other documents to effectuate Virginia Tech's acquisition of UVA's entire interest in the VT/UVA Northern Virginia Center be approved.

April 1, 2019