

• **Financing for Dietrick First Floor and Plaza Renovation**

**Project Type:** Improvements–Other

**Total Project Cost:** \$7,000,000

**Description**

This request is for a 100 percent nongeneral fund debt authorization to complete the Dietrick First Floor and Plaza Renovation project. This project has been initiated under the university's restructuring authority using entirely nongeneral fund resources with a total cost of \$7 million. This request is for authorization to issue 9(d) debt through the VCBA to finance project costs.

Dietrick Hall was built and placed in service in 1970 with its most recent renovation in 2004 for major improvements to the second floor food service venues and support infrastructure. The first floor of Dietrick Hall was last renovated in 1999 and has reached an age and condition that requires improvements to meet the service expectations of the students. The Board of Visitors approved the University's 2018-2024 Capital Plan on April 3, 2017, including a nongeneral fund project to renovate and expand Dietrick Hall. The project will refurbish the first floor and expand dining services to meet student demand during peak meal times. The envisioned first floor renovation includes inserting a modern food service venue and adding 200 indoor seats to the building by enclosing 6,400 gross square feet of overhang, reorganizing office space for efficiency, and relocating the convenience store to space currently occupied by offices, sitting area, and conference room. The scope includes improvements to the outdoor plaza in front of Dietrick Hall to create additional outdoor seating for dining customers, serve as informal gathering spaces for the campus community, improve campus circulation, and support special event activities.

**Justification**

**Financing Request:**

The Board of Visitors approved the capital project on September 11, 2017. The funding plan includes \$5 million of auxiliary cash and \$2 million of fixed rate debt. The project is underway and the university is prepared to issue stand-alone debt for the project if necessary.

The State's VCBA program offers the most favorable cost of capital terms of issuance costs and interest. This request is for a debt authorization to issue up to \$2 million in the 9d VCBA program. Compared to a stand-alone issuance, issuing through the VCBA will reduce issuance costs and the cost of capital which would lower debt service and the savings will be passed along to students in the form of lower fees.

**Funding Plan:**

The program for the Dietrick First Floor and Plaza Renovation project is 100% nongeneral fund auxiliary enterprise. Thus, the funding plan calls for \$7 million of nongeneral fund auxiliary enterprise support. Dining Programs will contribute \$5 million of auxiliary revenue towards the project to lower the amount of debt needed for the project. This proposal is for the remaining \$2 million to be funded with traditional nongeneral fund 9d bond financing.

Authorization to finance the permanent debt issuance for the project through the VCBA 9d program will allow for more favorable financing terms, reducing the cost of capital which would benefit students. Participating in a stand-alone issuance is four times more expensive for cost of issuance than participating in the pooled bond program. The significant savings on the cost of issuance is passed on to students through lower fees. The debt service will be covered by Dining Programs auxiliary revenue.

The estimated fee impact is shown below and is the same for Virginian and Non-Virginian domicile students.

- System Wide Board Fee Increase - \$27
- Annual System Wide Board Fee Increase - \$417,972

**Alternatives Considered:**

The option considered but not pursued was delaying the project. Delaying the project is not a viable option because expand dining services is needed during peak meal times to meet student demand. New construction can not provide the need dining capacity as quickly as a renovation project. This renovation project can quickly increase the dining capacity of Dietrick Hall which is centrally located in the south residential core of campus.

**Methodology**

**Alternatives Considered**

**Funding Request**

Year	Phase	Fund Code	Fund Name	General Fund & Tax Sup Debt	Nongeneral Funds	9C Debt	9D Debt
2018	Full Funding	08150	9(D) Rev Bonds–Construction	\$0	\$0	\$0	\$2,000,000
2018	Full Funding	03060	Auxiliary Enterprise	\$0	\$5,000,000	\$0	\$0
<b>Totals</b>				<b>\$0</b>	<b>\$5,000,000</b>	<b>\$0</b>	<b>\$2,000,000</b>
<b>Total All Funds Requested = \$7,000,000</b>							