Resolution for the Disposition of Real Estate

JOINT FINANCE AND RESOURCE MANAGEMENT COMMITTEE
AND BUILDINGS AND GROUNDS COMMITTEE

April 4, 2022

In accordance with a 1994 appropriation from the state, 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 (City). 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 Northern Virginia Center (Center) and has been in operation since 1997. Based upon the costs and funding of the Center, and by agreement between the universities, Virginia Tech held a sixty percent interest in the Center and UVA held a forty percent interest.

At its April 2019 meeting, the Virginia Tech Board of Visitors authorized Virginia Tech’s acquisition of UVA’s entire interest in the Center, UVA’s interest in the 5.33 acre lease with the City, and the 2.19 acre parcel jointly owned by both universities. Virginia Tech subsequently acquired UVA’s entire interest in the Center, the ground lease with the City, and the 2.19 acre parcel for $8.23 million. As a result, Virginia Tech is now the sole occupant of the building and is the sole tenant under the lease with the City.

The 2021 Virginia General Assembly appropriated $10,000,000 in funding to the Transportation Partnership Opportunity Fund for a connected infrastructure urban redevelopment demonstration project within and adjacent to the Virginia Tech campus in the City of Falls Church, Virginia (Road). This project will require the planning, design and construction of a new road that will cross the property currently owned and leased by Virginia Tech, as well as properties adjacent to the Center. The City is collaborating with developers to design and construct the road components that will cross the properties adjacent the Center.

The Center has aged, will not accommodate future program uses, and requires significant investment for long term use. The university explored redevelopment opportunities and partnerships for the property, but none were financially feasible. This request is for authorization to convey the 2.19 acre parcel to the City, terminate the ground lease, which will transfer the building to the City pursuant to the terms of the lease, and to apply the entire amount of sale proceeds to advance other programs in the Washington D.C. Metropolitan Area. This will allow the City to fully develop the area in alignment with the City’s overall planning objectives and to construct and implement the Road in accordance with the state’s demonstration project appropriation.
Virginia Tech and the City have agreed the conveyance is contingent upon the City’s Developer (Rushmark) paying the City a minimum of $25,000,000. An appraisal conducted by JMSM, Inc. in February 2022 provided a market value “as is” that supports the $25,000,000 minimum payment amount. The City will pay Virginia Tech approximately two thirds of the $25,000,000 ($16,570,000), which is based on the original agreement between UVA, Virginia Tech, and the City, and reimburses Virginia Tech for the cost of acquiring UVA’s ownership interest.
RESOLUTION ON THE DISPOSITION OF REAL ESTATE

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 acres, including the approximately 101,154 square foot instructional and academic building located thereon (Virginia Tech Building Number 0844), and 2.19 acre parcels to create the Northern Virginia Center, which has been in operation since 1997; and,

WHEREAS, in 2019, Virginia Tech acquired UVA’s interest in the Ground Lease, the Northern Virginia Center, and the 2.19 acres for $8.23 million and is now the sole occupant of the building; and,

WHEREAS, the Center has aged, will not accommodate future program uses, and requires significant investment for long term use; and,

WHEREAS, the City has agreed to pay Virginia Tech $16,570,000 to convey the 2.19 acre parcel to the City of Falls Church and to terminate the existing Ground Lease Agreement for the 5.33 acre parcel with the City of Falls Church, which will, pursuant to the terms of the lease, transfer the building on the property to the City of Falls Church; and,

WHEREAS, Virginia Polytechnic Institute and State University shall apply the entire amount of proceeds to advance other programs in the Washington D.C. Metropolitan Area;
NOW, THEREFORE BE IT RESOLVED, that Virginia Tech be authorized to execute any and all documents to effectuate Virginia Tech’s conveyance of the 2.19 acre parcel to the City of Falls Church, and to terminate the existing Ground Lease Agreement with the City of Falls Church for the 5.33 acre parcel thereby transferring ownership of Virginia Tech Building Number 0844 to the City of Falls Church in accordance with applicable state procedures pursuant to the Code of Virginia.

RECOMMENDATION:

That the resolution authorizing the university to convey the 2.19 acre parcel to the City of Falls Church, and to terminate the existing Ground Lease Agreement with the City of Falls Church for the 5.33 acre parcel transferring ownership of Virginia Tech Building Number 0844 to the City of Falls Church be approved.

April 4, 2022
VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY
Northern Virginia Center
Falls Church, Fairfax County, Virginia

Page 1 of 1