Resolution for a Long-Term Lease for the Research Swing Space

JOINT FINANCE AND RESOURCE MANAGEMENT COMMITTEE
AND BUILDINGS AND GROUNDS COMMITTEE

February 18, 2022

The Campus Master Plan and the Six-Year Capital Outlay Plan list several future capital renovations to major instruction and research facilities including Randolph Hall, Hahn Hall, Robeson Hall, and Derring Hall. The university has developed plans to swing the instructional programs within these buildings to other locations on main-campus. The university does not have adequate space available to swing research activity on main-campus. The plan to accommodate temporarily displaced research programs is to construct a building in the Corporate Research Center (CRC) to serve as research swing space. As an illustration, the Randolph Hall replacement capital project (208-18502) is in design and expected to enter construction by summer 2023. The departments within this building generate sponsored research activity that accounts for more than $79 million in annual expenditures. To ensure uninterrupted continuity of research through the project, the university requires research swing space by early 2023.

Programming efforts demonstrate the university requires approximately 68,000 gross square feet (GSF) of swing space to accommodate wet and dry laboratories, graduate design and computer laboratories, faculty and staff offices, and other support spaces. To accomplish this, the university requested the Foundation to deliver a new 68,000 GSF building in the Corporate Research Center that will be completed by the end of 2022.

This long-term lease is included in the 2022-2028 Capital Outlay Plan, ratified November 7, 2021, and the University Debt Ratio and Debt Capacity Report, reviewed and accepted November 8, 2021. The total project budget for the project is $20 million, and the estimated annual lease costs are $2.07 million with an estimated present value debt impact of $20M. The university has developed an entirely nongeneral fund resource plan to support the project’s annual lease based on the financing and operating costs provided by the CRC. This funding plan calls for use of research overhead to service the lease. The plan calls for the university to enter into its usual break-even lease arrangement with the Foundation for the entire facility at a rate sufficient to retire the debt and financing costs as well as cover normal operating expenses. After the costs of the property and improvements are retired, the lease will be adjusted to reflect the usual and customary property carrying 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, including long-term leases. This request is for authorization to enter into a long-term lease for the Research Swing Space facility.
RESOLUTION FOR A LONG-TERM LEASE FOR THE RESEARCH SWING SPACE

WHEREAS, Campus Master Plan and the Six-Year Capital Outlay Plan list capital renovations to several instruction and research facilities including Randolph Hall, Hahn Hall, Robeson Hall, and Derring Hall; and,

WHEREAS, to ensure uninterrupted continuity of the research programs through these future capital renovations, the university requires additional research swing space to house temporarily displaced units; and,

WHEREAS, the university determined the most effective and economical solution is the construction of a new 68,000 gross square foot building located in the Corporate Research Center that will be delivered and financed through the Foundation; and,

WHEREAS, the total project budget for Research Swing Space is $20 million; and,

WHEREAS, this long-term lease is included in the 2022-2028 Capital Outlay Plan, ratified November 7, 2021, and the University Debt Ratio and Debt Capacity Report, reviewed and accepted November 8, 2021; and,

WHEREAS, the university has a funding plan that calls for entering a long-term lease with the Foundation at a rate sufficient to retire the debt and financing costs and cover normal property carrying costs and operating expenses; and,

WHEREAS, the lease rate 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, the university has developed a nongeneral fund resource 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 long-term leases.

NOW, THEREFORE, BE IT RESOLVED, that Virginia Tech be authorized to enter into a long-term lease with the Virginia Tech Foundation for the Research Swing Space facility.

RECOMMENDATION:

That the above resolution authorizing Virginia Tech to enter into a long-term lease with the Virginia Tech Foundation for the Research Swing Space facility be approved.

April 4, 2022