

Resolution for a Long-Term Lease for the Gilbert Street Building

**JOINT FINANCE AND RESOURCE MANAGEMENT COMMITTEE
AND BUILDINGS AND GROUNDS COMMITTEE**

February 17, 2022

The Virginia Tech Foundation's (Foundation) redevelopment plans for the area commonly known as Gilbert Street located at the north end in Blacksburg include an approximately 236,000 gross square feet (GSF) of new construction for retail, restaurant, and office space. The new building will be located adjacent to campus and next to the North End Center, an approximately 141,000 GSF building leased largely by the university. The Foundation expects the Gilbert Street building and be ready for occupancy in early 2023.

The Gilbert Street project presents an opportunity for the university to address three high priority goals: i) provide adequate and convenient space for student support, academic, and administrative units, ii) consolidate approximately \$2.2 million of annual leases, and iii) vacate space in the Corporate Research Center for commercial clients. The university occupancy plan for the Gilbert Street building includes the following departments: Academic Excellence, Computer Science, Cook Counseling Center, Equity and Accessibility, Human Resources, Outreach and International Affairs, Vice President for Finance, and Budget Office. In total, the university's occupancy plan would consume approximately 197,000 GSF of the new building.

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 budget for the university's portion of the project is \$71.7 million with an estimated annual lease costs of \$5.5 million and an estimated present value debt impact of \$69 million. The university has developed an entirely nongeneral fund plan to support the annual lease costs that includes the redirection of current leases and nongeneral funds that have been budgeted for this initiative. 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 with the Foundation for space in the Gilbert Street building.

RESOLUTION FOR A LONG-TERM LEASE FOR THE GILBERT STREET BUILDING

WHEREAS, the Foundation's redevelopment plans for the Gilbert Street project located at the north end in Blacksburg present a timely opportunity for the university to economically address critical space needs; and,

WHEREAS, the implementation plan calls for the Foundation to deliver approximately 197,000 gross square feet of office and student support space for the university; and,

WHEREAS, the total project budget for the university's portion of the Gilbert Street project is \$71.7 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 for the university's portion of the facility at a rate sufficient to retire the debt and financing costs and cover normal 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 building costs are retired; and,

WHEREAS, the university has developed an entirely 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 Gilbert Street building.

RECOMMENDATION:

That the resolution authorizing Virginia Tech to enter into a long-term lease with the Virginia Tech Foundation for the Gilbert Street project be approved.

April 4, 2022