

**Resolution to Amend the Long-Term Lease for the Virginia Tech Research Center
- Arlington**

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

October 26, 2021

The Virginia Tech Research Center – Arlington (VTRC-A) located at 900 Glebe Road in Arlington, Virginia is a seven-floor facility constructed in 2011 by the Virginia Tech Foundation (Foundation). The building was constructed on behalf of the university to expand research and development in the Greater Washington D.C. Metro area. The university currently leases levels two through six of the building, approximately 104,800 square feet, from the Foundation. The university space houses 17 programs.

The Virginia Tech Applied Research Corporation, Inc. (VT-ARC) is an affiliated university-related corporation with a highly active and diverse research portfolio that encompasses cyber, autonomous systems, data science, wireless communications, and advanced manufacturing. VT-ARC currently leases the entire seventh level of the building, approximately 21,300 square feet, from the Foundation. The seventh level includes a mix of offices, meeting rooms, and other spaces for VT-ARC's research and robust technology portfolio.

The university, VT-ARC, and the Foundation desire to streamline and simplify the business agreements regarding the lease structures. A streamlined lease structure will provide greater flexibility for the university and VT-ARC to efficiently manage operations that service research activity on the seventh floor. The plan calls for the university to amend its existing lease to assume the lease of the seventh floor of the VTRC-A. The VT-ARC would then lease space as needed from the university. Under this arrangement, the university would provide and maintain required IT security services for the seventh floor.

The university has developed an entirely nongeneral fund resource plan to support the \$1.54 million annual lease for the additional 21,300 square feet and VT-ARC's outstanding loan balance due to the Foundation. The lease will reflect the standard break-even arrangement between the Foundation and the university. The terms of the lease would provide for up to ten years of occupancy, the present value of which would be approximately \$11 million and would exceed the capital project threshold of \$3 million.

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 amend the university's existing lease with the Foundation to include the seventh floor space.

**RESOLUTION FOR A LONG-TERM LEASE FOR
THE VIRGINIA TECH RESEARCH CENTER - ARLINGTON**

WHEREAS, the Virginia Tech Research Center - Arlington (VTRC-A) located at 900 Glebe Road in Arlington, Virginia is a seven-floor facility constructed in 2011 by the Virginia Tech Foundation (Foundation) to expand research and development in the Greater Washington D.C. Metro area; and,

WHEREAS, the university currently leases levels two through six of the building, approximately 104,800 square feet, from the Foundation; and,

WHEREAS, the university desires to assume the lease of the seventh floor of the VTRC-A; and,

WHEREAS, the university is prepared to amend the existing long-term lease with the Foundation to add the entire seventh level; 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 facility costs, normal property carrying costs, operating expenses, and the outstanding balance of VT-ARC's loan agreement due to the Foundation; and,

WHEREAS, the lease rate between the university and the Foundation will be based on a break-even arrangement; and,

WHEREAS, Virginia Tech has developed a nongeneral fund resource plan sufficient to cover the estimated \$1.54 million annual lease cost plus executory and other property carrying costs; 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 amend the long-term lease with the Foundation for the Virginia Tech Research Center – Arlington to include the entire seventh floor and associated costs.

RECOMMENDATION:

That the resolution authorizing Virginia Tech to amend the long-term lease with the Virginia Tech Foundation for the Virginia Tech Research Center - Arlington be approved.

November 8, 2021