

**APPROVAL OF ADJUSTMENT TO THE
CAPITAL LEASE PROJECTS
FOR THE SCIENCES COLLEGE CONSORTIA PROGRAM AND
FOOD, NUTRITION, AND HEALTH VIVARIUM**

During the August 28, 2006 Board of Visitors meeting, the Board approved a capital lease authorization under restructuring authority to initiate the Sciences College Consortia Program and Food, Nutrition, and Health Vivarium project. The original authorization included approximately 77,000 gross square feet of laboratory space located in the Virginia Tech Corporate Research Center, including 7,000 gross square feet of vivarium space. The project is nearing completion at the original size and program envisioned.

The original authorization includes an estimated annual lease payment sufficient to cover the costs of an \$18.625 million project. The contractor has presented final cost updates to the Corporate Research Center for certain building related overruns and upfits the program included to accommodate specific research activities. The total of these adjustments reflects a \$1.953 million project cost increase (10.5 percent) for an adjusted total project cost of \$20.578 million. The academic program staff have reviewed the project specifications and determined the items related to the proposed cost increase are essential for the research activities.

The original authorization includes an annual lease amount of about \$1.797 million plus utilities. To cover the adjusted project cost of \$20.578 million, the annual lease amount should be adjusted to about \$1.957 million plus utilities. This amount reflects the costs for the first two years of the lease, after which the lease may be adjusted to cover actual cost increases of building operations and financing costs. The funding plan to cover the cost increase includes overhead revenue generated from grants and contracts, and these funds are projected to be sufficient to cover this adjustment.

In accordance with the University's Management Agreement policy governing capital projects, the University should bring back to the Board any project budget adjustments beyond minor changes (exceeding ten percent) for review and approval. This request is to adjust the amount of the original capital lease authorization to cover the 10.5 percent project cost increase.

**RESOLUTION ON ADJUSTMENT OF CAPITAL LEASE PROJECTS FOR THE
SCIENCES COLLEGE CONSORTIA PROGRAM AND
FOOD, NUTRITION, AND HEALTH VIVARIUM**

WHEREAS, during the August 28, 2006 Board of Visitors meeting, the Board approved a capital lease authorization under restructuring authority for the Sciences College Consortia Program and Food, Nutrition, and Health Vivarium project; and,

WHEREAS, the authorization includes terms of twenty (20) years at an estimated annual cost of \$1,796,690 plus utilities to cover the financing of an estimated \$18.625 million total project cost and building operations; and,

WHEREAS, the contractor has presented final cost updates to the Corporate Research Center which reflect a \$1.953 million project cost increase (10.5 percent) for an adjusted total project cost of \$20.578 million; and,

WHEREAS, the program has reviewed the project specifications and determined the items related to the proposed cost increase are essential; and,

WHEREAS, in accordance with the University's Management Agreement policy governing capital projects, the University should bring back to the Board any project budget adjustments beyond minor changes (exceeding ten percent) for review and approval; and,

WHEREAS, under the 2006 Management Agreement between the Commonwealth of Virginia and the University, 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 capital leases;

NOW THEREFORE BE IT RESOLVED, that the University be authorized to enter into capital leases with the Virginia Tech Foundation, Inc. at the adjusted amount of about \$1.957 million plus utilities for the first two years with revisions for actual building operations and financing costs in succeeding years for a facility to house its Sciences College Consortia Program and Food, Nutrition and Health Vivarium.

RECOMMENDATION:

That the above resolution authorizing Virginia Tech to enter into capital lease agreements with the Virginia Tech Foundation, Inc. at the adjusted amount for a facility to house its Sciences College Consortia Program and Food, Nutrition and Health Vivarium be approved.

August 25, 2008