

# **RENOVATION OF AMBLER JOHNSTON RESIDENCE HALL**

**VIRGINIA TECH**

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The Ambler Johnston facility was built in 1969 with a scope of about 272,000 gross square feet and housing capacity for about 1,288 students. This residential facility has received few improvements since original construction and requires a full overhaul of its systems and modernization of rooms, lounges, restrooms, program space, and installation of air conditioning. The Board of Visitors approved the University's 2008-2014 Capital Plan on March 26, 2007, including a \$65 million nongeneral fund project to renovate Ambler Johnston Hall. The University requested the project under the state budget process, and the project was authorized with a total budget of \$65 million and a scope of 272,000 gross square feet (GSF) to fully renovate and modernize the program of Ambler Johnston Hall.

The original total project cost estimate of \$65 million was based on 2006 comparables with a projected four percent annual inflation to the mid-point of construction, about \$239 per GSF. At the preliminary design phase, the project costs were estimated at about \$80 million. The Student Affairs program and University Planning Design and Construction Services (UPDCS) worked together to adjust the program and value engineer the design to a lower cost which resulted in an adjusted total project cost estimate of \$75 million, or \$275 per GSF. These costs are within the normal range for large-scale campus renovation projects.

The adjusted project cost requires an authorization increase, and the University originally planned to submit a \$10 million nongeneral fund debt supplement amendment during the 2009 budget session to increase the existing state authorization, which would take effect July 1, 2009. This adjustment request is one of the 2009 amendment items reviewed with the Board of Visitors during the August 2008 meeting. Since that time, the Construction Manager (CM) for the project has proposed to move forward with the construction phasing earlier than originally planned to ensure meeting the project schedule requirements and budget. The CM's proposed schedule to award a Guaranteed Maximum Price (GMP) contract is late December 2008 with a construction start date in April 2009. The state processes for budget actions have a fixed cycle and cannot accommodate the CM's proposed timing. As a result, under the state process, the construction start will be delayed several months with risks of higher costs and potentially missing a full year of program revenues because the facility may not be ready for student move-in by August of 2011.

The proposed solution to reduce the risks of higher costs and missing the August 2011 completion date is to approve a \$10 million debt supplement under restructuring so that a contract may be awarded this winter. The University may still pursue the state debt supplement authorization during the 2009 budget session as an option for issuing the debt under the Virginia College Building Authority which has a lower cost of capital than stand alone debt issuances. Thus, this request is for Board approval of a \$10 million nongeneral fund debt supplement to adjust the total project budget of the renovation of Ambler Johnston to \$75 million from \$65 million so that a contract may be executed prior to July 2009. The project funding plan includes debt financing which is included in the current Debt Capacity Report, and the debt service is included in the auxiliary's budget plan. Prior to the issuance of permanent, long-term debt financing for this project, a VCBA financing resolution will be submitted to the Board of Visitors for approval.

## **Resolution on Renovation of Ambler Johnston Residence Hall**

**WHEREAS**, the current authorization to renovate Ambler Johnston Hall was originally approved by the state with a total budget of \$65 million of debt financing and a scope of 272,000 gross square feet (GSF) to modernize the building's systems and program; and,

**WHEREAS**, the project is funded with 100 percent nongeneral fund support and is managed under the University's restructuring Management Agreement; and,

**WHEREAS**, the project is in design with working drawings underway and a revised cost estimate of \$75 million for the original scope of 272,000 GSF; and,

**WHEREAS**, a \$10 million nongeneral fund debt supplement is needed to complete the project; and,

**WHEREAS**, the University has developed a funding plan that includes debt serviced by nongeneral fund revenues sufficient to support the full \$75 million costs of the project; and,

**WHEREAS**, under the 2006 Management Agreement between the Commonwealth of Virginia and the University, the University has the authority to issue bonds, notes or other obligations that do not constitute State tax supported debt; and

**WHEREAS**, the Finance and Audit Committee will further review and approve a financing resolution prior to securing permanent financing for the debt component of the project plus amounts needed to fund issuance costs, reserve funds, and other financing expenses; 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; and,

**WHEREAS**, the University may address minor cost variances provided sufficient funds are available to support the full project costs;

**NOW THEREFORE BE IT RESOLVED**, that the University be authorized to supplement the existing \$65 million nongeneral fund debt Ambler Johnston renovation project with \$10 million nongeneral fund debt and to secure temporary short-term financing through any borrowing mechanism that prior to such borrowing has been approved by the Board, as applicable, in an aggregate principal amount not to exceed \$10 million for a portion of the costs of the project, plus related issuance costs and financing expenses.

### **RECOMMENDATION:**

That the above resolution authorizing Virginia Tech to complete the design, renovation, and financing of Ambler Johnston Hall be approved.

November 3, 2008