

## **Capital Project for Phase IV of Oak Lane Community**

### **JOINT FINANCE AND AUDIT COMMITTEE AND BUILDINGS AND GROUNDS COMMITTEE**

**March 4, 2010**

The University's Campus Master Plan envisions an expansion of the Special Purpose Housing area of campus. While expansion of the current community has been considered a potential future improvement, a recent proposal from house corporations to partner on the expansion presents an opportunity to advance the project. The partnership involves the University building and financing houses in a manner similar to the first three phases, and the house corporations providing gifts to the Virginia Tech Foundation to be used to cover a portion of the cost of the houses and allow for customized, unique designs.

The overall vision of the expanded community includes a multi-phased development of up to 17 new houses with design elements that reflect the unique character and needs of each organization. The first phase of the development includes sites for five houses. The selected area for development is east of Oak Lane adjacent to the golf course. The first phase of the development includes establishing the necessary site improvements and the construction of at least three and up to five new houses, which will be located along the southern-most end of the proposed development. The remaining phases of the development, envisioned to accommodate another 12 houses, may occur over time based on demand from student housing corporations.

This project request is for authorization for the University to implement Phase IV of Oak Lane Community (five houses and site development) at a cost not to exceed \$23.5 million. Because the housing corporations will customize elements of their particular residence and will provide private support to cover a portion of the costs, a specific cost for each house has not yet been established. To ensure sufficient authorization for the first five houses, the University is requesting a \$23.5 million blanket authorization to cover the costs of Phase IV, which reflects a high estimate of \$4 million per house and a \$3.5 million estimate for site development. Only the amount actually required for five houses and infrastructure will be used; thus, the authorization may not be fully utilized.

As with all self-supporting projects, the University has developed a financing plan to provide assurance regarding the financial feasibility of the project. This plan requires sufficient private support to cover at least 33 percent of the project costs of the houses and debt financing to cover the remaining costs of the houses and site development. The debt will be serviced from residential programs auxiliary revenue. With the scope, cost, and funding plan established, the University is ready to move the project forward.

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, debt issuance, and overall funding of nongeneral fund capital outlay projects. This request is for a project authorization to move forward with Phase IV of the Oak Lane Community project.

## **RESOLUTION ON CAPITAL PROJECT FOR OAK LANE COMMUNITY, PHASE IV**

**WHEREAS**, the University's Campus Master Plan envisions a future expansion of the Special Purpose Housing area of campus; and,

**WHEREAS**, a recent proposal from student house corporations to partner on the expansion presents an opportunity to advance the project sooner than originally envisioned; and,

**WHEREAS**, the partnership involves the University providing the necessary financing for site development and five houses and the house corporations providing gifts to cover at least 33 percent of the project costs for the houses; and,

**WHEREAS**, the total project authorization, inclusive of site development and five houses, is \$23.5 million; and,

**WHEREAS**, the University has developed a funding plan that can successfully support the \$23.5 million of project costs; 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 issuances, 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 move forward with Phase IV of the Oak Lane Community project at a total project cost not to exceed \$23.5 million 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 the \$23.5 million total authorization, plus related issuance costs and financing expenses.

### **RECOMMENDATION:**

That the resolution authorizing Virginia Tech to complete the Oak Lane Community, Phase IV project be approved.

March 22, 2010