

Capital Project Resolution for Acquisition of 601 Prince Street

JOINT FINANCE AND AUDIT COMMITTEE AND BUILDINGS AND GROUNDS COMMITTEE

October 10, 2013

The College of Architecture and Urban Studies operates a program in Alexandria, Virginia known as the Washington-Alexandria Architecture Center. The Center, established in 1980, offers graduate studies in Architecture and Landscape Architecture with current enrollments of 230 students. The location adjacent to the Washington, D.C. metropolitan region allows students to address the complexities of urban areas, using the region as a resource laboratory for design and research.

One of the Center's primary academic facility needs has been accommodated by a 5,000 foot lease space at 901 Prince Street, Alexandria Virginia; this is a partial lease of the 10,000 square foot building. The landscape program desires to grow enrollments and is constrained by the lack of available and suitable space. The program also desires a permanent location without the risk of continuation of future leases. The program has worked with the university and the Virginia Tech Foundation (Foundation) to explore alternatives to support program growth in permanent space. The alternatives to leasing available in the market that meet the program's needs include purchasing the existing 901 Prince Street location or a nearby facility of 12,000 useable square feet at 601 Prince Street in Alexandria, Virginia.

After review and consideration of the options, the university determined that the most effective solution for the program was the purchase and renovation of the 601 Prince Street location, provided the acquisition and renovations could be reached at an affordable price. The Foundation has successfully negotiated a price within the total price approved by the university. The university has developed a long-range funding plan, which is supported by funds from terminating the 901 Prince Street lease and projects and from the overall growth in the program supported by expanding program enrollments.

Under the acquisition plan, the Foundation will hold ownership of the 601 Prince Street property and the university will enter into a long-term lease with the Foundation for use of the property. The lease with the Foundation will be structured to ensure that the lease payments are sufficient but not beyond the amounts needed to cover the costs incurred by the Foundation. After the retirement of any debt for acquisition and renovation costs, the lease will revert to the usual and customary property carrying costs for operations and maintenance.

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 issuances, and overall funding of nongeneral fund capital outlay projects, including capital leases. This request is for authorization to enter into a capital lease with the Foundation for 601 Prince Street Alexandria, Virginia at an acquisition cost not to exceed \$2.95 million including purchase, repairs, and code compliance costs.

RESOLUTION OF A CAPITAL LEASE FOR ACQUISITION OF 601 PRINCE STREET

WHEREAS, the Washington-Alexandria Architecture Center program, established 1980, is an essential component of the College of Architecture and Urban Studies and is located adjacent to the Washington, D.C. metropolitan region; and,

WHEREAS, the landscape program has been housed in 5,000 square feet of leased space at 901 Prince Street and requires additional space to accommodate enrollment growth; and,

WHEREAS, the program desires permanent space without risk of continuation of future leases; and,

WHEREAS, the university, and the Virginia Tech Foundation have jointly identified an effective solution at an affordable price; and,

WHEREAS, the solution calls for the Virginia Tech Foundation to acquire and hold ownership of 601 Prince Street, Alexandria, Virginia and for the university to lease the facility; and,

WHEREAS, the lease rates will be based on a break-even arrangement with the rates reverting to usual and customary property carrying costs for operations and maintenance after the retirement of any debt for acquisition and renovation costs; and,

WHEREAS, the university has developed a funding plan that includes resources sufficient to support the lease; and,

WHEREAS, the anticipated lease arrangements meet the Generally Accepted Accounting Principles (GAAP) capital lease definition; 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 capital outlay projects, including capital leases;

NOW, THEREFORE, BE IT RESOLVED, that the university be authorized to move forward on transactions with the Virginia Tech Foundation to lease 601 Prince Street, inclusive of a capital lease, at total project cost inclusive of acquisition, repairs, and code compliance not to exceed \$2.95 million.

RECOMMENDATION:

That the resolution authorizing Virginia Tech to enter into a capital lease with the Virginia Tech Foundation for 601 Prince Street be approved.

November 18, 2013