

Capital Project for Planning the Upper Quad Residential Facilities

JOINT FINANCE AND AUDIT COMMITTEE AND BUILDINGS AND GROUNDS COMMITTEE

February 12, 2013

The four Upper Quad residential facilities are Rasche Hall, Brodie Hall, Thomas Hall, and Monteith Hall. These four halls were constructed between 1894 and 1949 and combine to provide approximately 201,000 gross square feet and housing for approximately 1,000 students. The primary purpose of these facilities is to house the Corps of Cadets. The facilities have received few improvements since their original construction, do not meet student expectations, and carry significant deferred maintenance backlogs.

The Board of Visitors approved the university's 2012-2018 Capital Plan on June 6, 2011, including a nongeneral fund project to replace the four facilities listed above with two modern residence halls. The two new residence halls will replace the existing inventory and each building is envisioned to be approximately 97,000 gross square feet. The proposed implementation strategy for the project is a three phase approach. The first phase involves razing, and replacing Rasche with a modern five story residence hall. The second phase involves razing and replacing Brodie with a modern five story residence hall. The final phase involves razing Monteith and Thomas. At the end of the project, the two new residential facilities will replace the existing bed inventory with modern space. To ensure continuity of the Upper Quad, the design for the Upper Quad Residential Facilities project will include a master plan of the precinct with conceptual drawings of an envisioned Corps Leadership and Military Science Building.

As with all self-supporting projects, the university has developed a financing plan to support the project. The university worked conjointly with the residential program to develop a long range financial model to support new debt service on this project and other residential program costs within the university's six-year operating plan. This funding plan calls for the use of debt which may be serviced from Residential Programs auxiliary revenue. The target total project funding is \$90 million, and the plan is sufficient to cover this amount. Any cash designated for the project accumulated prior to the issuance of permanent debt may be used directly for project costs and to lower the total debt issuance.

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 \$5.85 million planning authorization for the Upper Quad Residential Facilities project. A subsequent request for construction funding may be submitted after designs are underway and a firm scope and cost are determined.

**RESOLUTION ON CAPITAL PROJECT FOR
PLANNING THE UPPER QUAD RESIDENTIAL FACILITIES**

WHEREAS, Rasche Hall, Brodie Hall, Thomas Hall, and Monteith Hall have received few improvements since their original construction, do not meet student expectations, and carry significant deferred maintenance backlogs; and,

WHEREAS, the proposed solution is a project to raze the existing four residence halls and replace the bed inventory with two new, modern residence halls; and,

WHEREAS, design will include a master plan of the precinct with conceptual drawings of an envisioned Corps Leadership and Military Science Building; and,

WHEREAS, the university has developed a 100 percent nongeneral fund resource plan for the project, including this \$5.85 million for planning work; 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 move forward with a \$5.85 million planning authorization for the Upper Quad Residential Facilities project 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 \$5.85 million planning authorization, plus related issuance costs and financing expenses.

RECOMMENDATION:

That the resolution authorizing Virginia Tech to design the Upper Quad Residential Facilities project be approved.

March 25, 2013