

**Capital Project for Capital Lease of the Virginia Tech Transportation
Institute Expansion**

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

February 12, 2013

The Virginia Tech Transportation Institute (Institute) is one of seven university level research institutes at Virginia Tech. The Institute was established in August 1988 in response to the U.S. Department of Transportation's University Transportation Centers Program, and in cooperation with the Virginia Department of Transportation. The Institute's mission is primarily applied to research, accomplished via a multidisciplinary core of academic faculty housed in cooperating departments, research faculty, and students. The Institute is currently housed in a 52,000 square foot office and laboratory complex.

The Institute is a critical research engine for the university with over 130 research projects, a \$125 million total research portfolio, and \$30 million of annual research expenditures. The university's vision to expand research and development under the Institute is a key strategic initiative for the future. The Institute has grown to fill its current space and the program is expanding further with new research grants and contracts. The Institute requested additional space at their existing site near the Smart Road to accommodate this growth and has worked with the Corporate Research Center (CRC) to design and build a solution. The scope of the expansion includes approximately 24,400 gross square feet of office space and 6,400 gross square feet of warehouse space with an expected total cost of not more than \$5.3 million.

The plan to acquire the space includes entering a long-term lease for the office space and a long-term lease for the warehouse space. The Institute's stakeholders group has reviewed the project, its costs, and has committed to funding its costs over time. The nature of this arrangement is expected to meet the Generally Accepted Accounting Principles (GAAP) capital lease definition; thus, a capital authorization is needed for the university to enter into the leases.

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 an authorization to move forward with capital leases for the additions to the Virginia Tech Transportation Institute.

RESOLUTION TO AUTHORIZE A CAPITAL LEASE FOR THE VIRGINIA TECH TRANSPORTATION INSTITUTE EXPANSION

WHEREAS, the university's vision to expand research and development under the Virginia Tech Transportation Institute (Institute) is a key strategic initiative for the future of the institution; and,

WHEREAS, the Institute has grown to fill its current space and is in the process of expanding further with new research grants and contracts; and,

WHEREAS, the Institute requires approximately 30,800 additional square feet in both the office and warehouse to accommodate current and projected research operations; and,

WHEREAS, the facility solution is for the Corporate Research Center (CRC) to build additions at the Institute's existing site and for the university to lease the spaces; and,

WHEREAS, the lease rates will be based on a break-even arrangement with the rates reverting to usual and customary property carrying costs after the facility costs are retired; and,

WHEREAS, the anticipated lease arrangements are expected to meet the Generally Accepted Accounting Principles (GAAP) capital lease definition; and,

WHEREAS, the university has developed a funding plan that includes nongeneral fund resources sufficient to support the leases; 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 for capital leases for the expansion of the Virginia Tech Transportation Institute.

RECOMMENDATION:

That the resolution authorizing Virginia Tech to enter into capital leases with the Virginia Tech Foundation for an expansion of the Virginia Tech Transportation Institute be approved.

March 25, 2013