



Virginia Department of Planning and Budget
Project Request Justification

2006-2008 Biennium Date: July 22, 2005

A. General Information

- 1. Agency name: Virginia Tech
- 2. Agency code: 208
- 3. Project title: Construct: Administrative Services Building
- 4. Agency priority: 18
- 5. Contact Person: M. Dwight Shelton, Jr.
- 6. Contact's telephone number: (540) 231-8775
- 7. Contact's e-mail address: mdsjr@vt.edu

B. Proposed Project

1. Project Cost:

General Fund/General Fund supported debt	
Nongeneral fund	
9 (c) revenue debt	
NGF supported 9 (d) revenue bonds	12,000,000
Total request	12,000,000

2. Project cost changes:

NONE

3. Description:

- This is a new project on the university's capital plan. The concept for this project originated in the early 1990s with the alternative financing authorization of a project called the Student Services Building (SSB). The SSB scope could not accommodate all of the administrative units that could benefit from improved facilities and several units were deferred from the project as a result.
- This project request is to complete the original vision of improved administrative services to the campus community by constructing a 48,000 gross square foot building with an open floor plan and modular design for flexibility and cost efficiency.
- The life expectancy of the project is 60 years with proper maintenance.
- The project scope is based on the space needs of several administrative units including departments like the Controller's Office, Risk Management, Sponsored Programs, Parking

Services, back office functions of Admissions, Capital Assets and Financial Management, Real Estate Management, Investments and Debt Management, and the Development Office.

- The funding plan calls for a nongeneral fund debt authorization that will be repaid by lease savings and existing operating budgets.

4. Project scope change:

NONE

5. a. Approved Master Site Plan:

Yes No

If not, explain:

b. 2004-10 Capital Outlay Plan:

Yes No

If not, explain:

- This is a new project on the university's capital plan. The concept for this project originated in the early 1990s with the alternative financing authorization of a project called the Student Services Building (SSB). The SSB scope could not accommodate all of the administrative units that could benefit from improved facilities and several units were deferred from the project as a result.

6. Equipment for a previously funded project.

NONE

7. Supplement to a previously funded project.

NONE

C. Project Justification

1. a. Existing condition:

- Currently, administrative functions of the university are located in various buildings spread across campus or leased in adjacent neighborhoods.
- The main building for several administrative departments including the Controller's Office, part of Personnel Services, Capital Assets and Financial Management, and Risk Management is Southgate Center -- a 58,000 gross square foot food storage warehouse built in 1987. The building underwent a provisional conversion in the early 1990s to temporarily house the units and has been in service continually. The facility was originally built by the auxiliary enterprise system and is now leased by the E&G program to house these units. The building's air handling, mechanical, lighting, plumbing, and sound control were not designed or envisioned to accommodate intense occupancy and the building is

overcrowded. The overall conditions are very poor long-term accommodations for university staff.

- Because of a shortage of office space on campus, the university leased about 101,000 gross square feet of administrative space at an annual cost of about \$1.045 million in fiscal year 2004-2005 for various units. These lease costs escalate at about three percent per year.
- In addition to the cost of these on-going leases, the physical separation of administrative departments on and off campus increases the cost of doing business by creating communication inefficiencies for team projects, meetings, and processing approvals. A significant amount of time and productivity is lost when employees must drive across campus, locate a parking site, and walk the remaining distance to their destination to complete normal activities of daily business.
- By consolidating many of the university's administrative functions in one modern facility, the university expects to achieve numerous efficiencies which will translate into more effective and efficient operations. Further, the proposed administrative building should house the units more space effectively than the various lease spaces.

Higher Education Only

b. Facility Condition Index:

FCI _____

c. Space deficit:

Yes No

2. Programmatic information:

- The concept for this project originated in the early 1990s with the alternative financing authorization of a project called the Student Services Building (SSB). The SSB came online in 2002 and is one of the university's most successful administrative buildings in recent times, making significant improvements to the contributions of administrative services for the university community. The SSB houses the Bursar's Office, Hokie Passport (our one-card system for students, faculty, and staff), Communications Network Services customer desk, Registrar's Office, Office of Student Financial Aid, a portion of Personnel Services, Purchasing Office, and Internal Audit.
- The SSB scope could not accommodate all of the administrative units that could benefit from improved facilities and several units were deferred from the project as a result. As an illustration, the Controller's Office, part of Personnel Services, back office functions of Admissions, Capital Assets and Financial Management, Sponsored Programs, Parking Services, Real Estate Management, Development Office, and Investments and Debt Management all remain in some form of leased, out-dated, overcrowded, or ill-suited space that constrains service delivery. In particular, the Controller's Office, part of Personnel Services, Capital Assets and Financial Management, and Risk Management continue to operate in a converted food storage warehouse.
- This project request is to complete the original vision of improved administrative services to the campus community by constructing a 48,000 gross square foot building with an open

floor plan and modular design for flexibility and cost efficiency. Many of the administrative functions now housed in leased space or located in detached areas of campus will be consolidated in the new facility. The building may also house academic units that may operate successfully away from the core of campus.

- The estimated cost of the project is \$12 million with an estimated annual debt service of about \$963,000. The debt service will be covered by a combination of lease termination savings and existing operating budgets. Over the long term, this proposed project should save resources as compared to continual leasing because annual facility costs will be held constant against inflation and the building will be paid out in 20 years with 40 more years of life expectancy.

3. Alignment to strategic plan:

By consolidating many of the university's administrative functions in one building, the university expects to achieve numerous efficiencies, which in the long term should translate into cost savings for its operations. These savings will free up resources for re-deployment in more strategic areas. In addition, administrative space in the core campus area, which is vacated by relocation to the new administrative building, will be available for use as academic space that is also in short supply. Thus, this project supports Virginia Tech's strategic plan in the areas of Research and Scholarship, Graduate Education, Undergraduate Education, and Outreach by providing a more efficient environment in which to conduct the administrative activities of the institution.

D. Options Considered

- Delaying this project to a future biennium is not a favorable option as this will postpone the university's ability to address logistical inefficiencies in its administrative functions, to address poor work place conditions, and to decrease costly leases.
- Leasing private space on a continued basis is not a financially sound option because the annual lease cost of about \$1 million is approximately the same as annual debt service on \$12 million financed over 20 years at 5 percent. The annual debt service amount reflects the first year, and thus savings will accumulate over time as rent rates increase with inflation. Further, the displacement of potential commercial space off campus by university programs has a negative effect on the local government revenue base.

E. Project Schedule Changes:

NONE