

Capital Budget Request

Financing for Upper Quad Residential Facilities

Overview

Agency	Virginia Polytechnic Institute and State University (208)
Project Code	none
Project Type	New Construction
Biennium	2014-2016
Budget Round	Amended Bill
Request Origin	New Project
Building Name	
Project Location	Roanoke Area
Facility/Campus	Blacksburg Main Campus
Source of Request	Agency Request
Building Function	Higher Education -- 100% Auxiliary Enterprise
Infrastructure Element	Residential
Contains significant technology costs? No	
Contains significant energy costs? No	

Agency Narrative

Agency Description

This request is for a 100 percent nongeneral fund debt authorization to complete the Upper Quad Residential Facilities project. This project has been initiated under the university's restructuring authority using entirely nongeneral fund resources. The project is in the construction phase with a total cost of \$92 million, which is approximately \$92,000 per bed. The cost per bed is in the normal range of expected costs for Virginia Tech residential space. This request is for authorization to issue 9(c) debt through the VCBA program to finance project costs.

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 95,000 gross square feet. The 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 replace the existing bed inventory with modern space.

Justification

Financing Request:

The Board of Visitors approved the project on September 9, 2013. The funding plan includes \$24.5 million of auxiliary cash and \$67.5 million of fixed rate debt. The project is underway and the university is prepared to issue stand-alone debt for the project if necessary.

The State's VCBA program offers the most favorable cost of capital in terms of issuance costs and interest. This request is for a debt authorization to issue up to \$67.5 million in the 9c VCBA program. Compared to a stand-alone issuance, issuing through the VCBA will reduce debt service and the savings will be passed along to students in the form of lower fees.

Funding Plan:

The program for the Upper Quad Residential Facilities project is 100 percent nongeneral fund auxiliary enterprise. Thus, the funding plan calls for \$92 million of nongeneral fund auxiliary enterprise support. Residential Programs will contribute \$24.5 million of auxiliary revenue towards the project to lower the amount of debt needed for the project. This proposal is for the remaining \$67.5 million to be funded with traditional nongeneral fund 9c bond financing.

Authorization to finance the permanent debt issuance for the project through the VCBA 9c program will allow for more favorable financing terms, reducing the cost of capital which would benefit students. The debt service will be covered by Residential Programs auxiliary revenue.

Residential rates vary across the system based on the features and accommodations that different dorms offer. Students residing in the new residence halls will pay a residential fee, already forecast within the university rate structure, which is in line with other dorms that have similar features and accommodations. The estimated fee impact is shown below and is the same for Virginian and Non-Virginian domicile students.

- Annual per student fee(s) to be assessed to support the project.
 - New Facility Room Fee to Project Residents - \$2,012
 - System-Wide Existing Room and Board Fees – \$364
- Total annual student fee(s) revenue assessed to support the project.
 - New Facility Room Fee to Project Residents - \$2,012,000
 - System-Wide Existing Room and Board Fees - \$3,199,995
- This increase will bring rates for this project in-line with rates of residential facilities that have similar features and accommodations.

Alternatives Considered

Virginia Tech routinely considered project delivery through a PPEA or alternatively through the Foundation. Project delivery through a PPEA or Virginia Tech's Foundation is not selected because of the combination of available university controlled land, the cost of capital available, and the absence of profit motive. Those considerations result in a traditional project delivery being more cost effective.

Costing Methodology

Agency Funding Request

Phase	Year	Fund	Subject	Requested Amount
Full Funding	2016	0813 - 9(C) Debt Service - Construction Costs	2322 - Construction, Buildings	\$67,500,000
Full Funding	2016	0306 - Auxiliary Enterprise	2322 - Construction, Buildings	\$24,500,000
Total				\$92,000,000

Project Costs

Cost Type	Total Project Costs	Requested Funding	DGS Rec
Acquisition Cost	\$0	\$0	\$0
Building & Built-in Equipment	\$64,143,000	\$64,143,000	\$0
Sitework & Utility Construction	\$3,207,000	\$3,207,000	\$0
Construction Cost Total	\$67,350,000	\$67,350,000	\$0
Design & related Services from Other Costs tab	\$5,878,156	\$5,878,156	\$0
Inspection & Testing Services from Other Costs tab	\$2,650,000	\$2,650,000	\$0
Project Management & Other Costs from Other Costs tab	\$9,730,000	\$9,730,000	\$0
Furnishings & Movable Equipment	\$3,514,290	\$3,514,290	\$0
Construction Contingency	\$2,877,554	\$2,877,554	\$0
Total Project Cost	\$92,000,000	\$92,000,000	\$0

Capacity

Cost Type	Unit of Measure	Units	Cost Per Unit
Acquisition Cost		0	\$0
Construction Cost	GSF	202,707	\$332
Total Project Cost	GSF	202,707	\$454

Other Costs

Cost Type	Total Project Costs	Requested Funding	DGS Rec
Design & Related Service Items			
A/E Basic Services	\$4,813,590	\$4,813,590	
A/E Reimbursables	\$44,950	\$44,950	
Specialty Consultants (Food Service, Acoustics, etc.)	\$0	\$0	
CM Design Phase Services	\$35,000	\$35,000	
Subsurface Investigations (Geotech, Soil Borings)	\$42,455	\$42,455	
Land Survey	\$94,871	\$94,871	

Archeological Survey	\$0	\$0
Hazmat Survey & Design	\$40,000	\$40,000
Value Engineering Services	\$0	\$0
Cost Estimating Services	\$0	\$0
Other Design & Related Services	\$807,290	\$807,290
Design & Related Services Total	\$5,878,156	\$5,878,156
Inspection & Testing Service Items		
Project Inspection Services (inhouse or consultant)	\$1,829,000	\$1,829,000
Project Testing Services (conc., steel, roofing, etc.)	\$821,000	\$821,000
Inspection & Testing Services Total	\$2,650,000	\$2,650,000
Project Management & Other Cost Items		
Project Management (inhouse or consultant)	\$947,000	\$947,000
Work By Owner	\$135,000	\$135,000
BCOM Services	\$15,000	\$15,000
Advertisements	\$0	\$0
Printing & Reproduction	\$0	\$0
Moving & Relocation Expenses	\$189,000	\$189,000
Data & Voice Communications	\$1,679,000	\$1,679,000
Signage	\$125,000	\$125,000
Demolition	\$0	\$0
Hazardous Material Abatement	\$91,000	\$91,000
Utility Connection Fees	\$0	\$0
Utility Relocations	\$819,000	\$819,000
Commissioning	\$1,026,000	\$1,026,000
Miscellaneous Other Costs	\$4,704,000	\$4,704,000
Project Management & Other Costs Total	\$9,730,000	\$9,730,000

Operating and Maintenance Costs (Agency)

Cost Type	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
GF Dollars	\$0	\$0	\$0	\$0	\$0	\$0
NGF Dollars	\$0	\$0	\$0	\$0	\$0	\$0
GF Positions	0.00	0.00	0.00	0.00	0.00	0.00
NGF Positions	0.00	0.00	0.00	0.00	0.00	0.00
GF Transfer	\$0	\$0	\$0	\$0	\$0	\$0
GF Revenue	\$0	\$0	\$0	\$0	\$0	\$0
Layoffs	0	0	0	0	0	0

Planned start date of new O&M costs (if different than the beginning of the fiscal year):---

Supporting Documents

No supporting documents for this adjustment

Workflow History

User Name	Claimed	Submitted	Step Name
Jennifer Hundley	06/26/2014 11:37 AM	06/26/2014 11:37 AM	Enter Capital Budget Request
Jennifer Hundley	06/26/2014 11:37 AM	06/27/2014 03:51 PM	Continue Drafting
Rob Mann	06/30/2014 09:16 AM	06/30/2014 09:20 AM	Agency Review Step 1
Bob Broyden	06/30/2014 03:26 PM	06/30/2014 03:30 PM	Ready for DPB Submission
Bob Broyden	06/30/2014 03:55 PM	06/30/2014 03:55 PM	Ready for DPB Submission
			DPB Review