

August 14, 2001

MEMORANDUM

TO: The Special Committee on College and Graduate School
of Arts and Sciences Facilities

Thomas F. Farrell, II, Chair
William H. Goodwin, Jr.
Timothy B. Robertson
Leonard W. Sandridge
John P. Ackerly, III, Ex Officio

and

The Remaining Members of the Board:

Thomas J. Bliley, Jr.	Gordon F. Rainey, Jr.
Charles M. Caravati, Jr., M.D.	Terence P. Ross
William G. Crutchfield, Jr.	Thomas A. Saunders, III
Charles L. Glazer	Elizabeth A. Twohy
T. Keister Greer	Benjamin P.A. Warthen
Elsie Goodwyn Holland	Sasha L. Wilson
Joseph E. Wolfe	

FROM: Alexander G. Gilliam, Jr.

SUBJECT: Meeting of the Special Committee on
August 14, 2001

The Special Committee on College and Graduate School of Arts and Sciences Facilities met, in Open Session, at 9:40 a.m., Tuesday, August 14, 2001, in the Piedmont Aviation Conference Room at the Norfolk International Airport; Thomas F. Farrell, II, Chair, presided. William H. Goodwin, Jr., Timothy B. Robertson, Leonard W. Sandridge, and John P. Ackerly, III, Rector, were present.

Also present were Gene D. Block, Edward L. Ayers, W. Thomas Leback, and Ms. Jeanne Flippo Bailes.

The Chair asked Mr. Sandridge, Executive Vice President and Chief Operating Officer, to review for the Committee the proposed project, together with the several options suggested for the size and cost of the project. (These are outlined in a memorandum Mr. Sandridge sent to the Committee before the meeting. A copy of this memorandum is appended as an Attachment.) Mr. Ayers, the Dean of Arts & Sciences, addressed these issues as well.

After adopting the necessary motion, the Committee went into Executive Session at 10:00 a.m.

That this Special Committee of the Board of Visitors of the University of Virginia go into Executive Session to discuss and evaluate endowment investment and gift strategies as permitted in Section 2.1-344 (A) (6) and (8) of the Code of Virginia.

The Committee resumed in Open Session at 11:20 a.m., and adopted the following resolution:

That we vote on and record our certification that, to the best of each Board member's knowledge, only public business matters lawfully exempted from open meeting requirements and which were identified in the motion(s) authorizing the closed session, were heard, discussed or considered in closed session.

RESOLUTION APPROVING PLANNING FOR ARTS AND SCIENCES RENOVATIONS

The following resolution was adopted:

RESOLVED that the Special Committee to Consider the Renovation of Buildings Used by the College endorses either Option II or III for planning purposes; and

RESOLVED FURTHER that the Special Committee will continue to review funding options in order to make a final recommendation to the Board of Visitors at its October meeting.

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After agreeing to another meeting before the October meeting of the Board of Visitors, the Committee, on further motion, adjourned at 11:25 a.m.

AGG:lah

These minutes have been posted to the University of Virginia's Board of Visitors website.

<http://www.virginia.edu/bov/specialcommminutes.html>

Special Board Committee on Arts and Sciences Facilities
August 14, 2001
[PREPARED FOR DISCUSSION PURPOSES ONLY]

Project Scope: A \$100 million project consisting of construction of a new arts and sciences facility, renovation of Cocke and Rouss Halls, demolition of New Cabell Hall and construction of a replacement building.

Summary of the Dean's Vision and Perspective: Buildings stand as the greatest obstacle to the improvement of the College; they also stand as the greatest opportunity to improve the quality of education at the University of Virginia. We have painfully inadequate classrooms for the large majority of our students and no room to create innovative new programs and laboratories. Limitations of space place limitations on everything else we hope to accomplish. Our buildings are unworthy of our reputation and our aspirations. If we hope to become one of the ten best universities in the nation we cannot do so with our current buildings.

The action the Board is considering could change the entire environment of the College. A new multiple-use complex behind Cabell Hall would offer the most exciting addition to the Grounds in many decades, transforming one of the most awkward areas of UVa into one of the most useful. A new academic building on the B-1 lot, joined to a new or renovated New Cabell Hall by an inviting plaza, would immediately create a revitalized Academical Village. By offering new public places, the complex would immediately improve the quality of life at the whole University.

The complex would move us toward several goals of the 2020 initiatives. By integrating flexible and powerful technology into the very fabric of the new buildings, UVa could increase its leading role in the transformation of education through digital enhancement. By opening its doors to colleagues from many departments, schools and programs, the complex would create unprecedented cooperation and opportunity for interdisciplinary and international work. By offering new possibilities for

outreach, the complex would permit us to enhance our service to the Commonwealth and beyond.

All four pillars of the College - the arts, humanities, social sciences and sciences - must be strong for the University to be strong. The new buildings, in conjunction with the on-going work on the Arts Precinct, offer us a renewed opportunity to gain that strength. The complex would permit our scientists to work with their colleagues in other fields and schools, a trend that marks the best work around the world. A new building for the sciences might well be considered at the same time we plan the new complex, in fact, for our needs these are pressing as well and a comprehensive approach would offer clear efficiencies and economies.

Our goal is clear: we want the University of Virginia to offer the best learning environment in the nation by 2010. These new projects are the most important steps we can take toward achieving that purpose. Combined with continuing investment in people and programs, that goal is within our reach.

Project Timeline and Cost Estimates: We have developed three options for review by the Special Committee. All three options include constructing a new building and renovating Cocke and Rouss Halls. The variable is the treatment of new Cabell Hall.

Option I: Construct a new building, renovate Cocke and Rouss Halls, demolish New Cabell Hall and rebuild it at 100,000 gross square feet. New Cabell is currently 160,000 gross square feet. Cost estimate: \$100 million

Option II: Construct a new building, renovate Cocke and Rouss Halls and renovate New Cabell Hall. The cost of the New Cabell renovation would be limited to \$43 million. Cost estimate: \$100 million

Option III: Construct a new building, renovate Cocke and Rouss Halls, demolish New Cabell and rebuild it at its current gross square feet of 160,000. Cost estimate: \$124.3 million.

We estimate that the entire program of work would take about six years.

Financing Strategies: A number of potential funding strategies have been identified and are described below.

1. *General fund cash appropriation* - Given the state's revenue picture for 2002-2004 it is unlikely that cash will be available for capital projects. At best we could hope to receive funding for one project from our request. Because of the frozen general fund projects both the Special Collections Library and Studio Art stand in front of the projects being considered in this plan.
2. *State bond issue* - Based on the last version of the \$803.7 million House bond bill considered during the 2001 session we would have received funding of \$13 million for College renovations (Fayerweather, Gilmer and Cocke). If a similarly sized issue were to make its way through the General Assembly in 2002 we might receive funding for these projects. Given the current backlog of projects and the frozen projects a case could be made for a much larger bond issue in the next legislative session.
3. *Private funding via the College Foundation* - The College has in hand \$35 million in commitments to what has been called the Digital Academical Village. While the donors originally intended some of these funds to be used for programs, more recent conversations indicate they would be willing to see all of the funds used for buildings.
4. *Tuition or a facilities fee* - A \$250 fee (as an example) charged to all undergraduate students will net about \$3 million annually, which would service \$37 million in debt over 20 years at 5.5 percent. This strategy would require approval of the Governor and General Assembly since in-state undergraduate tuition and mandatory E&G fees are frozen.
5. *Use of the endowment* -
 - a. *Use of endowment principal* - We could disinvest unrestricted quasi-endowment principal as we did for the Academic Enhancement Program. Obviously

an action like this would result in lower income in future years.

- b. Increase the payout on the endowment - Each 0.5 percent increase in the payout on the unrestricted portion of the endowment (\$220 million) equates to \$1.1 million.
- c. Charge a Development administrative fee on the endowment to partially fund central development costs currently supported by income on the unrestricted endowment. As an example, a 0.25 percent fee would free up \$4.5 million annually in unrestricted endowment income.
- d. Evaluate the ability of the College to use existing uncommitted endowment income and gift balances to help pay for the project.

Additional Considerations:

- 1. *Debt capacity* - Our current projects slated for debt financing already take us up to our self-imposed limit. We would have to judge how much additional debt we could incur and retain our AAA rating or replace/defer some of the projects on the current list.
- 2. *Challenge grant* - Consider issuing a challenge to the College Foundation to match in some proportion any commitment the University makes to the facilities.
- 3. *Other competing priorities* - We need to consider other priorities that will compete for the same dollars we can make available for facilities (e.g. financial aid, Va2020)
- 4. *Parking* - Construction on the B-1 parking lot necessitates replacement parking in a structure within close proximity to Cabell Hall. The six-year capital program includes authorization for a \$9 million Arts & Sciences parking structure for 500 cars. It is impractical to increase employee parking fees in the amount necessary to support the full cost of this structure. Alternative sources of funds will need to be identified.

ARTS AND SCIENCES FACILITIES OPTIONS
(in millions)

	<u>Option I</u>	<u>Option II</u>	<u>Option III</u>
Construct new building	\$43.0	\$43.0	\$43.0
Renovate Cocks Hall	\$6.2	\$6.2	\$6.2
Renovate Rouss Hall	\$7.8	\$7.8	\$7.8
Demolish New Cabell Hall	\$3.0		\$3.0
Rebuild New Cabell Hall	\$40.0		\$64.0
Renovate New Cabell Hall		\$43.0	
Total	\$100.0	\$100.0	\$124.0

Option I: Reconstructs New Cabell at 100,000 gsf to remain within the \$100 million program.

Option II: Renovates New Cabell with a budget limit of \$43 million.

Option III: Reconstructs New Cabell at its current size of 160,000 gsf.