



ARLINGTON COUNTY, VIRGINIA

County Board Agenda Item Meeting of October 18, 2008

DATE: October 2, 2008

SUBJECT: Concur with an inducement resolution adopted by the Industrial Development Authority of Montgomery County, Virginia (the "Montgomery Authority") and approve the issuance by the Montgomery Authority of the revenue bonds to finance the facilities located in Arlington County described in such inducement resolution for the benefit of the Virginia Tech Foundation, Inc. ("Virginia Tech").

C. M. RECOMMENDATION:

Adopt the attached Board Resolution concurring with the attached inducement resolution adopted by the Montgomery Authority and approve the issuance by the Montgomery Authority of the revenue bonds to finance the facilities located in Arlington County described therein for the benefit of Virginia Tech.

ISSUES: Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code") requires that both the governmental unit having jurisdiction over the area in which any facility financed with the proceeds of private activity bonds is located and the governmental unit on behalf of which such bonds are issued approve the issuance of the bonds after a public hearing.

SUMMARY: To request the County Board to concur in action taken by the Montgomery Authority at a meeting held on September 16, 2008. The Montgomery Authority approved an inducement resolution (the "Montgomery Authority Inducement Resolution") to issue bonds for projects in Arlington County, Virginia Montgomery County, Virginia, and Pulaski County, Virginia. Altogether, the aggregate amount of bonds issued by the IDA of Montgomery County will not exceed \$180,000,000. The amount of bonds related to the Arlington County project will not exceed \$112,500,000 (the "Arlington Facility Bonds"). The amount of bonds related to the Montgomery County projects will not exceed \$64,900,000, a portion of which could be taxable. The amount of bonds related to the Pulaski County projects will not exceed \$2,600,000.

BACKGROUND: In June 2008, Virginia Tech announced that the Virginia Tech Foundation would build a major research center in the Ballston area of Arlington, with planned occupancy by late 2010. The seven-floor, 145,000-square-foot building, designed by Cooper Carry to meet the Silver U.S. Green Building Council's LEED™ Building Rating Systems, will be located on the 800-900 block of North Glebe Road. This highly visible, state-of-the-art facility will further the

County Manager: _____

County Attorney: _____

Staff: Gus Vega, Secretary/Treasurer IDA
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University's mission to expand its research portfolio in a region that offers great opportunity for partnerships with corporate research entities and close proximity to government agencies and other public and private-sector organizations. Virginia Tech offers a wide range of graduate programs, workshops, and customized educational programs in the national capital region. A number of already established Virginia Tech research centers, located throughout the northern Virginia area, will move to the Ballston facility. In addition, several Virginia Tech research centers with close ties to sponsoring agencies in the Arlington area are expected to move from Blacksburg to Arlington.

This new research center will play a significant role in Virginia Tech's continuing efforts to establish a major presence in the region for the University. While a broad range of research programs will be housed in the facility, the primary focus will be on technology, particularly computational technologies and network systems. The facility will have secure high performance information technology systems that address national security issues. Virginia Tech is committed to helping expand research and development throughout the national capital region, and this facility represents a strong investment in the growth of the Ballston area as a major research hub in the national capital region.

The Virginia Tech Foundation intends to use the Industrial Development Authority of Montgomery County, Virginia to issue bonds for projects in Arlington County, Virginia, Montgomery County, Virginia, and Pulaski County, Virginia. Altogether, the aggregate amount of bonds issued by the IDA of Montgomery County will not exceed \$180,000,000.

As further required under state law and federal law, the Industrial Development Authority of Arlington County, Virginia (the "Arlington IDA") held a public hearing on the issuance of the Arlington Facility Bonds on September 25, 2008. No one appeared in opposition to the Arlington Facility Bonds at the public hearing. The Arlington IDA recommends that the County Board concur with the Montgomery Authority Inducement Resolution and approve the issuance of the Arlington Facility Bonds for the benefit of Virginia Tech, as required by applicable state and federal law.

DISCUSSION: The Industrial Development Authority of Arlington County is a political subdivision of the Commonwealth of Virginia created pursuant to the Industrial Development and Revenue Bond Act, Title 15.2, Chapter 49 of the Code of Virginia of 1950, as amended (the "Act"). The Virginia Tech Foundation, Inc, whose mission is to provide support to Virginia Tech, has asked the Montgomery Authority, also created pursuant to the Act, to issue private activity revenue bonds or other obligations (collectively, the "Bonds") for the benefit of Virginia Tech pursuant to the Act. The Bonds will be issued for the purpose, among other things, of financing or refinancing projects located in Arlington County, Virginia and other jurisdictions, including Montgomery County, Virginia, the primary location of Virginia Tech.

Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code") requires that both the governmental unit having jurisdiction over the area in which any facility financed with the proceeds of private activity bonds is located and the governmental unit on behalf of which such bonds are issued approve the issuance of the bonds after a public hearing. Section 15.2-4906 of the Act provides that such public hearing shall be conducted by an applicable industrial development authority. In addition, Section 15.2-4905 of the Act provides that if a locality has created an industrial development authority, no industrial development authority created by a second locality (the "issuing authority") may finance a facility located in the first locality unless the governing body of such first locality concurs with the inducement resolution adopted by the issuing authority and shows such concurrence in a duly adopted resolution.

FISCAL IMPACT: There is no cost to Arlington County for this transaction. The project will be in the public interest of Arlington County and will promote the education, safety, health, welfare, convenience and prosperity of its citizens.

RESOLUTION OF THE COUNTY BOARD OF ARLINGTON COUNTY, VIRGINIA WITH
RESPECT TO INDUSTRIAL DEVELOPMENT AUTHORITY OF MONTGOMERY
COUNTY, VIRGINIA REVENUE BOND FINANCING FOR VIRGINIA TECH
FOUNDATION, INC.

WHEREAS, the Industrial Development Authority of Arlington County, Virginia (“Arlington Authority”) has considered an application of Virginia Tech Foundation, Inc. (the “Foundation”), an organization which is described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), requesting the Arlington Authority and the County Board of Arlington County, Virginia (“County Board”) to approve the issuance by the Industrial Development Authority of Montgomery County, Virginia (the “Montgomery Authority”) of the Montgomery Authority’s revenue bonds or other obligations in an amount not to exceed \$112,500,000 for projects located in Arlington County, Virginia (“Arlington County”) to assist the Foundation in financing or refinancing all or part of the following plan of financing in Arlington County (collectively, the “Arlington Plan of Financing,” which will be part of a larger plan of financing to include projects in Montgomery County, Virginia (“Montgomery County”) and Pulaski County, Virginia) consisting of, in Arlington County, the acquisition, construction and equipping of an approximately 145,000 square foot Virginia Tech National Capital Region Research Building, including land, parking facilities and related improvements, to be located at 900 North Glebe Road in Arlington, Virginia 22203, to be owned by Virginia Tech Research Institute, LLC (a wholly owned subsidiary of Virginia Tech Real Estate Foundation, Inc., which is a wholly owned subsidiary of the Foundation) for use by Virginia Polytechnic Institute and State University (“Virginia Tech”) and other tenants primarily for research and related purposes;

WHEREAS, the Arlington Authority has held a public hearing with respect to the Arlington Plan of Financing on September 25, 2008;

WHEREAS, Section 147(f) of the Code provides that the governmental unit having jurisdiction over the issuer of private activity bonds and over the area in which any facility financed with the proceeds of private activity bonds is located must approve the issuance of the bonds and Section 15.2-4906 of the Industrial Development and Revenue Bond Act, Chapter 49, Title 15.2, Code of Virginia of 1950, as amended (the “Act”), sets forth the procedure for such approval;

WHEREAS, Section 15.2-4905 of the Act provides that if a locality has created an industrial development authority, no industrial development authority created by a second locality may finance a facility located in the first locality unless the governing body of such first locality concurs with the inducement resolution adopted in connection with such financing by the second locality;

Concur with an inducement resolution
Adopted by the Industrial Development
Authority of Montgomery County, Virginia

WHEREAS, certain of the facilities to be financed with the proceeds of the revenue bonds or other obligations are located in Arlington County and the County Board constitutes the highest elected governmental unit of Arlington County;

WHEREAS, the Montgomery Authority adopted an inducement resolution (the "Inducement Resolution") with respect to the issuance of the revenue bonds or other obligations on September 16, 2008, and the Arlington Authority has recommended that the County Board concur in the Inducement Resolution and approve the Arlington Plan of Financing and the issuance of the revenue bonds or other obligations by the Montgomery Authority in order to comply with Section 147(f) of the Code and Section 15.2-4906 of the Act; and

WHEREAS, a copy of the Inducement Resolution, a certificate evidencing conduct of the public hearing and the action taken by the Arlington Authority, and a Fiscal Impact Statement have been filed with the County Board.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNTY BOARD OF ARLINGTON COUNTY, VIRGINIA:

1. The County Board concurs in the Inducement Resolution and approves the Arlington Plan of Financing and the issuance of the revenue bonds or other obligations by the Montgomery Authority for projects located in Arlington County as required by Section 147(f) of the Code and Sections 15.2-4905 and 15.2-4906 of the Act in order to permit the Montgomery Authority to assist the Foundation in the financing.

2. The County Board's approval of the issuance of the revenue bonds or other obligations by the Montgomery Authority does not constitute an endorsement to a prospective purchaser of such revenue bonds or other obligations or the creditworthiness of the Foundation. The issuance of revenue bonds or other obligations as requested by the Foundation will not constitute a debt or pledge of the faith and credit of the Commonwealth of Virginia or Arlington County, and neither the faith and credit nor the taxing power of the Commonwealth of Virginia or any political subdivision thereof will be pledged to the payment of such revenue bonds or other obligations. Neither Arlington County nor the Arlington Authority shall be obligated to pay the revenue bonds or other obligations or the interest thereon or other costs incident thereto

3. This resolution shall take effect immediately upon its adoption.

Adopted by the County Board of Arlington County, Virginia this 18th day of October, 2008.

**RESOLUTION OF INDUCEMENT OF THE
INDUSTRIAL DEVELOPMENT AUTHORITY OF
MONTGOMERY COUNTY, VIRGINIA FOR THE
VIRGINIA TECH FOUNDATION, INC.**

WHEREAS, the Virginia Tech Foundation, Inc. (the “Applicant”), a non-profit organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), has described to the Industrial Development Authority of Montgomery County, Virginia (the “Authority”) its plans to finance or refinance various facilities owned or to be owned by the Applicant of benefit to, and in connection with its support of, the Virginia Polytechnic Institute and State University and its program, located in Montgomery County, Virginia (the “County”), as well as in the Counties of Pulaski and Arlington, Virginia;

WHEREAS, proceeds of the hereafter described Bonds will be used, together with other funds of the Applicant, to pay related costs of issuance and costs of the following: (a) refunding the Authority’s Revenue Bonds (Virginia Tech Foundation), Series 2007, originally issued in the aggregate principal amount of \$25,220,000 which financed, among other things, the costs of (i) the Advanced Material Characterization Facility, located at 1991 Kraft Drive in Blacksburg, Virginia, owned by the Applicant for use by Virginia Polytechnic Institution and State University (“Virginia Tech”) primarily for research and related purposes, and (ii) the Integrated Life Sciences Building, including the Science College Consortia Facility and the Food, Nutrition and Health Vivarium Facility, located at 1981 Kraft Drive in Blacksburg, Virginia, owned by the Applicant for use by Virginia Tech primarily for research and related purposes; (b) in Montgomery County, Virginia, (i) financing the acquisition, construction and equipping of an approximately 45,000 square foot Research Building 26, including land, parking facilities and related improvements, to be located at 2284 Kraft Drive in Blacksburg, Virginia, to be owned by the Applicant for use by various tenants primarily for research and related purposes, (ii) financing the acquisition, construction and equipping of an approximately 32,000 square foot Research Building 27, including land, parking facilities and related improvements, to be located at 1971 Kraft Drive in Blacksburg, Virginia, to be owned by the Applicant for use by various tenants primarily for research and related purposes, (iii) financing certain improvements to the approximately 77,000 Integrated Life Sciences Building, located at 1981 Kraft Drive in Blacksburg, Virginia, owned by the Applicant for use by Virginia Tech primarily for research and related purposes, (iv) refinancing the costs of the CRC Pumpstation, located in the 2200 block of Kraft Drive in Blacksburg, Virginia, owned by Virginia Tech Corporate Research Center, Inc. for the benefit of Virginia Tech, (v) refinancing the costs of the VTTI Pumpstation, located adjacent to the Smart Road behind the VTTI Complex located at 3500 Transportation Research Drive in Blacksburg, Virginia, owned by the Applicant for the benefit of Virginia Tech, and (vi) refinancing a portion of the costs of Cheatham Hall, located on the campus of

Concur with an inducement resolution
Adopted by the Industrial Development
Authority of Montgomery County, Virginia

Virginia Tech in Blacksburg, Virginia, owned by Virginia Tech for use by Virginia Tech as the College of Natural Resources; (c) in Pulaski County, Virginia, refinancing the costs of the Pete Dye River Course of Virginia Tech, located at 8400 River Course Drive in Radford, Virginia, owned by The River Course, LLC (a wholly owned subsidiary of the Applicant) for use by Virginia Tech as a practice facility for the Virginia Tech golf team and a location for Virginia Tech sponsored special events and by the general public; and (d) in Arlington County, Virginia, financing the acquisition, construction and equipping of an approximately 145,000 square foot Virginia Tech National Capital Region Research Building, including land, parking facilities and related improvements, to be located at 900 North Glebe Road in Arlington, Virginia, to be owned by Virginia Tech Research Institute, LLC (a wholly owned subsidiary of Virginia Tech Real Estate Foundation, Inc., which is a wholly-owned subsidiary of the Applicant) for use by Virginia Tech and other tenants primarily for research and related purposes (collectively the “Projects”);

WHEREAS, the Applicant has requested that the Authority agree to issue its revenue bonds or other obligations (collectively, the “Bonds”), pursuant to the Industrial Development and Revenue Bond Act, Chapter 49, Title 15.2, Code of Virginia of 1950, as amended (the “Act”), in such amount as may be necessary to finance or refinance the cost of such Projects and related issuance costs;

WHEREAS, the Applicant’s representatives have described, in certain information filed with the Authority, and plan to further discuss, in an appearance before the Authority at a public hearing to be held on such date to be determined by the Authority, in accordance with Section 147(f) of the Code and Section 15.2-4906 of the Act, the Projects and the benefits the Projects will bring to Virginia Tech and to the citizen of the Commonwealth of Virginia; and

WHEREAS, the Industrial Development Authority of Arlington County, Virginia is scheduled to hold a public hearing on September 25, 2008 in accordance with Section 147(f) of the Code and Section 15.2-4906 of the Act on the portion of the Projects located in Arlington County, Virginia, and will request the County Board of Arlington County, Virginia (the “Arlington Board”), as governing body of a host jurisdiction in which certain of the Projects are located, to approve issuance of the portion of the Bonds that would finance facilities in Arlington County;

NOW, THEREFORE, BE IT RESOLVED BY THE INDUSTRIAL
DEVELOPMENT AUTHORITY OF MONTGOMERY COUNTY, VIRGINIA:

1. Furtherance of Act. It is hereby found and determined that assisting the Applicant in financing the Projects will promote the economy of Montgomery County, Arlington County and Pulaski County and the Commonwealth of Virginia, and will benefit the citizens of the Montgomery County, Arlington County and Pulaski County and the Commonwealth of Virginia, and promote their safety, health, welfare, convenience and prosperity in furtherance of purposes of the Act.

2. Agreement to Issue Bonds. To induce the Applicant to undertake the Projects, the Authority agrees to assist the Applicant in financing the Projects by undertaking the issuance of the Bonds therefor in an aggregate principal amount not to exceed \$180,000,000. The proceeds of the Bonds will be loaned to the Applicant pursuant to a loan agreement or loan agreements, the terms of which will obligate the Applicant to make payments sufficient to pay the principal of, premium, if any, and interest on the Bonds and all other expenses in connection with the Projects. The Bonds may be issued in one or more series at one time or from time to time, either taxable or tax-exempt for federal income purposes or a combination thereof to be determined by bond counsel prior to the issuance of the Bonds, upon terms to be mutually agreed upon between the Authority and the Applicant. The Bonds will be issued in form and pursuant to terms to be set by the Authority. The payment of the Bonds will be secured by an assignment, for the benefit of the holders of the Bonds, of substantially all of the Authority's rights to payments under the loan agreements and may be additionally secured by other collateral.

3. Bond Counsel. At the request of the Applicant, the Authority appoints Troutman Sanders LLP as bond counsel to supervise the proceedings and approve the issuance of the Bonds.

4. Authorization to Proceed with Projects. It having been represented to the Authority that the Applicant desires to proceed immediately with the Projects, the Authority agrees that the Applicant may proceed with plans for the Projects, enter into contracts for the acquisition, construction and equipping of the applicable portions of the Projects and take such other steps as it may deem appropriate in connection therewith; provided that nothing herein shall be deemed to authorize the Applicant to obligate the Authority, Montgomery County, Arlington County or Pulaski County without their consent to the payment of any moneys or the performance of any acts in connection with the Projects. The Authority agrees that the Applicant may be reimbursed from the proceeds of the Bonds for all costs so incurred by the Applicant, insofar as such costs are properly reimbursable under the Act and other applicable state and federal laws.

5. Applicant Responsible for Costs. All costs and expenses in connection with financing and refinancing the Projects, including the expenses of the Authority, will be paid from

the proceeds of the Bonds or funds provided by the Applicant. If for any reason the Bonds are not issued, it is understood that all such expenses will be paid by the Applicant and that the Authority will have no responsibility therefor and that the Applicant will indemnify and save harmless the Authority, its officers, directors, employees and agents from and against all liabilities, obligations, claims, damages, penalties, losses, costs and expenses in any way connected with the Projects, the application submitted by the Applicant or the issuance of the Bonds.

6. Request for Governing Bodies Approval. The Authority recommends and requests that the Board of Supervisors of Montgomery County, Virginia (the "County Board"), as the governing body on behalf of which the Authority would issue the Bonds and the governing body of a host jurisdiction in which a portion of the Projects is located, approve the issuance of the Bonds in an aggregate amount not to exceed \$180,000,000 and that the Arlington Board and the Board of Supervisors of Pulaski County, Virginia (the "Pulaski Board"), as the governing bodies of other host jurisdictions in which portions of the Projects are located, approve the issuance of such portion of the Bonds as relates to the portion of the Projects located in their jurisdiction, within 60 days after the date of the public hearing held in the respective jurisdiction in accordance with the Act. The Authority directs the Secretary of the Authority to submit this Resolution to the County Board, the Arlington Board and the Pulaski Board.

7. Effective Date. This Resolution shall take effect immediately upon its adoption. This Resolution shall cease to be valid one year after the County Board has approved the issuance of the bonds as referred to in Paragraph 6 above, unless at least a portion of the Bonds has been issued by that date.

ADOPTED: September 16, 2008