
Subject: Policy on Facility Use Agreements

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1. Purpose

To establish guidelines for the implementation of Facility Use Agreements (Agreements) between academic departments, auxiliaries, student organizations, and university-related corporations for the assignment of university space. The intent of the policy is to ensure consistent reimbursement rates in recovering operating costs and/or lost revenue of used space. It is not intended to encourage departments to rent space for a profit, nor should departments surrendering space experience a financial loss. All Agreements must be initiated through Real Estate Management (REM). The use of meeting and conference facilities does not fall within these Facility Use guidelines and existing rate schedules should be used.

2. Policy

2.1 Conditions

1. Occupancy - Occupancy shall not occur until an Agreement has been fully executed.
2. Term - One to five years unless otherwise negotiated between parties and indicated on the Facility Use Agreement Request and Rate Form. Terms of cancellation shall be negotiated between parties. Upon termination, the cost to restore the space to its original state is generally incurred by the Assignee.
3. Base Rate (BR) - Compensation for the assignment of space will be linked to a rate approved by the Controller's Office in consultation with REM and the Office of Budget and Financial Planning (Budget Office).
4. Maintenance/Utilities - Maintenance and utilities shall be negotiated between parties and may be included in the Base Rate calculation or arranged separately by the Assignee.
5. Building Area - The Maintenance Reserve File Data and SCHEV Room Inventory shall serve as the official measurements in determining square footage to calculate the Base Rate.

2.2 Information Needed for Base Rate Calculations

1. Base Rate information should be included with the Request Form and REM will work with the Controller's Office, the Assignor and the Assignee to properly identify the building related operating expenses to be included in the calculation of the Base Rate.
2. The following costs and revenues may be considered when determining the Base Rates:
 - a. Renovation costs to accommodate Assignee's needs in occupying the space
 - b. Debt service expense (principal and interest)
 - c. Maintenance reserve
 - d. Maintenance costs (including grounds, repairs, and custodial costs)
 - e. Insurance costs
 - f. Utility costs (including heat/steam, water, sewer, natural gas, and electricity)
 - g. Foregone revenue specific to the space under consideration
 - h. Auxiliary Indirect Cost Recoveries (see Definitions, Section 4.0)
 - i. Incremental Costs (see Definitions, Section 4.0)
 - j. Depreciation for non-debt funded Auxiliary facilities.
3. Base Rate Parameters:
 - a. Space should be priced as a percentage of the Base Rate depending on the quality with 100 percent BR representing an average quality of space within the respective E&G or Auxiliary total space. For example, premium office space might be priced at 125 percent BR, substandard space might be priced at 75 percent BR, and hallway space might be priced at 50 percent BR.
 - b. Renovations should be considered in the calculation of Base Rates. For example, if space is priced at 75 percent BR the Assignor may agree to renovate the space and incorporate debt service in the Base Rate. Upon completion, the combined 75 percent BR plus renovation costs should be commensurate with resulting quality of space. If the Assignee pays for the renovations the Base Rate should be determined on the quality of space prior to the renovations.

2.3 Guidelines for Base Rate Calculations

1. Assignment of E&G Space to the following:
 - a. Sponsored Programs: Base Rate calculations for space utilized by sponsored programs shall not include debt service, or maintenance reserves. In addition, sponsored programs may be assessed the cost of renovation of the space for research use.
 - b. Auxiliaries: Base Rate calculations for space used by auxiliaries shall include all relevant building related operating expenses.

- c. Student Organizations: Base Rate calculations for space used by student organizations shall include only the incremental costs associated with the use of the space.
- d. University-Related Corporations: Base Rate calculations for space used by university-related corporations shall include all relevant building-related operating expenses. University-related corporations occupying non-auxiliary space will generally not be charged for space when activities of the related corporation are in support of the university.

2. Assignment of Auxiliary Space:

Base Rate calculations for space assigned to E&G, sponsored programs, related business operations, or other auxiliaries shall include all building-related operating expenses. Student organizations shall pay only the incremental costs associated with the use of the space.

3. Procedures

REM shall facilitate negotiations between the Assignor, Assignee, the Controller's Office and the Budget Office when incorporating the terms and conditions of the Use Agreement. All dispute resolutions will be handled through REM. The following procedure will be used when initiating a Use Agreement:

1. A Use Agreement Request and Rate Form is submitted by the prospective Assignee to REM.
2. The Base Rate is approved by the Controller's Office in consultation with REM and the Budget Office.
3. The evaluation of the financial impact and subsequent approval of Agreements should normally be included as part of the regular budget cycle. The Budget Office will review all Use Agreements where the revenue and/or expense transactions are not specifically included within current approved budgets. The Budget Office review will concentrate on the agreement's impact on university-wide issues (e.g. policy, enrollment, rates, etc.) and consistency with financial and operating policies. The responsible person on the paying account is responsible for ensuring the availability of funds.
4. Upon mutual agreement of all parties, the Agreement is signed by the Assignor, Assignee, Controller's Office, Budget Office, and REM.
5. Any changes mutually agreed upon throughout the term of the Agreement will be processed through REM, which will in turn notify the Budget Office of any financial implications, and any other applicable parties.

The payment schedule shall be mutually negotiated and initiated by the Assignee. Agreements in which the university is the Assignee will be processed through REM.

4. Definitions

1. Assignor - University entity that assigns all or a portion of their assignable space to others.
2. Assignee - The party to which space is assigned.
3. Facility Use Agreement - An agreement between two (2) parties outlining the terms and conditions in which space is assigned.
4. University-Related Corporations - Corporations authorized by the Board of Visitors to provide support for the university, i.e., the Virginia Tech Foundation, Inc., Virginia Tech Services, Inc., etc.
5. Auxiliary Indirect Cost Recoveries - The rate paid by auxiliaries for administrative and/or maintenance services provided by the university. This fee is approved by SCHEV and determined by applying the

auxiliary indirect cost percentage to the auxiliary's (Assignor's) applicable expenditures. The indirect cost recovery rate for auxiliaries may be obtained from the Controller's Office or the Budget Office.

6. Incremental Cost - Any additional cost incurred by the Assignor as a result of the Assignee's occupancy. Typical costs include clean up, security, and utilities.

5. References

6. Approval and Revisions

Approved August 6, 1996, by Vice President for Finance and Treasurer, Raymond D. Smoot, Jr.

Annual review January 7, 1999, by Vice President for Finance and Treasurer, Raymond D. Smoot, Jr. No revisions.

- Revision 1

“Office of Real Estate Management” changed to “Real Estate Management” throughout policy.

Section 2.1, #2: Title of form changed from “Request Form” to “Facility Use Agreement Request and Rate Form.”

Approved May 6, 2002 by Vice President for Administration and Treasurer, Raymond D. Smoot, Jr.

- Revision 2

Removed REM review for SCHEV space guidelines in Section 3: Procedures.

Approved January 28, 2010 by Vice President for Administrative Services, Sherwood G. Wilson.

- Revision 3

Formatting and grammatical changes to match university Policy style. Update to university department name.

Approved February 16, 2016 by Vice President for Administration, Sherwood G. Wilson.