May 29, 2020

Office of the Vice President for Finance, Treasurer and Chief Financial Officer
Wayne State University
5700 Cass Avenue, Suite 4900
Detroit, Michigan 48202

With copy to:

Office of the General Counsel
Wayne State University
656 West Kirby
4249 Faculty Administration Building
Detroit, Michigan 48202

RE: Service Concession Agreement for the Operation and Management of Student Housing (the “Projects”) between the Board of Governors of Wayne State University (the “University”) and Corvias Campus Living – WSU, LLC (the “Concessionaire”) dated November 30, 2017 (the “SCA”)

Dear Ms. Cooke,

We have been closely following media reports regarding the variety of possible scenarios colleges and universities are considering for conducting on-campus classes for the Fall 2020 semester. We are also aware of the latest guidance issued by the Center for Disease Control on (i) Colleges and Universities, and (ii) Shared or Congregate Housing (“CDC Guidance”).

We understand the University may currently be deliberating alternative plans for the Fall 2020 semester, and we therefore felt it important to communicate directly with you regarding our concerns, as the Concessionaire, regarding certain actions the University may be considering at this time.

Per the terms of the SCA, the University agreed not to take actions that would interfere with the rights of the Concessionaire to manage or operate the Project. In addition, as noted in the SCA, the financial viability of the Project depends in large part upon the occupancy rate of the Projects, and the University agreed to exert reasonable efforts to ensure that occupancy rates in the Projects are maximized in view of student demand and other factors outside of the Parties reasonable control. Accordingly, the University does not have the unilateral right under the SCA to institute a policy that would for example, either (i) limit the number of students who can occupy the student housing, or (ii) reduce the semester housing fees (due to a shortened semester or otherwise) for which the Concessionaire has a contractual right to receive per the SCA.
As partners in a 40-year arrangement, we believe the Concessionaire and University’s interests should be aligned, and that critical decisions that could impact housing fee revenue should be made with consideration of the long-term financial viability of the on-campus student housing project. It is important to note that the Concessionaire took on $307 million in debt in order to defease $120 million of the University debt and to facilitate the new construction and/or significant renovations of 3,495 student housing beds across the University’s campus. That debt is secured by the Concessionaire’s rights to receive the student housing fee revenue. And while the Concessionaire and lender have accepted the risk of fluctuating student housing demand, they have not accepted the risk of unilateral actions by the University that would negatively impact student housing fee revenues.

Second, please note that we intend to follow, as closely as reasonably possible, applicable CDC Guidance relating to social distancing and cleanliness/disinfecting, as well as APPA standards relating to cleanliness. However, it should be specifically noted that pursuant to applicable CDC Guidance, social distancing is not required amongst housemates - and roommates are considered housemates. Accordingly, while the CDC may be of the belief that reducing density in student housing may lower the possibility of infection, we do not believe that requires a reduction in the number of roommates that would typically be permitted in the student housing or the number of students that can be housed in a given building. Rather, we believe a more appropriate course of action would be to do things like limit the occupancy and use of common areas, shared bathrooms, and elevators – all things we are already preparing to address, if and as necessary this Fall.

Moreover, limiting the occupancy of on-campus student housing will not ultimately benefit students or the University community, since displaced students will be forced to occupy off campus housing that is likely more expensive and will not have the benefit of the same level of health-conscious operations the Concessionaire and the University can maintain in the on-campus housing.

We trust you will understand why we felt it important to make our position clear on these critical issues at this time. As always, we welcome the opportunity to discuss ways in which we may be able to collaboratively work together as partners to develop solutions to address challenges such as those the University is confronting as a result of the COVID-19 pandemic.

Please let us know if you have any questions.

Sincerely,

Corvias Campus Living – WSU, LLC

Kurt Ehlers
Authorized Representative