



BOARD OF REGENTS OF
THE UNIVERSITY SYSTEM OF GEORGIA

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August 6, 2020

Mr. Chris Wilson
Chief Operating Officer
Corvias Campus Living - USG, LLC
1405 South Country Trail, Suite 530
East Greenwich, RI 02818

RE: Amended and Restated Master Concession Agreement for the Leasing and Development of Student Housing ("Phase I") between the Board of Regents of the University of System of Georgia (the "BOR") and Corvias Campus Living – USG, LLC ("Corvias") dated May 13, 2015, as further amended (the "MCA")

Dear Mr. Wilson,

We are in receipt of Corvias's letter dated July 2, 2020, transmitting a 2020-2021 (FY 21) proposed budget for Phase I student housing ("P3 Housing") that reduces the operating budget by 24%¹ as compared to the 2019-2020 (FY 20) approved budget. The letter further asserts that Corvias intends to operate P3 Housing based on this unapproved proposed budget to meet minimum operating² requirements.

In response to this letter, our respective teams have been in joint discussions with participating institutions about operational challenges and constant communication regarding the budget assumptions and proposed cost mitigation measures. In some of these discussions, Corvias has relayed, among other items, that "it can no longer subsidize the venture" and that "Corvias will provide service to the extent the budget allows." Corvias has clearly indicated based on this proposed budget, recent staff reductions, and statements that it has no intent to meet its contractual obligations under the MCA and other operative agreements. Accordingly, BOR must be equally as clear to Corvias of its expectations and firmness to protect student safety, health, and educational experience.

Section 5.1.2 of the MCA and Section 9.1 of the project operating agreements plainly require Corvias to maintain the P3 Housing projects at or above the Association of Physical Plant Administrators Facilities Level 2 standard ("APPA Level 2 Standard"). *Schedule 9.1 of the project operating agreements* further details the cleaning and maintenance actions required to achieve an APPA Level 2 Standard. Under this standard, Corvias shall provide ordinary and comprehensive care of buildings and equipment to keep them current with modern maintenance standards and commensurate usage. Corvias shall respond to service and maintenance orders in a timely manner regardless of the type of service call. More critically, *Section 9.8 of the project operating agreement* requires Corvias to provide *full-service maintenance*, as defined therein, at semester turnover to ensure units are ready for student occupancy.

To meet this standard, Corvias must appropriately assign trained and experienced staff at each institution project:

- i) to maintain a campus management office from at least 8 a.m. to 6 p.m. each weekday (*Section 8.3 of project operating agreement*);

¹ Calculated based on aggregating Corvias's proposed reductions to the following operating expenses: payroll, supplies, administrative, advertising/marketing, repairs/maintenance, turnover, other operating, utilities, and taxes & insurance.

² Astonishingly, despite our collective housing experience this past spring with the COVID-19 pandemic, the budget fails to account for increased cleaning and maintenance protocols to prevent the spread of COVID-19.

- ii) to allow access to maintenance personnel from 6 a.m. to 6 p.m. (*Section 9.2.4 of the project operating agreement*); and,
- iii) to allow access to a qualified on-call emergency designee seven (7) days a week, twenty-four (24) hours a day for maintenance emergencies and other critical issues (*Section 9.2.4 of the project operating agreement*).

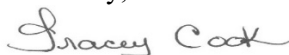
At minimum, Corvias must assign both an experienced manager and maintenance supervisor to manage the vast day-to-day operational components of each project including but not limited to budgeting, marketing, customer service, HVAC, plumbing, electrical work, and life safety systems (*Section 8.2.2 of the project operating agreement*). These are negotiated contractual obligations of Corvias and not just mere BOR service level expectations.

In FY 20's approved P3 Housing budget, Corvias assigned fifty-seven (57) staff members to provide this service level for P3 Housing and still had difficulty in achieving such. It is therefore disingenuous for Corvias to purport that the proposed minimum operating budget, which reduces its personnel staff to one person per institution plus one supervisor for all nine (9) institutions, will timely and satisfactorily meet the contractually required APPA Level 2 Standard. Despite BOR's objections to this absurdity, Corvias has already commenced implementing this deficient budget by significantly reducing its staff at each participating institution causing undue concern as these institutions gear up for the return of students to campus. This action has resulted in Corvias leaving critical P3 Housing maintenance and repair items incomplete and the impossibility of a sole Corvias staff member completing these items prior to fall move-in or keeping up with all work orders, building cleaning, trash removal, et cetera, thereafter. Corvias's claim that the uncertainty of housing revenue necessitates this curtailment is not acceptable, and violative of the MCA and operative agreements.

BOR is no longer interested in rehashing conversations that begin or end with Corvias's request for BOR to "creatively" resolve any P3 Housing revenue shortfalls. Corvias fully accepted this financial risk and agreed that BOR does not guarantee occupancy levels at P3 Housing projects or Corvias's projected revenue. Although we can appreciate budgetary constraints, BOR is under no obligation to rescue Corvias from any financial hardship due to flat or declining occupancy or revenue shortfalls. As provided for in *Section 14.1 of the MCA*, neither party is liable for the debts or obligations of the other party. Accordingly, we expect Corvias to address any budgetary shortfalls through additional equity, available financing reserve accounts, or creatively restructuring debt with its lenders to prevent or cure any default.

We are at a decisive juncture with this venture and truly hope Corvias is committed to honoring its P3 Housing contractual obligations as we prepare to welcome students back for fall semester in the midst of a COVID-19 pandemic. The unique nature of higher education housing demands that established service standards are met to maintain the subject facilities in good, first class condition and protect our student safety, health, and educational experience. As time is indeed of the essence, BOR will take whatever steps are necessary to meet this demand with or without Corvias's assistance. We expect to receive a proposed FY21 budget that more closely aligns with the contractual operational standards as noted above and previously approved budgets.

Sincerely,



Tracey Cook
Executive Vice Chancellor for Strategy and Fiscal Affairs

cc: Dr. Steve Wrigley, Chancellor
Ms. Teresa MacCartney, Executive Vice Chancellor for Administration
Mr. Edward Tate, Vice Chancellor of Legal Affairs
Mr. Leonard Black, Authorized Representative – Corvias
Ms. Cynthia Robinson Alexander, Executive Director of Finance
Mr. Shannon McGhee, Senior Legal Counsel