

BOARD OF REGENTS
EASTERN MICHIGAN UNIVERSITY

SECTION: 28

DATE:

June 16, 2022

RECOMMENDATION
REGARDING THE APPROVAL AND EXECUTION OF A HOUSING SYSTEM LEASE
AGREEMENT AND RELATED LEASE DOCUMENTS

ACTION REQUESTED

It is requested that the Board of Regents approve the Lease Agreement (the Lease Agreement), and other related documents, which leases the University's campus housing system to EMU Campus Living, LLC, a Minnesota limited liability company (the Lessee) whose sole member is Community Facility Public Private Partnership, a Minnesota nonprofit corporation, to enable the Lessee to design, build, renovate, operate the buildings, maintain and improve the University's housing system for thirty-five years.

STAFF SUMMARY

On July 7, 2021, the University issued a Request for Proposals to private development firms qualified to enter into a public-private partnership transaction with the University, pursuant to which the University would contribute the entirety of its existing campus housing system (Housing System) into the partnership and realign the Housing System to meet student demand, and the development partner would demolish, design, build, finance, operate the buildings and maintain the Housing System for the University (P3 Program). The P3 Program's objectives and capital projects as described in the RFP include: (i) ground up construction of two (2) new student housing facilities known as Westview Apartments and Lakeview Apartments; (ii) renovations to the five (5) existing student housing facilities known as Putnam Hall, Walton Hall, Phelps Hall, Sellers Hall and Downing Hall; (iii) renovations to the three (3) existing student housing facilities known as Cornell Court Apartments, The Villages Apartments and 601 West Forest Avenue; and (iv) demolition of existing student housing facilities at the University's discretion (the Student Housing Facilities).

On December 9, 2021, the Board approved the selection of Gilbane Development Company (Gilbane) as the University's student housing system operations partner and authorized the President to enter into a Pre-Development Agreement with Gilbane for the negotiation of definitive agreements to design, renovate, build, finance, operate, and maintain the Housing System.

The University has determined that in order to implement the P3 Program it is in the best interest of the students and the University to lease to EMU Campus Living, LLC, a Minnesota nonprofit limited liability company (the Lessee), whose sole member is Community Facility Public Private Partnership, a Minnesota nonprofit corporation, the Student Housing Facilities together with all

of the land in which the Student Housing Facilities are located, and all improvements associated therewith, and to contractually engage the Lessee to handle the financing, demolition, design, engineering, construction, renovation, management, operation, maintenance and repair of the Student Housing Facilities pursuant to the terms of a Lease Agreement (the Lease Agreement).

The Lease Agreement grants to the Lessee the right to operate, maintain and improve the Housing System for a term of thirty-five (35) years, subject to the terms of the Lease Agreement; and

The Lease Agreement contemplates that the Lessee, the University and a Gilbane subsidiary to be formed (Property Manager) will enter into a Property Management Agreement setting forth the terms and conditions for the management of the Housing System by the Property Manager. The Lease Agreement further contemplates that the Lessee and a Gilbane subsidiary to be formed (Developer) will enter into a Turnkey Development Agreement setting forth the terms and conditions for the design, development, renovation, construction and/or demolition of the Student Housing Facilities by the Developer.

Under the Lease Agreement, the Lessee will have the exclusive responsibility for operating and maintaining the Housing System, including the construction, renovation and demolition of the Student Housing Facilities as contemplated by the P3 Program, and future improvement of facilities as required. The University will have no material responsibility for, and will receive no future income from, the Housing System during the term of the Lease Agreement. The University will provide certain Retained Services to the Housing System, such as resident life services, information technology services, security services, residency assignments, billing and collection services and marketing, and the University will be compensated for such services in accordance with the Lease Agreement. Resident housing rates shall be approved by a Management Review Committee comprised of representatives of the University, the Lessee and Property Manager; provided that any increase in resident housing rates in excess of (i) 3.4% per annum or (ii) CPI (but not to exceed 6.8%) per annum would require approval of the University.

The principal objectives of the P3 Program embodied in the Lease Agreement are to provide quality student housing facilities and services for students of the University and significant access to capital for the development, renovation and operation of the Housing System.

FISCAL IMPLICATIONS

The Lease Agreement and the transition of the Housing System is expected to close by September 1, 2022. Upon closing, the transaction will be incorporated into the 2023 fiscal year budget.

ADMINISTRATION RECOMMENDATION

The Action Requested has been reviewed and recommended for Board approval.



University Executive Officer

June 16, 2022
Date