



## Next Steps Regarding Student Housing Facilities

Date: May 11, 2021

### I. EXECUTIVE SUMMARY

This document outlines the next steps the University plans to take regarding student housing facilities on campus.<sup>1</sup> In reaching this decision, the University has, over the last 2.5 years, meaningfully considered a variety of options outlined in resolutions, reports, letters, and feedback from meetings, all of which were provided from various campus stakeholders. These items include input received via the faculty members appointed by the Faculty Senate to serve on the University Budget Council (“UBC”), two resolutions from the full membership of UBC on this matter, as well as the “Findings and Recommendations from the Faculty Advisory Board on Campus Housing” (the “Findings”) dated September 23, 2020.

The University is grateful for the thoughtful analysis by students, faculty, and staff about the opportunities and challenges facing the University’s student housing facilities. This extensive feedback -- both written and verbal -- has been helpful as the University formulates a path forward for improving student housing facilities, which suffer from extensive deferred maintenance, thereby placing the University at a competitive disadvantage for student recruitment and retention.<sup>2</sup>

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<sup>1</sup> The University is providing this comprehensive decision now (as opposed to an earlier date) because the University was unwilling to make a final decision about next steps for improving student housing facilities without first carefully reviewing the detailed analyses from faculty and students. This decision was also delayed after the University accepted the Faculty Senate’s request to delay the process to ensure there was sufficient dialogue regarding this important topic.

<sup>2</sup> The scope of, and process for, faculty input is governed by Article XIII of the collective bargaining agreement (“CBA”) between the University and the EMU-AAUP, which identifies the topics that are subject to contractually required faculty input as “selection and evaluation of Faculty Members, curriculum development, and utilization of financial resources.” (Marginal Paragraph (“MP”) 418) As previously communicated in the letter to the Faculty Senate in May 2019, the University believes that, based on the language of the CBA, improvements to the University’s student housing facilities are not subject to contractually required faculty input because the topic does not fall within the scope of MP 418. Indeed, there is no precedent for the faculty providing input regarding any aspect of the University’s student housing facilities. To the extent the CBA entitles the faculty to contractual input regarding improvements to student housing facilities, that input is limited to the “utilization of financial resources” to accomplish such improvements (MP 418). Even under such a scenario, such input would not rest with the Faculty Senate because it falls outside the scope of the Senate’s input as defined in MP 442. Instead, input regarding the “utilization of financial resources” to improve student housing facilities rests within the charge of the University Budget Council (“UBC”). The UBC is an input body as defined in MP 444 because it includes seven appointees of the Faculty Senate. The CBA (see e.g., MP 418) does not provide the faculty with required input regarding the non-financial aspects (e.g., analysis of need, planning, design) of student housing facilities. The faculty’s input regarding the need, planning, design, etc., of facilities is limited to “buildings and instructional facilities that house various colleges and offices within the division” (MP 451, emphasis added), and that input flows through the EEFC, not the Faculty Senate. (MP 449-456). Nevertheless, recognizing the importance of the faculty in the long-term future of the University, the University has reviewed and is grateful for the faculty’s in-depth analysis of these issues, many aspects of which have been incorporated in the decision-making process about student housing to date.

Having carefully considered all of the relevant data and feedback, the University's decision about next steps is premised on the following:

1. **Deteriorating facility conditions:** As outlined in Section III of this document, nearly all of the University's student housing facilities need substantial improvement. 15 of EMU's 16 student housing facilities were built in 1969 or earlier – more than 50 years ago – and received facilities condition index (FCI) ratings of "poor" in 2016 (See Section IIA)). Most of these buildings are not designed or equipped to support the technology needs of today's students. The lack of adequate investment in student housing facilities has resulted in significant deferred maintenance expenses that negatively impact the University's financial performance.
2. **Student needs:** The University is committed to offering high quality facilities consistent with our campus size and mission. A significant body of research exists that documents tremendous value to first- and second-year students living in campus housing. Time spent in campus housing has been correlated to higher rates of persistence and graduation for students. Participation in residence life programming has also been shown to support a sense of engagement with a campus and engagement levels relate significantly to persistence and graduation as well.

EMU's commitment to providing high quality academic classroom, instructional, laboratory, performance, advising, and faculty/lecturer facilities is demonstrated by investments totaling more than \$100 million over the last decade in projects including Sill Hall, Strong Hall, Rackham, Mark Jefferson (Science Center), the Honors College, the Sculpture Studio, the Community Behavioral Clinic and Pray Harrold. Given the contribution they make to students' overall sense of engagement and belonging and to their overall well being and success, we must make a similar commitment to invest in suitable and high quality student housing facilities.

High quality student housing facilities are also central to EMU's commitment to an inclusive and equitable campus environment. EMU student housing residents are disproportionately minoritized students (see Section IV) and it is critical that their housing be supportive of their full inclusion at the institution.

As noted above, 'beyond the classroom' activities and programming can contribute significantly to persistence and graduation, but this requires attention to equity and inclusion. We should use all means available to address existing achievement gaps.<sup>3</sup>

3. **Peers:** EMU's peers are investing in student housing facilities via partnerships and other means (see Section III(C)). Prospective students touring campuses will be aware of the degree to which our peers are investing in their success in this way as they make their enrollment decisions.
4. **Financial challenges with self-funding:** As outlined in further detail in Sections III(B) and IV of this document, it may not be in the University's best interest to commit the substantial financial resources -- through cash, borrowing, or diverting resources from other University services -- required to upgrade a significant portion of the student housing facilities. Such action would divert resources from academic operations and capital needs.

**Next Steps:** For the reasons outlined above and throughout the remainder of this document, the University has decided that it must begin upgrading student housing facilities. Further, given the financial challenges involved with self funding, the University must explore options beyond diverting current operating funds or borrowing more funds to pay for those upgrades. The most financially sustainable path to undertaking such a plan may be to explore partnership opportunities with third-party entities -- similar to those pursued by peer institutions and similar to the University's Dining partnership with Chartwells -- as a possible means to achieve those improvements. The University will therefore issue a Request for Proposals ("RFP") to solicit potential partners and gain specifics with which to make a final determination of how best to make improvements.

**The RFP will include many of the components recommended by students and faculty.** The exact details of the RFP will be determined as the RFP is developed. As requested by the Faculty Senate, a faculty member selected by the Faculty Senate and a second faculty member selected from the UBC will serve on the ad-hoc committee that

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<sup>3</sup> For examples of work discussing the value of residence life to student success, see the work of Pascarella and Terenzini et.al. including "The Impact of Residential Life on Students" (1994) and literature review they provide in *How College Affects Students*, and "Studying College Students in the 21st Century: Meeting New Challenges" (1998). For an ethnographic/international perspective, see Xulu-Gama, Nomkhosi, "The Role of Student Housing in Student Success: An Ethnographic Account" (2019). For example of more recent literature review and particular attention to equity challenges and concerns see Graham, Hurtado and Gonyea (2018) "The Benefits of Living on Campus: Do Residence Halls Provide Distinctive Environments of Engagement?"

reviews the RFP document and makes recommendations to the President regarding responses to the RFP.

**By issuing an RFP, the University has not made a final determination about whether to enter a third-party partnership or about the scope of any such partnership.** Instead, issuing the RFP provides the University with more information about the dimensions of potential third-party partnerships.

**Even if the University enters a third-party partnership to improve some or all of its student housing facilities, the University will not privatize the full student housing system.** As outlined in further detail below, regardless of the scope of facilities impacted, the University will retain key aspects of management related to the residential life support and programming operation, as suggested by student leadership and faculty.

## **II. FEEDBACK FROM STUDENTS, FACULTY, AND OTHER STAKEHOLDERS**

The University has communicated extensively -- both in writing and verbally -- with students and faculty (through the Faculty Senate, its standing committees, and representatives appointed by the Faculty Senate and EMU-AAUP to the UBC) regarding a path forward to modernize the University's student housing facilities. The University appreciates the myriad reports, resolutions, and letters from campus stakeholders on this subject and the sense that this is a long-lasting and impactful decision for the University community. The University launched this process in good faith and invited feedback from the Faculty Senate along with contractual input regarding financial matters from the UBC. As outlined in the following summary of the communications between various stakeholders, the University has, over the previous 2.5 years, meaningfully considered, and on numerous instances agreed to, input suggestions, recommendations, requests for information, and additional time for consideration, thereby further demonstrating the value of -- and the University's commitment to -- this communicative process. We will continue to meaningfully consider contractual faculty input and other feedback and communications from campus constituencies.

### **A. September 2018: Request to UBC**

In September 2018, the University asked the UBC to evaluate the University's student housing facilities and provide recommendations for next steps to address the years of deferred maintenance. The UBC was charged with this task because reviewing Housing &

Residence Life -- a non-academic function -- more closely aligns with the UBC's Mission, which includes:

- providing “guidance and recommendations to the Board of Regents (BOR) and the University President on the University budget processes, procedures, priorities, and goals during the development of the University budget”,
- “assisting in the development of a balanced budget based on careful analysis of program, enrollment, market, compensation, and other relevant trends and that is consistent with long-range financial projections”, and
- “making macro level budget recommendations based on information provided by the Budget Office and other sources.”

Although evaluating the condition and design of student housing facilities is not a mandatory subject for faculty input, the UBC is an input body as outlined in MP 444 of the CBA because it includes multiple appointees from the Faculty Senate and it is the body where the President seeks input and information about how these facilities might be prioritized and resourced in a budgetary context.

## **B. January 2019: UBC Statement regarding University Housing**

In January 2019, the UBC responded to the University's request with a written statement (the “UBC Statement”) that analyzed several options for improving the University's student housing facilities.

**(1) Do nothing:** The UBC Statement analyzed a “do nothing” option which would involve the University continuing to maintain student housing facilities with routine maintenance but would not result in a substantial financial investment in housing facilities. The UBC Statement described this approach as “undesirable”, “non-competitive” and “literally a disaster waiting to happen.”

**(2) Use operating dollars:** The UBC Statement also analyzed an option to “use operating dollars in the [University's] capital budget to renovate the [student housing] facilities”. The UBC noted that the cost of renovating even one student housing facility nearly matches (or exceeds) the University's entire Capital Plan Budget in a single year. To execute this option, the UBC determined that the University would therefore need to:

“make significant cuts in the General Fund operating expenses to increase the capital budget as using the entire capital budget on a single housing facility, and

deferring all other campus needs (classroom technology, network servers, roofs, ...) is unacceptable.”

**(3) Borrowing:** The UBC Statement also analyzed an option to “borrow funds to renovate [student housing] facilities.” The UBC noted that renovating most student housing facilities would cost more than \$200 million, and assessed that:

“Borrowing funds to renovate is challenging as the committee has noted the degree to which EMU is already leveraged in part due to the \$150M in borrowing already done for renovating the academic spaces. Borrowing \$200M will significantly increase the debt services, and essentially create the need for significant cuts in the General Fund operating budget to fund the new debt service.”

**(4) Seek an external partner:** The UBC also evaluated an option to “seek an external partner, with goals similar to those in the dining partnership.” The UBC assessed that an “external partner with an agreement similar to the dining agreement seems viable.” The UBC expressed that “any agreement with an external partner would be expected to have the following characteristics:

- (a) a guaranteed revenue consistent with the current net cash flow in Housing (today’s dollars and growing at a set rate), with additional revenue sharing as housing occupancy grows and new opportunities become available.
- (b) An initial upfront payment to be used to strengthen the University’s reserves.
- (c) A renovation schedule that includes significant investment in housing so that new facilities are available as soon as possible. Ideally, a newly renovated facility is opening every Fall for the next 4-5 years.
- (d) EMU will maintain the [residence] life programming and staffing in all its Housing Facilities. EMU will determine uses for specific buildings, for example the First Year Center and hall(s) used for Honors communities.
- (e) The partner will maintain the facilities in partnership with EMU’s Physical Plant.
- (f) EMU will continue to set prices for Housing Facilities.
- (g) Student payments for housing will be processed through the university systems.

### **C. January 2019: Faculty Senate Resolution “Call For a More Deliberative Approach”**

On January 23, 2019, Mike Valdes, the University’s Chief Financial Officer, met with the Faculty Senate to discuss University Housing. That same date, the Faculty Senate approved a resolution entitled “Call for a More Deliberative Approach to Considering a Public/Private Partnership for Campus Housing” (the “Senate Resolution”). The Senate Resolution included six requests, all of which the University provided.

First, the Senate Resolution requested “evidence that student housing is dilapidated and requires significant immediate upgrade”. To meet the Faculty Senate’s request, the University published a Housing Report to the Senate and the UBC in March 2019 that contained such information (see Section II(D) below). As outlined in Section II(D) below, the Faculty Senate leadership raised several objections to the Housing Report in a letter dated April 4, 2019. The University carefully considered the Faculty Senate’s objections and, in response to those objections, withdrew that Housing Report. The University remains committed to providing the requested information regarding the condition of student housing facilities and therefore has provided updated information in Section III(A) of this Response.

Second, the Senate Resolution requested “the opportunity to tour of [sic] housing facilities at the end of January”. The University met the Senate’s request and provided a tour of the student housing facilities in February 2019.

Third, the Senate Resolution requested “a more detailed and thorough exploration of the option of renovating the campus housing using University funding (either general fund or through borrowing).” The University provided an initial response to the Faculty Senate’s request in the since-withdrawn Housing Report to the Senate and the UBC in March 2019. The University carefully considered the Faculty Senate’s objections to this information in that March 2019 report (contained in April, 4, 2019 letter from the Faculty Senate). The University remains committed to providing the information regarding options for financing investments in student housing facilities that the Faculty Senate requested and therefore has provided information responsive to that request in Section III(B) of this document.

Fourth, the Faculty Senate Resolution requested that “Request for Proposals (RFP’s) do not go out until Senate has offered input on whether to proceed with a public/private partnership”. As communicated to the Faculty Senate in May 2019 (see Section II(F) below), the University responded to this request by, among other steps, postponing a decision about whether to issue an RFP until after the Faculty Senate provided additional feedback. The Faculty Senate subsequently submitted its Findings in September 2020. The Faculty Senate has also been provided the opportunity to provide input on financing options, including the public-private partnership model, through its elected representatives

on the UBC with a sufficiently long time frame (2019-2021) to allow for those representatives to adequately consult with the Faculty Senate as part of that process.

Fifth, the Faculty Senate Resolution requested that “if an RFP goes out, that Senate has the opportunity to provide input on the RFP”. As outlined in further detail in Section IV of this response, the University will include Prof. Rob Carpenter, who was selected by the Faculty Senate to play this role, on any committee that reviews responses to an RFP. Prof. Eric Acton will also serve, representing the UBC, on any committee that reviews any responses to such an RFP. Professor Acton is one of the faculty members appointed by the Faculty Senate to the UBC. It is worth noting that in addition to including faculty in the RFP process, the University also included both Profs. Acton and Carpenter on the committee that reviewed responses to the RFQs (see Section II(J) below), an earlier stage of the development/evaluation process.

Sixth, the Senate Resolution requested that, if the process of pursuing a third-party partnership for Housing moves forward, “once RFP’s [sic] are returned, there is a process for obtaining information about the vendors, and Faculty Senate will review both the RFP’s [sic] and research data on the potential private partners and provide input on the final decision.” As outlined in the preceding paragraph and in Section IV of this response, the University will include Prof. Rob Carpenter, who was selected by the Faculty Senate to play this role, on any committee that reviews any responses to an RFP. Prof. Eric Acton will also serve on any committee that reviews responses to such an RFP. The RFP process will include a discussion of disclosures that are a part of the RFP process and any conflicts of interest.

#### **D. March 2019: Housing Report**

On March 29, 2019, in response to the January 2019 Senate Resolution, the University issued to the UBC (with a copy to the Faculty Senate) a Housing Report (“Housing Report”) outlining data regarding the age and condition of every University student housing facility, results from student surveys, and the financial options and challenges related to University Housing.

On April 4, 2019, Professors Gray and Rahman (representing the Faculty Senate) and Kullberg and Cunningham (representing the EMU-AAUP) issued a letter (the “Letter”) expressing concerns with the Housing Report. The University carefully considered and accepted those objections to the Housing Report, and withdrew the Housing Report.

### **E. April 2019: Student Government Resolution**

In April 2019, EMU's Student Government, which is the official voice of the student body, approved a resolution ("Student Resolution") that:

- Noted that "the majority of EMU Housing has not been renovated for over 50 years, leaving us substandard housing stock that creates unfair distractions from learning due to heating, cooling, and plumbing issues";
- Noted that "Student Government acknowledges the necessity of a significant investment in housing, but regardless of how such an investment in the University's housing facilities occurs, the University must take a "Student First" approach"; and
- Outlined a series of recommendations "if the University decides to enter into a public-private partnership similar to Chartwells to finance the renovation of housing".

### **F. May 2019: University 2019 Response to the Faculty Senate Resolution**

On May 23, 2019, the University issued a detailed written response to the Senate Resolution and the Letter. The University also:

- asked the Faculty Senate to further study how to upgrade the University's student housing facilities,
- as acknowledged in the Findings themselves, provided the Faculty Senate with "key documents and data files that guided discussions of campus housing during the 2018-2019 Academic Year", and
- adopted the Faculty Senate's request from the Senate Resolution to postpone further action on investing in the University's student housing facilities.

**As a result of the University agreeing to the Faculty Senate's request to pause further review of investing in student housing facilities, the process was stalled for more than one year.**

## **G. June 2020 - February 2021: RFQ**

On June 2, 2020, the University issued a revised Request for Qualifications (“RFQ”) to solicit potential third-party partners who may be eligible and interested in working with the University if the University seeks a third-party partnership related to University Housing. This step was designed to assess the current market for a potential partnership, thereby providing the University with important information about the option of pursuing such a proposal in light of the upheaval caused by the pandemic.

An RFQ is a screening tool used to identify and screen entities that may be interested in partnering with the University on a particular project or multiple projects that may be pursued in the future. Issuing an RFP does not constitute a decision about whether to enter a third-party partnership or the scope of such a partnership. The qualifications-based RFQ procurement process sought information regarding potential partners’ interest in partnering with EMU and their comparable experience on other higher education campuses.

The University received six responses from the following industry-leading firms:

- Balfour Beatty Campus Solutions
- Campus Apartments
- Capstone Development Partners
- Gilbane Development Company
- Servitas
- The Michaels Organization

The University’s regular practice in past facility RFQ processes, including all recent academic facility projects, has been that **RFQ** responses were evaluated by administrators from finance/purchasing, facilities/physical plant (for construction projects), and the applicable division/unit of the institution. Owing to the nature of the reviews, faculty have not typically served on these review committees. Recent examples of this include academic buildings Sill Hall, Strong Hall and the new Behavioral Health Clinic building. RFQs for non-academic building projects such as the Rec-IM and Student Athlete Performance Center have also been evaluated in this way. Faculty have been involved in the **RFP review processes** on academic building projects -- some on evaluation committees and some only on project design.

After receiving the RFQs in Summer 2020, the University paused the RFQ process to refocus energies on COVID-19 mitigation. The process was re-initiated and completed later in the academic year after classes were well underway. The evaluation committee included the normal set of administrators along with faculty representatives including Professor Carpenter as requested by the Faculty Senate.

## H. September 2020: Faculty Senate Findings

In response to the University's request to the Faculty Senate in May 2019 to conduct an in-depth study of University Housing (see Section II(F) above), the Faculty Senate issued its Findings in September 2020, which the University hereby accepts as the culmination of the Senate's feedback and advice on this matter over the previous two years. The Findings included three recommendations:

1. "We recommend that EMU take the next **one or two years** to examine the issue of campus housing at EMU..."
2. "The Board recommends a **thorough examination of the issues of campus housing** with key stakeholders and faculty experts integrally involved."
3. "The Board recommends the **creation of a master plan for campus housing....**"

(emphasis in original)

The University's response to the Faculty Senate's input on these items is outlined in Section IV of this response.

## I. October 2020: Senate Letter requesting RFQ information

On October 20, 2020, Prof. Suzanne Gray, President of the Faculty Senate, emailed President Smith requesting the following information related to the RFQ process:

1. A copy of the RFQ that was issued by the University in June 2020 (the University agreed to the Faculty Senate's request

President Smith emailed a copy of the RFQ to the Senate leadership on November 20, 2020).

2. A list of the entities that responded to the RFQ

President Smith emailed this information to the Senate leadership on November 20, 2020, and that information is repeated in Section II(G) of this response.

3. A description of the process to evaluate the RFQs

President Smith emailed this information to the Senate leadership on December 22, 2020, and additional information is included in Section II(G) of this response.

4. Inclusion of Prof. Rob Carpenter “on any committee that may be involved in evaluating” RFQs

President Smith agreed to this request in an email to the Faculty Senate leadership on December 22, 2020, and Prof. Carpenter participated in the RFQ review process as outlined in Section II(J) of this response.

#### **J. December 2020: Resumption of the RFQ process**

The University agreed to the Faculty Senate’s request (as outlined in Section II(I) above) that Prof. Rob Carpenter be included in the RFQ evaluation process when that process resumed. The University informed the Faculty Senate leadership of this decision via email on December 22, 2020.

In January 2021, the University restarted the RFQ review process that had been paused as outlined in Section II(G) above, and invited individuals who had not previously scored the RFQs to do so. Those individuals -- including Prof. Carpenter (representing Faculty Senate), Prof. Eric Action (representing UBC), and several University administrators -- met on January 26, 2021, to discuss the RFQ review process. They subsequently completed their scoring, met again on February 9, 2021, reviewed the group’s scores, and recommended that four of the six RFQ respondents be selected for consideration if an RFP is issued.

#### **K. UBC Input**

In March 2021, after receiving the recommendations from the RFQ review committee about vendors to include in a potential RFP process, the University asked the UBC to “provide (1) feedback about whether the University should issue an RFP for a potential third-party partnership to invest in student housing facilities and (2) recommendations for key provisions to include in such an RFP.”

In April 2021, the UBC provided its input, voted 9-11-3 against recommending that the University issue an RFP, and offered several comments about its recommendation.

As part of its vote, the UBC recommended that the University undertake a “productive pause” before undertaking any investments in student housing facilities, despite the

University having spent more than two years gathering information, exchanging ideas, and working with stakeholders on this topic. The University's response to this suggestion is outlined in Section IV of this Response.

The UBC also recommended that the University divert the net revenue generated by Housing -- funds that are currently used to subsidize other campus operations -- to pay for improvements to student housing facilities. Similarly, the UBC appears to recommend that the University divert \$5 million per year from the Athletics budget to pay for improvements to student housing facilities. The University's response to these suggestions are outlined in Section IV of this Response.

As requested by the University, the UBC also provided "recommendations for key provisions to include in such an RFP". Those suggestions were helpful and the University will carefully evaluate and include them where appropriate.

### **III. ANALYSIS**

#### **A. Facility condition and renovation analysis**

The information in this section provides a comprehensive and detailed response to the Faculty Senate Resolution calling for "evidence that student housing is dilapidated and requires significant immediate upgrade".

EMU operates 18 student housing facilities of varying ages and conditions. Only 16 facilities are part of the facilities and financial analysis<sup>4</sup>.

In 2008, EMU's Facilities & Operations Division ("Facilities") completed a comprehensive assessment of campus facilities to determine facility needs and associated deferred maintenance costs as part of the State of Michigan capital outlay process.

Facilities completed another comprehensive assessment of all campus facilities in 2016. The Higher Learning Commission (HLC), in its December 2017 re-accreditation report, praised the 2016 facilities analysis and its value to the University. Key findings from the portion of the 2016 facilities analysis that relate to the 16 student housing facilities examined in this response include:

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<sup>4</sup> 600 W. Forest and 601 W. Forest, both of which are actively used, were excluded from this analysis because they are small stand-alone apartment buildings. Jones Hall and Goddard Hall, which have been inactive for quite some time, were also excluded from this facility condition analysis.

- 15 of EMU’s 16 student housing facilities were built in 1969 or earlier – more than 50 years ago.
- 15 of the 16 student housing facilities received a 2016 facilities condition index (FCI) rating of “poor.”
- The majority of the 16 student housing facilities have not undergone major renovation in several decades. For example:
  - Cornell Court, which contains high-demand apartment-style units, has not undergone any renovation since it was built nearly 60 years ago.
  - Best Hall, which is marketed to returning students, contains over-supplied semi-suite units and has not been renovated in more than 50 years (since 1968).

In 2018, Facilities analyzed the cost to renovate each of the University’s student housing facilities and concluded it would cost nearly \$225 million to renovate all 16 of EMU’s student housing facilities. This assessment assumed that all of the student housing facilities would be renovated. Renovating fewer facilities would reduce the total cost but materials costs have escalated since that time.

The chart on the following page summarizes the key data regarding the background (e.g., date built, use, square footage, and renovation history) of the 16 student housing facilities, each building’s FCI score (assessed in 2008 and 2016), and estimated renovation costs (in 2018 dollars). These data reflect building condition assessments that were completed in 2016; the building conditions have deteriorated since that time. The renovation cost estimates were based on 2018 dollars; the cost of renovation has increased since that time due to inflation (particularly in materials), tariffs, and other similar factors.

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Facility	Style	Built	Arch.	Mech.	Elec.	Sq.ft.	2008 FCI #	2016 FCI #	2016 FCI class	Est. Renovation \$*
Brown	A	1940	1990	1990	1990	87,872	0.3860	1.2439	Poor	\$25.5M
Munson	A	1940	1951	1951	1951	49,264	0.4776	1.7598	Poor	\$14.3M
**Hill	HS	1969	1996	1991	1991	94,944	0.1662	0.5065	Poor	\$23.7M
Hoyt	HS	1969	1986	1986	1986	94,944	0.1554	0.5264	Poor	\$23.7M
Pittman	HS	1969	2015	1992	1992	94,944	0.1654	0.4203	Poor	\$23.7M
Phelps	HS	1966	1970	1970	1970	56,722	0.2260	0.3217	Poor	\$10.2M
Putnam	HS	1968	2005	2005	2005	56,722	0.2209	0.2932	Poor	\$10.2M
Sellers	HS	1966	1990	1990	1990	56,722	0.2557	0.3632	Poor	\$10.2M
Walton	HS	1968	2000	2000	2000	56,722	0.2216	0.3104	Poor	\$10.2M
Best	HS	1965	1968	1968	1968	68,516	0.3496	0.5007	Poor	\$15.4M
Buell	FS	1957	1957	1957	1957	73,352	0.2637	0.5632	Poor	\$16.5M
Downing	FS	1957	1987	1987	1987	73,821	0.2529	0.2154	Poor	\$16.6M
Wise	C	1963	2016	2016	2016	66,963	0.1914	0	Good	N/A
Cornell	A	1960	1960	1960	1960	85,072	0.3630	1.0472	Poor	\$7.2M
Westview	A	1967	2013	1967	1967	107,880	0.5221	1.0099	Poor	\$9.2M
Village	A	2001	2001	2001	2001	113,060	0.0001	0.1348	Poor	\$6.8M
<b>TOTALS</b>						<b>1,237,520</b>				<b>\$223.4M</b>

Styles:

A = Apartment (one or more bedrooms, a living area, a kitchen, and last one full bathroom with shower)

C = Community (traditional residence hall rooms that house one or two students per room and utilize community bathrooms)

FS = Full Suite (two bedrooms, a living area, and a shared full bathroom with shower; each bedroom houses 1-2 students, for a total suite occupancy of 2-4 students)

HS = Half-suite (two bedrooms and a shared full bathroom with shower; each bedroom houses 1-2 students, for a total suite occupancy of 2-4 students; unlike a full-suite, there is no shared living area)

Systems:

Built = year built

Arch. = date of most recent architectural/finishing renovations

Mech. = date of most recent mechanical renovations

Elec. = date of most recent electrical renovations

FCI class index:

Good = 0 - 0.05      Fair = 0.05 - 0.10      Poor = 0.10+

\* FY18 dollar estimates

\*\* facility closed for FY21

**The facilities condition data clearly reveal that the University’s student housing facilities suffer from extensive deferred maintenance and need significant repair.**

The Student Resolution expressed similar concerns by noting that “the majority of EMU Housing has not been renovated for over 50 years, leaving [students] substandard housing stock that creates unfair distractions from learning due to heating, cooling, and plumbing issues”. The 2020-2021 academic year’s heavy dependence on remote offerings highlighted the challenges in offering sufficient technology support to students residing in the dated residence halls.

The condition of the student housing facilities is not surprising because of the age and lack of extensive renovations of the facilities. The charts below illustrate the evolution of the condition of the University’s student housing facilities, noting where renovations have occurred.

**1940 – 1959 (Twenty year picture)**

Building	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959
Brown	B	0.98	0.96	0.94	0.92	0.9	0.88	0.86	0.84	0.82	0.8	0.78	0.76	0.74	0.72	0.7	0.68	0.66	0.64	0.62
Munson	B	0.98	0.96	0.94	0.92	0.9	0.88	0.86	0.84	0.82	0.8	0.78	0.76	0.74	0.72	0.7	0.68	0.66	0.64	0.62
Jones									B	0.98	0.96	0.94	0.92	0.9	0.88	0.86	0.84	0.82	0.8	0.78
Goddard																B	0.98	0.96	0.94	0.92
Buell																		B	0.98	0.96
Downing																		B	0.98	0.96
Wise																				
Best																				
Phelps																				
Sellers																				
Putnam																				
Walton																				
Hill																				
Hoyt																				
Pittman																				
Cornell																				
Westview																				
Village																				

  

B =	Built (100%). Assumes a 50-year lifetime (2% reduction per year)
R =	Renovated all 3 major systems (Architectural, Mechanical, Electrical) and restored to 100%
P/R =	Partial renovation of systems (Architectural, Mechanical, and/or Electrical), and restored to 60% (one system) or 80% (two systems)
X =	Building closed (0%)

Color coding of Building condition:



Data:  
2016 Facilities Condition Index.

## 1960 – 1989 (Thirty year picture)

Building	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	
Brown	0.6	0.58	0.56	0.54	0.52	0.5	0.48	0.46	0.44	0.42	0.4	0.38	0.36	0.34	0.32	0.3	0.28	0.26	0.24	0.22	0.2	0.18	0.16	0.14	0.12	0.1	0.08	0.06	0.04	0.02	
Munson	0.6	0.58	0.56	0.54	0.52	0.5	0.48	0.46	0.44	0.42	0.4	0.38	0.36	0.34	0.32	0.3	0.28	0.26	0.24	0.22	0.2	0.18	0.16	0.14	0.12	0.1	0.08	0.06	0.04	0.02	
Jones	0.76	0.74	0.72	0.7	0.68	0.66	0.64	0.62	0.6	R	0.98	0.96	0.94	0.92	0.9	0.88	0.86	0.84	0.82	0.8	0.78	0.76	0.74	0.72	0.7	0.68	0.66	0.64	0.62	0.6	
Goddard	0.9	0.88	0.86	0.84	0.82	0.8	0.78	0.76	0.74	0.72	0.7	0.68	0.66	0.64	R	0.98	0.96	0.94	0.92	0.9	0.88	0.86	0.84	0.82	0.8	0.78	0.76	0.74	0.72	0.7	
Buell	0.94	0.92	0.9	0.88	0.86	0.84	0.82	0.8	0.78	0.76	0.74	0.72	0.7	0.68	0.66	0.64	0.62	0.6	0.58	0.56	0.54	0.52	0.5	0.48	0.46	0.44	0.42	0.4	0.38	0.36	
Downing	0.94	0.92	0.9	0.88	0.86	0.84	0.82	0.8	0.78	0.76	0.74	0.72	0.7	0.68	0.66	0.64	0.62	0.6	0.58	0.56	0.54	0.52	0.5	0.48	0.46	0.44	0.42	R	0.98	0.96	
Wise				B	0.98	0.96	0.94	0.92	0.9	0.88	0.86	0.84	0.82	0.8	0.78	0.76	0.74	0.72	0.7	0.68	0.66	0.64	0.62	0.6	0.58	0.56	0.54	0.52	0.5	0.48	
Best					B	0.98	0.96	R	0.98	0.96	0.94	0.92	0.9	0.88	0.86	0.84	0.82	0.8	0.78	0.76	0.74	0.72	0.7	0.68	0.66	0.64	0.62	0.6	0.58		
Phelps						B	0.98	0.96	0.94	R	0.98	0.96	0.94	0.92	0.9	0.88	0.86	0.84	0.82	0.8	0.78	0.76	0.74	0.72	0.7	0.68	0.66	0.64	0.62	0.6	
Sellers							B	0.98	0.96	0.94	0.92	0.9	0.88	0.86	0.84	0.82	0.8	0.78	0.76	0.74	0.72	0.7	0.68	0.66	0.64	0.62	0.6	0.58	0.56		
Putnam								B	0.98	0.96	0.94	0.92	0.9	0.88	0.86	0.84	0.82	0.8	0.78	0.76	0.74	0.72	0.7	0.68	0.66	0.64	0.62	0.6	0.58		
Walton									B	0.98	0.96	0.94	0.92	0.9	0.88	0.86	0.84	0.82	0.8	0.78	0.76	0.74	0.72	0.7	0.68	0.66	0.64	0.62	0.6	0.58	
Hill										B	0.98	0.96	0.94	0.92	0.9	0.88	0.86	0.84	0.82	0.8	0.78	0.76	0.74	0.72	0.7	0.68	0.66	0.64	0.62	0.6	
Hoyt										B	0.98	0.96	0.94	0.92	0.9	0.88	0.86	0.84	0.82	0.8	0.78	0.76	0.74	0.72	0.7	0.68	R	0.98	0.96	0.94	
Pittman										B	0.98	0.96	0.94	0.92	0.9	0.88	0.86	0.84	0.82	0.8	0.78	0.76	0.74	0.72	0.7	0.68	0.66	0.64	0.62	0.6	
Cornell	B	0.98	0.96	0.94	0.92	0.9	0.88	0.86	0.84	0.82	0.8	0.78	0.76	0.74	0.72	0.7	0.68	0.66	0.64	0.62	0.6	0.58	0.56	0.54	0.52	0.5	0.48	0.46	0.44	0.42	
Westview								B	0.98	0.96	0.94	0.92	0.9	0.88	0.86	0.84	0.82	0.8	0.78	0.76	0.74	0.72	0.7	0.68	0.66	0.64	0.62	0.6	0.58	0.56	
Village																															
B = Built (100%). Assumes a 50-year lifetime (2% reduction per year)																						From 1960 to 1989 (30 years), EMU									
R = Renovated all 3 major systems (Architectural, Mechanical, Electrical) and restored to 100%																						Housing Facilities Built: 11									
P/R = Partial renovation of systems (Architectural, Mechanical, and/or Electrical), and restored to 60% (one system) or 80% (two systems)																						Housing Facilities Renovated: 6									
X = Building closed (0%)																						Partially Renovated: 0									

## 1990 – 2019 (Thirty year picture)

Building	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Brown	R	0.98	0.96	0.94	0.92	0.9	0.88	0.86	0.84	0.82	0.8	0.78	0.76	0.74	0.72	0.7	0.68	0.66	0.64	0.62	0.6	0.58	0.56	0.54	0.52	0.5	0.48	0.46	0.44	0.42
Munson	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Jones	0.58	0.56	0.54	0.52	0.5	0.48	0.46	0.44	0.42	0.4	0.38	0.36	0.34	0.32	0.3	0.28	X	0	0	0	0	0	0	0	0	0	0	0	0	0
Goddard	0.68	0.66	0.64	0.62	0.6	0.58	0.56	0.54	0.52	0.5	0.48	0.46	0.44	0.42	0.4	0.38	X	0	0	0	0	0	0	0	0	0	0	0	0	0
Buell	0.34	0.32	0.3	0.28	0.26	0.24	0.22	0.2	0.18	0.16	0.14	0.12	0.1	0.08	0.06	0.04	0.02	0	0	0	0	0	0	0	0	0	0	0	0	0
Downing	0.94	0.92	0.9	0.88	0.86	0.84	0.82	0.8	0.78	0.76	0.74	0.72	0.7	0.68	0.66	0.64	0.62	0.6	0.58	0.56	0.54	0.52	0.5	0.48	0.46	0.44	0.42	0.4	0.38	0.36
Wise	0.46	0.44	0.42	0.4	0.38	0.36	0.34	0.32	0.3	0.28	0.26	0.24	0.22	0.2	0.18	0.16	0.14	0.12	0.1	0.08	0.06	0.04	0.02	0	0	0	R	0.98	0.96	0.94
Best	0.56	0.54	0.52	0.5	0.48	0.46	0.44	0.42	0.4	0.38	0.36	0.34	0.32	0.3	0.28	0.26	0.24	0.22	0.2	0.18	0.16	0.14	0.12	0.1	0.08	0.06	0.04	0.02	0	0
Phelps	0.6	0.58	0.56	0.54	0.52	0.5	0.48	0.46	0.44	0.42	0.4	0.38	0.36	0.34	0.32	0.3	0.28	0.26	0.24	0.22	0.2	0.18	0.16	0.14	0.12	0.1	0.08	0.06	0.04	0.02
Sellers	R	0.98	0.96	0.94	0.92	0.9	0.88	0.86	0.84	0.82	0.8	0.78	0.76	0.74	0.72	0.7	0.68	0.66	0.64	0.62	0.6	0.58	0.56	0.54	0.52	0.5	0.48	0.46	0.44	0.42
Putnam	0.56	0.54	0.52	0.5	0.48	0.46	0.44	0.42	0.4	0.38	0.36	0.34	0.32	0.3	0.28	R	0.98	0.96	0.94	0.92	0.9	0.88	0.86	0.84	0.82	0.8	0.78	0.76	0.74	0.72
Walton	0.56	0.54	0.52	0.5	0.48	0.46	0.44	0.42	0.4	0.38	R	0.98	0.96	0.94	0.92	0.9	0.88	0.86	0.84	0.82	0.8	0.78	0.76	0.74	0.72	0.7	0.68	0.66	0.64	0.62
Hill	0.58	P/R	0.78	0.76	0.74	0.72	P/R	0.98	0.96	0.94	0.92	0.9	0.88	0.86	0.84	0.82	0.8	0.78	0.76	0.74	0.72	0.7	0.68	0.66	0.64	0.62	0.6	0.58	0.56	0.54
Hoyt	0.92	0.9	0.88	0.86	0.84	0.82	0.8	0.78	0.76	0.74	0.72	0.7	0.68	0.66	0.64	0.62	0.6	0.58	0.56	0.54	0.52	0.5	0.48	0.46	0.44	0.42	0.4	0.38	0.36	0.34
Pittman	0.58	0.56	P/R	0.78	0.76	0.74	0.72	0.7	0.68	0.66	0.64	0.62	0.6	0.58	0.56	0.54	0.52	0.5	0.48	0.46	0.44	0.42	0.4	0.38	0.36	P/R	0.58	0.56	0.54	0.52
Cornell	0.4	0.38	0.36	0.34	0.32	0.3	0.28	0.26	0.24	0.22	0.2	0.18	0.16	0.14	0.12	0.1	0.08	0.06	0.04	0.02	0	0	0	0	0	0	0	0	0	0
Westview	0.54	0.52	0.5	0.48	0.46	0.44	0.42	0.4	0.38	0.36	0.34	0.32	0.3	0.28	0.26	0.24	0.22	0.2	0.18	0.16	0.14	0.12	0.1	P/R	0.58	0.56	0.54	0.52	0.5	0.48
Village											B	0.98	0.96	0.94	0.92	0.9	0.88	0.86	0.84	0.82	0.8	0.78	0.76	0.74	0.72	0.7	0.68	0.66	0.64	
B = Built (100%). Assumes a 50-year lifetime (2% reduction per year)																						From 1990 to 2019 (30 years), EMU								
R = Renovated all 3 major systems (Architectural, Mechanical, Electrical) and restored to 100%																						Housing Facilities Built: 1								
P/R = Partial renovation of systems (Architectural, Mechanical, and/or Electrical), and restored to 60% (one system) or 80% (two systems)																						Housing Facilities Renovated: 6								
X = Building closed (0%)																						Partially Renovated: 4								

Despite these data, the University will likely not renovate and/or replace every student housing facility because the University does not need the same number of campus housing units due to declining enrollment. The analysis of whether to replace or renovate a particular building, and the type and number of units desired in future years, would be undertaken either by the University or in partnership with a third-party if such an entity is retained by the University.

## B. Financial analysis

The information in this section provides a comprehensive and detailed response to the Faculty Senate Resolution calling for “a more detailed and thorough exploration of the option of renovating the campus housing using University funding (either general fund or through borrowing).”

Unfortunately, the University has limited options for investing the significant amount of money required to upgrade even a fraction of our student housing facilities. Since these conversations began in earnest in 2018, the University’s financial situation has become more challenging as a result of the COVID-19 pandemic while the need to invest in the University’s student housing facilities has increased.

As outlined in the UBC Resolution, the University has a few options available to fund a significant capital investment in Housing facilities:

- borrowing;
- capital plan spending (using new dollars and/or diverting existing capital dollars); and/or
- pursuing a partnership with a third-party.

### Borrowing:

While borrowing has some advantages (including low interest rates), it also has several disadvantages.

Borrowing places a drain on the University’s General Fund budget by increasing expenses to pay the principal and interest to service the resulting debt. **For example, borrowing \$100 million over 30 years might allow the University to fully renovate several housing facilities but would require annual debt payments of \$5-6 million, which would require reducing the University’s operating expenses by \$5-6 million per year.**

Issuing significant additional debt would also negatively impact the University’s debt-to-operating revenues ratio, which measures an institution’s capability to pay its total outstanding debt using its operating revenues. A lower ratio is ideal because it means the institution has greater capacity to manage its debt; a higher ratio is less desirable. Incurring additional debt would significantly increase that ratio. As illustrated in the following chart, EMU’s debt-to-operating ratio is already much larger than CMU and WMU, and comparable to Oakland:

University	2020 Total Debt	2020 Operating Revenues + State Approp.	2020 Debt-to-Operating Revenues Ratio
CMU	\$158.0M	\$370.4M	0.43
WMU	\$393.5M	\$479.4M	0.82
EMU	\$347.3M	\$293.6M	1.18
Oakland	\$425.2M	\$315.8M	1.35

NOTE: All data are derived from each university's financial statements as of June 30, 2020. Operating revenues include reported operating revenues plus state appropriations (which are not reported as operating revenues per GASB rules).

Issuing significant additional debt would also negatively impact the University's debt-to-cash+investments ratio, which is used to assess an institution's ability to assume additional borrowing by measuring the institution's ability to pay its total outstanding debt using its cash and investments. A ratio greater than 100% is ideal because it means the institution can pay its existing debts with available non-operating funds. EMU's ratio is much lower (and thus less desirable) than CMU, WMU, and Oakland. Incurring significant additional debt would exacerbate that problem.

University	2020 Total Cash & Investments (C+I)	2020 Total Debt	2020 Debt-to-C+I Ratio
CMU	\$252.1M	\$158.0M	159.5%
WMU	\$324.7M	\$393.5M	82.5%
Oakland	\$231.6M	\$425.2M	54.5%
EMU	\$45.5M	\$347.3M	13.1%

NOTE: All data are derived from each university's financial statements as of June 30, 2020.

The UBC Resolution acknowledged the challenges (and advantage) posed by borrowing:

"Borrowing funds to renovate is challenging as the committee has noted the degree to which EMU is already leveraged in part due to the \$150M in borrowing already done for renovating the academic spaces. Borrowing ... will significantly increase the debt services, and essentially create the need for significant cuts in the General Fund operating budget to fund the new debt service. Borrowing in small chunks for

each renovation is not economical. One advantage to borrowing funds is the ability to begin the first renovation immediately so that it can be used to recruit new students.”

### Capital Plan spending

The UBC Resolution also outlined the pros and cons of using cash (for lack of a better term) to fund improvements to student housing facilities. The University used this process to fund the Wise Hall improvements. Such spending is completed through the University’s annual Capital Plan process and would require (1) increasing Capital Plan spending and/or (2) re-allocating existing Capital Plan spending to fund student housing projects.

The University’s Capital Plan budget dating back to FY16 is outlined below:

Category	FY16	FY17	FY18	FY19	FY20	FY21	FY22	TOTALS
Academic Facilities	\$2.835M	\$11.0M	\$3.19M	\$2.87M	\$0.835M	\$1.485M	\$1.75M	\$23.965M
Housing & Student Programming	\$2.15M	\$6.4M	\$2.95M	\$1.595M	\$1.5M	\$1.175M	\$0.12M	\$15.89M
Technology	\$0.875M	\$2.188M	\$2.608M	\$2.698M	\$3.292M	\$2.16M	\$1.356M	\$15.177M
Safety & Security	\$1.405M	\$1.535M	\$1.05M	\$1.4M	\$4.21M	\$1.02M	\$0.3M	\$10.92M
Energy Conservation		\$6.35M						\$6.35M
Other	\$1.635M	\$2.7M	\$3.965M	\$6.41M	\$5.337M	\$7.42M	\$1.6M	\$29.067M
<b>TOTAL</b>	<b>\$8.9M</b>	<b>\$30.173M</b>	<b>\$13.763M</b>	<b>\$14.973M</b>	<b>\$15.174M</b>	<b>\$13.26M</b>	<b>\$5.126M</b>	

Re-allocating current capital spending to fund improvements to student housing facilities would require the University to cut capital spending on academic and other capital projects such as technology and security. The University’s FY22 Capital Budget is only \$5.12 million, which is 61% less than the FY21 Capital Budget of \$13.26 million, thereby limiting the ability to re-direct capital funds to pay for student housing facilities.

Investing new dollars to fund improvements to student housing facilities is not an option because of the University’s financial challenges. The University anticipates a structural operating deficit of approximately \$14 million in FY22.<sup>5</sup> These financial challenges have already negatively impacted the University in many ways, including the 61% reduction in the FY22 Capital Budget compared to the FY21 Capital Budget.

<sup>5</sup> The structural deficit represents ongoing operations and does not include one-time COVID-relief funds from the federal government.

### Third-party partnership

As outlined above, borrowing, increasing capital spending, or diverting capital spending would have negative impacts on the General Fund, reduce or eliminate our ability to fund academic and other capital projects, and/or negatively impact the University's liquidity and bond ratings. A third-party partnership, however, would not impact the General Fund or the University's liquidity or bond ratings, and would not divert funds from academic and other capital projects.

The Dining partnership illustrates the potential benefits of a third-party partnership. Chartwells, the University's third-party Dining partner, provided more than \$15 million to upgrade the University's Dining facilities, including the new Starbucks, the renovated Student Center Food Court, the renovated Commons, and other facilities. The Chartwells partnership also enhanced technology available to customers and increased the annual financial returns to the University. The University did not assume any new borrowing as part of the Dining partnership.<sup>6</sup>

### **C. Peer analysis**

EMU's peers are experiencing the same trends in student housing that EMU is experiencing, including declining student enrollment, changing demand, and deferred maintenance. To address these trends, EMU's peers are investing hundreds of millions of dollars to upgrade their student housing facilities. EMU has been slower than our peers to respond to these trends. The following are key examples of recent peer investments in student housing:

#### Oakland University (OU)

OU opened a new 750-bed apartment-style housing facility in September 2018. The \$78 million project houses up to four upper-level students per apartment, and each apartment includes a private bedroom for each student, common living room, and common bathroom. The facility includes a recreation room, multi-purpose room, and café & sandwich shop.

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<sup>6</sup> The Chartwells partnership is financially successful even after factoring in the impact of COVID-19 because (1) the Dining operation's net financial performance improved dramatically in the years before the pandemic compared to the years when the University self-operated the Dining system and (2) the University likely would have incurred comparable or even larger losses in FY20 and FY21 had Dining been self-operated, despite the payments made to Chartwells related to meal plans.

### Western Michigan University (WMU)

WMU launched a student housing renovation and construction initiative in 2018. As a first step, WMU demolished an existing apartment complex during the summer of 2018 and recently opened the new 197-unit \$60 million Arcadia Flats dormitory for upper-level and graduate students. WMU is now preparing to demolish three more older housing facilities as the next step in its student housing investment initiative.

### Central Michigan University (CMU)

CMU announced in 2018 that it was investing at least \$76 million to improve student housing. CMU plans to renovate facilities, demolish at least one facility, and construct at least one new facility producing 450+ new suite-style beds.

### Wayne State University (WSU)

WSU executed a nationally-publicized 40-year public-private partnership to transform its campus housing. Corvias, a private firm, manages WSU's housing and plans to construct 841 new beds and renovate 368 beds. The entire housing portfolio will eventually be renovated and replaced thanks to an initial investment of more than \$300 million in private financing.

### Michigan State University (MSU)

MSU developed a new \$156 million housing complex in 2016 to add 400+ new apartment units to its housing stock.

### Lake Superior State University (LSSU)

LSSU announced in December 2018 that it had selected Corvias, a housing development partner, to manage the university's housing stock and develop 350 new beds, demolish 226 beds, and renovate the remaining 700 beds comprising the university's entire on-campus housing stock.

## **IV. UNIVERSITY'S DECISION**

The University has carefully reviewed and considered the myriad data and suggestions received from many sources over the previous 2.5 years related to the next steps for improving the University's student housing facilities. These sources of information include the detailed and numerous reports and letters from the Faculty Senate, the resolutions from the UBC, and the resolution and comments from Student Government. As outlined

throughout this document, the Faculty Senate's analysis has been helpful and, on numerous occasions, the University has accepted the faculty's requests/suggestions by providing information, modifying an approach, and/or pausing this process to provide the faculty more time to study the issue.

**Having received written input from UBC and other feedback described throughout this document, and having responded to that feedback throughout this process and in this response, the University has decided to issue a Request for Proposal (RFP) to solicit responses for a potential partnership with a third-party regarding University Housing.**

This decision is based on several factors.

The University's student housing facilities must be updated. As outlined throughout this document, most of the buildings are more than 50 years old, have an FCI classification of "poor", and are not designed or equipped to support the technology needs of today's students. Well designed student housing and support can work to attract, help retain, and support the success of students. These are key parts of our mission, values and goals at EMU.

The University operates, and will continue for years into the future to operate, in a hyper-competitive enrollment environment. Competition has become even more competitive as a result of declining regional enrollment caused by COVID-19. While the Faculty Senate is right to urge careful examination of the scope of future housing stocks and design, that does not equate to doing nothing to upgrade facilities at this point in time. Our peers have invested and continue to invest in their housing facilities, and the University is at a competitive disadvantage by failing to do so.

The University cannot adopt the Faculty Senate's and UBC's suggestion to again delay developing and executing a comprehensive strategy to begin improving the University's student housing facilities as soon as possible. The University previously accepted the Faculty Senate's request to pause the process, but additional delay would cause further deterioration of the condition of the student housing facilities before any action could occur to improve the situation. Delay is also contrary to the University's commitment to improve its facilities as illustrated by the more than \$100 million that has been invested to improve academic facilities including Pray Harrold, Mark Jefferson (Science Complex), Strong Hall, the Community Behavioral Health Clinic, the Sculpture Studio, Rackham, and Sill Hall.

The University's decision is also based on the fact that a failure to invest in our student housing facilities poses a more substantial impact on students of color. As noted below, the campus student housing population is more diverse than the overall University student population:

Fall 2020 EMU Housing Occupancy	#	%	All EMU students
Asian	30	1.56%	3.28%
Black/African American	524	27.23%	16.12%
Hispanic/Latino	136	7.07%	7.15%
Other	43	2.23%	2.63%
Unknown/did not disclose	168	8.73%	5.30%
Two or more races	64	3.33%	3.64%
White	959	49.84%	61.88%
<b>TOTAL</b>	<b>1924</b>		

For many of these students (which also includes international students), EMU housing becomes their primary home, as reflected by the high percentage of student residents who remain in their on-campus housing during University shutdown periods (e.g., the December break).

Despite the documented need to invest in student housing facilities, the University -- as outlined in Section III(B) of this response -- is not at this time in a financial position to invest its own resources to upgrade even a fraction of our student housing facilities.

A third-party partner has the potential to bring significant expertise and financial capital, both of which the University lacks. The University's partnership with Chartwells for the management of Dining operations is the desired model for any Housing partnership. The Chartwells partnership has been extremely successful: new Dining facilities were constructed, retail brands were refreshed, technology was expanded, the annual financial returns to the University improved, and customer satisfaction improved compared to when the University self-operated its Dining operation.

**The University has not yet elected to enter a third-party partnership; instead, the University has decided only to solicit responses from potential partners.** Any RFP that is issued will, among other terms:

- retain University management of the residential life operations (e.g., hiring and supervising resident advisors),
- make clear that affordability is a key priority, along with other University values (such as sustainability), and
- reserve to the University the exclusive right to decide whether to proceed with a third-party partnership.

Moreover, the University has not yet decided whether any third-party partnership would encompass all student housing facilities or only a portion thereof. That decision will be made as the RFP process unfolds.

**Contrary to the language used by the Faculty Senate and AAUP in previous communications, the University has not considered, is not considering, and will not consider “privatizing” the University’s student housing system. Any third-party partnership would result in the University retaining ownership of all Housing facilities and control over the residential life aspect of Housing operations.**

The numerous reports and resolutions from the Faculty Senate and the UBC included many specific requests for information and recommendations. The University received and meaningfully considered all of those requests over the previous 2.5 years. Having said that, facilities currently housing students are not commonly used as instructional facilities in that they do not house colleges, classrooms, labs, or faculty offices. However, as the process of planning renovated housing facilities evolves, regardless of whether or not a third-party partner is chosen, the University will engage the faculty through the EEFC if those plans can effectively include classroom facilities or other instructional spaces.

As part of its commitment to thoroughly engaging the faculty in this process, the University responds to the Faculty Senate’s additional specific recommendations and requests as follows.

### **Building condition analysis**

The Faculty Senate’s January 2019 Resolution requested “evidence that student housing is dilapidated and requires significant immediate upgrade”. The requested information was included in the Housing Report that the University provided to the UBC and Faculty Senate in March 2019 (which has since been withdrawn in response to objections from the faculty leadership). An updated version is included in Section III(A) of this document.

### **Housing tour**

The Faculty Senate’s January 2019 Resolution requested “the opportunity to tour [sic] of housing facilities at the end of January”. The University provided this tour in early 2019.

### **Financial analysis**

The Faculty Senate’s January 2019 Resolution requested “a more detailed and thorough exploration of the option of renovating the campus housing using University funding (either general fund or through borrowing)”. The requested information was included in the now-withdrawn Housing Report provided to the UBC and Faculty Senate in March 2019. The requested information is included in Section III(B) of this document.

## **Postponement of RFP pending Faculty Senate input**

The Faculty Senate's January 2019 Resolution requested that the "Request for Proposals (RFP's) do not go out until Senate has offered input on whether to proceed with a public/private partnership". The University, while not agreeing that it was contractually obligated to request Senate input in the manner suggested, agreed to receive a Senate report and communicated to the Faculty Senate in May 2019 that no RFP would be issued until the Faculty Senate had provided additional feedback. **The University halted the housing evaluation process for more than one year to allow for that opportunity.** The Faculty Senate has since submitted its cumulative feedback through the Findings it submitted in September 2020, and the UBC approved resolutions in April 2021.

## **Participation in RFP process**

The Faculty Senate's January 2019 Resolution requested that "if an RFP goes out, that Senate has the opportunity to provide input on the RFP" and "once RFP's [sic] are returned, there is a process for obtaining information about the vendors, and Faculty Senate will review both the RFP's [sic] and research data on the potential private partners and provide input on the final decision." As outlined in Section II(I) and II(J) of this response, the University will include Prof. Rob Carpenter, who was selected by the Faculty Senate to play this role, on any committee that reviews any responses to such an RFP and recommends any next steps to the President. Prof. Eric Acton, an appointed faculty member, will also serve on any committee that reviews responses to an RFP. Both Profs. Action and Carpenter served on the committee that reviewed and scored the responses to the RFQs.

## **Changes to Housing Report**

After the University issued a detailed Housing Report in March 2019 in an effort to provide information requested by the Faculty Senate, the four leaders of the Faculty Senate and EMU-AAUP raised several objections to that Report. In response to those objections, the University has withdrawn the Housing Report. We have noted the report in this response in order to illustrate attention to requests and advice rather than to revisit any contents other than those that have been updated and shared here.

## **Further postponement of RFP**

The Faculty Senate's 2020 Findings and the UBC's 2021 recommendation requested that the University again postpone any action to improve the University's deteriorating student housing facilities pending more study. The Faculty Senate reiterated that request in an email to the President dated April 17, 2021. The University does not adopt the faculty's recommendation for the reasons outlined throughout Section IV of this response.

Additional delay would further delay attending to the significant deferred maintenance and deterioration of the University's student housing facilities. Students living on campus deserve updated and appropriate facilities to match the academic facilities where classes are held.

### **Information about RFQ**

In the October 2020 Letter, Prof. Suzanne Gray, the Faculty Senate President, requested a copy of the RFQ that the University issued in June 2020 and a list of the firms that responded to the RFQ. The University provided the requested information to Prof. Gray in October 2020.

The October 2020 Letter also requested information regarding the RFQ process. The University emailed the requested information to the Faculty Senate Leadership on December 22, 2020.

The October 2020 Letter also requested that Prof. Rob Carpenter represent the Faculty Senate in the RFQ review process. The University agreed to this request as outlined in the email to the Faculty Senate leadership on December 22, 2020, and Prof. Carpenter participated in the RFQ evaluation process.

### **Use of Housing and Athletics funds**

The Faculty Senate's 2020 Findings included a comment that "for decades, the University has used revenue from housing to balance the general fund rather than investing in needed maintenance and capital improvements for campus." The Findings further suggested that, "Campus housing would be self-sustaining if it were allowed to invest overall net revenue of \$3.5-\$4.5 million in capital projects rather than having it moved into the general fund. Had this practice been implemented in the past, the University would have been able to self-fund all necessary capital projects."

It is correct that net revenue generated through the Housing system has been returned to the General Fund over a significant period of time to balance operational spending. Had the University instead invested those funds in capital improvements to housing facilities as suggested in the Findings, those funds would not have been available for other purposes and the University would have been forced to cut an additional \$3.5 - \$4.5 million per year from the General Fund budget with the largest impact of those reductions likely falling on the colleges and Library each year given their overall share of the budget. And while it is perhaps an accurate assessment of decades of inattention, using operating surpluses going forward does not sufficiently address how to improve the overall state of housing in any manageable timeframe. By way of example, if the University began the suggested practice next fiscal year, along with reducing college and Library budgets by an additional

\$1.4-\$1.8 million dollars each year, it would take 44 years to reach the needed \$200 million dollars worth of investment.

The UBC similarly implied that the University should divert \$5 million per year from the Athletics budget to fund Housing renovations. The UBC did not provide specific recommendations about how to accomplish such a task, but implementing such cuts to the University's Division I Athletics program would jeopardize the University's compliance with Title IX because cuts that large can typically only be achieved by a reduction in the number sports supported

### **Expand housing market**

The UBC's 2021 input also encouraged the University to expand the use of University Housing facilities to, for example, create "short-stay (hotel) options" for commuter students and/or allow non-EMU students from "local community colleges and and universities" to rent space in EMU student housing facilities. The University will carefully consider these suggestions, but they are not relevant to the decision of whether to issue an RFP to solicit partnerships to help fund badly-needed improvements to student housing facilities.

### **Suggested RFP terms**

The UBC and Student Government also recommended that the University include several specific provisions in any RFP that is issued. The University has already decided that some of these suggestions will be included in an RFP, including the provision that the University retain control over residential life services such as residential programming and hiring of resident assistants. The University will carefully evaluate the UBC's remaining recommendations.

## **V. CONCLUSION**

The University appreciates the faculty's thoughtful and deliberative feedback (received via the Faculty Senate and its appointed representatives to the UBC) about how to improve and fund student housing facilities, as well as the feedback received from student and other campus leaders. **The University believes that it has responded to all of the input and feedback received regarding a possible investment in student housing facilities and issuance of an RFP to solicit potential third-party partners for such an investment and, as outlined in this document, has in many instances agreed to the Faculty Senate's requests for information and/or requests to modify and delay processes.** If we have not responded to any specific recommendations from previously submitted documents and communications regarding this matter, please highlight those items with a reference to the applicable previous document that was submitted to the University, and provide those to the Office of the President by May 19, 2021.