

United Campus Workers of Georgia (UCWGA-CWA) Research on Corvias

Background on Corvias

In 2014, the Board of Regents of the University System of Georgia initiated a 65-year deal valued at \$517 million with [Corvias](#), a private real estate construction, development, and management company. Before 2014 Corvias' business was primarily concentrated in federal contracts with the U.S. military. The deal in Georgia outlined that, in exchange for student fees for housing on nine campuses, Corvias would oversee the new construction of more than 3,700 beds, maintain the entire portfolio of approximately 9,950 beds, and issue over \$500 million in debt. Corvias also agreed to invest in renovations over the life of the program.

The deal – Phase 1 of USG's alternative financing arrangement for dormitories planned to “[eventually expand to all of Georgia's 30 public colleges and universities](#)” – was held up as “[precedent setting](#)” and a model that other universities could replicate by The Bond Buyer, a public finance trade publication. In 2017 Corvias and Wayne State [finalized a partnership](#) valued at \$1.4 billion and that same year the ink dried on a [similar deal between Corvias and Howard University](#).

Georgia voters facilitated this privatization of student housing when they approved a referendum that provided tax exemption for property owned by the University System of Georgia, including when private companies operate the facilities. House Bill 788, which was approved in 2014 was sponsored by a bi-partisan coalition and received near unanimous support in the General Assembly.

In early August, 2020, UCWGA-CWA learned that [Corvias exerted heavy influence on the University System of Georgia](#) about reopening plans, asserting in [a May 29 letter](#) that the System “does not have the unilateral right to: 1) take actions that prevent students or have the effect of discouraging students from living on campus; or 2) exercise any BOR reserved rights that materially interferes or negatively impacts Corvias' operation and management of P3 housing.”

Corvias' tactics in Georgia were covered by journalists extensively this summer, including [in the Rolling Stone](#), [Inside Higher Ed](#) (a piece that also focused on evidence of pressure at Wayne State University), and the [Washington Post](#). Shortly after press coverage about the issue, Senator Elizabeth Warren and Representative Rashida Tlaib [initiated an investigation into Corvias'](#) actions on college campuses. This is not the first congressional investigation of Corvias spearheaded by Warren.

[A 2018 investigation by Reuters](#) revealed widespread problems in Corvias-owned military housing, including flooding, mold, collapsed ceilings, exposed lead paint, and more. Federal officials followed up with an [investigation](#) of all privately-managed military housing and [research continues](#) on the scale of the problems. In 2020 military families in Fort Bragg filed a [class action lawsuit](#) against Corvias; the case is still ongoing. Corvias' major deals with higher education institutions were sealed long before the complaints about the quality of their military housing surfaced.

John Picerne, Rhode Island real estate heir, is the Founder and chief executive of Corvias. Picerne owns multi-million dollar mansions, including one in Ireland, a 49-foot yacht, and according to Reuters, has a proclivity for high-end decor. In his Palm Beach mansion his designer detailed work he did to install an “[exotic work of taxidermy](#)...an alligator locked in battle with a snake, mounted on a 20-foot vaulted ceiling.”

New Information the United Campus Workers of Georgia Uncovered in December 2020

On August 7th, 2020, UCWGA-CWA members submitted a series of open records requests to USG/BOR for communication between Corvias and system leaders between March and August, 2020. A full response from the system did not arrive until December 2020. The documents include evidence that:

Corvias Lost No Revenue in Spring 2020; Federal CARES ACT funds Covered Student Refunds

- Due to the legal terms of their agreement, Corvias was not required to cover any of the housing refunds provided to students when the COVID-19 pandemic forced the closure of colleges and universities in March 2020 and students moved out of dorms. Instead, USG covered the initial refunds and institutions later used federal CARES ACT money to pay themselves back to the [tune of over \\$15 million](#). While institutions with in-house dormitories across the country used CARES ACT funds to cover refunds to students, one of the promises of privatization is that private companies shield the public sector from market fluctuation.

Corvias' Cash Infusion Proposal

- On March 27, Corvias sent [a proposal](#) to USG to infuse the project with \$5.47 million in cash over the summer either directly or through a restricted charitable gift to the USG Foundation. Corvias notes that this would then give USG institutions access to beds to be used for student housing over the summer or purposes unrelated to higher education.
- On April 13, USG [rejected this proposal](#) (USG letter at the end of the document) noting that they have no need for the beds while campuses are closed; Corvias responded on April 27 (see page 1 of document linked above) and emails obtained reflect ongoing discussions about the proposal.
- An April 3 [USG internal documents](#) reflect System staff's thinking about Corvias' motivation behind the proposal. Corvias appeared to be focused on this cash infusion in order to achieve a 1.2 Debt Service Coverage Ratio (DSCR). Corvias' financing agreement with its lenders requires Corvias maintain a 1.2 DSCR for 24 months in order to gain access to a \$9.2 million management incentive fee and repayment of its initial investment. USG anticipated that Corvias will have a 1.08x DSCR for FY 2020 and will not gain access to the \$9.2 million. USG staff noted in the document linked above that while there would be no direct financial impact to the BOR if Corvias does not reach their debt ratio, they **“are beginning to experience growing resistance from Corvias in addressing and funding unanticipated maintenance items.”**
- Documents reveal that [USG](#) officials, including the chancellor, were uncomfortable with this “gift,” or “scheme;” USG asked Corvias to provide [approval from their lenders for the proposal](#), which never materialized. Eventually [the proposal was withdrawn](#) by Corvias, but still raises questions about the propriety of Corvias' scheme.

Concerns about Possible Default

- Notes for an April 19 [internal discussion](#) indicate that, in the case of a Corvias default, the lenders could step in and take over the project.
- On July 28, a [financial advisor emails Cynthia Alexander](#), USG Executive Finance Director, noting that “S&P has been aggressive in rating projects,” and the Corvias project might be under “significant scrutiny” and may get downgraded. Alexander suggested to USG Executive Vice Chancellor Tracy Cook that, between their lenders and S&P, Corvias may be “desperate.”

Corvias Lobbied all Campus Partners

- According to a [Corvias e-mail](#) sent to USG on June 1, 2020, the Company claims to have sent a version of [the letter](#) that was the subject of the August press coverage to [all of their campus partners](#). Corvias partners include: California State University, Alabama College of Osteopathic Medicine, Wayne State University, University of Notre Dame, Purdue University, North Carolina Central University, and Howard University.
- On August 5, Timothy Michael, the Associate Vice President and Chief Housing Officer at Wayne State University (where Corvias has a similar public-private partnership) [reached out to Marty Nance](#), USG Executive Director of Real Estate Ventures, about “comparing notes” on Corvias. The email noted that the pandemic has stressed the finances of both partnerships and says “things with Corvias have heated up.”

Corvias Cuts Operating Budget by 24%, Deflects Responsibility for Meeting COVID-19 CDC Cleaning Requirements, and Ignores Necessary Maintenance

- On July 2, Corvias sent a 2020-2021 proposed budget to University System of Georgia that reduced the operating budget by 24% (UCWGA-CWA members did not receive this document, but the details are covered by Cook in the August 6 USG response below).
- An [August 5](#) email outlined that Corvias would not provide institutions with custodial staff and would not be responsible for meeting COVID-19 cleaning protocols recommended by the CDC and the Georgia Department of Health. USG told all P3 institutions that they would need to create a cleaning protocol for the Corvias-owned dorms themselves and the institutions or the system office would cover these costs. On some campuses these plans involved hiring outside contractors to do Corvias’ jobs at considerable expense. For example, the plan developed by Georgia State [cost almost \\$100,000](#).
- In late July, University of North Georgia administrators heard about Corvias’ plan to cut their budget and staff; Gerald Sullivan, Associate Vice President of Real Estate and Auxiliary Services [sent a letter to Cook](#) noting that: The proposed cuts would result in a reduction of staff from four persons to a single person and possible suspension of basic maintenance, including an HVAC system. “Any severe operations reduction, and any suspension of necessary facility maintenance, is objectionable to UNG as we have experienced historically high occupancy, exceeding the contract requirements, for the two Corvias managed properties at UNG.”

- Throughout July 2020, several universities noted that Corvias was not meeting cleaning and maintenance standards. For example, residential life staff at Augusta University noted [significant issues](#) with the dorms at Oak Hall and Elm Hall, such as door handles not working and uncleaned rooms. East Georgia State College [similarly noted concerns](#) with readiness in their dorms that July, calling the cleaning that had been done “poor standard” and pointing out that many maintenance items had not been completed since March 2020.

University System of Georgia Considers the Costs of Separating from Corvias

- A July 27 email from Alexander notes that “USO/BOR is disappointed with Corvias’ response during this period.” On August 2, Alexander shares notes on possible next steps with Corvias, one of which is to reevaluate “options for the venture, including the cost of separating from Corvias.”
- On August 6, 2020, Cook [responded](#) to the July 2 Corvias proposed budget cuts, noting the undue burden that Corvias put on the system during a pandemic and outlining the ways in which Corvias did not meet its contractual obligations. Among other things Cook noted:

“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.”

And:

“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.”

Union Members’ Response

UCWGA-CWA members find Corvias’ activities in the University System of Georgia deeply troubling. In order to protect workers and students, we are making demands of both Corvias and the leaders of the University System of Georgia to fix the mistakes made by this privatization scheme: UCWGA-CWA members will be taking further steps to investigate the extent of the problems in Corvias dorms, including surveying students who live there, and conduct publicity events outside of Corvias dorms to inform students and the public about the Company’s mismanagement.

1. Corvias leaders have shown disregard for the well-being of students and workers during the pandemic by failing to clean and maintain dorms in order to protect their bottom line. We call on Corvias to immediately begin cleaning and maintaining their dorms to an acceptable standard consistent with CDC guidelines. These costs should not be covered by institutions or the system office. Corvias took on the risk of this endeavor and is responsible for high-quality services in the dorms. This is not only essential for the safety of students who live in the dorms, but also for the safety of workers who must enter the dorms to do their jobs.

2. In multiple instances, Corvias representatives apparently have come to University System leaders seeking quick solutions to their financial problems so that they can satisfy lending conditions and increase profit. To their credit, University System of Georgia administrators have pushed back against such blatant self-interest. We call on Corvias to immediately cease pressure on the University System of Georgia to alleviate their financial problems at the expense of public resources--staff time and money--intended to support education.

3. This scheme has highlighted the dangers of privatization of public goods. By contracting out dorm ownership and operations to a private company for a 65-year deal, the University System of Georgia Board of Regents have put the well-being of students and workers in the hands of a private, for-profit enterprise. The students and workers of the University System of Georgia deserve to live and work in buildings administered by public officials for whom the public good is the highest priority. Taxpayer money should not be spent on enriching private enterprises. **We call on the University System of Georgia to analyze the costs associated with exiting their deal with Corvias and transparently report the findings.** Further, we call on the Board of Regents to cease any similar privatization deals of System of Institutional operations. Public education in Georgia should be run by the public, for the public good.