

## The Seven Habits of Highly Successful House Corporations

by Matt Noble, President, Fraternity Management Group and initiate of Kappa Sigma Fraternity

### 1. Operate Like a Business

- ◆ File for incorporation under local and state laws.
- ◆ Communicate and stay involved with University House Corporation committees and your National House Corporation where applicable.
- ◆ Conduct regular meetings, quarterly for the entire board, monthly for the executive committee with regular communication via phone calls and emails.
- ◆ Prepare written reports for all meetings and mail an annual report to all appropriate stake holders including the undergraduate chapter and key alumni members.
- ◆ Conduct monthly property inspections for both facility cleanliness and maintenance in conjunction with the undergraduate house manager and president.
- ◆ Prepare and follow an annual budget, as well as a five-year finance and expenditure plan.
- ◆ File all government reports required of non-profit incorporated entities.
- ◆ Outsource critical functions (i.e. financial audit, website development) and review all expenses annually to determine where costs and revenues can be adjusted.
- ◆ Develop a well-balanced board of directors and executive committee, relative to age, experience and background.
- ◆ Coordinate with the alumni membership and undergraduates to ensure that an effective alumni relations program is in place.
- ◆ Have a check-in and check-out procedure for member suites and a minimum of annual professional cleanings.

### 2. Execute a Lease/Use Agreement

- ◆ Specify the amount of rent for each pay period (i.e. monthly, semester, or annually).
- ◆ Outline roles and responsibilities of the individual member, chapter, and house corporation (include rent, kitchen use, reserve fund, security deposits and fees associated with members not living in the facility).
- ◆ Have a set of house rules and policies (i.e. alcohol/substance free and no smoking).
- ◆ Specify the right of the House Corporation to terminate the agreement and serve notice of eviction for tenants not meeting expectations of agreement.
- ◆ Require the chapter to obtain written housing contracts for all tenants with security deposits on an annual basis.

### 3. Charge Fair Market Rent

- ◆ Charge fair market rent based on apartments, dorms, and other fraternities within the locality of the facility; research these numbers every two years. If your facility is among the best on campus, your rent should be among the highest, yet comparable.
- ◆ Rent should cover all facility related expenses and uses for tenants.
- ◆ Involve the undergraduates in the review of fair market values and establishment of rent.

### 4. Establish a Maintenance Reserve Fund

- ◆ Establish and fund maintenance and replacement reserve, rule of thumb is 10 percent of gross revenues.
- ◆ Complete a maintenance reserve analysis at a minimum of every five years.
- ◆ Complete maintenance and replacement improvement projects every summer, with the ability to perform similar improvements during the winter break periods.



Left: Architectural rendering of Kappa Sigma Fraternity at the University of Denver

### 5. Reduce the Debt

- ◆ Rule of thumb is \$10,000 per bed, but many may be higher or lower depending on revenue sources and locality.
- ◆ Continue to charge fair market rent even when debt is paid off.

### 6. Fill the House

- ◆ Require that the chapter pay full rent, regardless if every bed is rented or not. Set the line in the sand and stick to it.
- ◆ Require the chapter to follow a priority point system which will be used for room selection and immediate move-in if the house is not at capacity.
- ◆ Close the house in the summer unless it is marketable for the students attending school during the summer periods or the facility plays a significant role in recruitment.

### 7. Develop a Sense of Ownership in the Undergraduates

- ◆ Allow undergraduates to participate in discussion process of the corporation, inviting key chapter leaders to attend quarterly board meetings.
- ◆ Solicit recommendations and identified needs of the undergraduates to better provide a facility that will be competitive in amenities and offerings.
- ◆ Speak at a chapter meeting once per semester, introducing the functions of the house corporation, executive committee directors, and key goals for the semester, year or beyond.

Since 1987, Fraternity Management Group (FMG) has worked with fraternity and sorority staff, undergraduates, alumni and volunteers. FMG is your source for alumni and parent relations programs, feasibility study & capital campaigns, and web-based information management systems. Further information can be found online at [www.FMGtucson.com](http://www.FMGtucson.com) and by contacting Matt Noble at 1-800-228-7326 or [matt@fmgtucson.com](mailto:matt@fmgtucson.com)

# COVERAGE CORNER

## Changes with this year's FPMA Property Insurance Program's renewal

*By: Richard Jungman, Manager-Clients Services & Claims and Initiate of Phi Sigma Kappa*

By now, you have probably received your FPMA property insurance renewal bill. Your thoughts may have ranged from being pleasantly surprised to slightly shocked. For most participating locations, we were able to negotiate a flat renewal rate from last year. Quite an accomplishment considering the significant hardening of the property insurance market in the wake of unprecedented losses from numerous natural disasters in 2005. Outlined below are the key point of the 2006 renewal.

### **Guaranteed Replacement Cost (GRC) Coverage:**

Since 2002, FPMA has offered a GRC option. Previously, the minimum requirement for an insured building to qualify for GRC was \$90.00 per square foot, including basement square footage, or the most current BVS reconstruction value on file with our agency, whichever was greater. For the first time since 2002, the minimum valuation for GRC has increased to \$110.00 per square foot, including basement square footage.

The construction industry has seen a sharp increase in materials and labor. The increases can be attributed to rising energy costs and high consumer demand for new construction. Adding to the increase is the high demand for building materials and skilled labor needed to rebuild the areas ravaged by this falls numerous hurricanes. On larger property losses within FPMA, the stated building limits are increasingly becoming tested even where the building sustained very little structural damage. These elements added further justification in the mind of the program's underwriter that \$90.00 was not sufficient to continually provide this valuable coverage. T. Andrew Pitts of Treanor Architects, a recognized architectural firm specializing in student housing, was recently quoted as saying, "If I had to put an estimate of the average cost per square foot for the construction of new and major renovations of properties designed for student housing, it would be no less than \$175.00 per square foot and many times much higher."

GRC differs from traditional replacement cost coverage in that it guarantees a damaged property will be rebuilt regardless of the stated building limit on the policy. For an example, a chapter house participating in the FPMA insurance program has a BVS reconstruction value of \$850,000.00. The total square footage of the property, including basement square footage, is 10,000 square feet. The owner of the chapter house has two options.

**Option #1:** Insure the chapter house to 100% of BVS reconstruction value for the declared building value, which is \$850,000. This would meet the minimum valuation requirements for participation with FPMA but would not qualify for GRC coverage.

**Option #2:** Increase the stated limits to \$1,100,000.00 (10,000 sf x \$110.00/sf) and qualify for GRC protection.

Now, let's suppose this same chapter house sustained a serious fire loss resulting in \$1,200,000.00 in related damage. If they elected only to insure to the minimum requirement of the BVS reconstruction value of \$850,000.00, the insurance carrier would only pay \$850,000.00 to rebuild the chapter house leaving the house corporation with an uninsured loss of \$350,000.00.

If the building limit had been increased to \$1,100,000.00, as offered to qualify for GRC protection, the insurance carrier would pay the \$1,200,000 in damages less the applicable deductible, despite the fact the damages claimed exceeded the stated building limit on the policy by \$100,000. The BVS reconstruction value is a cost effective method in estimating the required insurance limits, but it is just that, an estimate. Many times the estimate is insufficient to properly rebuild a chapter house, which is why we recommend your chapter insure to a level which qualifies for GRC protection.

GRC provides a housing corporation piece of mind the facility is sufficiently insured to rebuild in the event of a loss. Even with the minimum valuation amount to qualify for GRC being increased in 2006, the option is very affordable. In most cases, the percentage increase in cost will be less than the increase in the stated building limit. If you previously qualified for GRC and due to this increase would no longer qualify, your building value has been automatically increased to a level that meets the minimum valuation required to qualify for GRC protection. If your organization no longer wishes to purchase GRC protection, you may opt out by signing and returning the GRC form included with your renewal billing.

### **Facility Loss Control Inspections:**

The FPMA underwriter requires a participating facility be inspected, at a minimum, once every two years. Over the past few years, the ability to control the cost of the inspection program has become a challenge. This past summer, the company contracted by our agency to conduct inspections requested an increase of nearly 40%. In an effort to control this cost a new, more efficient, process of completing the inspections was developed.

Beginning in the spring of 2006, all inspections will be completed by campus. The process will begin by identifying a campus to be inspected and with confirmed dates an inspector will be available to conduct on site inspections of participating locations. Your renewal contact will complete a phone interview with our agency. During the interview, the date and time of the scheduled inspection will be reviewed. Due to the information secured during the interview, it will not be necessary to have an alumnus volunteer present during the field inspection. Instead, the field inspector will only need access to the facility and walk through the property, which can easily be done by an undergraduate chapter officer.

As in the past, a written inspection report will be provided to the renewal contact. The report will provide a detailed summary of the inspection findings, clearly list items requiring corrective actions and items considered recommended improvements. In addition to the actual inspection and valuation data, the new report will provide an overview of current insured limits, key chapter contents and insurance discounts a participating property currently is receiving. It is the goal of FPMA that the new process will allow us to provide an easier read and understood inspection reporting, which provides more useful information and require less commitment of personal time of key chapter volunteers. Best of all, the new process allows us to keep the inspection fee the same as last year!

# Fire Shield..The Solution To Electrical Cord Fires

By Todd Mattox, Education Consultant, HRH/Kirklin & Co., LLC and initiate of Beta Theta Pi Fraternity

Today's college student is highly dependant on electrical power for both academic and personal use. The typical fraternity member suite or bedroom contains an array of electronics, including a laptop or personal computer and printer, CD/DVD player, television, microwave, and refrigerator to simply name a few.

These devices compete for a few electrical outlets/sockets, and likely use extension cords and power strips to supply power to each. We all know of or can truly imagine the member who plugs in his guitar amp or window air conditioning unit while running all the other electronics, tripping the circuit, right?

The United States Safety Commission has identified electrical cord fires as one of the leading causes of residential fires and states that 50% of electrical fires are caused by extension cords, surge protectors, and appliance cords. Unfortunately, most students rarely consider the dangers associated with an overloaded circuit and the heavy potential for fires. Combined with crimped, frayed or worn cords, these conditions are a recipe for disaster.

## If it is so common, what are the dangers?

In a situation where cords are covered by combustibles, tacked to walls, and simply overloaded, the normal flow of electrical current creates excess heat that is impacted by the insulation covering the bare wires. When a wire inside a power cord is broken, the current tries to arc (jump from one end of the broken wire to the other) heating the wire rapidly and causing a fire by igniting combustible material in contact with the cord.

On March 9, 2000 a fraternity fire occurred at the Tau Kappa Epsilon chapter house at Bloomsburg University. The fire gutted the two-story wood structure, taking the lives of three young men. After an intensive investigation, local authorities correlated the cause of fire to be an electrical overload

resulting from multiple space heaters. The families of the three victims filed suit against the organization, seeking damages for wrongful death and survivor benefits.



A sampling of these partnering institutions include; the University of Mississippi, Seaton Hall University, Drew University, Monmouth University, and the University of Richmond.

*Left: A simulated dorm/fraternity room fire conducted by the Center for Campus Fire Safety. The fire replicated simple smoking materials igniting paper within the waste basket. Toxic smoke fills the room within seconds and flames fully engulf the room in less than 3 minutes. For more, visit [www.campusfire.org](http://www.campusfire.org)*

## Knowing the risks, what are methods of prevention?

The fire safety industry continues to respond to the need for improved and enhanced solutions with built-in prevention controls. *Fire Shield®* offers an array of newly developed products which feature safety mechanisms built into extension cords, power strips, surge protectors, and appliance cords. *Fire Shield®* monitors possible leakage of current, sensing any damage to the cord and disconnects power supply safely and quickly if a leak is detected.

Several colleges and universities have partnered with *Fire Shield®* to require and/or encourage the use of fire safe products often following tragic fire fatalities which occurred on campus or involving students.



## Utilizing Fire Shield within your facility

The extended precautions are never too extreme when relating to the personal safety of undergraduate members, especially when the method to do so is provided in a feasible and affordable manner. *Fire Shield®* maintains the ability to be a one time step towards greater safety and health of the organization facility and membership; after all it does the work for you.

For additional information concerning the products and offerings of *Fire Shield®*, visit the product website at [www.fireshield.com](http://www.fireshield.com). Additionally, you may contact your direct Greek housing representatives regarding specialty pricing opportunities for fraternal organizations; call Scott Riley and John Bubb with University Electronics, at 800-262-0101 or visit them on the web at [www.universityelectronics.com](http://www.universityelectronics.com)

*This article was developed and derived from an October 2003 article of the ACUHO-I Talking Stick titled, Campus Fires-A Growing Concern by Robert L. DiLonardo.*

## What is FPMA?

- An association developed to support fraternity volunteers adequately manage chapter properties through education on risk awareness and facility care
- Providing a comprehensive and competitive Property and Boiler & Machinery insurance program to protect the physical plant of the association participants

## Need a quote?

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## A Burning Reason to Restrict and Limit Candles and Smoking in Your Facility

by Todd Mattox, Education Consultant, HRH/Kirklin & Co., LLC and initiate of Beta Theta Pi Fraternity

Each year, millions of college students and Greek members jam their cars with boxes of personal belongings, making their travels from home to their beloved college campus to prepare for the new semester and move into the chapter house.

With them is fresh laundry from mom, newly updated personal computer, fully loaded ipod, and often scented or decorative candles, with the members not knowing the dangers associated with possible open flames.

If your chapter allows members to burn candles or smoke within the facility, understand the risks and associated dangers and how you may limit your exposure.

### Dangers of candles and smoking materials: simply the facts

Unfortunately, the dangers associated with candles are often overlooked. The National Fire Protection Association (NFPA) reports that an estimated 18,000 home fires were started by candles in 2002, which included 130 fatalities and an estimated property loss of \$333 million.

A clear reason for concern of our members is the additional statistics provided by the NFPA which detail that 40% of home candle fires start in the bedroom and represent 30% of associated deaths. Whereas a majority (50%) of fires occur when combustible materials are close to a flame, 18% of fires occur when the candle was simply left unattended or inadequately controlled.

In relation, smoking materials (cigarettes, cigars, or pipes) are the leading cause of fire deaths in the United States according to reports from the NFPA. The report states that in 2001, 770 fire deaths from smoking materials occurred in the home resulting in \$386 million in property damage.

The effects are real, in 2004 an unattended candle caused enough fire damage to produce a \$1.2 million claim for a chapter property at San Jose State. In April of 2005, three students were killed in a non-fraternity residence fire at Miami University, authorities determined the cause to be the careless use and improper disposal of smoking materials.



Courtesy David Kohl, AP

A sign is displayed near the campus of Miami University for one of three people who died in a house fire in April of 2005

### Preventing a tragedy: methods and recommendations

Education on the dangers of fires continues to be one of the strongest prevention methods; its combination with positive action will lead to the desired results of reduction and control of loss.

Ed Comeau, editor of *Campus Fire Watch* and former chief investigator for NFPA states, "...in Greek housing the only policy is a no smoking and no candle policy."

House corporations can further implement a no smoking and no candle policy by including such statements in the chapter and tenant lease agreement. Moreover, the house corporation or chapter can clarify that if damage results from fire involving a candle or smoking materials, the members will be personally liable for the resulting damage in his/her suite.

Additional action is to provide non-combustible containers for the proper disposal of smoking materials and restrict smoking to level and clear areas outside of the building, reducing the possibility of falls and slips. If it is not feasible to restrict smoking from the entire chapter facility, the first step should be the removal from tenant bedrooms and common areas.

### Moving forward: recognition of fire safety

The removal of candles and smoking materials is yet another simple step in providing a safe and healthy chapter environment for members. The alternatives of inaction and avoidance can result in unfortunate and tragic results. This spring, work to assure your facility is fire safe and recognizes risks of candles and smoking materials.

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