

# FPMA News

The Fraternal Property Management Association Newsletter from HRH/Kirklin & Co., LLC. Volume 15 Spring 2004

## Do You *Plan* To Fail, Or Do You *Fail* To Plan?

The secret to survival for Fraternity Housing Corporations

Chapter houses across America are under siege. University residence halls and alluring apartment complexes are competing aggressively while costs for life safety deficiencies and deferred maintenance continue to escalate. The list of Fraternity Housing Corporation challenges goes on and on, but recovery can happen if the right plan of attack is put into action.

To help organizations find the path back to success and stability, we assembled an expert panel of fraternity housing leaders. Our question to these leaders was simply, "How can chapters turn the corner in order to provide the living and learning environment today's students desire?" Following are the secrets to survival for today's Fraternity Housing Corporations.

Graham Stiles, Director of Properties for Kappa Alpha Order and Delta Delta Delta advises, "*as competition increases in the collegiate housing market, it is imperative that our Housing Corporations truly operate as small businesses. Each organization should be following strict facility, financial, and risk management procedures.*"

Graham is right. To operate effectively as a small business, it's imperative to research and stay up-to-date with comparable rent structures (apartments and residence halls) and meal plans. In addition to charging adequate market rental rates, well-run corporations also institute check-in and check-out procedures and stay on top of maintenance issues to avoid surprises.

Another successful small business strategy involves utilizing an independent, third-

party to develop a proforma that illustrates true financial performance. Knowing what the financial picture of a chapter house looks like is essential to avoiding a damaging spiral where the Corporation barely affords the basic necessities, **d e f e r s** maintenance and limps into a living environment that is not competitive and does not appeal to the most talented students and prospective members.

If overall chapter quality suffers, then recruitment declines and financial implications grow deeper. Alumni do not want to invest time or money into a sinking ship. A smart Corporation builds a small-business model that breeds success and creates a small army of loyal volunteers.

Adds John Weir, Director of Housing for Sigma Phi Epsilon, loyal volunteers are an important element of a successful Housing Corporation. John says, "*Be certain to enhance your Board by adding volunteers with relevant legal, real estate, and property management experience. It is also essential for everyone to have an understanding of the issues and challenges faced by the Chapter and the Corporation.*"

To put John's advice into action, we recommend giving each member a well-defined job description. Term limits are also highly recommended. Once we have the right team in place, care must be taken to ensure that your volunteers are not overworked or allowed to become discouraged.

It is also imperative that you continually

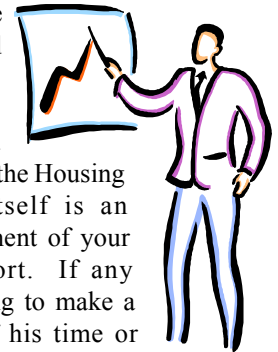
cultivate alumni for volunteer and financial commitments. Clint Bartman, Senior Director of Real Estate for Pi Kappa Alpha, advocates consistent, quality communication to alumni. "*It is of the utmost importance to portray a positive image over time and a prerequisite to raising financial and volunteer support.*"

To deliver on Clint's challenge, ensure that your alumni are consistently receiving communications in the form of newsletters, e-mail, etc. as well as invitations to regularly scheduled events to keep them connected to the organization and their colleagues.

Whether you realize it or not, the Housing Corporation itself is an integral component of your case for support. If any alumnus is going to make a contribution of his time or resources, he needs the assurance that his investment is secure. As a professional fundraising firm, Pennington & Company has interviewed more than 2,700 influential Greek alumni. When analyzing the results of these interviews, it is clear that while a great majority enjoyed a terrific fraternity experience, there are common themes that often limit their support of a proposed project.

First, they often have a poor impression as to the management of the Chapter House and the care and attention given to the facility. Secondly, these alumni complain that they rarely hear from the Fraternity, and

("Do You Plan to Fail..." continued on page 2)



# COVERAGE CORNER

## **Boiler & Machinery Coverage: Covering More Than Just Your Boiler!**

*By Pat Fatta, Client Manager Hartford Steam Boiler*

If your chapter purchases Boiler & Machinery coverage from Hartford Steam Boiler, you are buying a policy that protects far more than just your chapter house's boiler. In addition to protecting the boiler, the policy provides breakdown protection for the chapter house's electrical systems, air conditioning, hot water boilers, elevators, fire detection and security systems.

These systems are all vital to the operation of a chapter house. At all times, any of these vital systems are subject to accidents due to mechanical breakdown, electrical arcing, power surges and boiler overheating. Damage to equipment frequently leads to repair or replacement costs that are well beyond the housing corporation's capital budget. Did you ever think that after a breakdown in order to continue essential services for your undergraduate tenants, equipment may need to be rented at a significant expense. In addition, business interruption losses can mount when breakdowns disrupt operations.



The premium you pay for the coverage also provides your chapter house with jurisdictional inspections as mandated by your state or local municipality. It is not untypical for the state or local municipality to charge you if they inspect

your boiler system. By utilizing your Boiler & Machinery coverage to fulfill the jurisdictional inspection requirement, you can offset its cost by avoiding the expense associated with a state or municipality inspection other than the nominal certificate fee charge to process the State Certificate. To request an inspection, you just need to call Hartford Steam Boiler at 1-800-333-INSP and provide them with your policy number and address of your chapter house. Outlined below are examples of "accidents" covered under the policy.

A chapter house's complex's aluminum electrical supply bus shorted out, severely damaging electrical wires and cables. Angry residents had to be relocated.

Property Damage:	\$118,681
Relocation Cost:	\$ 72,152
Total Loss:	\$190,833

A chapter house's air conditioning motor compressor burns out and the motor compressor unit requires replacement.

Property Damage	\$31,108
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The low-water fuel supply cut-off did not operate in a chapter house's cast-iron heating boiler, resulting in a low-water condition. As a result, the boiler suffered severe overheating with cracking of several sections.

Property Damage	\$19,750
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*(As always, Coverage Corner is designed to educate the volunteer housing corporation officers on the complex property policies they purchase. It is not a guarantee of coverage and it is recommended you refer to your policy for a complete listing of coverages and conditions.)*

*("Do You Plan to Fail..." continued from pg. 1)*

when they do it is only when the Fraternity needs money. If these two issues are the case, a House Corporation can only blame itself for its problems.

These situations did not develop over night, nor will they correct over night. But tomorrow you can take the first step towards your goals. Assess your organization, and evaluate how you can act on the advice these experts in housing have shared within your operations. Take the first step by developing a long-range plan and re-establish your facility as the proud symbol of your organization.

*The Strategic Assessment program designed by Pennington & Company is a terrific resource for your organization to begin developing your road map for success. Pennington & Company is the recognized leader in fraternity and sorority fundraising, having raised more than \$50 million in support of the renovation and new construction of Greek housing on 59 campuses. Through HRH/Kirklin & Co., LLC, you are eligible to receive a 5% discount on your property insurance by completing their Strategic Assessment process. For more information, call (785) 843-1661 or send e-mail inquiries to [info@penningtonco.com](mailto:info@penningtonco.com). You may also contact HRH/Kirklin & Co., LLC, at (800) 736-4327 ext. (1) 215.*

## WHAT IS FPMA?

**An association developed to make fraternal house or alumni corporation officers better property managers through education and other assistance.**

**Providing a comprehensive and competitive Property and Boiler & Machinery insurance program to protect the physical plant of the association participants.**

**Would you like a premium quote?**

**For more information contact *Suzanne Haas***

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# Closing A Chapter House Due to Behavioral Problems

By Richard Jungman – Manager - Client Services & Claims and initiate of Phi Sigma Kappa

Each year, chapters across the country are closed. The decision may have been made by the (inter)national fraternity or by the university administration. The reason for the closing can also vary from hazing to alcohol abuse to declining membership. At many locations, strong alumni organizations are left behind and many with a significant asset...a chapter house in a prime area of a college or university town. In most instances, it is the desire of both the (inter)national fraternity and alumni to eventually return to campus; therefore, it is imperative both entities work in tandem to ensure a heated moment goes off without an incident.

Too many times, housing corporations expect their undergraduates to behave like adults; quietly leave the property on the last day without creating major damage or a disruption. If they behaved like that, the fraternity would probably still have a chapter on campus. You would not be dealing with the uncertainty that comes with owning a chapter house on a campus where you no longer have an active chapter. Do not make the announcement of the closing in haste. Be prepared! By following a few simple steps, you can vacate a chapter house without damage other than normal wear and tear.



- ✓ Make the announcement in person with security present.
- ✓ Make arrangements for alternative housing for the undergraduate members if the closing cannot correlate with the end of a semester. Many times the university can assist you in finding alternative housing.
- ✓ Keep security present the initial 72 hours after the announcement. This will provide the appropriate cool down period for the undergraduates.
- ✓ Limit access to the property to the undergraduates and only while in the presence of an alumnus or security.
- ✓ Have a lease agreement with each tenant and make sure it stipulates it automatically terminates if the chapter is no longer recognized by the (inter)national fraternity or university.
- ✓ Report the vacancy to your insurance agent promptly. All commercial property insurance policies severely limit coverage once an insured location is no longer being used for its intended purposes unless you take the necessary precautions. Your insurance agent will walk you through this process.

In almost all instances, when a housed chapter was closed due to behavioral issues within the FPMA program and the steps outlined above were **NOT** followed, substantial damage to the chapter house by the members resulted. Even to the extent of undergraduates suspected of setting an arson fire resulting in nearly \$1,000,000.00 in damage. Errors in judgment have varied

from sending notice to the undergraduates via an e-mail to agreeing to allow the undergraduates to reside in the property until the end of the semester. If you are faced with this situation, take the necessary steps to do it right.



- ✓ If it is a behavior related closure, you are assuming a huge liability risk. It is not likely their behavior will improve after the closure. Do you really want this going on at your property?
- ✓ The deductible for tenant vandalism is \$10,000 plus dependant upon the size of the claim, you may be subject to a claim surcharge. While you may no longer have tenants, you still have a need for the proper insurance protection.
- ✓ Your facility can be leased to another organization until your chapter comes back. Working through the claim process and the eventual renovations can eliminate your property as an option to a group actively looking for housing.
- ✓ Some property cannot be replaced, whether due to its location, method of construction or just sentimental value.
- ✓ Keep the undergraduates from making a mistake they will regret for the rest of their life. Criminal charges can be the outcome of making a bad decision during a passionate moment.

## Announcing New Property Discounts for 2004-2005

As a direct result of improved loss experience, HRH/Kirklin & Co., LLC, is pleased to announce RSUI's agreement to offer discounts to reward well managed fraternity properties. Highlighted below is a brief summary of the new discounts.

- ✓ 10% discount for the use of a full service property management company;
- ✓ 10% for a safe and modern facility;

- ✓ An additional 20% discount added to the current sprinkler discount for the first full or partial policy term and second full term for a fire sprinkler protection system meeting 13R installation requirements installed after April 1, 2003.
- ✓ 5% discount for two years for completing the Strategic Assessment offered by Pennington & Company.



To determine if your location qualifies for any of the discounts offered, please go to [www.kirklin.com](http://www.kirklin.com) for a complete description or contact Rich Jungman at 1-800-736-4327 ext. 215 or [rjungman@kirklin.com](mailto:rjungman@kirklin.com).

*Founded to serve the needs of fraternal organizations. Committed to improving the risk management programs of its clients.*

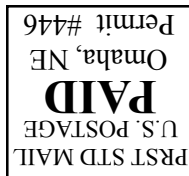
HRH/Kirklin & Co., LLC.

h i l b r o g a l & h o b b s



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## Plan To Attend The Fraternity Property Educational Seminar For The Alumni Housing Corp Volunteer

If your housing corporation is contemplating a capital campaign or wanting to improve your current financial position, this is a can't miss seminar. Tax laws impacting fraternities, trends in undergraduate housing and capital campaigns are only a few of the informative seminar topics.

The information you will be provided would cost thousands of dollars if you obtained it on your own. Plus, it is being provided by experts who specialize in Greek Housing, which can make a difference between making it work or making a costly mistake.

Do you know the difference between educational space and undergraduate housing space? If you don't, you could be missing out on the ability to fund your capital campaign with tax deductible dollars! Tap the knowledge of Barbara Bromberg, the leading Greek tax attorney in the country. Barbara has provided tax advice for hundreds of Greek organizations, both local and national. What would take a less specialized tax attorney days to research, Barbara can provide in a concise, working summary in a few hours.

Having trouble filling your house? Does this make you reluctant to move forward with your campaign? Do you know what the college student of today wants? Andy Pitt, of Trenor Architects, knows. Andy exclusively works on undergraduate housing projects for universities and local Greek housing corporations across the country. He can advise you on how to deliver the housing product being demanded by your members, while still maximizing the square footage the IRS considers educational space.

You will also learn:

- Do's and don'ts of capital campaigns
- How to make sure you are properly insuring your most significant asset, paying the correct premium and how to turn your hard work into a premium reduction.
- A professional property manager specializing in Greek properties will provide you useful tips on improving cash flow, housing contracts, passing municipality and the insurance company's inspections and how to save on maintenance costs.

For a complete copy of a seminar agenda and a registration form go to [www.kirklin.com](http://www.kirklin.com) and click on the Fraternal Property Management Association banner or contact Rich Jungman at 1-800-736-4327 ext. 215 or by e-mail at [rjungman@kirklin.com](mailto:rjungman@kirklin.com).

When: Monday, June 28<sup>th</sup>, 2004  
Where: Indianapolis Downtown Hyatt Regency  
Cost: \$199.00; \$99.00 each additional attendee from your chapter\*\*\*  
Includes: AM and PM Beverage and Snack and Lunch, Textbook, Compact Disc filled with useful tools  
Rooms are available for \$97.00 + tax, double occupancy June 27<sup>th</sup> & 28<sup>th</sup>  
\*\*\*The cost of attending the seminar, including travel, can be funded through your educational foundation!