



# The Sig House

*A Newsletter from the Board of Grand Trustees*

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## Influencing Outcomes

House corporations manage chapter houses and related real estate. Part of that management role is being a landlord to active members that occupy the chapter house. This responsibility includes all the normal things landlords do like enforcing the terms of the rental agreement, collecting rents and maintaining the property. But there is one major fly in this landlord ointment which has profound effect on the success of the operation: the landlord doesn't control the number or quality of prospective renters. It's up to the Active Chapter to recruit new members and recruitment standards for the Active Chapter are very different than those of a landlord screening qualified tenants.

Landlords usually have the ability to advertise in an open market to all genders, cultures, faiths and family status. Not so in the chapter house environment where the landlord depends on others to find suitable tenants among a narrow segment of the population of men who would be Sigma Chis. And even this fact is fickle. With chapters at large population universities, getting members is much less of a challenge than those with small populations. Larger university chapters sometimes enjoy competition for chapter house occupancy because demand exceeds supply.

But whether the university or chapter is large or small, financial qualification of prospective members is non-existent. Decisions to recruit are more often based on "good guy", "great athlete" and "legacy". Whether the prospect has money or not isn't even on the application. Yet no competent landlord would ever rent property to someone without a verifiable and adequate source

of revenue to pay the rent. So the conundrum of house corporation landlording is how to manage a rental property with a tenant mix that doesn't have traditional renter qualifications.

If that fact isn't challenge enough, some house corporations execute rental agreements with the Active Chapter and leave it totally up to the Quaestor to collect the rent from individual brothers. There are several problems with this scenario:

a. If the Quaestor fails, the Active Chapter is not a legal entity which can be processed for collection like a business or individual.

b. Active Chapter officers cannot be held individually financially accountable because they rarely the have money, job and legal standing.

c. Some Active Chapters have substantial annual budgets, sometimes running into the tens of thousands of dollars. The officers rarely have the maturity, training or experience to manage finances of this magnitude.

So, is it any wonder that many Active Chapters fail to collect full rent and pay their bills year after year? This is simply a business model that is prone to failure. Yet many house corporations repeat the same arrangement year after year expecting different results.

And then there is the "brother factor" which clouds the Landlord-Tenant relationship. When things go wrong, some house corporations allow the Active Chapter way too much slack because inexperience is a given and falling short is presumed. Statements like, "Rent collections only fell short \$5,000 this year. Last year it was

\$10,000! They're making progress!" is a mind set that allows a house corporation to justify being less than a stellar landlord. What landlord managing his own property and money would stay in business long with that kind of thinking? Yet it is common with house corporation thinking because they're handling OPM (Other People's Money).

That said, all is not lost. There are a number of things the house corporation can do to improve the chances of success under these adverse conditions:

**Individual Rental Agreements.** Rather than sign a rental agreement only with the Active Chapter, have individual tenants sign one that includes all the expectations and consequences for failure to pay rent, damaging the property, failure to clean and maintain or follow university, Sigma Chi or Active Chapter rules. Go one step further and have a parent or guardian co-sign the rental agreement just as they would have to do if their college student son rented an apartment. That way, if rent is not paid or damage is done to the chapter house, the notice to pay goes to both the brother and his folks. Since the folks often pay most college expenses, having them on the hook for their son's actions or inactions goes a long way.

**Third Party Collection Options.** There are a number of third party entities available to collect house bills.

**a. House Bill Processing Companies.** Companies like Omega Financial [www.omegafi.com](http://www.omegafi.com) provide a house bill collecting service. When provided a list of members and house bills to collect, Omega's internet based platform executes automated credit card and auto pay options. Omega claims to improve average collections by 25%. This service can also be used by Alumni Chapters. Search the internet for "fraternity bill collecting".

**b. University Collects House Bills.** Some universities provide a similar for fee service. The university has the added advantage of being able to withhold grades and transcripts until the

bill is paid. To investigate this option, start with your university's Greek Life office.

**c. Professional Property Management.** A fraternity house is not all that different from an apartment building. There are companies that specialize in apartment management willing to execute rental agreements and enforce them, collect rent, do maintenance inspections and arrange repairs like they do for other landlords. While many house corporations don't think they can afford them, it is often because rent collections fall short year after year. With improved collections, money will be there to pay for the management service. Using a professional improves rent collections and frees house corporation members to oversee the manager, not do the work.

**d. Mentoring the Quaestor.** With proper, consistent and adequate oversight, a Quaestor can be successful in collecting house bills and paying the rent. Working under the supervision of the Chapter Advisor, an alumni mentor needs to be willing to meet at least monthly with the Quaestor to review collections and assist with indicated action (like issuing a 72 Hour Notice to Vacate). It is essential that consequences be processed in a timely way. As many house corporations know, it's easy for the Quaestor to put off aggressive collection for months or forever since the task is disagreeable. An alum assisting the process will not only improve results, it will instruct the Quaestor how businesses succeed and fulfill Sigma Chi's mandate to "build leaders".

The message here is leaving house bill collection entirely up to the Active Chapter has a high likelihood of failure. The house corporation should insist on some third party involvement.

**Improved Recruitment Techniques.** While house corporations shouldn't directly control how the Active Chapter recruits new members, they definitely will suffer the consequences of bad recruiting. The traditional recruitment at Fall Rush is often party based,

extremely competitive as other fraternities fish the same prospect pool and as the title suggests, "rushed". In other words, Rush is not the best time to carefully consider a prospective member's qualifications. Sigma Chi International offers a great recruitment training program called **Mission 365** which teaches how to recruit year round according to the standards which Sigma Chi strives for such as the Jordan Standard. Active Chapters that have undergone this training report dramatic improvement in numbers and quality.

When the Active Chapter is successful in attracting worthier members outside of a party atmosphere, it is more likely to recruit members that are more responsible, pay their house bill, get good grades and do no damage. This is good for all involved so it behooves each house corporation to help the Active Chapter arrange this training. For more information, see [www.sigmachi.org](http://www.sigmachi.org)>Members>Undergraduate Resources>Recruitment & Pledging >Recruitment and Mission 365, email [feedback@sigmachi.org](mailto:feedback@sigmachi.org) or call Sigma Chi Headquarters at 847.869.3655.

**Encourage Active Chapter Leaders.** While the hope is that the Active Chapter will elect its brightest and best as officers, this can be a hit and miss proposition. Elections are often swayed by popularity and not ability. When the Active Chapter officers don't have the ability or willingness to learn, the house corporation is bound to suffer the consequences. Since the house corporation has an ongoing relationship with the Active Chapter, there is an opportunity for board members to personally meet and encourage undergraduates that have leadership potential or ability to step up for election. Such encouragement from an older brother cannot be understated. Getting the right brothers into office can make or break a chapter.

To get acquainted with the occupants of the chapter house, it's important for the house corporation to coordinate regular events at the chapter house so house corporation members can actually get to

know them. House corporation board meetings should be held at the chapter house. Then, coordinating events like Homecoming, Sweetheart Ball, golf tournaments and barbecues with the Active Chapter creates an atmosphere where actives and alums can get to know each other outside the Landlord-Tenant roles. When a potential Active Chapter officer is identified, a simple “Have you thought of running for Consul, Quaestor or [fill in the blank]?” often encourages action. The more encouraged and inspired the top officers are, the better money will be handled and the easier the house corp’s job becomes.

**Assist in an Active Chapter Membership Review.** From time to time, academic, discipline and financial accountability issues point to the need for an Active Chapter Membership Review. Membership Reviews are designed to identify and deal with the bad behavior of individual members. Membership Reviews are authorized by Sigma Chi’s Executive Committee upon request of the Grand Praetor. House corporation members and other alumni are often asked to participate to provide credibility to the process. If your chapter is experiencing issues that point to a possible Membership Review, ask your Chapter Advisor to evaluate the situation with your Grand Praetor to begin the process. Membership Reviews can result in sanctions that may include suspension from the chapter.

House corporations are in a key position to influence productive outcomes from the Active Chapter. Managing that influence is not only a good idea, but essential to ensure the chapter house is there for future Sigma Chis. Guard well.

## House Corporation SOP: How Much Rent?

*(This is one of a series of articles on Standard Operating Procedures (SOPs) that every house corporation should practice for best success.)*

An ongoing challenge for a house corporation is how to determine the proper rent level for the chapter house and individual brothers that live there.

There are several issues that must be considered:

**Market Forces.** The chapter house is one of several housing alternatives available to members and prospective members such as:

**a. Campus Housing.** The university can be a significant competitor since the states and provinces provide taxpayer money or fund raising mechanisms that are not generally available to most house corporations. While the **Collegiate Housing & Infrastructure Bill** (see article that follows) intends to level this playing field for non-university housing groups, house corporations are currently at a disadvantage. The end result is that campus housing is often newer and offers services included like janitorial, utilities and internet at a very competitive price. In addition, most universities require freshmen to live in campus housing to ensure occupancy.

**b. Private Market Rentals.** Apartments, houses and condominiums are available in various price points, locations and condition with the ones closest to campus commanding higher rents. Chapter houses that have a close proximity to campus have an advantage over most of private rental market.

**c. The Folk’s Place.** For local students, their parent’s place can be daunting competition. And when the folks are paying college expenses, living at home may not be optional. However, the Active Chapter can control the obligation for all members (even locals) to fulfill a live in obligation of so many quarters/semesters in the Active Chapter bylaws. Of course, local parents have to be supportive of this obligation to make it work. To protect the viability of the chapter house operation, this obligation and expectation should be made crystal clear prior to pledging. If a prospective member is unable or unwilling to live in, he should not be recruited.

**The Shrinking Chapter House.** One of the current realities is that fewer active brothers are willing to share a bedroom with other brothers. The post World War II days of six or more to a

room are gone. Most brothers today had their own room growing up, have lots of expensive personal property and want a way to secure it and their privacy. For older chapter houses with mostly multiple occupancy rooms, it means renting the same space to half the number of occupants. Modern cluster floorplans take this into consideration by providing private rooms which share a small common area, bathroom and kitchen.

This lifestyle change has profound implications on older chapter houses which have few single bedrooms and extensive common area which is lightly used. In these cases, the house corporation should explore ways to subdivide unused common areas larger bedrooms.

If your house corporation is contemplating building a new chapter house, the Board of Grand Trustees can assist with design principles that provide the kind of quarters today’s brothers are looking for. While you personally may have fond memories of the bunk bed living of the 1960s, pay heed to the housing requirements for the new millennium brothers.

**Cheaper Than Market Rent.** Some house corporations set rent just high enough to meet current operating expenses (minor repairs, insurance, taxes, loan payments, etc.) Lower than market rent may delight the active brothers who can use the savings for “soap and things” but keep in mind:

1. Collecting all the rent is often a challenge so having an extra margin is always a good strategy.
2. These particular tenants wear the place out much faster than the average tenant so there will more frequent and substantial costs that must be planned for like painting, flooring, furniture, wall repair, plumbing, electrical and on and on. If part of the rent is not earmarked for these expensive future repairs, the house corporation must either borrow or fund raise to pay for them. Both of these alternatives come with their own set of challenges so if your house corporation operating



expenses are lower than competitive market rent, charge market rent and put the extra into a reserve fund. You will be very glad you did.

### **How to Determine the Rent.**

Generally, the first place to start in determining chapter house rent is with your biggest competitor, the university. University housing information is easily available online at their website. Pricing is usually quoted by single or double room plus food plans which is helpful for chapter houses that provide a food plan. You typically do not want to exceed campus pricing since there is often substantial pressure by the university to hold students there with various incentives which the chapter house can't compete with. And take note of the two tiered pricing if your chapter house has single and multiple occupancy bedrooms. Offering lower rent for group rooms may help fill them.

When analyzing the private market rental option, inquire with one or more rental management companies that rent to college students. They should have a variety of options available for comparative purposes.

With this market information in hand, decide on a rent level that is competitive, not cheap. Membership in Sigma Chi should never be based on cheapness, but value. If Sigma Chi has little value to a prospective member, that man should not be recruited. By the same token, the house corporation should insist that all prospective members be educated about their financial obligation to the local chapter house. Before pledging, each prospective member and his parents should be provided a written summary of those obligations so there is no misunderstanding of expectations. The house corporation should assist the Active Chapter in producing and distributing this information for consistency.

Financial accountability is the mark of a mature man, the kind that Sigma Chi strives for. The house corporation should do its part to capture as much rent as possible to properly sustain the chapter house and teach active brothers

about what it takes to pay for it.

*Next month: Terms of the Rental Agreement*

## **2008 Outstanding House Corporation Award**

Each year, the Board of Grand Trustees recognizes those Sigma Chi house corporations that demonstrate superior skill in managing the chapter house property entrusted to them. To qualify, house corporations must complete an application that includes details on Board Structure & Administration, Facility Management and Alumni Communication.

The goal of this exercise is to demonstrate the essentials for successful house corporation operations. In the year 2008, the following seven house corporations (identified by university and chapter) received the Outstanding House Corporation Award:

**University of Washington  
Upsilon Upsilon**

**Western Illinois University  
Iota Omicron**

**Pennsylvania State University  
Alpha Chi**

**University of Montana  
Beta Delta**

**University of California-Fresno  
Epsilon Eta**

**Western Michigan University  
Zeta Nu**

**Rensselaer Polytechnic Institute  
Delta Psi**

The Board of Grand Trustees extends a hearty "job well done!" to each of you. Keep up the good work for Sigma Chi and your chapter.

We are now accepting applications for the 2009 Outstanding House Corporation Award. Those that wish to apply must submit both a **2009 Annual Report (deadline March 30th)** and a

**2009 Outstanding House Corporation Award Application (deadline April 30<sup>th</sup>)** to qualify. Both forms accompany this newsletter. For more information, contact Grand Trustee Rich Thompson [rich@regensis.net](mailto:rich@regensis.net)

## **2009 House Corporations Officers Training Seminar**

The Board of Grand Trustees will host 2009 HCOTS in conjunction with the Balfour Leadership Training Workshop at the University of North Carolina in Chapel Hill NC July 30-August 1, 2009.

Topics to be covered include Knowing Your Customers, Legal & Corporate Governance Issues, Fundraising, How to Attract Volunteers, Chapter House Maintenance and Risk Management. Break out sessions will allow brothers to share successes and experiences.

Previous HCOTS received high marks for content and presentation plus provided valuable networking opportunities for house corporations. Travel, hotel, meal and seminar expense of HCOTS is underwritten by Sigma Chi. Space is limited. Priority will be given to house corporation members who have not attended a previous HCOTS. If you would like to be considered, please email Grand Trustee Rich Thompson at [rich@regensis.net](mailto:rich@regensis.net)

## **New IRS Filing Requirement**

Beginning in 2008, tax-exempt organizations with gross receipts of \$25,000 a year or less will be required to file a Form 990-N, Electronic Notice for Tax-Exempt Organizations not Required to File Form 990 or 990-EZ. The change will affect most Sigma Chi undergraduate chapters, alumni chapters and house corporations.

The new requirement applies to the 2008-2009 fiscal year and the due date is the 15th of the 5th month following the end of your fiscal year. (For example, if your fiscal year ends on

June 30, then your Form 990-N is due on Nov. 15.

The IRS may revoke the tax-exempt status of any organization that fails to meet all filing requirements for three consecutive years. The organization will then be required to reapply for tax-exempt status and comply with the new filing regulations.

For more information, visit the IRS website at [irs.gov](http://irs.gov) or call the IRS at (877) 829-5500.

## Collegiate Housing & Infrastructure Bill

Chapter houses seem to have an insatiable need for renovation. As the houses age and are subjected to “accelerated depreciation” by the residents, house corporations are challenged to keep the housing safe and competitive with other forms of university housing. Universities have long had the advantage of being able to use tax deductible contributions to maintain their property.

The **Collegiate Housing and Infrastructure Act** that will be reintroduced shortly, would make that playing field more level by allowing non-university owned not-for-profit student housing, like fraternities and sororities, to enjoy the benefit of tax deductible donations. (Senate Bill 638 is attached.) The effects of this bill will improve the housing capacity and life-safety challenges that currently face much of the college student housing market nationally.

This bill would permit house corporations to receive grants of tax-deductible contributions made to recognized foundations to use for fire and life safety renovations as well as structural and cosmetic reconstruction plus maintenance and operations without being subject to the “educational purpose test” as required under current law.

Sigma Chi has joined in a cooperative effort to lobby passage of this badly needed legislation. For more on this

[www.TheSigHouse.org](http://www.TheSigHouse.org)

coalition and the good work it does, see Capital Fraternal Caucus [www.fraternalcaucus.org](http://www.fraternalcaucus.org). Please consider registering on the site (Sigma Chi will get recognition for this).

To help promote passage of this bill, the Grand Trustees strongly urge every Sigma Chi house corporation member as well as their family and friends to send messages of support to your elected federal representatives: The Capital Fraternal Caucus website makes this easy. Sigma Chi will get points for each message sent. Grand Trustee Chairman **Bruce Morgan Casner** is the Chairman of Sigma Chi’s Governmental Affairs Committee and sits on the Capital Fraternal Caucus Executive Committee as well. He assures us that these kinds of communications do make a difference.

## Grand Trustee Website

The Grand Trustees proudly host [www.TheSigHouse.org](http://www.TheSigHouse.org) which features a Newsletter and Article Archive, Sample Bylaws, Maintenance and Fire Safety Checklists, Procedures and a growing list of other resources for house corporations.

This was all made possible by the generous support of Alumni Chapter Executive Committee Representative **Mike Greenberg** who also chairs the **Sigma Chi Alumni Services Committee**, which provides free website hosting. If your house corporation or alumni association is interested in having its own website, contact [www.sigmachi.org](http://www.sigmachi.org) > Contact HQ > Alumni Chapter Information for more.

## Constantine Capital, Inc.

Sigma Chi offers a great alternative for funding chapter house fire and life safety improvements and renovations. Constantine Capital, Inc.(CCI) has loan programs that can lend up to \$250,000 at competitive interest rates with up to a 30 year amortization schedule.

Also, if your house corporation is considering doing a major fundraiser, CCI can provide seed money to get

architectural inspections and drawings done by providing short term funds to get the ball rolling.

Go to [www.sigmachi.org](http://www.sigmachi.org) > Members > Housing > Constantine Capital, Inc. for more information. For assistance in applying for CCI funding, contact your Grand Trustee. Contact information is on Page One of The Sig House.

## We’re Here to Serve

Your Board of Grand Trustees is here to assist Sigma Chi house corporations in a myriad of ways. Besides many years of service to Sigma Chi in various capacities, there is over *500 years of combined professional expertise* in such things as real estate development, property management, project administration, politics, maintenance, renovation, insurance, tax planning, accounting, construction, fund raising, legal, education, housing, risk management and more.

While each Grand Trustee is assigned specific provinces to oversee, this combined expertise is available to all house corporations. The key to tapping this gold mine is to contact your province’s Grand Trustee with a specific request for assistance. If your request is out of your Grand Trustee’s specific area of expertise, other colleagues will assist in providing real solutions. Give us a try. We’re here to serve.





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