



## Forming a House Corporation

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### **Questions to ask before starting a Housing Corporation**

1. Is a separate organization from the Board of Advisors needed?
2. Is the corporation governed by a general statute relating to non-profit status?
3. In the absence of a general statute, or in addition to such a general statute, is the corporation to be created governed by a general statute governing fraternal corporations?
4. Does the governing statute require approval of the corporate charter by a court or by state officer or board?
5. Are there any statutory provisions governing corporations in general that are equally applicable to not for profit corporations?

### **Steps for Beginning**

1. Incorporation
  - A. Make sure that Alumni Board is involved
2. Property Insurance
3. Lease Agreements- Each person should sign lease, be current on rent, and paid security deposit
4. House should be at or near full capacity
5. Tax and filling information should be taken care of
  - A. Entity must be incorporated in respective state (this will be done through Secretary of State)
  - B. Employer Identification Number must be obtained through the IRS, also needed to open a bank account
  - C. Must obtain proper non-profit status with IRS
6. House rules should be written and signed by all members living in house along with lease agreement

### **Responsibilities of House Corporation**

1. Develop strategic long range housing plans
2. Determine priorities for chapter house maintenance/ improvements
3. Develop pro-active vs. reactive measures
4. Establish timetables for implementation of plans
5. Develop a commitment to carry out plans
6. Familiarize new board members with goals and objectives
7. Plan for recruitment and replacement of board members
8. Act as titleholder for the property
9. Serve as landlord to undergraduate chapter

10. Secure a room contract and security deposit from each occupant
11. Require all delinquent paying members to sign promissory notes
12. Meet requirements of college or university
13. Inspect and maintain property to see that it meets fire, safety, health, and building codes
14. Collect and disburse funds in a reasonable time framework
15. Obtain property and liability insurance
16. Determine and carry out capital improvements
17. Establish continuity to insure perpetuation of the chapter
18. Maintain the equipment and furnishings in suitable condition and be primarily responsible for the physical maintenance of the property
19. Maintain complete records of insurance, taxes, and debt payments
20. Formulate a base from which to draw alumni support
21. File Form 990 and 990T

### **Items to be included in a Business**

1. Objectives- Reasons for a chapter facility
2. Description- Square footage of proposed facility, number of rooms, construction type
3. Location- Strengths in relation to campus, residence halls, Greek Houses and apartments
4. Kitchen- will a kitchen be included or will members still eat from cafeteria
5. Competition- Are there other fraternities or sororities that are looking for houses as well
6. Comparable Charges- What does the competition charge for housing
7. Overview of Chapter- includes date chapter founded, historical manpower information, current size, academic performance, disciplinary history, campus involvement, awards and recognition
8. College and University Enrollment- does the college look to keep enrollment around the same number currently, or are they looking to increase/decrease enrollment?
9. Alumni- total number of alumni, location of alumni base, estimated fundraising campaign
10. Alumni Board- members on alumni board, occupation, relevant talents
11. Financial Information- projected revenues and expenses, budgets, savings, projected debt service
12. Support Documents- pictures, architectural drawings, bids

### **Consider Professional Property Management**

Benefits include

- Collect rent more efficiently
- Manage Tenant Leases
- Manage Security/ Damage Deposits
- Room Check-in and Check-out inspections

- Common Area inspections
- Assess building repairs and work with housing to budget repairs
- Reduce variable expenses
- Improve parent relations
- Improve alumni relations
- Improve Chapter and House Corporation Relations
- Assess rental rates to keep rates competitive
- Achieve higher collection rates
- Have working relationships with qualified repairman, construction firms, and supply vendors in the community

Negatives include:

- Cost- Property management companies cost money. Property management companies usually cost in the range of 3-5% of the gross rent each year. This can be paid by either increasing the rent to each member by this amount or cutting back in other areas. In the long term, the property manager will save the alumni board money.
- Loss of direct control/Less flexibility- Management company will work with you, but they will be in control of collecting funds and special circumstances concerning a brothers payment could be overlooked.
- Separate entity- This would be another relationship that would have to be built and contacts to be made between the chapter and the agency. Trust among the brothers would have to be built as well.