



Bayou Oaks
Fraternity/Sorority
Townhouse
Housing
Corporation
Proposal

October 2011

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Bayou Oaks Fraternity/Sorority Townhouse Housing Corporation Proposal

After a review of the current model of individual leasing with the Bayou Oaks fraternity/sorority townhouses, other options are being explored that will actualize revenue potential for the Bayou Oaks property and provide additional chapter ownership over the care and operation of the facility. A model that represents a best practices approach is a housing corporation model.

A housing corporation is a group of individuals (most often alumni members of the organization, but membership is not necessary) incorporated within the state of Texas who are the central owners/leasing body for the chapter housing facility.

The formal proposal to move to a model in which housing corporations are a central part of the leasing experience includes the following:

- Overview of current model
- Challenges of the current model
- Planned 2011-2012 revenue loss
- Proposal of a new model
- Formal review process for townhouse eligibility
- Timeline for housing corporation model implementation



Current Model

Bayou Oaks currently has an individual lease liability with each resident. Each resident pays a monthly flat fee which includes utilities. Bayou Oaks employs full time maintenance staff and the management company is responsible for preventative maintenance and repairs in the facility. The maintenance staff responds to work orders and all other facility issues. Chapters currently pay \$55 per vacant space and the chapter has no formal responsibility in filling vacant spaces if an individual moves out of the facility. The individual lessee is responsible for finding a replacement if they choose to terminate their lease.

Challenges of the Current Model

Currently, each student residing within the townhouses signs an individual lease for a space within their chapter's townhouse. This model has been met with many challenges since it was implemented in 2003 when the Bayou Oaks facility opened.

Some follows:

- **Reaching capacity.** Currently Bayou Oaks only holds an official relationship with each lessee. This has proved in challenging the chapter to take ownership over filling vacant spaces and getting leases signed. There are varying levels of responsibility chapters take upon themselves to fill the spaces, from full responsibility to seemingly little to no responsibility.
- **Loss of revenue.** Due to current vacancies, Bayou Oaks is acquiring significantly less revenue than it would receive if operating at full capacity. Each chapter currently only pays \$55 per vacant space. As leases are individual and not organizational, the \$55 "common area fee" is assessed per space to provide chapter access to all common areas. The common area fees account for approximately only 10% of the revenue that would be gained if the space was filled.
- **Status as "official chapter housing".** While the lessees of each chapter house are members of the organization, and the chapter identifies it as their chapter house through displaying letters, hosting social events, etc., there exists no formal relationship with the chapter or any chapter entity.
- **Charges for improvements/damages.** Currently the account of the ground floor lease holder (typically the chapter president) is charged for any damage costs incurred by the organization. This presents a challenge for the ground floor leasee as they many times are not directly responsible for the damages.
- **Significant Bad Debt.** There has been a history of a much higher percentage of bad debt which has been carried at Bayou Oaks compared to other RLH and partner properties.
- **Bad debt is 23% vs. 1.2% for partner properties.** This is a significant issue which hinders Bayou Oaks from having a robust renewal and capital plan.
- **Policy and Accountability Enforcement.** There are significant issues both from the lessees and the University perspectives including:
 - Resident behavior expectations, accountability and follow through
 - Rent collection
 - Eviction practices
 - Fair and consistent assignment processes
 - Appropriate staffing (student and professional).
 - Facilities maintenance and capital investment



Planned 2011-2012 Revenue Loss

The following information details the planned revenue that will be lost in the 2011-2012 leasing year due to vacancies within the Bayou Oaks town homes (as of mid-June 2011).

TH	Monthly Potential Rent	Monthly Occupied Rent	Monthly Vacancy Adjustment	12 Month Projected Income	12 Month Projected loss	
1	\$ 6,780	\$ 5,250	\$ 1,530	\$ 63,000	\$ 18,360	12
2	\$ 7,910	\$ 5,870	\$ 2,040	\$ 70,440	\$ 24,480	14
3	\$ 7,910	\$ 3,830	\$ 4,080	\$ 45,960	\$ 48,960	14
4	\$ 7,910	\$ 7,400	\$ 510	\$ 88,800	\$ 6,120	14
5	\$ 7,686	\$ 7,686	-	\$ 92,232	-	12
6	\$ 6,588	\$ 6,588	-	\$ 79,056	-	14
7	\$ 7,686	\$ 7,686	-	\$ 92,232	-	14
8	\$ 7,686	\$ 7,686	-	\$ 92,232	-	14
9	\$ 6,588	\$ 6,588	-	\$ 79,056	-	12
10	\$ 7,910	\$ 7,910	-	\$ 94,920	-	14
11	\$ 7,910	\$ 4,340	\$ 3,570	\$ 52,080	\$ 42,840	14
12	\$ 7,910	\$ 7,400	\$ 510	\$ 88,800	\$ 6,120	14
13	\$ 7,910	\$ 6,890	\$ 1,020	\$ 82,680	\$ 12,240	14
14	\$ 11,300	\$ 10,790	\$ 510	\$ 129,480	\$ 6,120	20
15	\$ 11,300	\$ 8,750	\$ 2,550	\$ 105,000	\$ 30,600	20
Total	\$120,984	\$104,664	\$ 16,320	\$1,255,968	\$195,840	

The table above shows the maximum rent potential expected by each townhouse in comparison to the actual rent to be received based on lease numbers. Due to the total number of vacancies within the town homes, Bayou Oaks will be at a 2011-2012 revenue loss of approximately \$195,840.



Proposal of a New Model

In order to create a more productive Bayou Oaks community, both financially and behaviorally, the following model for townhouse management is suggested.

Overview:

- The university will enter into a lease agreement with a housing corporation for each chapter. Rent for use of the entire facility (all living spaces plus use of common areas) would be calculated, and that would drive the monthly lease rates.

Housing Corporation:

- The chapter would be responsible for the development of a formal housing corporation that would be the lessee for the townhouse. The housing corporation would also be responsible for helping the chapter to maintain capacity in the townhouse and would work with the university to identify and finance improvements to the facility.
- The housing corporation must be fully incorporated within the state of Texas.
- Staff within the UC/CLFSL will assist chapters with developing housing corporations as necessary.

Housing Corporation and University Relationship:

- The university and representatives from each Housing Corporation (HC) will meet once a semester to ensure effective communication. The meetings serve as an opportunity for updates as well as dialogue about our fraternity and sorority housing community.

Leasing Relationship:

- The university would enter into an official agreement with the housing corporations (HC) of each chapter for the total lease of the facility. The HC is ultimately responsible to ensure that the rent in its entirety is paid to the university on a monthly/yearly basis.
- Based on the amount of projected individuals living in the space and the total rent for the facility, each HC would propose the individual rent for residents of the house to the university. University reviews all proposals to ensure consistency between all townhouses.
- Students sign an individual agreement/lease with the university to pay the individual rent identified by the HC. The rent is added to the individual student's university account and charged on a monthly basis.
- At the end of the leasing year, any funds not collected from individual leases (students breaking leases, non-payment, etc.) would be invoiced back to the chapter's HC to be paid to the university by October 1. Many HCs might factor some of these costs into the individual rent they set to help offset these costs (this can occur in the form of common area fees, extra fees, etc.).
- All members of the chapter will sign an agreement which outlines facility and behavioral responsibilities for their chapter.
- Only UH enrolled students would be eligible to live in Bayou Oaks.
- Only active or new members of the chapters are eligible to live in an individual townhouse.



Facility Maintenance/Renovations:

- The university would create a formal timeline to refurbish each facility. This would include replacement of university owned furniture and carpets, painting of walls, and other general cosmetic improvements to the facility. Chapters wishing to replace items before that timeline would be responsible for those improvements, but must utilize University of Houston Facilities Management for Project Management.
- University will also determine capital needs, and other routine maintenance and custodial support.
- The university may alter or renovate the space which will remain University Owned – no tenant modifications will be allowed.

Business Plan

- The university will develop and manage a business plan with the following components to ensure model success and will include the following considerations:
 - Capital investments and renewal plan
 - Sound Operational Plan (expense & budget)
 - Chapter needs and community programming opportunities
 - Professional and student staffing model to support the townhouses, in partnership with Residential Life & Housing
 - Revenue and rates needed to support this new model

In cooperation with the proposal of a new model, the following benefits and concerns can also be raised.

Benefits

- Additional chapter accountability. This would clearly define the space as chapter housing as opposed to individuals from the same chapter living together.
- Greater chapter responsibility for filling of space, cleanliness, etc. Since the chapter is not currently responsible for filling the space, they do not feel any ownership over trying to fill it.
- Receipt of full rent. Leasing with a housing corporation would guarantee receipt of rent for all spaces in the townhouse.
- Decreased opportunities for “squatting”. There would be less opportunity for chapters to be tempted to house members who do not pay rent.
- Increased partnerships with national organizations. Many organizations have direct housing support from the national organization for housing corporations.
- Housing Corporation representatives. The individuals on each HC could potentially serve as allies and serve chapters on policies, procedures and practices. Chapters would also benefit from an increased relationship between collegiate members and alumni.

Challenges/Concerns

- Additional responsibilities for housing corporation training. This would require the UC / CLFSL / Bayou Oaks staff to be



- more strategic with HC training.
- Inclusivity. This would limit housing affordability to IFC/Panhellenic organizations.
- University will need to ensure individuals on each Housing Corporation are qualified and supportive of university policies, procedures, and practices.

Formal Review Process for Townhouse Eligibility

Currently there exists no formal mechanism to review a chapter's housing status within Bayou Oaks. As housing is a privilege offered to our fraternity/sorority community, and as leasing has fluctuated over the years, it is important that a formal mechanism be put in place to review each chapter's housing status in Bayou Oaks and to possibly allow other chapters to fill spaces that might become vacant. The formal review process will occur annually in March/April.

The following is recommended as a step to a more formal review process:

- All chapters housed in Bayou Oaks will be reviewed.
- A review committee will annually review townhouse activity and recommend if a chapter will retain its house. The review committee will consist of the following individuals:
 - Jason Bergeron, Associate Director – Center for Leadership and Fraternity & Sorority Life
 - Keith Kowalka, Assistant Vice President for Student Development
 - 1 representative from Residential Life and Housing
 - 1 representative from the Dean of Students Office
 - 2 representatives from Administration & Finance division
 - Student Affairs division Business Administrator
 - Tosha Bowles, ACC Regional Manager (ex officio)
 - Elyse Gambardella, Greek Housing Coordinator (ex officio)
- The review committee's decision will be made based upon the following information:
 - The chapter's 3-year leasing history
 - Number of fire violations for the recent academic year
 - Number of incident reports filed with the Dean of Students Office
 - Contributions to the UH community
 - Contributions to the greater Houston area
 - Chapter's participation in educational programs sponsored by the UC/CLFSL
 - Contributions to their respective council – IFC, Panhellenic, NPHC, MGC
- Recommendations from the review committee will be presented to the Vice Chancellor/Vice President for Student Affairs for review and approval



As a housing corporation model is implemented within Bayou Oaks (tentative Fall 2013), the following review process is recommended:

- A review committee will annually review townhouse activity and recommend if a chapter will retain its house. The review committee will consist of the following individuals:
 - Jason Bergeron, Associate Director – Center for Leadership and Fraternity & Sorority Life
 - Keith Kowalka, Assistant Vice President for Student Development
 - 1 representative from Residential Life and Housing
 - 1 representative from the Dean of Students Office
 - 2 representatives from Administration & Finance division
 - Student Affairs division Business Administrator
 - Tosha Bowles, ACC Regional Manager (ex officio)
 - Elyse Gambardella, Greek Housing Coordinator (ex officio)

- The review committee's decision will be made based upon the following information:
 - Chapter's participation/performance in the Fraternal Excellence Program. This program assesses values integration within the chapter and gives a sense of the chapter's contributions to campus and community
 - The chapter's 3-year leasing history
 - Number of fire violations for the recent academic year
 - Number of incident reports filed with the Dean of Students Office
 - Contributions to the UH community
 - Contributions to the greater Houston area
 - Chapter's participation in educational programs sponsored by the UC/CLFSL
 - Contributions to their respective council – IFC, Panhellenic, NPHC, MGC

- Recommendations from the review committee will be presented to the Vice Chancellor/Vice President for Student Affairs for review and approval



Timeline for Housing Corporation Model Implementation

Listed below is a sample timeline for how this model would be implemented. This timeline assumes that leases beginning in August 2013 would fall under the new model.

Fall 2011

- Dr. Walker to review model with Provost and Executive Vice President for Administration and Finance.

Spring 2012

- Communicate change in policy to collegiate members and alumni advisors. Share official timeline for the shift to a housing corporation model.
- Host a series of meetings answering questions about the change for both undergraduates and alumni advisors.
- Provide assistance from CLFSL to chapters needing help in securing an alumni housing corporation.
- Develop overall Bayou Oaks Business Plan, including the Townhouse Model for the fifteen (15) townhomes under the Housing Corporation model.

Fall 2012

- Chapters must provide a list of Chapter Housing Corporation officers to the university.
- Chapter Housing Corporation must become incorporated through the state of Texas.
- Transition plan development for both components of Bayou Oaks. CLFSL/UC and RLH to work in partnership for townhouse operations and programs.

Spring 2013

- University will communicate overall leasing rates to housing corporations.
- Chapter will propose individual lease rates for chapters including any additional fees/overages.
- Chapter Housing Corporation will sign formal lease with the university.
- Chapter Housing Corporation will work with Bayou Oaks to collect individual lease agreements.

May - August 2013

- Nine (9) townhouse units will need to be vacated for up to three months to allow for needed facility restoration.

Fall 2013

- Chapter Housing Corporation will become fully operational.
- Chapter undergraduates will participate in Fraternal Excellence Program [Greek awards and assessment program].
- Chapters will complete Phase I (Submission of narrative responses) by mid-October
- Chapters will complete Phase II (character interview completion) by the end of the Fall semester

Spring 2014

- Fraternal Excellence Program evaluation scores will be tabulated and awards distributed by early spring
- Bayou Oaks Review Committee will begin continuity review process to make decisions regarding removal/addition of chapters to Bayou Oaks community.

