

## NEWSLETTERS

### National Vs. Local Housing Organizations: Which Structure Works Best For A Chapter?

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For most fraternity and sorority members, a chapter house is an essential ingredient in the Greek life experience. However, student members, acting alone or as a chapter, do not generally have the means to purchase or lease a chapter house; therefore, a chapter house, along with the furniture and equipment used in its operations, is often managed by a housing organization – a legal entity that holds title to or is the tenant under a lease of the chapter house.

There are two types of housing organization structures: (1) an entity formed by the national fraternity or sorority that manages multiple chapter houses, and (2) an entity formed by the chapter (usually alumni of the chapter) that manages only the house for that particular chapter. There are advantages and drawbacks to both approaches, and it is important to examine the options carefully to determine which structure makes most sense so that the chapter house and its related assets are managed capably and responsibly. A few of the differences between the structures are discussed in this article.

Because national housing organizations are charged with managing chapter houses throughout a sororities' or fraternities' footprint, they are able to recruit leadership – individuals to serve as directors and officers – from a wider national pool of candidates resulting in the involvement of individuals with more experience in real estate management. The members of a local housing organization, on the other hand, are often alumni members that reside in the area near the college or university who may or may not have experience with purchasing, leasing or operating real estate.

In addition to more experienced individuals managing the organization, a national housing organization has likely developed best practices in chapter house management and operations and can implement proven policies and. While a local housing organization's members may not have the experience and best practices that have been developed by a national housing organization, they may have greater knowledge of the local market and are able to tap into resources of which the national organization may not be aware. Also, while a national housing organization manages the chapter house from afar, a local housing organization may have much more frequent contact with the members residing in the chapter house and would not need to rely so heavily on third-party reports regarding the operations and conditions of the chapter house.

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Finally, in many cases, while a local housing organization may have been created with enthusiasm, after the initial organizers have moved on to other endeavors, it may be difficult to recruit volunteers to serve as directors and officers of the local organization, resulting in the decline of oversight of the chapter house. The organization's lack of corporate formality could jeopardize the local housing organization's legal status. For a national housing organization, because the organization is larger and reaches a wider group of alumni, recruiting volunteers to serve in leadership roles may not be as difficult a task.

As with any organization, control of costs and expenses are always a focus, but particularly in fraternities and sororities where costs are being passed on to student members. National housing organizations manage a large volume of chapter houses and their operations; therefore, they may be able to negotiate volume discounts for items related to real estate, such as insurance policies, rental collection services, property management services and repair services. In addition, in the event that financing is needed to purchase or renovate a chapter house, national housing organizations may have stronger borrowing power and access to greater lender options than a local housing organization may have.

Although local housing organizations may not enjoy the buying and borrowing power from which a national housing organization benefits, a national housing organization may not have the local contacts to deal with emergencies or other situational occurrences. For example, when a plumbing emergency occurs on a weekend, a local housing organization may have better contacts within the community to deal with the situation expediently, while a national housing organization may need to manage the issue with a third-party management company or research solutions, resulting in lost time that could exacerbate the emergency.

Whether a chapter house is managed by a national housing organization or a local housing organization, any challenges may be mitigated by careful planning and having policies and procedures in place to manage unexpected occurrences. However, examining which structure most benefits a chapter by working with the fraternity or sorority at the local and national levels to establish a workable structure, either when a chapter is being opened or when considering whether to restructure management of the chapter's real estate, is advisable.

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