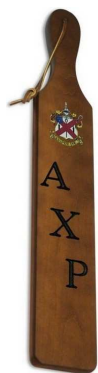


Spring 2019



llinicrows

The Phi Kappa Chapter of Alpha Chi Rho: Today and in the Future

In the Bond, William L. Yontz '61

[Brother Yontz recently sent a letter outlining his thoughts on the future of the Chapter House. With his permission, we reprint excerpts from that correspondence, including some minor additions and corrections.]

**To: Brad LaPayne, President, Phi Kappa Building Association
3/2/19**

Purpose of this Document:

To set forth information for Phi Kappa Alumni Brothers about the status of the Chapter and Chapter Property as it exists today and options for the future. This document is being shared with the Board of Directors of the Phi Kappa Building Association for dissemination in this form, or another, to the Alumni Brothers. In preparing this information, I have made no contact with the National Office of Alpha Chi Rho. There are pieces of important information missing for a complete strategic plan, but I have felt compelled to set forth some information that can be shared with Phi Kappa Alumni Brothers. No one requested that I prepare this report...

Recent Historical Setting:

About 1995 the Chapter house was closed for 5 or 6 years due to low membership. During this time period, the Chapter House was rented to students as a boarding house for one or two years then it was rented to Chi Psi fraternity for 3 or 4 years. The Chapter was reconstituted on September 22, 2001, with help of AXP National. They started with 12 men. The Chapter grew steadily year by year. Shortly after AXP men moved into the Chapter House, the city required all fraternities to have a sprinkler system installed, so we got one (at great expense). In the fall of 2009, a new roof was an immediate need, bids were obtained, the best one selected and work to replace the roof was completed at a cost of nearly \$34,000 for a 40-year architectural shingle. At about the same time as the work on the roof was completed, a city inspector observed that many of the (replacement) windows that were installed in 1984 were inoperable and some were screwed closed and constituted a life safety issue, and that we would need to rectify the situation as soon as possible. Again, bids were obtained from several sources of replacement windows and the winning bid was from Home Depot for vinyl, low E,

Ave Et Vale

**We mourn the passing of
Brother**

Kenneth Wayne Allers

Class of 1970

**In The Bond: December 8, 1968
Chapter Eternal: March 11, 2019**
We will all miss him in our individual ways. As we share the stories and recollections of how he lived his life, realizing in word and deed, the Brotherhood of all Men, his memory is cherished as we commend his spirit to the Chapter Eternal.

double strength glass, high efficiency Simonton 6500 windows. The Simonton factory is located just a few miles South of Champaign in Paris, Illinois. They came with a lifetime warranty that includes: free glass replacement for breakage. All but a few windows in the basement were replaced at a cost of nearly \$58,000. Other upgrades to the Chapter House were done about the same time including: rebuilding the main stairway, new bathroom cabinets, commercial carpet squares were installed in the second floor hallway, all hardwood floors were refinished as well as a complete refinishing of the 3 large dining room tables. At about this same time, a new University Director of Housing (Alma Sealine), began to show a negative interest in the Phi Kappa Chapter and false accusatory

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statements regarding work and conditions at the House. Before the air had cleared, the incident of a girl falling from the fire escape happened. This combined with several police incidents caused the University to revoke Interfraternity Council (IFC) Greek recognition. Much of the conflict with university housing arose from the city's call to put in a second means of egress stairway. The director of university housing thought that it should have been done earlier, but no plans were drawn up nor funds available to accomplish this. The housing director had her legal counsel corner David Oliver, the new director code compliance into saying that the property was unsafe. This forced us to enter into a stipulated agreement with the city to move forward asap with the with the project. The housing people then sent out a letter to our Brothers stating that the House would be closed, when in fact, it would not be and the city was not requiring that. However, before we could contact the Brothers about the true facts of the situation, about half signed leases with apartments so this adversely affected Phi Kappa's finances. The city wanted a time line for compliance which we complied with after the retention of an architect who moved the process forward, later completing the project. A bank loan was taken out to complete the project which in total was about \$250,000. Some Brothers remained living in the house; the City had **not** withdrawn the occupancy permit. Bad behavior incidents continued until May of 2017 when the Phi Kappa Building Association Board decided not to rent the Chapter House to the undergraduate Chapter (only 10 men intended to live in the House). After discussions with AXP National, the National Fraternity declared the Phi Kappa Chapter "Deactivated". Shortly thereafter, efforts began to rent the space to 3rd parties. The Chapter is eligible to reapply to the University for Recognition in 2021.

Relevant Facts:

- ◆ The Phi Kappa Chapter was chartered by the Alpha Chi Rho National on May 30, 1916.
- ◆ 311 E. Armory consists of two lots (#127 and #128) in the College Place section of Champaign County.
- ◆ The two lots consist of .31 acres.
- ◆ The lots were deeded from Alsina B. and Henry M. Gleason to **Phi Kappa Building Association of the Alpha Chi Rho Fraternity** on September 6, 1919 in consideration of \$1 and other valuable considerations. The purchase was recorded at 1pm on April 14, 1920 in book 177, pp 564.

- ◆ The house was built in 1921-1922. After the purchase of the property was completed in 1919, \$15,000 of bonds were sold to students, alumni and parents to begin construction. The total cost of construction was \$45,000.
- ◆ The zoning is Property Code 1500 (Fraternity, group housing, etc.)
- ◆ The property is Tax Parcel 46-21-18-305-001.
- ◆ Current Tax Assessment: Land \$189,560; Improvements \$97,620; Total Assessment \$287,180.
- ◆ Fair Cash Value based on Tax Assessment of January 3, 2019 is \$861,26.16.
- ◆ 2018 Property Taxes; \$25,949.58 (based on rented occupancy to Delta Kappa Epsilon (DKE).
- ◆ Currently leased to DKE for 1 yr. (8/15/18-8/14/19) for \$113,850. 1 yr renewal likely.
- ◆ There is a secured loan with a local bank, Hickory Point Bank & Trust. There is a principal balance of \$137,843.27 with an interest rate of 5.25%, due on July 25, 2023. There is a cash balance of \$83,473.47 in two separate bank accounts.
- ◆ A FMV Appraisal as of 12/28/18 valued the property at \$1,365,000 (the FMV would be somewhat higher if there were no improvement on the lots; i.e. the house has a negative value). I personally paid \$1500 for the appraisal.
- ◆ A quote by a local commercial demolition Co. to demolish and clear the lots was \$100,000-\$125,000.
- ◆ The small parking lot to the South of 311 E. Armory; is 1104 S. Euclid, lot 126, tax parcel 46-231-18-305-002, has an assessed value of \$85,310 and is owned by JSM (Jeff Hartman) I assume it is .16 acre.
- ◆ The lot to the West of 311 E. Armory, across Euclid is 1101 S. Euclid (also known as 307 E. Armory). It is a .16 acre lot with an apartment building owned by JSM (Jeff Hartman) I believe the tenants of this apartment building use the parking lot at 1104 S. Euclid. That may be a zoning requirement.

Solid Waste Service Agreement:

There exists an agreement between the Phi Kappa Building Association and the Omicron Alumni Association (Psi Upsilon) that provides for sharing a large garbage dumpster and the associated service. The two organizations share the cost, based on in-house populations. The dumpster sits primarily on the Psi Upsilon property, but protrudes 2 ft. or so onto the Phi Kappa Building Association property.

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While the agreement appears to be easily cancellable, there are no provisions for clearing the lot boundary issue. This would likely need to be done as a part of any sale of the property.

Missing Factual Information:

- ◆ I do not know anything about the 311 E. Armory property and the legal relationship between the Phi Kappa Building Association and the Alpha Chi Rho National Fraternity corporation and decided that was beyond what I wanted to do (for now).
- ◆ I have been unable to find a survey of the 311 E. Armory property. Hopefully one exists somewhere.

Relevant Information:

Discussions with various Commercial Real Estate professionals in the Champaign/Urbana area (including Jeff Hartman of JSM, who is a relative of Brother Bill Terpstra) have revealed the following:

- ◆ The market is currently overheated or nearly so. Supply is at or slightly over demand.
- ◆ The City has significantly relaxed parking requirements for new construction in the campus area.
- ◆ There have been several high-rise developments on Greek lots that have incorporated space for the Fraternity/Sorority.
- ◆ The 311 E. Armory lot is not large enough for a high-rise development. Even if it included the adjacent Psi Upsilon property to the East (also .31 acres), it would still be borderline size for a high-rise.
- ◆ The current City environment for rezoning is good.
- ◆ JSM is one of, if not the largest, private owner of campus housing.
- ◆ JSM would be interested in purchasing the 311 E. Armory property. No potential terms or financials have been discussed.

The 311 House:

- ◆ Even with the improvements that have been made, because of its age, it will continually be a maintenance challenge.
- ◆ From my understanding, today's Greeks, locally and nationally, 311 is not constructed to meet today's needs. Preferences now are for suite type living with a nearby shared/unshared bathroom; the new norm seems to be that many members do not live in the Chapter House. The

out-of-house brothers visit primarily on weekends. In-House cooking and meals is no longer a requirement; a few fraternities continue to utilize a cook, but many now have food catered in for 2 meals a day.

The National Environment for Greeks:

- ◆ High Profile, publicized incidents that provoke negative national press continue
- ◆ Some Universities that have a Greek presence are overtly negative and even hostile toward the Greek presence. U. of Illinois administration is biased negatively, but not overtly hostile for the most part. UI housing has made it more difficult for freshman to move into fraternities until Sophomore year and has used certified housing status as leverage in some dealings with fraternities. Housing imposes many requirements on fraternities to maintain certified status even though they actually have no jurisdiction over them. The cities of Champaign and Urbana have jurisdiction.

The Phi Kappa Bad Experiences:

- ◆ We've had a rough ride since 1995, some of our own cause; some by the general environment
- ◆ We've been badly damaged from within at least twice. What's to stop a third time?

For what it's worth:

- ◆ Brad LaPayne has been tirelessly serving as the Phi Kappa Alumni Volunteer Administrator for a number of years now and is presently serving as the President of the Building Association. He has worn weary of the "fire drills" and continual workload. He has done a wonderful job and cares deeply for AXP. But, he is tired. Is the Phi Kappa Building Association Board actively working to relieve Brad?

Going Forward Options:

- ◆ **Option A** Dispose of the existing property in the most simple and risk-free manner.
- ◆ **Option B** Maximize the value of the property and assume some development risks.
- ◆ **Option C** Hope to carry the property until the Chapter can be re-established and stabilized.
- ◆ **Option D** Demolish the existing improvements and build a new Chapter house
- ◆ **Option E** Retain the existing improvements.

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Discussion of the Options:

- ◆ **Option A** is straight forward and would require the least amount of Building Association Board time. It would likely yield over \$1,000,000.00 of net funds.
- ◆ **Option B** has good upside financial potential but would be complicated, take years and if the Building Association were to be a partner, would require an enormous amount of time and probably more risk than we can afford. This is not a business we have experience nor expertise in. **Not recommended.**
- ◆ **Option C** keeps us in the business of trying to rent the house, maintaining the house and reapplying for re-activation. The existing agreement with DKE is quite good. To assume a market exists for a comparable lease of 5 years or more seems unlikely. This option also carries the risk of being in the Fraternity business in a very risky, negative climate, carrying with us our own history and reputation of failure. If we were to build a new Chapter House, it would need to be a marketable multi-use design in case of another failure. It would also require "seasoned" alumni Brothers who would oversee such a project. **Not Recommended.**

Concluding Remarks:

There is much more that could be said about these options and "shades of gray" iterations to any of them. I've tried to keep it simple and direct. Also, I must say, it is not easy to suggest that The House be sold; especially given the many wonderful memories and the many significant improvements that have been made to the infrastructure in recent years. As one who spent a 42 year career managing Corporate Real Estate, I've seen this seemingly incongruent situation many times. My experience of multiple cases says: (1) do not assume that past successes can be repeated, (2) do not underestimate changes in the environment, (3) take the money in-hand, and (4) if appropriate, start anew.



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What Do You Think?

Editorial Comment

Brother Yontz's analysis and recommendations for the future of the Chapter House are timely and welcomed. His suggestion that it be shared with the entire Brotherhood has prompted this issue of *Illinicrows*.

The case for continuing to maintain the present Chapter House without sufficient Resident Brothers to financially sustain it is difficult to make. It appears that the property at 311 E. Armory should be retained **ONLY IF** the consensus of the Phi Kappa Brotherhood is positive on the following questions:

- ◆ ***Is there is a high probability of a successful colonization and re-chartering of the Phi Kappa Resident Chapter within the next five years?***

There do not appear to be any active colonization initiatives to date. Any colonization will have to start from scratch as there will be no older Brothers on campus for recruiting and mentoring. Alpha Chi Rho's survival rate for new chapters and recolonizations is historically about 33%.

- ◆ ***IF SO, does that re-chartering require the provision of live-in resident housing?*** Many fraternities rely in a "Lodge" system where a fraternity "Lodge" or meeting place is maintained but members live elsewhere. Many current AXP Chapters do not have Building Associations maintain housing for Resident Brothers. The fact that only 10 Resident Brothers were planning to live in the Chapter House for the 2017-2018 school was a key factor in the Building Association's decision not renew the Resident Chapter's lease.

- ◆ ***AND, if live-in housing is required for successful colonization at Illinois, can the existing Chapter House be remodeled or rebuilt to be competitive with existing housing options and tomorrow's expectations of students and parents?*** The financial and time constraints to upgrade the existing property for re-chartering within five years may be insurmountable.

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