

Celebrating 100 Years of The Chapter House Fund

A History of Pike's Dedication to Chapter Housing

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PART III

The spring and summer issues contained the first two parts of this three part series. Part I covered the origin and early years of the Fraternity's real estate loan fund, known as the Chapter House Fund (CHF) and the hyper growth of chapter housing during the "Golden Age" of Greek housing. Part II addressed the ups and downs of the Fund from the Great Depression of the 1930s to the major membership swings surrounding World War II, the Korean War, and the unpopularity of Greeks in late the 1960s and early 1970s.

As you'll see in the table accompanying this article, for 100 years, convention delegates have consistently supported the use of the CHF, first by supplying capital to create it and then repeatedly augmenting or re-establishing funding to it; a loan fund for the mutual benefit of all chapters, regardless of age or stature. In the early 1900s Greek residential housing had become an influential part of the fraternity experience. Pike was then small and youthful compared to its peers. Thus, amassing capital for real estate acquisition was an insurmountable challenge for chapters to achieve individually. The 1907 Convention recognized this need and established the CHF for this purpose. The CHF was initially capitalized by an annual per undergraduate head tax, which was collected by each chapter and sent to the central office of the Fraternity; a concept that continues today. Funding to the CHF has been stopped just three times in its 100 years of existence; only during times of extreme financial crisis of the organization. After a lapse of any consistent funding from dues and fees between 1970 and 1982, the 1982 Convention in Washington, DC increased annual dues by \$10 and initiation fees by \$5 specifically to reinstate annual funding to the CHF with that increased revenue. The 2004 Convention in St. Louis made sure CHF funding would continue under the new one-time initiation

fee adopted at that Convention. Thus 10% from each initiation fee now goes to the CHF.

The 1982 Convention's re-establishment of funding to the CHF was timely, as the 1980s witnessed the largest expansion of membership in the history of the Greek system. Chapter houses filled up and the concept of large numbers of out-of-house members became a part of the modern fraternity experience. Recognizing that fraternity house loans are commercial loans, and that the CHF is a "lender of last resort," the interest rate was modified in the 1980s to more accurately reflect the level of risk inherent with fraternity real estate lending. This caused the Fund to be more aggressively replenished by interest income, making more funds available faster for chapters that truly need CHF financing. This also helped fund a later expansion of staff and programs to better serve chapters and house corporations on real estate matters.

The 1990s brought with it an alarming wake up call to all fraternities. Chapter facilities were in extremely poor condition, with deferred maintenance and deficient property management practices that caused a housing crisis from which the system has yet to fully recover. The 1970s had introduced a change in the Greek living dynamics, which included an exodus of "house mothers" and long time alumni volunteers, which was accompanied by expanded social liberties and uses of chapter facilities. With intensified wear and tear, on ever aging structures, the result was a dramatic increase in the rate of deterioration to chapter houses. With the system-wide membership slump in the mid-1990s, the poor state of housing exacerbated the financial strain on chapters.

The 2000s witnessed a rapidly changing student housing market, demanding more privacy and increased amenities. There is also more pressure than ever to upgrade the life safety systems. Double occupancy rooms are now singles and community bathrooms are no more. Pi Kappa Alpha has responded by

aggressively increasing the size of the real estate staff as well as the educational programs and support for chapters and house corporations.

With over 100 years of operation, other than the *Shield & Diamond* magazine, the CHF has been the longest running program offered by the Fraternity. Although capitalization was initially slow, and funding waived at times, the three pie graphs accompanying this article illustrate the evolution of revenue sources of the CHF. In the first year of the Fund's existence, 96% of the funding came from dues from members. By the 50th anniversary of the CHF, 49% came from dues and fees; and by the 100th anniversary,

FUNDING ACTIONS OF THE CHAPTER HOUSE FUND (CHF)

Years	Convention (C) or Supreme Council (SC) Action
1907-1913	C \$1 from per member annual dues
1913-1933	C Increased to \$3 from per member annual dues
1917-1933	C Additional \$3 from each initiation fee
1933	SC Portion from dues and fees decreased because of the "Great Depression"
1935-1946	SC Dues and fees funding halted because of "Great Depression" and WWII
1938-1950	SC ½ of royalties from jewelry sales directed to Chapter House Fund
1946-1964	C \$5 from per member annual dues
1954-1970	C Added \$10 per initiation fee and \$10 from each <i>Shield & Diamond</i> "life subscription;" however, 4% interest per annum on life subscriptions were paid to General Fund for S&D expenses
1964-1970	C Increased annual dues portion from \$5 to \$10
1970	SC Because of severe drop in membership, allocations from dues and fees to CHF became optional at the discretion of Supreme Council; \$775 allocated to CHF between 1970-1972
1972	SC Last year CHF received funds from S&D lifetime subscriptions
1973-1982	SC Other than \$10 from each initiation fee in 1980-81 fiscal year, nothing was allocated to the CHF
1982-2004	C Reinstated \$10 per initiation fee and \$5 from per member annual dues by increasing fees and dues; which commenced in 1982-83 fiscal year
2004-Present	C Dues and fees restructured into one-time initiation fee, 10% of each directed to CHF

just 8% of the total revenue came from dues and fees. However, 57% of the income came from other member related sources like rent from Pike occupied properties, and interest on loans with Pike house corporations.

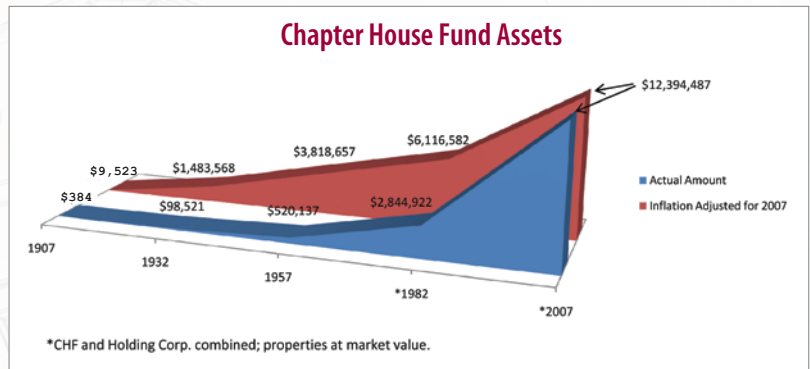
On July 1, 2005 the CHF was conveyed to White Horse Holding Corporation. Previously both had the same staff and governing board, so this was in effect a simple merging of the financial statements. The CHF had initially loaned funds to the Holding Corporation, providing working capital in its early years and some financing for property acquisitions.

A graph accompanies this article illustrating the growth of the CHF's assets over its first century. After one year of existence, in 1908 the CHF had \$384. By its 100th anniversary, the CHF had grown to \$12.4 million in assets. A loan fund of this size, capitalized by its members, which exists for the purpose of achieving competitive housing for its chapters, is actually fairly unique in the fraternity world. While many fraternities have had a loan fund at some time in their history, few have been able to keep it intact and operating for the same purpose for so long. Virtually all have been absorbed by other arms of their organization and/or have been depleted through appropriations to other popular programs at various times. Pi Kappa Alpha's CHF and real estate assistance to chapters is admired by its peer fraternities. Fraternities and sororities frequently seek Pi Kappa Alpha's advice on the establishment of such a Fund and on real estate matters in general. PiKA's success in this realm can be attributed to the long-term capitalization of the CHF mandated by the wisdom of convention delegates over the last 100 years, together with the principled stewardship of the independent, experienced, volunteer board overseeing these operations. Board members have been allowed to serve for comparatively long periods of time; which has enabled continuity, consistency, and management that has stayed above the trees, maintaining a view of the whole forest, while keeping a vigilant eye on the long-term horizon.

Talented, selfless and dedicated CHF board members over the years have guided the progress of the Fund and provided immeasurable expert advice to several generations of chapters and house corporations. Their tenure of service is astounding; of particular note: P.D. Christian (BK, Emory 1924) with 32 years (1940-1972), chairman from 1943-1972; Herb Miller (a founder of AΦ, Iowa State 1913) with 25 years (1942 - death in 1967); Richard Ralph (ΑΣ, Cal-Berkeley 1953) with 27 years (1970-1997), chairman from 1977-1993; and Jamie Wolff (ZN, Eastern Washington 1967) appointed in 1977 and was the board chairman (now called president) from 1993-2008; he continues to serve with 31 years of service.

Reflecting on the history of the CHF, long time board member Jamie Wolff affirmed the CHF's ongoing commitment to housing, but expressed concern over the challenges that lie ahead: "Most people don't realize that housing wears out and becomes outdated over time, especially in the high turnover, intensified use of the student rental market. Like an automobile, routine maintenance and repairs are required to achieve even functional utility; and ultimately, it will have to be replaced.

The housing stock owned by Pike entities currently exceeds \$75 million in value. We must educate our members and house



corporation officers to aggressively plan for the maintenance and ultimate replacement of these valuable assets. This is a huge, perpetual challenge to our Fraternity. In addition, market forces beyond our control continuously impact this dynamic, and there are decreasing sources of primary financing for Greek housing that is limited in use. While college town real estate has become very valuable, providing enhanced equity to existing properties, it has made it more difficult for the rapidly growing number of new chapters to attain such competitive housing.

We are blessed with the most knowledgeable and professional housing staff in the industry. Their insight and ability to help local chapters is a powerful tool, which few fraternities have. Our staff has developed a wide variety of creative, cutting edge programs to proactively and successfully deal with our housing challenges."

Nearly all chapters have directly benefited from the CHF's resources, whether from a loan, grant, Work Day incentive, award, or simply expert advice. Since inception, on an inflation adjusted basis, the CHF has provided over \$43.5 million in loans, assisting over 160 chapters, involving approximately 500 separate transactions. It is estimated that it would cost \$187 million to upgrade the existing Pike houses to today's market standard and acquire competitive housing where none is presently owned. As a lender of last resort, if the CHF was called upon to provide the typical 20 % of that in 2nd mortgage loans, \$37.4 million would be needed at this time. The short fall in available funds will have to be met by innovative programming and hard work by all. A tall order, but as is the case throughout Pi Kappa Alpha's rich history, it is accustomed to meeting and conquering challenges and the CHF looks forward to playing an integral role in this effort over its next 100 years.

The author of this series, Dan Corah, is the chief operating officer of White Horse Holding Corporation and the Fraternity's real estate operations. Dan has been in this capacity since 1989; the longest serving real estate staff person in the Greek world.

Sources of Income 1907-08
\$384



Sources of Income 1956-57
\$72,849



Sources of Income 2006-07
\$1,246,553



- Dues & Fees from members
- Investments
- Interest & fees on loans
- Rental income
- Management Fees & other
- Portion of S&D subscriptions