

**Fraternity/Sorority Investment Plan –Application Cover and Loan
Program Description
May 15, 2002**

The Board of Visitors of the University of Virginia has authorized a pilot program to provide financial packages to fraternities and sororities to facilitate the renovation, upgrade, or acquisition of real assets and/or living, meeting, and social space. The specific goals and expectations of the BOV are detailed in the Resolution attached to this application packet as Exhibit #1.

Applicants seeking funding from the University in the form of a loan must complete all sections of the following application. University administration, coordinated out of the Office of Fraternity and Sorority Life, Dean of Students (434- 924-7430) are available to assist with questions regarding this application. To expedite responses to substantive questions regarding the application or the program, please submit your questions in writing. You may either send written comments by e-mail to Mr. Terry Dade at tjd5a@virginia.edu, or fax the information to Fraternity and Sorority Life at (434-924-8945).

I. FINANCIAL INFORMATION

A. The University wishes this program to be as successful as possible for the participating fraternities and sororities. To that end, the University is prepared to include flexible financing plans so that House Corporations and their respective chapters may enjoy the most favorable repayment terms practical. These plans will be based on one of several potential models for repayment, which will be developed by the University in working with individual applicants. In determining an appropriate loan package option, items the University may consider include:

- Standard amortization or balloon loan option
- Loan-to-value ratios up to 125%
- Interest rates equal to the lowest comparable market rates
- Fixed rate or variable rate financing
- Re-financing of current mortgages
- Financing of closing costs and other up-front expenses (i.e., appraisal, title search, survey, plan and review by architect or other professionals, etc.)

B. The University will require all participants in this financial program to provide evidence that they are, and will continue to be, capable of meeting their financial obligations. Documentation to be provided should include:

- Professional appraisal of property completed within the last 30 days
- Audited statements from the most recent three years of chapter operations (Note: Updated audited statements will be required on an annual basis).
- Outstanding indebtedness on the property and/other liens, encumbrances, etc. The University will require that it be made the sole mortgagor with clear title to the property. If such financial obligations currently exist, they must be satisfied in full as part of the loan contract. Proceeds from the requested loan may be used for these purposes, with the balance applied to renovation, construction, upgrade and any other demonstrable project costs (such as furniture, fixtures and equipment, professional fees and/or closing costs).
- A five-year pro forma plan demonstrating that the chapter can service the debt or other financial arrangements

C. In addition to regular principal and interest payments that the chapter must pay in accordance to the loan agreement, the University will also require that remittances be made into an escrow account, which the University will administer, to cover the following:

- A long-term maintenance fund (3% of the house value to be set aside annually to cover long-term wear and tear; “house value” equals current property value as determined by the submitted appraisal, plus construction and renovation costs)
- Insurance
- Property taxes

II. BUILDING AUDIT AND CONSTRUCTION/RENOVATION PLAN

A. Applicants must provide a report prepared by an architect, engineer, construction contractor, or equivalent professional (or composite of these) detailing the existing condition of the building. The report must specifically address the following:

- Foundation and structural condition (including termite inspection)
- Roof framing and roofing condition with projected lifespan of roofing
- Condition of exterior, windows and doors
- Description and condition of fire egress elements (open or enclosed stairs, corridors, points of discharge to exterior, smoke detection, exit signage)
- Emergency lighting (including code compliance and any use of stair enclosures other than for egress purposes such as storage or other combustible materials)
- Description and condition of electrical distribution system, including code compliance at time of construction (when installed or upgraded)

- Description and condition of heating, ventilation and air conditioning system, including code compliance at time of construction (when installed or upgraded)
- Description and condition of plumbing system, including code compliance at time of construction (when installed or upgraded)
- Description and condition of food preparation/kitchen equipment, including safety and fire protection
- Description and condition of fireplaces and chimneys, including compliance with fire prevention code
- Description of site conditions and amenities (sidewalks, steps, parking, waste disposal containers or enclosures, other)
- Features of accessibility for physically handicapped persons
- Copy of most recent fire inspection report from city or county fire marshall/inspector

B. Applicants shall provide a plan describing how any deficiencies identified in the above report will be addressed by separate funding or use of funding for which the loan is being applied. Once accepted by the University, this plan will become an enforceable part of the loan agreement with the University. The plan should be developed with particular emphasis on the following:

Life Safety/Habitability

- Provision of an electronic central alarm system and/or automatic fire suppression sprinkler system (including partial or domestic water supplied sprinklers for kitchen and storage rooms)
- Improvements of electric distribution system to be in compliance with code at time of installation and current code requirements
- Provision of hard wired smoke detectors with battery backup
- Provision of properly illuminated fire egress hallways, corridors and stairs by exit and emergency lights
- Provision of exterior lights in good working order
- Provision of locksets on exterior doors and bedrooms meeting code requirements and in good working order
- Provision of properly fire stopped penetrations through floors/ceiling assemblies in compliance with recognized fire prevention standards
- Maintenance or improvements of operable or potentially operable fireplaces in good working condition
- Policy and procedural enforcement for the prevention of using non - listed appliances such as the halogen up-light floor (torchiere) lamps without guards anywhere in house and prevention of using exposed element type electric heaters in bedrooms
- Condition and/or improvements of fire escapes if applicable
- Provisions of the “common space” usage and listing and size of any assembly area used for parties or gatherings and occupancy load limits

- Improvements of heating systems to be in compliance with code at time of installation and current code, and to be in good working order

Accessibility:

- Provision of improvements for physically handicapped residents or guests including compliance with CABO A117.1 standards including but not limited to accessible route, one or more resident rooms, dining, bathroom/toilet layouts, plumbing fixtures, mirrors and clothes hanging

Sanitation

- Provision of all bathroom fixtures meeting code requirements and in good working order
- Provision of bathrooms equipped with exhaust fans
- Provision of bathroom floors and other surfaces in good repair
- Provision of kitchen equipment and fixtures in good working order
- Provision of hot water heaters, supply and waste lines in good working order.
- Provision of a refuse collection area that is shielded from public view

Exterior

- Improvements of roofs, gutters and downspouts to be in good working order
- Improvement of doors, windows, railings and other exterior trim to be intact and in good repair
- Improvement of painted surfaces to meet local municipal standards and prevent deterioration
- Provision of a plan of action to enhance the curb appeal of property in the areas of landscaping, signage, architectural detail, parking and grounds maintenance.

C. The University’s acceptance of a construction/renovation plan and approval of an application do not certify compliance with applicable building codes and regulations. The University’s acceptance and approval are exclusively for University purposes, and the applicant remains solely responsible for complying with all applicable federal, state, and local statutes, ordinances, rules and regulations and obtaining all necessary permits.

III. MAINTENANCE AND BEHAVIOR

In its implementing Resolution, the Board of Visitors requires fraternities and sororities participating in the program “to monitor and oversee their activities in strict compliance with applicable laws, University policies, rules of any national or local governing association or the Inter-Fraternity Council” and further that “as a condition of participation ...fraternities and sororities shall be required

to achieve a standard of performance relative to the management of social activities, compliance with University policies, oversight of business operations, and care of houses and furnishings that are acceptable to the University on an ongoing basis...”

A. Loan applicants must present a detailed plan describing how they will meet the above-described requirements. The University does not wish to prescribe how applicants will achieve this goal, since each individual fraternity or sorority has its own individual history, culture, alumni base, and current students. Once accepted by the University, however, this plan will become an enforceable part of the loan agreement with the University.

Potential components of an acceptable plan might include but are not limited to:

- Requiring a deposit of all members, whether in residence or not to facilitate payment of annual damage claims
- Hiring a property-manager to monitor house conditions
- Providing a plan for ensuring regular building and grounds maintenance (in the event a 3rd party property manager is not engaged)
- Having a residential House Director
- Requiring all officers to live in the house
- Establishing a liaison to the local neighborhood association to ensure good communications with neighbors
- Implementing drug and alcohol training programs on an annual basis, perhaps in conjunction with UVA or local police
- Adopting strict policies regarding eviction of residents involved in serious incidents of property damage
- Creating a program that strengthens and capitalizes on alumni ties to individual houses
- Restricting parties to special areas
- Requiring meal plans to strengthen ties to the house, etc.
- Developing an internal house review board

B. The University’s acceptance of a plan addressing maintenance and behavior is exclusively for University purposes, and the applicant remains solely responsible for the safety and security of occupants, users and visitors to the property and for complying with all applicable federal, state, and local statutes, ordinances, rules and regulations.

IV INSURANCE

A. The following insurance requirements will apply: **General Liability** insurance for bodily injury and property damage with a minimum combined single limit of not less than \$1,000,000 per occurrence (to include personal injury coverage) with an aggregate limit of \$2,000,000, and medical payments coverage

of at least \$2000 per person. **Commercial Property** insurance shall be provided using the Building and Personal Property Coverage Form to include Broad Form causes of loss coverages, maintaining insurance values as appropriate to insure the buildings up to their proper values and the value of any owned personal property. **Boiler and Machinery** insurance shall also be maintained with a limit of not less than \$500,000 for any one accident.

B. These insurance coverages should be underwritten by insurers holding at least an A- rating from A.M. Best Company that are licensed to conduct business in the Commonwealth of Virginia. Also, the general liability coverage must be endorsed to show the following as an additional insured: "The Commonwealth of Virginia and the Rector and Visitors of the University of Virginia, its officers, employees and agents." Likewise, the property insurance must be endorsed to show: "The Commonwealth of Virginia and the Rector and Visitors of the University of Virginia, its officers, employees and agents" as a Loss Payee to the value of its outstanding loan amount. Certificates of insurance must be provided upon request indicating the above conditions have been met.

Exhibit I.

FRATERNITY AND SORORITY INVESTMENT PROGRAM

WHEREAS, the Board of Visitors acknowledges the important role that fraternities and sororities have played, and continue to play, in the lives of students at the University, and the contributions that such student organizations have made, and will continue to make, to the University community; and

WHEREAS, while the fraternities and sororities are independent and private associations, the Board is committed to supporting appropriately their efforts to provide safe and appropriate physical accommodations for their members and students of this University; and

WHEREAS, evidencing its commitment, the Board wishes to authorize a new pilot program providing limited financial assistance in the way of loans and other financial commitments to such student organizations' House Corporations needing funds to renovate existing housing facilities, who responsibly seek the assistance of the University for such purpose or to provide on-Grounds fraternity and sorority housing; and

WHEREAS any program involving fraternities and sororities should be designed to include appropriate participation and firm commitments by the house membership, alumni and the University; and

WHEREAS the Board expects all organizations associated with the University to comply with all local, state and federal laws as well as applicable University rules and regulations.

RESOLVED that the Board of Visitors authorizes the Executive Vice President and Chief Operating Officer in consultation with the Vice President for Student Affairs and the General Counsel and subject to all applicable state, University and Board policies and approvals, to establish and administer a program authorizing loan funds and other financial commitments for improvements to off-Grounds fraternity and sorority houses or to provide on-Grounds fraternity and sorority housing; and

RESOLVED FURTHER that funds for this purpose are allocated from other than general appropriations to the University, provided, any such loan and other financial commitments must be approved by the Executive Vice President and Chief Operating Officer, or his designee, following due diligence review with respect to repayment of any indebtedness and justification for any financial commitments, and who shall be authorized on behalf of the University to execute any and all papers associated with such programs; and

RESOLVED FURTHER that (a) loan(s) - meaning unpaid principal and other financial commitments - to all fraternities or sororities requesting such assistance and selected for participation in the program shall not exceed in the aggregate the sum of \$3 million without the further approval of the Board, (b) loans shall be adequately secured or collateralized as approved by the Executive Vice President and Chief Operating Officer, or his designee, (c) interest shall be charged on loans at market rates, and (d) fraternities or sororities participating in this program shall commit affirmatively to rehabilitate their physical quarters in accordance with plans or designs approved by the University as well as to monitor and oversee their social activities in strict compliance with applicable laws, University policies, rules of any national or local governing association or of the Inter-Fraternity Council; and

RESOLVED FURTHER that such financial commitments will be made only in those cases where the University's assets and investments can be appropriately protected; and

RESOLVED FURTHER that, as a condition of participation in such programs, fraternities and sororities shall be required to achieve a standard of performance relative to the management of social activities, compliance with University policies, oversight of business operations and care of houses and furnishings that are acceptable to the University on an ongoing basis; and

RESOLVED FURTHER that the Executive Vice President and Chief Operating Officer shall report to the Board on a regular basis on all actions taken under this authority.