

Alpha Chi Sigma Housing, Maintenance, and Financial Overview

Background

Since the formation of Alpha Chi Sigma at the University of Wisconsin in 1902, members of the Alpha Chapter have become recognized leaders in the field of chemistry, other sciences, and other professional sectors. With over 2,000 initiates in our history, the Alpha Chapter has influenced the lives of numerous individuals of diverse backgrounds, cultivating lasting friendships in the process. The Alpha Chapter Houses ("the Houses") located at 619 and 621 N Lake St have played a critical role in this regard. Both houses have served as a home away from home for hundreds of ambitious young scientists, providing safe & affordable housing in a prime location close to the university campus.

The Houses have nurtured a uniquely collaborative environment for generations. Alpha Chi Sigma first purchased 621 N Lake in 1925 and later obtained 619 N Lake in 1959. Shortly before acquiring 619, the Alpha Chapter of AXS formed a separate Building Corporation ("Alpha Corp") in December 1958, with the sole purpose of holding title to property, collecting income therefrom, and turning over the entire amount thereof less expenses to the Alpha Chapter. Alpha Corp members and officers are comprised of the alumni of the Alpha Chapter, and they largely served in an administrative / oversight role with regards to managing the properties. The collegiate chapter members (i.e., residents of the Houses) took a much more active role in the overall properties' stewardship & upkeep on a day-to-day basis.

This arrangement was executed via a master lease agreement between the Alpha Chapter and Alpha Corp. The Alpha Chapter utilized a Housing Committee of elected residents / members to fulfill on-site managerial responsibilities, including individual room leasing and rent collection. Alpha Chapter, therefore, carried the autonomy to determine rents based on annually prepared budgets which ensured they would fulfill their financial obligations to Alpha Corp—essentially following a co-op housing model. The Housing Committee sought to keep housing affordable to its resident members, and encouraged a hands-on, DIY approach to standard upkeep and small improvements to enable this. Alpha Corp's lease with the chapter was primarily set to cover property taxes, insurance, and capital projects.

While this arrangement enabled Alpha Chapter to rent rooms at rates significantly below market, it also created constraints on the ability to build a substantial capital reserve over time. Alpha Corp's leasing fee was also kept low to further enable this much-valued affordability. While this fee approached ~50% of the gross rental revenue by 2014, historically it was much less—under 25% of gross as late as the 90s. This scarcity of resources sometimes led to maintenance being deferred, as additional time would be needed to gather funds when costly issues arose. Eventually, it became necessary to leverage the properties to quickly generate cash for sudden large expenses, especially if the costs would deplete the available cash on hand to either entity. The outstanding debt would be dutifully paid down, but inevitably a new issue would arise as the Houses aged and the unceasing forces of time and entropy took their toll upon the structures.

The Breaking Point

Around 2012, the City of Madison accelerated a mandate to install a wet sprinkler & fire alarm system per NFPA guidelines by 2014. This came on the heels of a pricey special assessment placed upon Lake St. property owners, and the scope & cost of this work represented the single largest capital project in the history of the Houses. Contractor quotes for this work started at ~\$200K, well above Alpha Corp's available cash and lines of credit. Nonetheless, the sprinkler system was installed after an extensive effort to refinance existing debt and generate cash to complete the work.

In the summer of 2014, while soliciting bids for window repairs on the Houses, a Findorff representative conveyed that the North wall of 621 was "bowed out so far that the contractor believed that removing or replacing the windows may compromise the structural integrity of the north wall." A secondary inspection by Pierce Engineers (Exhibit 1) confirmed the findings with the additional bad news that the foundation had significantly deteriorated and that the wood-framed wall above it was likely rotted behind the stucco exterior. Though Alpha Corp quickly had temporary shoring installed (Exhibit 2), this was only a short-term solution. Pierce Engineers only gave one additional year of life with this approach, while Findorff's engineers provided a warranty of 5 years for their installed solution. This started the clock for Alpha Corp and Alpha Chapter to find a more stable, sustainable long-term housing solution.

Stabilizing Actions

Alpha Corp and the Alpha Chapter jointly engaged professional services shortly afterwards in 2014 to assess the feasibility of a capital campaign and in 2015 to conduct a financial review and provide recommendations on how to improve the overall financial management of both entities. The feasibility study gave dismal results on prospective fundraising, as there were no significant benefactors who were willing to donate at a leadership level for a campaign. The financial review, on the other hand, gave practical actions both entities could take for stability, including the outsourcing of property management to a third party.

Alpha Corp contracted with BMOC, Inc. in 2015 for property management services. While the relationship started favorably, disagreements in service levels and business practices led Alpha Corp to terminate the relationship in 2016. They subsequently contracted with Apex Property Management in 2017 with generally good results, but the disruptive nature of two significant organizational transitions in a short time period meant that there was even less time to find a longer-term solution.

Without funds in hand nor a strong plan to achieve them by 2018, Alpha Corp began to seek out interested real estate developers to pursue a shared equity arrangement, as this appeared to be the only viable option remaining to ensure that Alpha Chapter members could continue to have housing which would be consistent with their historical values of affordability and retain the same location they had called home for nearly 100 years. After an extensive search process, Alpha Corp partnered with Patrick Properties to pursue this option, which has since blossomed into the Alchemy Apartments proposal. Sadly, at the end of the Spring 2019 semester, Alpha Corp made the difficult decision to cease renting out the properties due to the expiration of the shoring wall warranty period and the numerous health and safety issues which perennially plagued both houses.

Exhibit 1: Pierce Engineering Report & Engineer Diagram



Report for 621 North Lake Street
Madison, WI
Date visited: 6/02/2014
Met with Nick Herman representing the Owner

Construction

The building is a (3) story wood framed residential building used as a fraternity house and dates from the 1880's. The basement wall is stone. The exterior above grade walls are originally sided with wood lap siding and subsequently covered over with plaster on metal lath.

Purpose of Visit

The north side exterior wall is moving and causing a loss of support for the first floor joists in the area of the movement. From the outside the top of the basement wall can be seen to be moving to the north. The upper wall area directly above is being pulled outward with the basement wall. The result is a hinge forming at the top of the basement wall level.

Observations

In the living room on the first floor the north side of the exterior wall can be observed to be pulling away from the floor. In the basement the stone wall can be seen to have lost much of its mortar in the lower 2-3' of the wall. The stones in this area are loose to hand pressure. There is noted a downspout in the area with no horizontal leader on it. The soil has been eroded below the downspout. The stone wall in the vicinity of the downspout has a large horizontal separation (roughly 4") where the upper portion of the wall has tilted and moved north relative to the bottom portion of the wall.

The wood framed portion of the north wall is admitting water where the plaster has fallen out and probably wherever there is a window. The plaster application would not be a recommended siding system. The exterior plaster probably admits water wherever there is a window. This is evident in the area of the double living room window. The plaster is showing a tilt outward to match the pivoting in the basement wall. There is also noted a bubble in the plaster in the second floor area where water is probably getting behind the plaster. This area of plaster will fall eventually and could injure pedestrians on the sidewalk below.

The nearby area has been known to flood. It is unknown if flood waters have ever gotten close to this building. The street just north of the north wall of the building is paved with a curb. There is a curb inlet nearby.

Recommendations


The repairs needed to create a stable situation of the north wall in the living room area are:

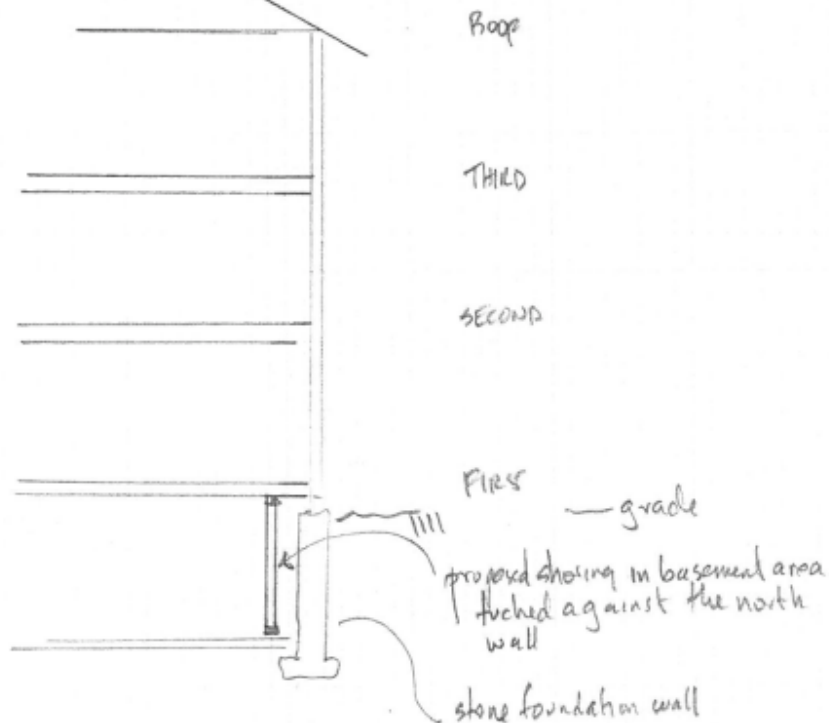
1. Immediate.
 - a. Find a section of downspout leader and attach it to the downspout. Make sure it stays in place.

- b. Place shoring in the basement per the attached sketch. This will hold up the upper wood framing levels best as possible when the basement wall gives up all supporting abilities. There is no estimate that can be provided when this might occur.
 - c. Remove and repair bulged exterior plaster.
2. Longer term
- a. Remove and rebuild the stone wall in the 15' area of the living room. Use reinforced CMU or concrete. Anchor the upper stud wall into this new foundation.
 - b. Remove the exterior plaster in the living room area to view the wood framing conditions behind. The wood wall may be rotted and certainly is out of alignment. The worst case scenario would be to have to re-frame the exterior wood wall in the area of concern.

The immediate term repairs are intended to buy time until overall decisions can be made and implemented. When properly constructed they are believed to be able to provide another year in which overall decisions can be made.

Written by: Robert B. Corey, PE

	Project Name <i>021 North Lake Street</i>				
	Calculation Section				Job No.
	Calculated by	Date <i>6/2/14</i>	Checked by	Date	Sheet No.



Section looking West @ North Wall
 ntc

Exhibit 2: Findorff Shoring Wall Proposal & Engineer Diagrams

Proposal

Nick Herman
 Alpha Chi Sigma
 621 N. Lake Street
 Madison, WI



June 13, 2014

Description	Subtotal
Preconstruction	\$ -
Architecture - not included	
Engineering - not included	
City Fees (Urban Design, Plan Reviews, etc.) - not included	
Demolition / Sitework	\$ -
DEMOLITION - Not Included	
Shoring & Downspout Repair	\$ 8,410
FRAMING AND DRYWALL	
Shoring of North Wall per recommendations by Structural Engineer	
Downspout replacement	
Subtotal	\$ 8,410
Contractors Estimating Contingency	0% \$ -
Proposal Total	\$ 8,410

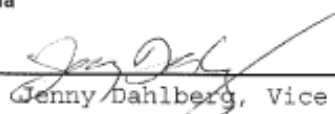
If you have questions regarding this proposal please contact
 Jon Koelsch - office 608-729-2136 or cell 608-469-9064

Terms & Conditions:

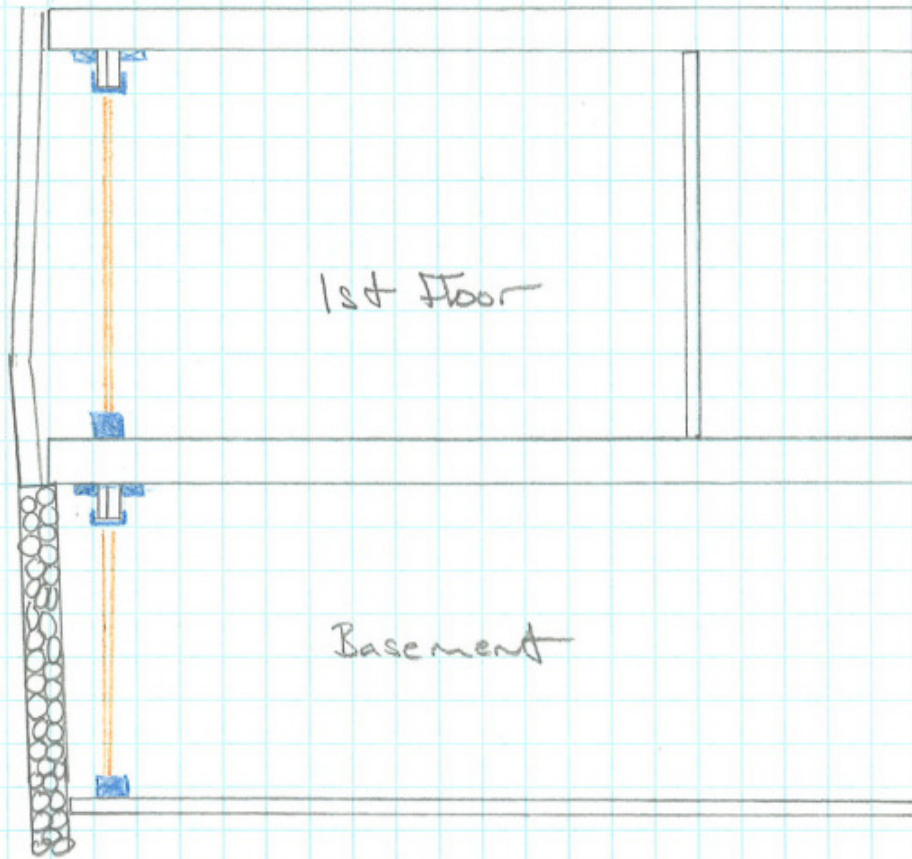
1. In the event that the actual scope of work varies from the above, the changes will be performed and billed on a time & material basis with normal mark up for overhead & profit.
2. All work included in this proposal is to occur during normal work hours M-F 7am-3:30pm. Work conducted outside normal work hours including overtime will be billed at 1.5 times the standard rate.
3. Payment due net 10 days from date of invoice. A 1 1/2% per month (18% annually) interest charge will be assessed on all past due account balances.
4. This proposal is valid for 30 days.
5. Owner is responsible for coordination and supervision of Owner supplied items, materials and subcontractors contracted directly with Owner. Findorff will not be responsible for impacts, schedule delays or added costs resulting from, these materials, subcontractors or suppliers.
6. Excludes Builders' Risk

Acceptance:

Alpha Chi Sigma

Nick Herman  Vice President Alphacorp 7/2/14
 _____ Date

621 N Lake Street



Section - North Wall $\frac{1}{4}'' = 1'$

