

BOARD OF DIRECTORS
REGULAR MEETING
CP 250 CONFERENCE ROOM
JUNE 16, 2009 :: 3:30 P.M.

Present: Jim Alexander, Bill Barrett, Jay Bond, Ted Bremner, Pat Carroll, Bill Dickerson, Mark Stohs.

Staff/Guests: Bill Herbert, John Jay, Frank Mumford.

Excused: Jay Carvin, Michael LaCour-Little.

I. CALL TO ORDER

Chair Mark Stohs called the meeting to order at 3:35 p.m.

II. APPROVAL OF MINUTES

Bill Dickerson moved, Ted Bremner seconded and motion carried to approve the minutes of the 05/12/09 Board of Directors meeting.

III. REPORTS

A. TREASURER

Jim Alexander commented on the financials thru 05/31/09 that were included in the packet and showing that we are still upside down approximately \$1.2 million. Since an earlier accrual of approximately \$1.6 million will be applied on 06/30/09, we will actually end the year in excess of \$300,000.

In response to a question from Pat Carroll regarding the “upside down” loans at University Heights, Jim explained that the auditors were fine with not recognizing any liability, in large part, due to the 7+ year history of Housing Authority guarantees without any problems.

Jim went on to explain that Creekside was nearly closed out -- final estimates of total costs will be approximately \$1.3 million. Under current liabilities, Jim corrected some numbers on the balance sheet under current liabilities: \$4,552 for accounts payable; \$3,627,438 for accrued expenses; and \$800,000 for the loan due the ASC. Jim will be distributing a corrected version by email.

B. EXECUTIVE DIRECTOR

Bill Dickerson indicated that the 20th and final Creekside condo was in escrow and should close by the end of the week. At UH, 12 homes are currently leased and papers were just signed for the 13th reaching the 50% level early in the summer. Fortunately, interest rates continue to be favorable and we are hopeful of leasing the remaining homes within the next 3-4 months. Bill also reported that we will soon be drawing approximately \$425,000 to reimburse us for

expenditures on completing the Elks Lodge. Regarding the Elks Lodge, thanks to the efforts of Jim Alexander and Bob Farrell, we are down to the final few items. With any luck, they should be completed within the next few weeks. The final outstanding possible problem regarding slope stability will be determined over the next few months as the wall and slope are being monitored for movement. Sales activity at Gables has been brisk -- on 06/01/09, eight homes were listed for sale; however, since then, 2 are in escrow and 2 more are likely to be in escrow next week and things are moving along nicely. However, one additional home was listed for sale as of yesterday, bringing the total available homes back up to five. Bill and Jim also met with the Elks building committee last week to begin to discuss resolving the potential legal claim. The meeting went well, but a subsequent meeting will be scheduled in July with the Elks Board.

IV. RESOLUTIONS

A. APPROVAL OF 2009-10 BUDGET

Jim Alexander reported that making reasonable assumptions regarding leasing of homes at UH and sales of homes at UG should produce income over the year slightly in excess of a million dollars. He added that, although monthly increases would be eligible beginning this Summer; the current budget does not reflect any such increase.

He added that the budget reflected additional time on the part of Bob Farrell so that he could begin to work with Encore, our property manager, in resolving occasional repairs. Over time, this should reduce our reliance on a property management firm.

Ted Bremner moved, Bill Barrett seconded and motion carried to adopt the following resolution.

Operating Budget: Fiscal Year 2009 – 2010

WHEREAS, the CSU Fullerton Housing Authority (“Housing Authority”) operates on a fiscal year beginning July 1 and ending June 30 of each year; and

WHEREAS, the Housing Authority has had to recognize the negative effects associated with a slumping housing market, many of which are reflected in the attached budget; therefore

BE IT RESOLVED, that with his signature below, CSUF President Milton A. Gordon signifies his approval of said budget and authorizes management of the CSU Fullerton Housing Authority to proceed with implementation effective July 1, 2009

B. APPROVAL OF BUSINESS SERVICES AGREEMENT

Mr. Dickerson explained that when one auxiliary organization (ASC) provides services for another auxiliary organization (HA), the Chancellor’s Office requires that the relationship be memorialized in the form of a Business Services

Agreement. This particular agreement was passed by the ASC Board last Thursday and the HA Board is being asked to approve it today.

Jay Bond moved, Ted Bremner seconded a motion to adopt the following resolution.

Business Services Agreement

WHEREAS, the CSU Fullerton Housing Authority (Authority) seeks service support functions to be performed by the CSU Fullerton Auxiliary Services Corporation (ASC); and

WHEREAS, the present Business Services Agreement for such service support functions by and between the Authority and ASC is scheduled to expire on June 30, 2009; and

WHEREAS, a new Business Services Agreement has been agreed to between the parties to serve as the framework for such service support functions by and between the Authority and ASC for the three year period ending June 30, 2012; therefore,

BE IT RESOLVED that the Board of Directors of the CSU Fullerton Housing Authority:

(1) approves the Business Services Agreement by and between the Authority and the ASC in substantially the form presented; and

(2) authorizes any of the officers to execute the approved Business Services Agreement, together with any related implementing instruments; and

(3) authorizes the Executive Director or Director of Property Development of the Corporation to take all further actions that are necessary or appropriate to implement the Business Services Agreement

Frank Mumford pointed out that Exhibit B contained some minor inconsistencies that can be resolved by removing the 3% increase line -- as well as each of the 50% reimbursement lines. There was general agreement that "clean-up" was necessary. As a result, Jay and Ted accepted modification to their motion that the resolution be passed after appropriately "cleaned-up." (It was noted that the ASC would similarly have to make the same minor corrections).

The motion was unanimously approved.

C. SCHOOLSFIRST SUBSIDY REQUEST FOR PEISSIG

Mr. Dickerson reminded the board that this Resolution is the culmination of discussions that began when the HA was informed last December of the likelihood that Nigel Gomez, UH homeowner and husband of CSUF faculty member Jessie Peissig, was likely to be laid off from his place of employment

early this year. That layoff ultimately occurred in April -- prompting Jessie and Nigel to file a "hardship" application with the credit union in the hopes of reducing their monthly expenses to a more affordable level. Because of the HA's "guarantee" the credit union, fully expects that any reduction in monthly payments would be "made up" by the HA. -- in this case, \$527/month.

Pat Carroll suggested a simpler form of accomplishing the same end wherein the HA would deposit funds into an account from which the credit union could draw the \$527/month directly -- thereby eliminating the necessity of the "formal" relationship between the homeowners and the HA. Bill Barrett raised the question of tax liability and it was suggested that the matter be referred to the HA's accountant for advice.

Ted Bremner raised the question as to whether or not this guarantee would automatically apply to future home sales. Bill Dickerson responded that the guarantee currently applied to "all" sales at Gables -- but with any subsequent sales at UH, the guarantee would be decided by the HA at the time of the sale. John Jay pointed out that the Gables guarantee also applied to those non-CSUF and non-CSU buyers who were members of the credit union and it was agreed that that was something that should be investigated.

It was subsequently determined that, if possible, the relationship should be between the homeowner and the credit union with the HA remaining as "silent" as possible. To accomplish this, it was suggested that the words "or SchoolsFirst Credit Union" be inserted between "Homeowners" and "whereby" in the first Be it Resolved. In that same section, it was also suggested that the words "subsidize the Homeowners/ mortgage in" be replaced with "to maintain the mortgage guarantee by providing."

Following additional discussion, Bill Dickerson moved and Bill Barrett seconded passage of the revised (underlined) resolution. The motion passed unanimously.

SchoolsFirst Hardship Relief Request for Peissig/Gomez

WHEREAS, Nigel Gomez and Jessie Peissig ("Homeowners") are the owners of 1401 University Circle at University Heights ("Property"); and

WHEREAS, the Homeowners acquired the Property through a SchoolsFirst loan; and

WHEREAS, SchoolsFirst expressly conditioned lending to University Heights buyers upon the execution of a Homebuyer Default Agreement between the CSU Fullerton Housing Authority ("Housing Authority") and SchoolsFirst; and

WHEREAS, under the Homebuyer Default Agreement, the Housing Authority is responsible for curing any defaults by purchasers at University Heights; and

WHEREAS, due to a recent layoff, the Homeowners find themselves unable to pay the full amount of their mortgage and have requested temporary relief from SchoolsFirst; and

WHEREAS, in a letter dated May 28, 2009, SchoolsFirst indicated that it would seek reimbursement from the Housing Authority in the case of any shortfall in payment by the Homeowners; and

WHEREAS, the amount of relief requested by the Homeowners (\$527 per month) is substantially less than the monthly liability the Housing Authority would have to SchoolsFirst if the Homeowners default on their loan (\$2,491.20 per month); and

WHEREAS, unless such debt relief is available it is likely that the Homeowners will default; therefore

BE IT RESOLVED that the Board of Directors of the CSU Fullerton Housing Authority hereby authorizes the Executive Director to enter into an agreement with the Homeowners or SchoolsFirst whereby the CSU Fullerton Housing Authority agrees to maintain the mortgage guarantee by providing the amount of \$527 per month for up to six months.

BE IT FURTHER RESOLVED that the Board of Directors of the CSU Fullerton Housing Authority authorizes the Executive Director to take such other steps as may be necessary to implement the foregoing

V. REPORTS

A. DISCUSSION: PENDING LITIGATION UPDATE

John Jay gave a legal update on the Valeo litigation

B. DRAFT MEETING DATES FOR 2009-2010

A listing of proposed meeting dates for the next year was distributed. Board members were asked to point out any conflicts so that alternative arrangements might be considered.

VI. OTHER BUSINESS

Bill Dickerson announced that Gables was about to sell their first home to a non-educator and as such may want to consider a slight modification to the ground lease; specifically, the clause which permits the home to be “bought” by the HA after five years. It is believed that this clause as currently written will likely prevent sales to the public and as such, the HA was asked to think about extending this period to provide a minimum of ten years ownership before becoming eligible for activation. No action was being requested today, but will likely be discussed at a subsequent meeting.

VII. ANNOUNCEMENTS

Next meeting: 07/28/09 @ 3:30 pm.

VIII. ADJOURNMENT

Chair Mark Stohs adjourned the meeting at 4:50 p.m.

Approved by the Board of Directors, July 28, 2009.

Jay W. Bond, Secretary