Preston Allen presented

I. MINUTES
   A. Board Meeting Minutes – February 12, 2010 and April 24, 2010
      M/S/Passed (Webb/Murphy) to approve the minutes for the February 12, 2010 and April 24, 2010
      meetings, as presented.
      None Opposed.

II. BUSINESS
   A. Designation of Officers and Selection of Officers
      that the Board recognizes the appointment of Brian Tietje for a one-year term as Cal Poly
      Housing Corporation Director and appoints Preston Allen as Chair and appoints the incumbent
      officers to an additional one-year term.
      Murphy reported that the Board has two vacant Director positions for the 2010-11 FY. Chair Mike
      Suess is retiring and Student Director Carl Payne is graduating. CPHC will receive nominations from
      ASI in the next couple of weeks and the new student will be appointed at a later date.

      Murphy asked the Board to consider the recommendation of Brian Tietje as an ex-officio Director,
      appoint Preston Allen as Chair and to appoint for another one-year term, incumbent Officers as
      follows:

      John Dunn                Vice Chair
      Karen Webb             Secretary/Treasurer

      None opposed.

   B. Approval of FY 2010-11 Administration Operating Budget
      M/S/Passed (Webb/Allen) to approve the 2010-11 Fiscal Year Operating Budget
      Murphy reported that the budget was submitted and there is an increase in the fiscal fees. Fees for
      services represent the OCOB unit fees collected for managing the unit in the amount of $1,500.
      Ground lease rent will remain at $48.00 per month or $39,744 per year. Total revenue is $41,244.

      AOA membership dues and are based on the gross revenue amount of sales. This year the dues are
      $325,000. Web Service fee is budgeted for $360 per site. CPHC has a Bella Montana Site and a
      CPHC site for a total fee of $720 for the year. Audit and tax fees are budgeted for $8,100. Insurance
      expense is budgeted to increase 5% per CSURMA guidelines. Interest expense is expected to
decrease due to the reallocation of line of the credit from CPHC administration to the individual units. Webb commented on the interest expense decrease; due to the reserve that CPC was holding for CPHC and forgave the interest cost went away. Murphy reported that CPHC no longer has H-9 and is no longer accruing interest on H-9.

Murphy reported she would like to discuss items that pertain to the fiscal fees. She is not certain as to how the flat $10,000 fiscal fee was established but wanted to have a more realistic look at how CPHC is conducting business and the costs that are associated with doing business. CPHC wants to propose to the Board for consideration employing a part time dedicated person for the CPHC. Due to the amount of work within the staff, CPHC wants to make sure it continues to give Bella Montana the level of service it needs and at the same time recognize the $10,000 fee does not cover CPHC’s expenses for the project. Suess asked what the functions would be of this staff member and who currently performing these functions. Murphy replied that currently it is a shared responsibility. This person would take over the responsibilities of the project and be completely dedicated to working with tenants. Managing director of the project will be Grant Trexler and he starts with CPC on May 19, and would oversee this new position. This individual would be a CPC employee dedicated to CPHC and be in the contract services agreement. Webb commented that this would basically be increasing the service fee cost of the CPHC contract with CPC. Murphy asked the Board if they knew how the $10,000 service fee was established. Webb replied that CPHC had estimated $39,000 to $40,000 to come in as ground lease income and this income was supposed to cover the operations for CPHC. The intent was that this budget would be a net zero budget and there was never any assumption that CPHC would be paying its full share. The fact that it is a service that needs to be provided and that CPC would provide that to CPHC and if there were monies available to support that then that’s what CPHC would do. Murphy replied that CPC wants to make sure it is providing the right level of service for CPHC and CPC’s concern at this time is that personnel is so stretched and they are doing a lot but not doing a lot well. CPHC has estimated that it will probably take another five years to sell the rest of the units. Webb commented that the issue she is having with the increased service fee is the $42,000 net to reserve in the hole which is a problem for CPHC. Even with looking at the rental information there isn’t a lot of money and basically if this Board was to approve this $42,000 which is really a $50,000 increase, CPHC will be using its cash that it is projecting to accrue for this year and still have maintenance, brokerages and all sorts of costs in the future that at this point in time it is not doable.

Murphy replied CPC wants to show the true costs that are associated with the project. Webb replied that ultimately that is going to hurt CPHC down the road and that is her concern with this proposed increase in fees. If CPHC is going to increase the contract amount then this Board needs to talk about what that amount should be and needs to see the full picture so that this Board can actually make some suggestions. If CPHC ends up not having enough cash to pay the interest the CPC Board and Investment committee is going to come back to this Board and CPHC’s fiduciary responsibility to CPC is now gone. Suess commented that if CPHC should keep the Fees for Service at $10,000 CPHC’s expenses would still be $2,000 more than CPC’s revenue.

Webb moved that CPHC maintain the fiscal fee between CPHC and CPC at $10,000 for the 2010-11 fiscal year and that the new managing director together with the advisory group and evaluate CPHC costs and come back to the Board with recommendations as to how to move forward.

Murphy stated that if this Board is keeping the $10,000 fee for the 2010-11 fiscal year, she is suggesting that it not be the fee for the entire 2010-11 fiscal year. She would like to leave it open in case recommendations come back from the advisory committee that CPHC needs to revise how it is conducting business. Webb commented that when this Board meets again she suggests that the Board looks at the full CPHC budget to see the rental income, costs and not just the administration budget.

Suess commented that this Board needs to approve a budget and at this particular time a motion has been made to modify the 2010-11 fiscal year budgeted fees for service for $10,000 subject to further
analysis from the subcommittee. Based on the report this Board can make other adjustments if necessary.

M/S/P (Webb/Allen) none opposed

C. Proposed Changes to Rental Agreement

M/S/P (Webb/Dunn) to approve the proposed changes to the Bella Montana Rental Agreement

Lee reported that the changes to the rental agreement are to set guidelines for ways of taking action and complying with the legal options that are available to CPHC. There have been certain options that are not included in the current lease that are available to landlords. Particularly, adding the three strike rule provision gives notice that three incidents of late rent payments or dishonored checks within a six month period constitutes a material breach of the lease, which warrants termination of the lease and then uniformly enforcing this provision if it is invoked. Some of the other provisions added are:

- Automatic renewal provision in the lease was removed and CPHC will now evaluate the tenant before giving a second year lease.
- Maximizing the amount of the security deposit to be charged, based on a risk assessment of the tenant and other occupants. Suess asked if it is industry standard to charge different security deposits. Lee replied that a landlord can't charge more than twice the amount of the rent for the security deposit.
- Ensuring that the rent charged is at or below market level plus the cost of the possessory interest tax for the units. Lee commented that when the possessory tax bills are received, CPHC will pay this.

E. Closed Session in accordance with California Education Code, Section 89920, et seq.

There was none.

III. DISCUSSION (items may be added at meeting)

IV. REPORTS

A. Bella Montaña Update

Murphy reported that CPHC has a total of eleven rental units; eight units are currently rented, one is vacant, one is reserved with the lease to begin June 1, and one is in escrow and due to close in mid June.

Currently there are no tenants late on their rent. Six leases expired on March 31, 2010 and all but one has exercised the additional one year lease option. One final lease expires July 31, 2010. Tenants in 489-A gave notice and vacated this unit on May 3. This unit is in relatively good shape. The problem with this unit is it does not have a refrigerator or washer/dryer. Suess commented that he will donate a refrigerator. The Board also agreed to increase the rent to $2000.00 per month.

An open house was held at Bella Montana on May 8 with very few people touring the units. Webb made a suggestion to list unit 489-A for sale and for rent that way CPHC has the option to either sell or rent the unit.

At the last CPHC Board meeting it was decided to stage one of the resale units. CPHC staged the unit 499-B which is three-bedroom and two-bath. There is one homeowner who is three months delinquent in ground lease rent. They have been sent certified notices and are being assessed a late fee for every month they are behind on the ground lease. There is language in the sublease allowing CPHC to place a lien on their property. The Board agreed that CPHC should move forward on placing a lien against their home.
B. Managing Directors Report
Murphy reported that CPHC has received several inquiries from tenants regarding a reduction in their rent. The Board did not approve the rent reduction. One tenant inquired if they could extend their lease renewal for two years versus one year. It was approved to extend for a two year lease. Also a homeowner inquired if they can lease their home with an option to purchase. Board approved only if the person renting is a Cal Poly employee. Board did not approve a homeowners request to rent without restrictions. Another homeowner has rented their unit for one year while they are on Sabbatical.

V. ANNOUNCEMENTS
A. Tentative Board Meeting Schedule 2010-11
There were no changes to the schedule.

Allen read and presented a service commendation to Mike Suess and thanked him on behalf of the CPHC Board of Directors for his dedication and service to the Cal Poly Housing Corporation. Suess commented that the whole Bella Montana concept has been great. There have been a lot of obstacles and challenges but it has been a great experience and a learning one. The Board Congratulated Suess on his Retirement and wished him well.

VI. ADJOURNMENT
M/S/Passed (Webb/Murphy) to adjourn the meeting at 11:20 a.m.

Respectfully submitted,

Ann Roy
Recording Secretary