

IRVINE CAMPUS HOUSING AUTHORITY
Board of Directors' Meeting
May 10, 2016

BOARD MEMBERS PRESENT: Alan Barbour, Ken Chew, Greg Jue, Herb Killackey, Diane O'Dowd, Deb Sunday, Christy Teague, Kerry Vandell, Mark Warner

OTHERS PRESENT: Courtney Caldwell, Stephen Cauffman, Lara Grady, Nahid Greger, Jane Laning, Robyn Stelk, Victor Van Zandt, Elaine Vatakis

CALL TO ORDER: Ken Chew called the meeting to order.

APPROVAL OF MINUTES: The Board approved the minutes of March 9, 2016.

REPORTS ON OPERATIONS

Monthly Operations Report

Chair Ken Chew opened the Operations Report for questions and comments. He then discussed the following items:

- Board member Mark Warner will be retiring from UCI. He will remain on the Board until his term expires.
- A link to a video of a recent lecture by Ken Chew on the demography of University Hills is on the ICHA website.

President Jane Laning then updated the Board on the following items:

- The UC Regents have asked for more information concerning the request to add Area 11 to ICHA's ground lease. Management has been working with UC Irvine administration and the office of Environmental Planning and Sustainability to provide data for the formal presentation at the May Regents' meeting. If The Regents do not approve the ground lease amendment adding Area 11 at the May meeting, the request may move to the July meeting. Any further postponement or a request to redesign the Area 11 plan would result in a significant delay and thus eliminate the possibility of delivering homes in 2017.
- The Concurrent Item for authorization to obtain permanent financing on the Alturas Rental Townhome project is approved and signed. ICHA's Management and counsel are now in discussion with both the lender and UCOP staff. Of special concern to UCOP are the details of what should happen in the case of a default or foreclosure, as the ground

lease is unclear on this point. Because the process will likely take several months, ICHA has asked California Pacific Homes to extend the construction loan. Cal Pac has agreed and formally notified the construction lender.

- The Dispute Resolution Committee (DRC) had its first meeting. ICHA Board representatives, staff and HRB representatives discussed the pros and cons of establishing a standing committee to resolve disputes that cannot be resolved by ICHA management or the HRB. The HRB representatives took this concept back to the full HRB for discussion. HRB Chair Steve Cauffman reported that the full HRB discussed the issue at their meeting but would like more time to consider the matter. The DRC will reconvene as soon as the HRB reaches consensus on the issue. Board members Ken Chew and Herb Killackey will continue as Board representatives to the DRC beyond their Board term limits.
- President Laning reminded the Board that the ICHA Board Retreat is May 25th at the Hyatt Newporter. Invitees will receive information prior to the Retreat. All four of the new ICHA Board members will be attending.
- The four new Board members will join the Board in their official capacity in July.

NEW BUSINESS

Gabrielino and Santiago 2016/17 Rental Rates

Director of Rental Housing Elaine Vatakis made a PowerPoint presentation of next year's proposed rental rates and percentage increases for the ICHA-owned Gabrielino and Santiago Apartments and data considered in determining the rate increases, which included Las Lomas rental rates, UC Irvine graduate housing rates, and local apartment market comparisons, as well as ICHA's own rate increases in recent years and budgeted expenses for the upcoming fiscal year. She distributed a handout tabulating proposed new rates and resulting percentage increase for all unit types in each complex. She fielded numerous questions from Board members.

After discussion, and upon motion duly made and seconded, the Board unanimously adopted the following resolutions:

RESOLVED: that the rental rates for the Gabrielino Apartments will increase by 2.5% for unfurnished units and 3-3.1% for furnished units, effective July 1, 2016.

FURTHER RESOLVED: that rental rates for the Santiago Apartments will increase by 2.4-2.5%, effective July 1, 2016.

FURTHER RESOLVED: that rental rates for Alturas Rental Townhomes will remain the same with no increase for fiscal year 2016/17.

The Board commended Director Vatakis on her presentation.

Draft Budget, Reserve Expenditures and Funding for Fiscal Year 2016/17

Vice President of Finance Lara Grady gave a PowerPoint presentation on ICHA's draft budget for fiscal year 2016/2017 and distributed the consolidated budget and the budget by cost center. She highlighted major variances from the current budget; emphasized the need for ICHA to retain ground rent and shared appreciation to reinvest in the community; and noted how valuable the rental portfolio is to the program.

The draft budget shows a positive change in Net Assets (net income). Budget assumptions for revenues included no new-home sales; rent increases as proposed, plus rental income from Alturas; a \$3 increase in the homeowner monthly Maintenance Assessment (Supplemental Ground Rent) from \$77 to \$80; and a Shared Appreciation Income projection, typically based on a 3-year historical average. Total expenses are substantially lower than in the current year's budget owing primarily to the hiatus in homebuilding; some have increased given factors such as inflation plus costs related to the newly added Alturas complex, recreation facilities and common areas. Vice President Grady explained ICHA's proposed capital expenditures.

Vice President Grady reviewed the various reserve accounts for each of the University Hills components, including their respective current fund levels, budgeted expenditures and proposed contributions to these accounts for the upcoming fiscal year. She noted that Annual Reserve Studies prepared by outside consultants are an important budgeting and scheduling tool for ICHA and the basis for expenditures and contributions, and that ICHA's reserve funding levels comfortably exceed the minimum 70% benchmark threshold qualifying as good.

In accordance with Reserve Study recommendations along with internal assessment and discussion, management proposes total contributions to reserves of \$826,100 for fiscal year 2016-2017, a slight increase over the previous fiscal year and a recognition that the University Hills facilities are both growing in size and aging. Transfer of contributions from ICHA's operating account to the specified reserve accounts will occur following Board approval.

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Board members will have approximately 30 days to review the proposed budget and reserve funding before presentation for final approval at the June Board meeting. Vice President Grady encouraged Board members to contact her before then for any additional information and questions.

EXECUTIVE SESSION

The Board went into Executive Session to discuss Human Resource Matters.

ADJOURNMENT

The meeting adjourned at 5:05 p.m.