

**In The Matter Of:**  
*Arizona Board of Manufactured Housing Meeting*

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*Reporter's Transcript of Proceeding*  
*April 20, 2016*

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*Phoenix, AZ 85016*

Original File 042016.txt

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ARIZONA BOARD OF MANUFACTURED HOUSING MEETING

REPORTER'S TRANSCRIPT OF PROCEEDINGS

Phoenix, Arizona  
April 20, 2016  
1:01 p.m.

REPORTED BY:  
MARISA L. MONTINI, RPR  
Certified Reporter  
Certificate Number 50176

PREPARED FOR:  
ASCII/COPY

(Certified Copy)

1 THE ARIZONA BOARD OF MANUFACTURED HOUSING  
2 MEETING was taken at 1:01 p.m. on Wednesday,  
3 April 20, 2016, at the Offices of Arizona Board of  
4 Manufactured Housing, Department of Fire, Building and  
5 Line Safety, 1110 West Washington Street, Room 3100B, 3rd  
6 Floor, Phoenix, Arizona, before MARISA L. MONTINI,  
7 Certified Reporter, Certificate Number 50176, in and for  
8 the County of Maricopa, State of Arizona, pursuant to the  
9 Rules of Civil Procedure.

10

11 PARTICIPANTS:

12 Samuel Baird, Chairman  
13 Jan Doughty  
14 Terry Gleeson  
15 Everette Hoyle  
16 Gregory Johnloz  
17 Cody Pearce  
18 Joe Stegmayer  
19 Wayne Syrek

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21 AGENCY MEMBERS:

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23 Debra Blake, Deputy Director  
24 Ayde Sanchez, Secretary

25 BOARD COUNSEL:

Frankie Shinn-Eckberg, Assistant Attorney General

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Phoenix, Arizona  
April 20, 2016  
1:01 p.m.

P R O C E E D I N G S

CHAIRMAN BAIRD: The Wednesday, April 20th,  
meeting of the Board of Manufactured Housing is now in  
order.

Can we have a role call, please.

MS. SANCHEZ: Sam Baird.

CHAIRMAN BAIRD: Here.

MS. SANCHEZ: Jan Doughty.

MS. DOUGHTY: Here.

MS. SANCHEZ: Terry Gleeson.

MR. GLEESON: Here.

MS. SANCHEZ: Everette Hoyle.

MR. HOYLE: Here.

MS. SANCHEZ: Greg Johnloz.

MR. JOHNLOZ: Here.

MS. SANCHEZ: Cody Pearce.

MR. PEARCE: Here.

MS. SANCHEZ: Joe Stegmayer.

MR. STEGMAYER: Here.

MS. SANCHEZ: Lloyd Strode is absent today.

Wayne Syrek.

1 MR. SYREK: Syrek. Here.

2 MS. SANCHEZ: Syrek. Debra Blake.

3 MS. BLAKE: Here.

4 MS. SANCHEZ: And Frankie Shinn-Eckberg.

5 MS. SHINN-ECKBERG: Here.

6 CHAIRMAN BAIRD: Great. Thank you very  
7 much.

8 We have a new member, and I'd like to  
9 introduce Cody Pearce as our most recent addition to the  
10 board. Cody has a -- has a definite attachment to our  
11 industry. He runs a company that finances our homes in  
12 how many states?

13 MR. PEARCE: About 36.

14 CHAIRMAN BAIRD: 36 states. His company  
15 only does manufactured housing loans. So we're very lucky  
16 to get him to join us, and he'll tell a little bit about  
17 himself, and as you listen, you'll understand why we're --  
18 we're blessed to have him on this board, and he'll add to  
19 professionalism of the board, I think, no doubt, and he  
20 really cares about people. Keep in mind, he's the one  
21 that's listening -- he'll be dealing with these people for  
22 20 or 30 years that we're trying to make, you know, sure  
23 everything goes okay with them. So he's done an excellent  
24 job with that. He does business for --

25 (Ms. Brenton entered at this time.)

1                   CHAIRMAN BAIRD:  -- with a lot of -- a lot  
2 of manufacturers.  So, Cody, tell us a little bit about  
3 yourself.

4                   MR. PEARCE:  Okay.  Thank you, Sam.  Cody  
5 Pearce.  I'm the president and co-founder of Cascade  
6 Financial Services.  I founded Cascade here in Mesa, in  
7 Gilbert, 1999, and a hundred percent of our production has  
8 been dedicated to the manufactured housing industry.  As  
9 Sam mentioned, we've -- we've grown into about 36 states.  
10 We service about a billion dollars of our own loans, and  
11 I'm very -- as Sam said, I'm very tied to this industry.  
12 This is the industry I chose to start my career in when I  
13 was 25, and it's hopefully, you know, where I'll be when  
14 I'm, you know, Sam's age.  So -- that's for telling them  
15 we were in the bathroom together.

16                   But, once again, professionalism.  But I  
17 know -- I know several of you here.  I certainly worked  
18 with, you know, several of you for many, many years and  
19 look forward to getting to know the rest of you, and I do  
20 spend a lot of my time on the road.  A lot of it is  
21 dealing with state and more recently national issues when  
22 it comes to the regulation or overregulation, I should  
23 say, of manufactured housing.  I deal directly often with  
24 the CFPB and with their director and their dictates.  I  
25 meet with them regularly, and so I'm constantly on the

1 frontline with that, along with Mr. Stegmayer and Sue.  
2 You know, Sue and I are going to be in Washington together  
3 in a few days meeting with FAHSA. I saw you on that list.

4 So I'm happy to participate in this board  
5 and certainly looking forward to adding value, but more  
6 importantly learning and perpetuating this industry.  
7 Thank you for having me.

8 CHAIRMAN BAIRD: Well, you're welcome. Cody  
9 also serves as chairman of the association that we are all  
10 members of, the association, so Manufactured Housing  
11 Industry of Arizona. So thank you for doing that as well.

12 MR. PEARCE: Thank you.

13 CHAIRMAN BAIRD: Great. I've been remiss.  
14 I've been promising everybody that I would get out a  
15 resume so we'd all know each other a little bit better. I  
16 think I received -- I can use your one from before, I'm  
17 sure. Not much has changed. A few more accolades.  
18 That's right. You were chairman of his, the national  
19 association. So thank you for doing that. I've got  
20 yours.

21 Wayne, do I have yours?

22 MR. SYREK: I don't believe so.

23 CHAIRMAN BAIRD: Okay. I'll give you my  
24 e-mail address. I don't have yours, I don't think.

25 MS. DOUGHTY: Oh, you don't? Okay.

1                   CHAIRMAN BAIRD: Yeah. No, I don't have  
2 yours.

3                   MS. DOUGHTY: Okay.

4                   CHAIRMAN BAIRD: All right. So we'll get  
5 that, and then I'll just send it out individually to  
6 everybody so we'll all -- so everybody will know each  
7 other a little bit better and maybe help -- it will help  
8 us engage a little bit better.

9                   All right. Next item. Well, we have  
10 another introduction.

11                  MS. BLAKE: Yes, we do.

12                  CHAIRMAN BAIRD: Debra, would you --

13                  MS. BLAKE: I'm pleased to introduce to you  
14 Mike Traylor. He is the director of Arizona's Department  
15 of Housing. As many of you know who've been on the board,  
16 the Department of Fire, Building and Life Safety is  
17 consolidating. We haven't received an approved budget  
18 yet, but we're still working towards that -- that goal.  
19 And so Office of Manufactured Housing will become part of  
20 Director Traylor's organization in housing.

21                  I'm going to read a short bio on him, and  
22 then ask Mike to add anything to it that he'd like to.

23                  DIRECTOR TRAILOR: Sure.

24                  MS. BLAKE: Mike was appointed by Governor  
25 Jan Brewer in 2009 and then reappointed by current

1 Governor Doug Ducey in 2015 as the director of the Arizona  
2 Department of Housing and Finance Authority. Prior to his  
3 appointment in 2009, he served as principal at Urban  
4 Development Specialists with Vanguard CityHome of  
5 Scottsdale. In that role, he developed multiple  
6 residential and retail projects.

7 In his six years as director of the Arizona  
8 Department of Housing, he's increased staff capacity and  
9 approved policies and procedures to repeat best practices.  
10 He has worked diligently to understand housing issues for  
11 the most vulnerable populations and has targeted resources  
12 and joined with other community leaders in the effort to  
13 end homelessness and build more sustainable communities.

14 Under his leadership, the Department  
15 recognized the advantages of locating affordable housing  
16 within walking distance to public transportation and  
17 working with community partners to take advantage of the  
18 economic down -- working with economic partners, took  
19 advantage of the economic downturn in 2009 to effect  
20 change. Today there are over 1,700 affordable housing  
21 units within walking distance of the light rail.

22 Michael brings refreshing business approach  
23 to state government and is working with Governor Ducey and  
24 other state departments to implement the lean management  
25 system throughout state government.

1 Mike, would you like to add anything?

2 DIRECTOR TRAILOR: That was nice.

3 CHAIRMAN BAIRD: He's thinking who is that  
4 guy.

5 MS. BLAKE: Yeah.

6 DIRECTOR TRAILOR: Well, just in short, I'm  
7 a third generation Arizona homebuilder. I've built about  
8 10,000 homes mostly in Maricopa County in my 30-year  
9 career. In 2008, I was trying to figure out what the heck  
10 I was going to do with myself, and a friend of mine,  
11 Connie Wilhelm at the homeowners association, said that  
12 Governor Brewer was looking for somebody to run the  
13 Department of Housing, and I think you might do a good job  
14 at that. And I said, you know, I've never in my life  
15 thought I would work for the government but now might be a  
16 good time to give back, and it's really turned out to be  
17 the most rewarding job I've ever had.

18 As I tell people, I think people have been  
19 happy with the homes that they've purchased from me over  
20 time, but I've never really had anybody cry, and today  
21 they cry when they get a home because they haven't had  
22 decent state housing in the past. So I enjoy what I do,  
23 got a great team of people. We're excited to have  
24 manufactured housing as joining our continuum of housing,  
25 is what we'd like to call it. It's a great addition to

1 our team and look forward to working with you all to  
2 continue to help the manufactured industry prosper in  
3 Arizona.

4 CHAIRMAN BAIRD: Great. Well, thank both of  
5 you. That's wonderful. And please join as many of our  
6 meetings as you can that work into your schedule.

7 DIRECTOR TRAILOR: Thank you. Be happy to.

8 CHAIRMAN BAIRD: You're always welcome, of  
9 course.

10 The minutes have been on the board. We  
11 should have all had an opportunity to review them. They  
12 were electronically there. Are there any questions or  
13 issues from them? If not --

14 MR. STEGMAYER: Motion that they be approved  
15 as submitted.

16 MR. JOHNLOZ: Second.

17 CHAIRMAN BAIRD: All in favor, aye.

18 BOARD MEMBERS: Aye.

19 CHAIRMAN BAIRD: Opposed? Motion passed.

20 All right. Next we've got -- as you'll  
21 learn, Michael, Debra has a large portion of our  
22 discussion points, and you do run the Department so we're  
23 glad. So this is a -- kind of a -- we started it, I  
24 think, a couple years ago, year and a half ago, as kind of  
25 a state of the State. You know, we've been like, you

1 know, three months away from the last state of the State,  
2 so she tells us what's going on, you know, getting right  
3 down to it. So we appreciate this. This is my favorite  
4 part of the meeting right here.

5 MS. BLAKE: I'll try not to disappoint you,  
6 then.

7 CHAIRMAN BAIRD: Thank you.

8 MS. BLAKE: You're welcome. Okay. So the  
9 governor's office, as you'll recall from the last meeting,  
10 the executive budget was submitted to the legislature on  
11 January 15th. They've been very busy on bills and other  
12 business. My understanding, although I was not in the  
13 office this morning, is that the budget has not been voted  
14 on by the House nor the Senate, but it may be heard either  
15 sometime today or later this week.

16 Another thing that's exciting that I want to  
17 talk with you about is Governor Ducey's vision for  
18 Arizona, which is to be the number one state to live,  
19 work, play, retire, recreate and get an education.  
20 Director Traylor, myself and other cabinet level agency  
21 directors have been getting together every Friday for a  
22 half a day for several weeks now, and it's really been a  
23 good collaborative effort with the focus of coming up with  
24 the deployment of an intentional management system. We  
25 worked on a mission statement for the state. We have

1 worked on measurements for the five priority areas, which  
2 are education, strong economy, safe Arizona communities,  
3 healthy Arizona and efficient, accountable government. We  
4 are working in the final stages of developing -- I think  
5 it's an 11 by 17 map of Arizona that addresses those  
6 areas, what they mean to the general public and how we're  
7 going to measure them. As soon as that is available, I'll  
8 be sharing with all of you, and we think that will be in  
9 the next couple of weeks. And then we're going to build a  
10 three-year roadmap on how we transform the way the state  
11 does business to achieve these priorities, which are to  
12 gain efficiencies.

13           There is a handout that was kind of late and  
14 so it didn't get bound in your -- in your booklet, but  
15 they are a series of three e-mails from Henry Darwin, who  
16 is the chief of staff, that talks about this initiative,  
17 and he's encouraged us to share them with our customers,  
18 and I am sharing it with you today. So I'd encourage you  
19 to read through it. It's very exciting, the work that  
20 we're doing.

21           Staff changes. Assuming the executive  
22 budget is approved, the only immediate plan we have is to  
23 post one position to hire an additional installation  
24 inspector. Again, that addresses volume, and we want to  
25 make sure that our service levels remain as good as they

1 have been, and so we have budgeted to hire that additional  
2 person.

3 I wanted to talk to you about a couple of  
4 things that I'm excited about, and we collectively had a  
5 very big win for the industry that the Department  
6 participated in, and this was in changing APS' policy who  
7 defines manufactured home as temporary installations. The  
8 reason this is important is APS has a program that offers  
9 any of their customers up to \$10,000 towards the cost of  
10 bringing electrical service to the homesite. However, the  
11 stipulation is it's only for homes that are considered a  
12 permanent foundation, and so we actually had a customer  
13 who had purchased a home and was denied that access, and  
14 so after she used her savings and all the money she had  
15 available to buy her home, now she was faced with the cost  
16 of how do I bring electric service, and so the association  
17 got involved, and I was able to provide information to APS  
18 that -- explain to them the federal law, that even though  
19 many of our homes sit above ground, it is a permanent  
20 foundation system, it's anchored to the ground, referenced  
21 the state law that applies there and shared information  
22 with them about the process of affixing a manufactured  
23 home to the land making it real property. And so that  
24 information was taken forward to their review committee,  
25 and the review committee approved the change in policy

1 that now all manufactured homes would be considered on  
2 permanent foundations. So that's huge for the customers,  
3 and it was a nice opportunity for us to work with the  
4 association to really get a big win for the industry. So  
5 I was happy about that.

6 Just an update on Mohave County. You'll  
7 recall that the Department got involved in supporting the  
8 industry there. Mohave County had decided, through their  
9 board of supervisors, that they didn't want any  
10 manufactured homes in their jurisdiction that was older  
11 than seven years from its construction date. I reached  
12 out to HUD, tried to get something from HUD to support us  
13 that the preemption applied, if it has a HUD label, it  
14 means it was safely constructed to federal requirements,  
15 but as of this date, I still don't have anything from HUD.  
16 So instead I reached out to our friends over at the AG's  
17 office and said help me with this. Does the preemption  
18 apply here? Does it not? And I got a very nice opinion  
19 back from them that supported what we were saying. We  
20 were able to -- I prepared a letter for the board of  
21 supervisors citing that legal opinion and what it resulted  
22 in, and Ken Anderson, actually, attended these meetings,  
23 is that the board of supervisors, when they readdress this  
24 issue, voted five to one in favor of not restricting the  
25 year. So another big win there.

1 I spoke with Lois Starkey yesterday, and as  
2 you know, she is MHI on the national level. She had  
3 actually asked me for a copy of that because they are  
4 having some problems throughout the country with local  
5 jurisdictions trying to limit the installation of homes in  
6 their communities solely based on the year, and so I spoke  
7 with her a little bit about it and said, you know, our  
8 approach was if it's a habitability issue, if it's not  
9 safe, local jurisdictions already addressed those issues,  
10 but solely because it was built in 1980 opposed to built  
11 newer does not mean that it's not a safe home for someone  
12 to live in. So another good win there for the industry  
13 that we were able to help support.

14 The FY17 installation training schedule that  
15 the Department facilitates, it's in your packet under the  
16 tab marked, "Department updates," which starts on page 9,  
17 and that is our training schedule for the year. It will  
18 kick off this Friday with the first session here in  
19 Phoenix. It wraps up typically every October, and the  
20 other cities that we host training in are Flagstaff,  
21 Kingman, Pinetop, Tucson and Yuma. So we hope to have a  
22 successful year this year. Last year we ended up in being  
23 successful mostly through Ayde's efforts in getting all  
24 licensees to attend that training so we did not have to  
25 revoke any licenses because they must attend to be able to

1 renew their license. So that was very good.

2           Manufactured Housing Industry of Arizona and  
3 Manufactured Housing Communities of Arizona are again  
4 going to join together to have a combined conference.  
5 It's here in Phoenix at Wild Horse Pass, and it will be  
6 June 7th through the 9th. As typical, Jim Lang is going  
7 to present an installation training class on June 8th.  
8 I'm going to present a state of the State on June 9th, and  
9 Mike will be joining us at the convention, if his schedule  
10 allows.

11           DIRECTOR TRAILOR: I will.

12           MS. BLAKE: So we're excited about that.  
13 Just an update on Yavapai County. As you recall, they  
14 requested to terminate their IGA because of staffing  
15 issues. It did become effective February of 2016, and we  
16 are continuing to respond by having at least a two day a  
17 week inspection schedule up there, which has been very  
18 successful.

19           And last but not least, HUD is having a  
20 national meeting of state administrative agencies and  
21 primary inspection agencies. That's going to be June 14th  
22 and 15th in DC. Dave Meunier, who is our in-plant  
23 manager, and I will be attending that, and then the MHCC  
24 meeting is tentatively scheduled for end of September or  
25 early October and that will be in DC as well.

1 And that concludes the Department updates.

2 CHAIRMAN BAIRD: That's all you got?

3 MS. BLAKE: I'm sorry. I'm slacking.

4 Sorry.

5 CHAIRMAN BAIRD: Thank you so much. As

6 usual, that's -- that's great information for us all.

7 Anybody have any questions or comments about the

8 Department? No.

9 MR. GLEESON: I have one. When do you think  
10 you will be adding the additional inspector?

11 MS. BLAKE: Well, again, it's all contingent  
12 on the executive budget, and it's part of our financial  
13 budget for Fiscal 17, which would start July 1st. We do  
14 have a little money left in the budget. We've tried to  
15 manage that very well, and so I'll consult with Mike and  
16 we may post it and try to get somebody in here, but it  
17 wouldn't be any sooner than June, I would guess.

18 MR. GLEESON: Okay.

19 CHAIRMAN BAIRD: Great. Let's move on.

20 Call to public. We have -- she's going like this. I  
21 guess we have no public here. You're really not public in  
22 what you really are. You have nothing to say?

23 MS. BRENTON: I do have one thing to say.

24 CHAIRMAN BAIRD: Please.

25 MS. BRENTON: I would really like to thank

1 Debra and the Department. They have been great in helping  
2 us. We've had a few of our parks closing this year.

3 CHAIRMAN BAIRD: Susan, introduce yourself.

4 MS. BRENTON: Oh, I'm sorry. I'm Susan  
5 Brenton. I'm the executive director of Manufactured  
6 Housing Communities of Arizona. And they've been great in  
7 helping us. We've worked together on closing -- closing  
8 quite a few parks. They notify us, and then we go out.  
9 We help everyone find new homes to move to, new parks to  
10 move to and things like that. So I really have to thank  
11 you for helping us so much.

12 MS. BLAKE: My pleasure.

13 CHAIRMAN BAIRD: That's great. Your  
14 association represents how -- what percentage of the park  
15 owners in the state?

16 MS. BRENTON: We represent somewhere around  
17 60, 70 percent of the spaces in the state of Arizona.

18 CHAIRMAN BAIRD: Of the spaces. Okay. Some  
19 parks are just huge and some smaller, but you've got them  
20 from ten to --

21 MS. BRENTON: To hundreds, thousands.

22 CHAIRMAN BAIRD: 300. Yeah. You put the  
23 companies together. That's great. And you've been in the  
24 industry for?

25 MS. BRENTON: 30 years.

1 CHAIRMAN BAIRD: How many?

2 MS. BRENTON: 30. I started when I was 10.

3 CHAIRMAN BAIRD: You started when you were  
4 12. I get it. Okay. All right. Well, thank you.

5 MS. BRENTON: Thank you.

6 CHAIRMAN BAIRD: No other public here. I'm  
7 really amazed, actually. So that's good.

8 The next item is request for an educational  
9 grant. You'll see it in your book here. It's page 13, I  
10 believe. Yeah. And the Manufactured Housing Industry of  
11 Arizona has made a request to use some of our funds that  
12 are -- that are -- there to -- to -- Debra mentioned that  
13 we were having an association meeting, and this is what  
14 the training fund's for. They're asking for 5,775 bucks,  
15 and they even list exactly how they're going to spend it  
16 for the deal. So it's pretty good.

17 Debra, how much money do we have in this  
18 account? About.

19 MR. JOHNLOZ: It's like 400,000.

20 CHAIRMAN BAIRD: You've got 100,000, 300,000  
21 or something. It's a lot of money.

22 MS. BLAKE: It's about 278,000.

23 MR. JOHNLOZ: Yeah, 278.

24 CHAIRMAN BAIRD: Well, the chair would  
25 entertain a motion to accept or turn down this motion.

1 Yes.

2 MR. GLEESON: I make a motion we accept it.

3 CHAIRMAN BAIRD: Second?

4 MR. STEGMAYER: Second.

5 CHAIRMAN BAIRD: Second. Thank you. All in  
6 favor, aye.

7 BOARD MEMBERS: Aye.

8 CHAIRMAN BAIRD: Opposed? Motion carries.

9 They'll be very happy about this.

10 All right. Next item, then, we go to --  
11 turn the page, legislative update. Now, who would we call  
12 on to talk about that?

13 MS. BLAKE: I will be happy to walk you  
14 through it.

15 CHAIRMAN BAIRD: Thank you.

16 MS. BLAKE: If you look on the tab called  
17 legislative update beginning on page 14, I'm not going to  
18 go through each of these unless Mr. Chairman and the board  
19 you would like for me to do so, but provided here for you  
20 is the bills that we have been watching that affect the  
21 Department, and beginning on page 14 and continued on 15,  
22 you will see the bills -- I'm sorry, and on 16, you will  
23 see the bills that have been submitted this legislative  
24 year that address mobile home parks. Some of them are  
25 moving. Some of them appear to have died at this point,

1 but the one that we -- the only one that I will address  
2 specifically is we were hoping that House Bill 2200 on  
3 page 15 would have gotten more support and movement, and  
4 working with both Ajo and manufactured housing  
5 communities -- again, for those of you that don't know,  
6 I'm sorry, with acronyms, Arizona Association of  
7 Manufactured Home and RV Owners, so they are the tenants  
8 in parks where Susan's organization are the park owners,  
9 but for those of you who know some of, you know, our  
10 history, is there's a relocation fund.

11 CHAIRMAN BAIRD: Yes.

12 MS. BLAKE: If you owned a manufactured home  
13 or mobile home and you live in a mobile home park, you pay  
14 a personal property tax assessment every year on your  
15 bill, and that's been going on probably -- well, Greg  
16 probably knows, '70s or '80s.

17 MR. JOHNLOZ: Yeah, probably late '70s.

18 MS. BRENTON: '89.

19 MR. JOHNLOZ: Oh, '89.

20 CHAIRMAN BAIRD: Okay.

21 MS. BRENTON: The big thing in '87 was our  
22 big bill, big change.

23 CHAIRMAN BAIRD: '89.

24 MS. BLAKE: So it's been going on for a  
25 while, and the purpose of that was to address those

1 tenants who live in parks who are low income or on fixed  
2 incomes who rent the dirt -- Susan's favorite phrase.  
3 They rent the dirt. They own the home, and therefore the  
4 landowner has a lot of latitude to do whatever he wants to  
5 with his property. So if the landowner decides to  
6 redevelop it into something other than a mobile home park,  
7 this fund provides the coverage financially for tenants to  
8 relocate their home to a new park, as Susan had just  
9 talked about, and the goal was to be no cost to them.

10 Well, as things have -- cost of everything  
11 has gone up year after year, what we have found over the  
12 last couple of years is that the statutory caps for the  
13 amount of money it will pay, in many cases do not fully  
14 cover the cost. We're going to even track it further and  
15 more intently this year, but in general, if you have a  
16 single-wide mobile or manufactured home, it's going to pay  
17 \$5,000. We are seeing homeowners getting bills of 6,500,  
18 7,000, and so they're having to pay some portion of that  
19 cost out of their pocket. Many of them simply can't  
20 afford it. What the Department tells them is we have many  
21 licensees, you can certainly negotiate that by contacted  
22 several of them because we do have some that still will do  
23 it for that amount, but, again, we're seeing more and more  
24 it being a cost to a homeowner and many of them simply  
25 can't afford it. And so we were hoping to raise those

1 dollar amounts from 5,000 to 7,500 and from 10,000 to  
2 12,500, but it didn't -- the bill is dead at this point.  
3 So we may need to address that again next year to make  
4 sure that the relocation fund is supporting tenants as it  
5 is supposed to.

6 And other than that, I would just encourage  
7 you to look through these. There's some HOA bills on  
8 pages 17 and 18. As you know, the HOA complaint process,  
9 again, assuming the executive budget gets approved, is  
10 going to the Department of Real Estate, and part of this  
11 is they were seeking to do some kind of licensure for HOAs  
12 to generate some monies to cover their administrative  
13 cost, and, of course, in this environment that we're in  
14 where it's about reducing regulation, that didn't fare  
15 well. So -- but those are the bills through HOA.

16 CHAIRMAN BAIRD: Great. Thank you. Any  
17 questions anybody?

18 MR. SYREK: I have a question.

19 CHAIRMAN BAIRD: Yes.

20 MR. SYREK: Debra, on H2200 --

21 MS. BLAKE: Yes.

22 MR. SYREK: -- what is -- what is this  
23 Department's role and who drafted this bill? Who did we  
24 ask to carry it forward? Why did it not go anywhere in  
25 the legislature, et cetera?

1 MS. BLAKE: I believe the Arizona  
2 Association of Manufactured Homeowners -- did they speak  
3 with you about it, Susan?

4 MS. BRENTON: No, they did not.

5 MS. BLAKE: They did not coordinate it with  
6 the Manufactured Housing Communities, but they were the  
7 ones that drove it because they are the tenants and they  
8 represent tenants. The Department -- our role is to  
9 simply share information with our stakeholders. We don't  
10 necessarily, rarely, take legislation forward, and so I  
11 don't know why it didn't move. Lots of things happening  
12 at the legislative process. I'm not sure why it didn't  
13 get any traction to move forward, but it didn't.

14 MR. SYREK: Thank you.

15 CHAIRMAN BAIRD: Thank you. Any other  
16 questions?

17 Next area is financial reports. Debra, if  
18 you would be so kind.

19 MS. BLAKE: I would be happy to, Chairman  
20 Baird. So the financial reports start on page 24. The  
21 two months that are in there are January and February. As  
22 you know, we are always -- staff is responsible to have  
23 their current report -- so like for March, it would be due  
24 to me by the 10th, and then Ayde has to work her magic and  
25 put everything together. So it's not available yet, but

1 it will be available shortly and will be on our website,  
2 but information in here, as it typically, is just a fee  
3 tracking as to what kind of volumes we're seeing and what  
4 kind of revenue we're generating, what it looks like  
5 revenues to expenses based on current tracking levels,  
6 that kind of information. So nothing particularly  
7 noteworthy there.

8 Questions about that?

9 CHAIRMAN BAIRD: Oh, just on page 28 -- or  
10 were you that far? You talked about -- you talked about  
11 the production reports, so you can see the increases over  
12 the years. You go back to 2008, as -- as Mr. Trailor so  
13 pointedly pointed out, you go from '08, which was a --  
14 ended up being a decent year, to the next year, the drops,  
15 are, you know, unbelievable, and we've worked ourselves  
16 back up to, you know, 173 this year, which is right back  
17 to -- it's the best year since 2008, and you can see the  
18 increase year to year to year as it's increasing. So for  
19 you non-totally industry involved folks, this is a good  
20 number. So -- so we're on our way back, so to speak, as  
21 is the cycle industry. We hear about that all day long on  
22 the radio. So that's good. So that was -- I just wanted  
23 to make that point.

24 Okay. Is there anything else on financials  
25 we need to discuss? Anybody?

1 All right. Let's -- do we have to accept  
2 these?

3 MS. BLAKE: No.

4 CHAIRMAN BAIRD: We don't get to vote. All  
5 right. Next item.

6 MS. BLAKE: Next item is the recovery fund.  
7 At the end, you'll have a tab labeled as such.

8 MR. JOHNLOZ: I'm sorry. Can we go back  
9 to --

10 CHAIRMAN BAIRD: Yes, we can.

11 MR. JOHNLOZ: -- to -- I had a question on  
12 the payroll because that's the biggest expenditure that we  
13 have in the Department. It's 79 percent of the -- of the  
14 expenses. How many people is -- does that include? I  
15 mean, how many people are involved in that, roughly?

16 MS. BLAKE: Well, currently our staff size  
17 is 26, and 11 of those -- well, seven of those are with  
18 the office of the state fire marshal. It wouldn't be  
19 reflected here, but we have administrative staff, like  
20 front counter, who aren't totally --

21 MR. JOHNLOZ: Are shared between the --

22 MS. BLAKE: -- who are shared between the  
23 divisions. So the actual staff count for Office of  
24 Manufactured Housing is currently 14.

25 MR. JOHNLOZ: 14. Okay. So will there be

1 some -- will there be some -- with the consolidation into  
2 the Department of Housing and the fire marshal part of it  
3 going away, will there be some savings in there, do you  
4 think?

5 MS. BLAKE: That's a great question, and if  
6 you don't mind me holding it until we get into the fee  
7 discussion.

8 MR. JOHNLOZ: Sure. That's fine.

9 MS. BLAKE: Okay.

10 CHAIRMAN BAIRD: Great. Okay.

11 MS. BLAKE: Okay. So recovery fund,  
12 page 32, which is just a snapshot of the balance. The  
13 interest that we earn monthly. There are currently no  
14 claims waiting to be reviewed, none submitted to us, none  
15 being held over hearing.

16 CHAIRMAN BAIRD: Debra, would you just -- to  
17 the benefit of those who are relatively new here, how many  
18 years ago was it that we had a zero balance?

19 MS. BLAKE: 2008.

20 CHAIRMAN BAIRD: 2008 we had a zero balance.  
21 We had just -- before we got to zero, we had a million  
22 bucks.

23 MS. BLAKE: Well over a million, yeah.

24 CHAIRMAN BAIRD: And we lost it in basically  
25 one or two years. It was just gone, and so the industry

1 went back. We -- we addressed certain things. We went to  
2 the legislature. We got a new program resolved about the  
3 money, how it would be handled. We would do escrows.  
4 Before that, we didn't even do escrows, and that's what  
5 really got us in trouble, so now we haven't had an issue  
6 since we started that.

7 MS. BLAKE: We haven't.

8 CHAIRMAN BAIRD: You know, as far as the  
9 financial issue. We had people -- an example, we had a  
10 retailer who took a hundred thousand dollars from several  
11 folks, and then he was gone and the money was gone, and we  
12 had no way to get it back other than his \$25,000 bond or  
13 whatever.

14 MS. BLAKE: Right.

15 CHAIRMAN BAIRD: Yeah. So -- and we got  
16 that, but we paid for it. We've been paying into this as  
17 an industry forever. I don't know forever, but 20, 30  
18 years, something like that, so that's how we ended up to a  
19 million, but since '08, we've got it back up even though  
20 business has been lousy. So it's back up to \$437,000. So  
21 we can withstand and police ourselves is what this was  
22 really about. So great job for the Department, I think,  
23 and the associations who really work to clean our act up.

24 MS. BLAKE: And then on page 33 and 34 is  
25 information that the Board had requested some time ago

1 that is part of your regular packet, and page 33 is the  
2 summary of the open complaints from customers that we  
3 have -- currently are dealing with and whether or not it's  
4 eligible for possible recovery fund claim, and I'll just  
5 add here a little bit about the recovery fund for those  
6 folks new to the Board, and that is when dealers sell  
7 homes, they pay in a \$30 fee to the recovery fund, and as  
8 Sam said, that money builds up over years, and the purpose  
9 of that is if any dealer fails to provide all the goods  
10 and services they contracted with to a customer and the  
11 dealer does not make it right, then the homeowner has the  
12 option to apply to the recovery fund to be made whole  
13 again. It goes to a hearing. If the administrative law  
14 judge agrees with that, the Department is fiduciary over  
15 that recovery fund. We pay out the consumer based on the  
16 amount the judge said, and we suspend the license of  
17 the -- of the dealer until he makes that good, plus pays  
18 an interest amount on that money. And so that is the only  
19 way a customer gets to the recovery fund, which is through  
20 the sales contract with the dealer.

21 If you look on page 34, it just gives you a  
22 little bit more detail about those two complaints. It  
23 tells you some of the issues that the customer complained  
24 about, and it lets you know whether the department has  
25 verified those items to the manufacturer or the dealer or

1 the installer or more than one. So that's a little detail  
2 there. Should the dealer not make it right, the possible  
3 amount to the recovery fund is reflected there. So they  
4 can be some big dollar amounts.

5 CHAIRMAN BAIRD: Yeah. The system works  
6 really great. I think we all in the industry agree with  
7 that. One thing I thought we talked about last time, we  
8 were going to decide if we wanted to keep this information  
9 in here. I mean, the homes that we -- we asked for it to  
10 be here. I understand that. But we can also ask for,  
11 okay, we don't need it anymore because we've got it under  
12 control. You know, it's there, and it would only be not  
13 needed if it's just kind of a waste of people's time here  
14 because it's going -- we've proven that it's going to get  
15 taken care of. We've proven that the process will now  
16 work again. We've got our money in here. The system is  
17 working, so -- so listing one or two complaints in here to  
18 me -- to me doesn't make -- it doesn't help us do our  
19 jobs.

20 MR. STEGMAYER: I think the contract amount  
21 is a little bit misleading. That's the full contract  
22 amount, but the homeowner wouldn't have a claim for that  
23 amount typically.

24 MS. BLAKE: No. Correct.

25 MR. STEGMAYER: It's just like the Registrar

1 of Contractors' fund. The person would have to show what  
2 expenses and what things are missing. In this case,  
3 apparently didn't get ordered or something they have to  
4 show, replace those.

5 MS. BLAKE: Correct.

6 CHAIRMAN BAIRD: We probably -- you know, I  
7 live in Arizona, but I talk to a lot of different states,  
8 and we probably have the best process going for consumer  
9 complaints of anybody, and the fact that we paid out a  
10 million bucks to take care of the consumer, I mean, it  
11 just proves that, okay, we'll do it, and then we -- now we  
12 got it back up. We're doing it even better, so I think  
13 this may be a waste of our time to have it in here.  
14 That's just an opinion.

15 Any other comments?

16 MR. HOYLE: Mr. Chairman, I'd like to see  
17 complaints coming in or falling off, so reflected on  
18 page 33, but I don't know that 34 is a necessity at this  
19 point to find out the detail that the floor is heaving. I  
20 mean, I would still like to see if --

21 CHAIRMAN BAIRD: Okay.

22 MR. HOYLE: -- they're coming in --

23 CHAIRMAN BAIRD: Sure.

24 MR. HOYLE: -- and they're getting kicked  
25 out.

1                   CHAIRMAN BAIRD: Sure. Any other comments?  
2 We can just leave it alone or not. Please.

3                   MR. PEARCE: Just some food for thought down  
4 the road with this, Debra, as -- as it evolves, but one of  
5 the issues that as a lender we've run into with this, is  
6 we certainly understand and applaud that if a borrower,  
7 you know, is -- if the dealer does not fulfill their  
8 obligation and the borrower then has a deficit because of  
9 that, then they can -- they can file to be made whole.  
10 One of the issues as a lender that we've run into  
11 historically, and I'm sure that Mr. Stegmayer's lending  
12 arm has run into it as well, is that in order for that to  
13 happen, the borrower has to go through tremendous  
14 hardship, and what's happened in the past is -- I can give  
15 you a couple examples but, you know, borrower gets ready  
16 to move into the home. Dealer absconds with a significant  
17 amount of money, doesn't finish the project. As a lender,  
18 we've lent on the construction. We have the ability to  
19 either foreclose on the project because it hasn't been  
20 finished or we have what we feel is a moral obligation to  
21 make that borrower whole, eat those costs, lose a  
22 significant portion of the money and unfortunately move  
23 on, and yet we have no claim to be made whole, but had we  
24 left the borrower high and dry and put them through that  
25 process, they would be able to access those funds.

1           It seems -- it seems a little bit of a  
2 problematic issue, and it's very rare, but as a lender,  
3 I'm never going to allow a borrower to get to that point  
4 when a dealer leaves with their money that we're going to  
5 take their home back and then have them have a huge issue  
6 that they could then collect on, so then we just -- we eat  
7 it, and it just seems a little bit disparate, in my  
8 opinion.

9           MS. BLAKE: Well, help me understand a  
10 little bit. So if you have that scenario, you as the  
11 lender, why wouldn't you have your borrower file a  
12 complaint with the Department rather than, you know, you  
13 having to make up that loss that the dealer caused  
14 because --

15           MR. PEARCE: The borrower can't move into  
16 the home until it's complete, so we're literally  
17 completing the home for them, paying folks like Terry  
18 Gleeson, paying the setup, getting them so that they can  
19 actually move into this home because they don't have the  
20 luxury of time in those situations. We have a  
21 construction loan out on the project. We can either  
22 foreclose on that because the borrower will be in -- in  
23 lapse of their terms of the construction loan or we can do  
24 what we feel is a moral obligation and get it completed.  
25 It just seems like there should be some consideration

1 given to a lender that makes a borrower whole, eats those  
2 type of fees and -- and losses in order to do the right  
3 thing.

4 MR. JOHNLOZ: Well, could you -- could you  
5 not do what you said that you do, but then could you not  
6 have the borrower file with the Department and then  
7 reimburse you?

8 MR. PEARCE: My understanding is at that  
9 point, the borrower has not had any loss. Do you see what  
10 I'm saying? That the borrower doesn't have a loss at that  
11 point, the lender does.

12 MR. STEGMAYER: I'm not sure, but I get your  
13 point, certainly.

14 CHAIRMAN BAIRD: Now, you do business in 36  
15 states. How does Arizona fit into that?

16 MR. PEARCE: Well, there were, I mean, I'm  
17 sure the same retailers that -- that depleted the funds.

18 CHAIRMAN BAIRD: Back in 2008.

19 MR. PEARCE: Yeah. I mean, I could name  
20 them, and I'm sure you all would nod your heads and they  
21 were the ones, but we found ourselves in a situation of --  
22 of finishing projects and not forcing the borrowers to go  
23 through that type of unfortunate situation.

24 CHAIRMAN BAIRD: So we need to tell  
25 everybody to finance with Cascade because you'll take care

1 of them.

2 MR. PEARCE: It's a great marketing plan.

3 MR. JOHNLOZ: And has that happened since  
4 escrow has been instituted here?

5 MR. PEARCE: Well, escrow -- my  
6 understanding of escrow, and there might need a better  
7 definition it, is -- is it's a completely different  
8 scenario because we're doing a construction loan. If  
9 we're paying out work that's being done or draws and the  
10 retailer says, hey, I'm just going to take this one and  
11 take off, close down and be gone, the escrow doesn't have  
12 any recourse on that.

13 MR. JOHNLOZ: Okay.

14 CHAIRMAN BAIRD: Cody, I still don't quite  
15 get it because has the -- the borrower paid for the --  
16 paid money, right? He gave his money to somebody, and  
17 you're saying that the retailer just absconded with that  
18 money?

19 MR. PEARCE: Well, the borrower hasn't paid  
20 the retailer, the lender has. The borrower is getting a  
21 loan.

22 CHAIRMAN BAIRD: I'm with you, but that  
23 money should go to escrow and it shouldn't be given to the  
24 retailer or set-up company or whoever unless it's in  
25 accordance with the terms of the escrow. So that's when

1 we first developed it, that was why we developed it, so  
2 that the guys couldn't get the money until the work was  
3 done. So there's something missing. I don't know.

4 MS. BLAKE: And Frankie and I just very  
5 quickly reviewed the statutes on the relocation fund.  
6 Unlike a regular consumer complaint where you have paid  
7 for, the homes' been installed and you're occupying it and  
8 you have to be doing that to file a claim, which is part  
9 of the whole HUD thing, under the consumer recovery fund  
10 statutes, it just basically says if any consumer who is  
11 buying or selling the consumer home uses the services of a  
12 licensed dealer and is damaged as a result of the act or  
13 omission, they can apply for relocation -- I mean,  
14 recovery fund assistance. So I'm not sure, but we'll look  
15 into it deeper, and if it's okay with you, we'll put it on  
16 the next board --

17 MR. PEARCE: Yeah, just food for thought.

18 MS. BLAKE: -- agenda. I think there may be  
19 enough statutory support there that they, the customer,  
20 can and therefore the lender or whomever doesn't have to  
21 put themselves in the position to make right what the  
22 dealer has failed on.

23 MR. PEARCE: Great.

24 MS. BLAKE: But I'll add it to the agenda  
25 next time, and we'll do a little bit more research on it.

1                   CHAIRMAN BAIRD: I recall one of the  
2 positive things about going to escrow was the fact that  
3 situations just like this would be eliminated. There's no  
4 way the guy could get the money unless the work was done.

5                   MR. PEARCE: I think those are two different  
6 things, Sam. I don't -- I don't believe that --

7                   CHAIRMAN BAIRD: You're talking about a  
8 construction loan.

9                   MR. PEARCE: That's right.

10                  CHAIRMAN BAIRD: You're before escrow.

11                  MR. PEARCE: That's right. The construction  
12 funds do not go into escrow. They go directly to the  
13 retailer and the set up company. So it doesn't -- it  
14 doesn't go through escrow in a construction loan.

15                  CHAIRMAN BAIRD: Got you. Okay.

16                  MS. BLAKE: We'll agendaize it.

17                  MR. GLEESON: I thought it had to go through  
18 escrow.

19                  MR. JOHNLOZ: But did the construction  
20 funds -- who applied for those construction funds? Is it  
21 the dealer and the contractor or is it the end user? I  
22 wouldn't think it was the end consumer. I would think it  
23 would be like -- it would be like floor planning. I  
24 mean --

25                  CHAIRMAN BAIRD: You're right.

1 MR. JOHNLOZ: -- in essence. And so that's  
2 really between the lender and the dealer or contractor or  
3 whoever it is that's doing the work. So the -- the end  
4 consumer really isn't involved at that point, right?

5 MR. PEARCE: That's true.

6 CHAIRMAN BAIRD: Until they try to move in.

7 MR. JOHNLOZ: Well, yeah, yeah. I  
8 understand that. But -- but the -- but as far as the  
9 contractual obligations, it's between the --

10 CHAIRMAN BAIRD: Right.

11 MR. JOHNLOZ: -- the end -- or it's between  
12 the contractor and the lender. I mean, it's a  
13 construction loan. It's not a --

14 CHAIRMAN BAIRD: So they not only took the  
15 hundred thousand dollars from the customer, they also took  
16 the 50,000 construction loan.

17 MR. JOHNLOZ: Well, they didn't take the  
18 hundred thousand dollars from the customer because there  
19 wasn't any money from the customer yet. It's just the  
20 construction money.

21 CHAIRMAN BAIRD: No. The people he's  
22 talking about, that's exactly what happened. They put  
23 down \$100,000 --

24 MR. JOHNLOZ: Oh, way back when.

25 CHAIRMAN BAIRD: Then they got a

1 construction loan for 50. They took that and boom.

2 MR. JOHNLOZ: And they got 150.

3 CHAIRMAN BAIRD: They got 150, baby.

4 MR. JOHNLOZ: I know about all of that.

5 CHAIRMAN BAIRD: Okay. So great.

6 MS. BLAKE: We'll look into both of those  
7 issues.

8 CHAIRMAN BAIRD: Agendize it. That's great.

9 MS. BLAKE: I know there was a lot of talk  
10 when the escrow evolved coming into play in 2012 about  
11 specifically construction loans, but I'll have to refresh  
12 with our licensing person. So we'll agendize it for the  
13 July meeting and talk about both how the recovery fund  
14 applies and how construction loans work.

15 MR. PEARCE: Great.

16 CHAIRMAN BAIRD: And also, just to close the  
17 loop here, it sounds to me like everybody likes -- wants  
18 to leave this alone.

19 MR. SYREK: Just to comment. I think the  
20 statute -- the system may work fine, and I probably would  
21 agree with that, but the statute says the Board shall pay  
22 and the Board shall be responsible to make sure that the  
23 money is there, and if the money is not there, then it  
24 gets paid later. So if we have a statutory requirement as  
25 a board to ensure that those funds are paid, then I think

1 we probably should be in the loop and a couple reports  
2 isn't --

3 CHAIRMAN BAIRD: Yeah. I don't disagree  
4 with that. I was really referring to the identification  
5 of the individual companies involved.

6 MR. SYREK: And I would agree with that.

7 CHAIRMAN BAIRD: I don't know if that's our  
8 information that's needed in here or not. That was the  
9 only part I was referring to.

10 MR. PEARCE: It would seem to me that  
11 maybe -- and maybe, Sam, you're looking more at the  
12 manufacturer. I can understand leaving manufacturer off  
13 because they have nothing really to do with that, but I  
14 think the retailer should be left on there simply because  
15 we would be able to pinpoint --

16 MS. DOUGHTY: See a pattern.

17 MR. PEARCE: Yeah. Because we may not  
18 remember those. I'd like to see the retailers on there.

19 MR. JOHNLOZ: And the other thing is is that  
20 I think --

21 CHAIRMAN BAIRD: Wait a second.

22 MR. GLEESON: Well, I think this is the same  
23 point that Joe brought up. I think the reason we listed  
24 all the items was because we wanted to see the work that  
25 had to be done compared to the dollar amount, and what

1 they're doing is putting the full price of the home on  
2 there, not the price of fixing those items.

3 CHAIRMAN BAIRD: Yeah.

4 MR. JOHNLOZ: That was kind of the point I  
5 was going to make is that these -- I think it's important  
6 that we see these items because if you read through these  
7 lists, it's pretty minimal stuff. No, no, it's a small --  
8 you know, and we've all had these customers who it's --  
9 you know, it's never -- they want it to be perfect, and  
10 it's never going to be perfect. Some of these things  
11 obviously are appropriate to be fixed but, you know,  
12 you're going to run into somebody that's going to file a  
13 complaint that they're never going to be satisfied. I  
14 don't care what you do. So I think it's important that we  
15 see some of this detail to see that, you know, gosh,  
16 they're filing a complaint, but the reality of it is is  
17 that, oh, the connection for the TV is not in the correct  
18 location. Oh, my God. That's a major catastrophe.

19 MR. PEARCE: I think that's really valid.  
20 No, no, I think your point is valid.

21 CHAIRMAN BAIRD: Well, it is. The contract  
22 amount really has nothing to do with how much it's going  
23 to cost to do this. Somebody spent \$138,000 on that  
24 house. Really?

25 MS. BLAKE: Chairman Baird, can you just

1 recap for us. Are you going to take a vote if you want to  
2 make a change or has the discussion led you to no change?

3 CHAIRMAN BAIRD: Well, since we've talked  
4 about it so long, maybe we should say one way or the  
5 other. So the chair is open to somebody making a motion.

6 MR. JOHNLOZ: I'd move that we just leave it  
7 alone for now and leave it in the same condition that it's  
8 in.

9 MR. GLEESON: I second.

10 CHAIRMAN BAIRD: All in favor.

11 BOARD MEMBERS: Aye.

12 CHAIRMAN BAIRD: Opposed. Me. No, I'm  
13 kidding. I'm kidding. You've got to make her laugh.

14 Okay. All right. Cool. It is very  
15 informative, no doubt.

16 All right. Fee structure. Are we there?

17 MS. BLAKE: No, sir, we're not.

18 CHAIRMAN BAIRD: No, we're not. We're at  
19 surety, surety bond recovery priority.

20 MS. BLAKE: We're at surety. Board member  
21 Stegmayer is who requested this information at the last  
22 board meeting. Would you like to move to a different spot  
23 on the agenda and wait for him to come back to it or do  
24 you just want to proceed?

25 CHAIRMAN BAIRD: Sure. Let's move down to

1 announcements of future meeting dates. Everybody knows  
2 they're here, so we do it in advance, and we do them on  
3 the same Wednesdays and the same, whatever, third week of  
4 every month so we all can plan way ahead and do our deal,  
5 so the next meeting is -- and we still have to reschedule  
6 sometimes. Trust me, whenever Debra is not able to be  
7 here, we're going to reschedule. Okay. But our next one  
8 is July 20. What we worry about is having a quorum. How  
9 many is in a quorum?

10 MS. BLAKE: Five.

11 CHAIRMAN BAIRD: Five of us. I can be here  
12 then.

13 MR. JOHNLOZ: I can be.

14 MR. GLEESON: I'll be here.

15 CHAIRMAN BAIRD: Two more.

16 MS. DOUGHTY: I'm planning on being here.

17 CHAIRMAN BAIRD: One more.

18 MR. HOYLE: Good. I'm gone.

19 CHAIRMAN BAIRD: Joe will be here.

20 MR. SYREK: No plans as of now.

21 CHAIRMAN BAIRD: So that's our next meeting.

22 So we'll work that out, work through that.

23 I don't know. Does anybody know where Joe  
24 went? I suppose --

25 MS. BLAKE: I think he took a phone call.

1 Do you want to start with --

2 CHAIRMAN BAIRD: Let's start with --

3 MS. BLAKE: -- fee structure.

4 CHAIRMAN BAIRD: Yeah, fee structure. Maybe  
5 we can buy off a couple ones down below. Do a C first or  
6 a B first.

7 MS. BLAKE: Board member Stegmayer is also  
8 the one that brought up the issue of the bond amount, so  
9 if you would like for me to proceed, I will, otherwise  
10 would you like to talk about fees for charter schools?

11 CHAIRMAN BAIRD: We should wait.

12 MS. DOUGHTY: Well, I can tell you a funny  
13 thing about fees for charter schools.

14 CHAIRMAN BAIRD: Okay.

15 MS. DOUGHTY: We -- we're going to be  
16 delivering meals for the City of Tempe, and they make you  
17 go through a fingerprint check and a background check.  
18 Well, there's a four page form of all these questions on  
19 your background of sexual abuse and have you been  
20 convicted of whatever. One of the questions is have you  
21 been convicted of illegal use of fees for charter schools,  
22 and I'm thinking how -- how much of that has gone on in  
23 the state of Arizona for that to be one of the major  
24 felony questions on this questionnaire?

25 CHAIRMAN BAIRD: We might be surprised.

1 MS. DOUGHTY: I don't know. It astounded  
2 me. Then when I see fees for charter schools on this,  
3 too, it made me think great. This is a bigger issue than  
4 I thought it was.

5 CHAIRMAN BAIRD: Wow. Okay.

6 MS. BLAKE: Well, the reason we put this on  
7 the agenda was because -- for those of you have been on  
8 the board for a while, you will recall, that on our fee  
9 schedule, which is page 38 and 39, in years past, we  
10 always listed under permit fees on page 39 that -- and  
11 this is primarily on commercial FBBs, is that schools get  
12 a 50 percent discount on the price of a permit. That  
13 predates me. I don't know why that was ever done, but the  
14 issue that has come up recently has been does that include  
15 charter schools. Some charter schools, to my  
16 understanding, are private and some are public. We don't  
17 know how to identify which is which, and so the question  
18 has come up are charter schools also eligible for the  
19 50 percent reduced rate for an installation permit.

20 CHAIRMAN BAIRD: For a school?

21 MS. BLAKE: Yes, for a school.

22 MR. JOHNLOZ: How many modular or mobile  
23 home or whatever permits are requested for schools?

24 MS. BLAKE: Ayde?

25 MS. SANCHEZ: I want to say 30 percent are

1 classrooms.

2 MR. JOHNLOZ: Okay. So these are just the  
3 additional kind of a satellite building kind of things.

4 MS. BLAKE: Yes.

5 CHAIRMAN BAIRD: Except for charter schools.  
6 Some charter schools is the whole school.

7 MR. PEARCE: Yeah, they've put a lot of  
8 them.

9 MR. JOHNLOZ: Some of them are. Okay.

10 CHAIRMAN BAIRD: And they're not HUDs or  
11 whatever they're called. They're mods. They're called  
12 FBBs, factory built buildings, and under that code,  
13 they've got to be built to -- it's a different code  
14 entirely, and there's a lot of fees involved.

15 MR. JOHNLOZ: It's part of the commercial  
16 code.

17 CHAIRMAN BAIRD: It is commercial code.

18 MR. HOYLE: And the cities get them, too.

19 CHAIRMAN BAIRD: The cities get them. Mesa  
20 will buy a block. They're growing. A growing community  
21 will do some temporaries, typically 28 by 60s, and put  
22 them out there. Now, with the advent of the charter  
23 schools, there have been several complete charter schools  
24 built.

25 MR. JOHNLOZ: But fairly common situation

1 now.

2 CHAIRMAN BAIRD: Very common now because you  
3 get them up and going fast. So what have we been doing?  
4 In the -- for the past two or three years, what have we  
5 been doing? Charging charter schools full amount?

6 MS. SANCHEZ: Correct.

7 MR. SYREK: Does the 50 percent reduction,  
8 is that statute or that's just a departmental --

9 MS. BLAKE: It's just a department practice.

10 CHAIRMAN BAIRD: It's a practice that we  
11 could change if we wanted to.

12 MS. BLAKE: Yes, you can.

13 CHAIRMAN BAIRD: Now, typically -- so if  
14 Mesa wants to buy a house, we'll give them a 50 percent  
15 discount, but if a Mesa charter school came to us and  
16 said, "We're going to build this project over here. We  
17 want a 50 percent discount." In my -- one of the issues  
18 is that Mesa and all the other public schools, they buy  
19 temporary units, 28-60s. They don't build whole new  
20 schools. Charter schools build whole new schools. They  
21 build buildings. They build, you know, 25, 30 a section,  
22 and so obviously the -- the process is that you have to go  
23 through to approve their plans are a lot more money than  
24 it is to do a 28-60. You know, a 50 percent discount  
25 of -- you know, how much for a 28-60? How much are they

1 going to charge you?

2 MR. HOYLE: 1,400 bucks. I think.

3 CHAIRMAN BAIRD: Yeah. 1,400 bucks. What  
4 are they going to charge you for a 25-unit school?

5 MR. HOYLE: That changed dramatically. I  
6 haven't done one recently. I've been involved in them a  
7 lot.

8 CHAIRMAN BAIRD: Well, just guess. You can  
9 guess better than anybody. It's probably 5- or \$6,000?

10 MR. HOYLE: Yeah, I was going to say five.

11 CHAIRMAN BAIRD: Yeah, so \$700 for 2,500.  
12 On the other hand, it's schools, but on the other hand,  
13 some of them are private, and they're -- they don't make a  
14 lot of money doing it. So it's a cost of doing business  
15 so that's the real question. I think the real question is  
16 do you want to support schools? If you do, we do. Bottom  
17 line is this department is going to spend, pick a number,  
18 \$5,000 to do this engineering when you only charge \$2,500  
19 of it. Where is the other \$2,500 going to come from?

20 MR. JOHNLOZ: That was my next question.  
21 Does the -- are we covering costs or not?

22 CHAIRMAN BAIRD: Yeah.

23 MS. BLAKE: And that was the other thing I  
24 was going to add is that what we haven't looked at -- we  
25 know what our costs per inspection is and every permit

1 gets a minimum of three, some of these projects five or  
2 six. Each time we go out, it's roughly \$140, and so if  
3 we're going out five times and it's costing us \$800, you  
4 know, I mean, are we covering our costs on all of these?  
5 And I don't know the answer to it.

6 CHAIRMAN BAIRD: Well, since you said that,  
7 I thought we were just talking about any engineering fees.

8 MS. BLAKE: No. This is permit fees. This  
9 isn't the plan review. Plan review doesn't get a  
10 discount.

11 CHAIRMAN BAIRD: Got you.

12 MS. DOUGHTY: Okay.

13 MS. BLAKE: This is just the permit, the  
14 installation permit.

15 CHAIRMAN BAIRD: Why did this come up?

16 MS. BLAKE: We've had calls from people for  
17 charter schools complaining that they were charged the  
18 full amount for a permit and they're a charter school and  
19 therefore they should get a school discount.

20 CHAIRMAN BAIRD: I'm not sure I disagree  
21 with that if it's not a private school. If it's a private  
22 business that they're running over here, that's one thing.  
23 If it's a public type, you know, I can go there and get  
24 the same fees paid for my kid as the State pays the  
25 schools fees, that may be something else. Maybe we need

1 to get more information.

2 MS. SANCHEZ: Well, the issue is there's not  
3 a way for me to verify if it's private or State funded.

4 MS. SHINN-ECKBERG: Legally, I'm almost  
5 positive, that all charter schools in Arizona are public  
6 charters. The difference is some public charter schools  
7 operate a private preschool, slash, full day kindergarten  
8 within that school. However, if they have a half day  
9 kindergarten and up from then, those are all public  
10 charter. There's no tuition associated. So that would be  
11 the thing is do you consider a school that runs, let's  
12 say, preschool through 8th grade, everything is charter  
13 from half day kindergarten on but they still have a  
14 private preschool. Would you still consider that a  
15 private institution?

16 MR. JOHNLOZ: What about a -- what about a  
17 private school?

18 MS. SHINN-ECKBERG: Private schools are  
19 private schools, and they would have no charter. Charter  
20 just means that they are privately run public schools.

21 MR. JOHNLOZ: I understand that, but  
22 if their -- you know, is it -- should we treat all schools  
23 the same, I guess is the real question, whether they be  
24 private. The problem is how do you determine what's  
25 private and what's public?

1 MS. SANCHEZ: Correct.

2 MR. JOHNLOZ: And whatever. And my thought  
3 is that if we're covering costs, I'm fine with the  
4 discount.

5 CHAIRMAN BAIRD: What kind of profit margin  
6 do you have?

7 MR. JOHNLOZ: But we don't -- but we don't  
8 know if we're covering --

9 MS. BLAKE: Not enough.

10 MR. JOHNLOZ: -- costs or not.

11 MR. GLEESON: Not 50 percent, that's for  
12 sure.

13 MR. HOYLE: Mr. Chairman, the big campuses  
14 that you're referring to --

15 CHAIRMAN BAIRD: Yes.

16 MR. HOYLE: -- the 25, 50 module campuses  
17 that were being erected, they're gone. They're -- we were  
18 rifling through four or five of those a year at one point  
19 in time, but that -- that funding source, where it's gone,  
20 I don't know. I mean, the State in general has lost a lot  
21 of students. So we're seeing -- what we're seeing on the  
22 commercial side is a charter school may add a double wide  
23 to compensate for missing. So let's not get too wrapped  
24 up into the fact that they're building these huge  
25 campuses. It does happen, but it hasn't happened much in

1 the past five years where they're building these large  
2 campuses. I'm all for giving them a discount to -- to put  
3 in a double wide because the guy across the street is  
4 paying 50 percent less than they are.

5 CHAIRMAN BAIRD: Yeah, the public school is.

6 MR. HOYLE: And we're never going to be able  
7 to get to the point where Ayde can decipher, you know, if  
8 they have a chargeable pre-K or -- or daycare center  
9 there. The fact of the matter is, for grade one through  
10 eight, they are publicly funded so they are a public  
11 school at that point. Before that, they're not if they  
12 have a pre-K or kindergarten program in there.

13 MR. SYREK: Which many of them don't. I  
14 would agree with Everette.

15 CHAIRMAN BAIRD: Let me ask one question,  
16 Debra. In the past ten years or so we've been doing this,  
17 have the rest of the licensees and people that apply for  
18 permits, have they been really paying for this in an  
19 increased manner? That's what Greg was really coming from  
20 when he talked about --

21 MS. BLAKE: What's your typical standard  
22 size classroom?

23 MS. SANCHEZ: 24 by 60.

24 MS. BLAKE: And so the permit fee would be?

25 MS. SANCHEZ: Well, a regular would be 756,

1 so they would be paying half, which is -- I'm not good at  
2 math -- three something.

3 MS. BLAKE: And so we would do the same  
4 thing with them that they get three -- so we would just  
5 cover costs if -- if they can get their inspections  
6 approved in three, and then we would do the same practice,  
7 anything over three, we generate an invoice.

8 CHAIRMAN BAIRD: Okay. One other point, if  
9 we decide to do this, we can change it again next year if  
10 we find out that there's -- you know, this is terrible.  
11 We can't keep up with it, da, da, da. So there's that.  
12 We can try it or not try it.

13 MR. JOHNLOZ: How much total money are we  
14 talking about here?

15 CHAIRMAN BAIRD: How many -- how many units?  
16 How many 28-60s?

17 MR. JOHNLOZ: How many a year are we looking  
18 at that we're discounting?

19 MS. SANCHEZ: So classrooms is probably  
20 30 percent of the volume.

21 MR. JOHNLOZ: So it's a big number.

22 MS. BLAKE: About how many?

23 CHAIRMAN BAIRD: How many is that?

24 MR. GLEESON: That's a pretty big number.

25 CHAIRMAN BAIRD: What's your total?

1 MS. BLAKE: A thousand.

2 CHAIRMAN BAIRD: I don't think it's that  
3 many. A couple hundred at the most. People don't build  
4 them.

5 MS. SHINN-ECKBERG: Is this private, public  
6 and charter?

7 MS. BLAKE: Yeah.

8 CHAIRMAN BAIRD: 30 percent of all FBBs.

9 MS. BLAKE: About 40.

10 MR. JOHNLOZ: So we're talking about 40. So  
11 we're talking about 300 -- 350 bucks times 40.

12 CHAIRMAN BAIRD: 12 grand.

13 MR. JOHNLOZ: So it's 12 grand, give or take  
14 a little bit, that we're talking about giving up.

15 MR. GLEESON: That would pay for that new  
16 inspector part of it.

17 CHAIRMAN BAIRD: So --

18 MS. BLAKE: Would you like to make a motion?

19 CHAIRMAN BAIRD: Yes. Motion. If someone  
20 would like to make one, the chair would entertain one.  
21 Yes.

22 MR. HOYLE: Mr. Chairman, I'd like to make a  
23 motion that charter schools pay 50 percent of the  
24 published rate for installation permits.

25 MR. JOHNLOZ: I'd second that.

1 MS. DOUGHTY: Okay. And can I -- just one  
2 question, then, clarification. So -- so charter is a  
3 publicly-funded school, which is different than a private  
4 school.

5 MS. SHINN-ECKBERG: Yes.

6 CHAIRMAN BAIRD: That's exactly what she  
7 said.

8 MS. DOUGHTY: So you still have the problem,  
9 though, identifying if it's the private school or charter  
10 school.

11 MS. SHINN-ECKBERG: I guess the question is  
12 if this Board would like to -- to accept if they have a  
13 charter is that good enough for them to be designated as a  
14 charter school even if they have a private kindergarten  
15 program? Is that good enough for this Board?

16 CHAIRMAN BAIRD: Yeah, I think it is.

17 MS. SANCHEZ: So all --

18 MS. SHINN-ECKBERG: All charter and public.

19 CHAIRMAN BAIRD: Yeah. We're going to  
20 change our rule to say public and charter. Then  
21 everything else would be the same.

22 MS. BLAKE: And that would be reflected in  
23 the new fee schedule for Fiscal 17.

24 CHAIRMAN BAIRD: Starting in July.

25 MS. BLAKE: And do you want that posted on

1 our fee schedule, which is made public to everyone or do  
2 you just want it to be part of the -- Everette is no, no,  
3 no.

4 CHAIRMAN BAIRD: How has it been in the  
5 past?

6 MS. BLAKE: It's been both ways in the past.

7 MS. SANCHEZ: I would prefer it on the fee  
8 schedule just because that way I can reference them that  
9 that would be the appropriate fee.

10 MR. JOHNLOZ: I think that's appropriate.  
11 If we're going to do it, we should publish it.

12 CHAIRMAN BAIRD: You've got to own it.

13 MR. JOHNLOZ: What I would do is I'd show  
14 the full amount, and then just show, you know, school  
15 discount or whatever you want to call it.

16 CHAIRMAN BAIRD: Public and charter school  
17 discount. Would you amend your original motion to --

18 MR. HOYLE: To reflect it showed -- it is  
19 listed in the fee schedule, yes.

20 MS. SHINN-ECKBERG: And a second to the --

21 CHAIRMAN BAIRD: Second.

22 MR. JOHNLOZ: I'll second.

23 CHAIRMAN BAIRD: Oh, okay. Second. All in  
24 favor, aye.

25 BOARD MEMBERS: Aye.

1                   CHAIRMAN BAIRD: Opposed. All right. That  
2 was a good one.

3                   All right. Well, Joe seems to have  
4 absconded on us. I don't know where he's at.

5                   MS. BLAKE: Where would you like to go,  
6 Mr. Chairman? Statutory for bond or bond amounts for  
7 licenses?

8                   CHAIRMAN BAIRD: Who asked for statutory for  
9 bond? That may have been Joe.

10                  MS. BLAKE: Joe.

11                  CHAIRMAN BAIRD: Yeah, let's go ahead. So  
12 this issue is.

13                  MS. BLAKE: This is agenda item 11(c)(a).

14                  CHAIRMAN BAIRD: 11(c)(a).

15                  MS. BLAKE: It's on page 36.

16                  CHAIRMAN BAIRD: There we go.

17                  MS. BLAKE: So the question that was brought  
18 up at the last board meeting is why does the Department  
19 allow customers to go directly to the recovery fund and  
20 then the Department follow up and collect against the  
21 surety or the cash bond because Register of Contractors  
22 has a recovery fund but sends their complainants directly  
23 to the licensee's bond. That was the question, so why do  
24 we not do that as well, and the answer is that that's the  
25 way the statutes are set up. On page 36 is the Registrar

1 of Contractors' statutes that address the recovery fund  
2 award, which gives them that direction that the consumer  
3 has to go against the bond first, and then I'm assuming if  
4 they're unable to be successful with that, then it could  
5 be -- an application for recovery fund could be sent to  
6 the ROC, whereas the Department's statutes, which are on  
7 page 37, have a different path that they go, and in these  
8 statutes, it really says that the deputy director of the  
9 department is subrogated to the claim of the consumer  
10 recovery but basically what it means is that we have to  
11 step into the shoes of the applicant in processing a claim  
12 against the bond. And so what that means is the practice  
13 has always been it's quicker for the consumer to get paid  
14 from the recovery fund. Many consider it and dealers  
15 sometimes market it as an insurance policy that you get  
16 what you contracted for, and so based on the statutes, we  
17 always direct the applicant to file a recovery fund claim,  
18 go to hearing, have the judge address it. We pay it out  
19 of the recovery fund, and then we're statutorily  
20 authorized to put ourselves in the position of the  
21 homeowner, the consumer, and then we go after the bond.  
22 So just to catch up.

23 MR. STEGMAYER: I'm sorry. Go ahead.

24 MS. BLAKE: That's okay. So we're on

25 page 36 --

1 MR. STEGMAYER: I've read it.

2 MS. BLAKE: -- and 37.

3 So the reason we do it differently is  
4 because that's how our statutes are written different than  
5 the ROC statutes. So if the Board wants to look at  
6 aligning us in a different way, it would take a statutory  
7 change and you certainly can discuss that and consider  
8 that option.

9 CHAIRMAN BAIRD: Back when we had a million  
10 dollars and the claim was put forth and the years before  
11 that, we didn't do a great job -- before you -- didn't do  
12 a great job of going after those -- those dollars that  
13 were there --

14 MS. BLAKE: Correct.

15 CHAIRMAN BAIRD: -- from the bond even  
16 though we had losses, and then when we ran out of money,  
17 we got real interested, and so we started going after  
18 them, and we went back a few years, and we collected a lot  
19 of money, and we should have done it. Since then, we've  
20 been great. Right on top of it. If there's a claim,  
21 boom, smash. It's a claim. Away we go. It hits the  
22 surety bond, then we get it. So we're doing that now.  
23 The question is I see we're trying to be part of housing  
24 here. We are part of housing, so we've got two different  
25 sets of things here, and do we want two different sets of

1 things or do we want to start the process going where it  
2 will take a while to get it to the legislature, of course,  
3 but we would do the same. So the only difference would be  
4 is that they send people to the bond first.

5 MS. BLAKE: ROC.

6 CHAIRMAN BAIRD: ROC does that to the bond.  
7 We send people to the recovery fund who then goes to the  
8 bond.

9 MS. BLAKE: And then we, the agency,  
10 collects --

11 CHAIRMAN BAIRD: Yeah, we, the agency,  
12 collects --

13 MS. BLAKE: -- from the bond.

14 MR. STEGMAYER: -- from the bond. So it  
15 would seem to me it's more encumbering for the consumer  
16 to -- to go through the bond process rather than us, more  
17 friendly, more customer experience friendly. I don't  
18 know. So there's the issues. Comments now?

19 MR. JOHNLOZ: I think the way it's set up  
20 now is much better for the consumer than the way the ROC  
21 does it because most consumers, frankly, they don't know  
22 how to go against the bond. They don't know how to go  
23 through that process, and, you know, this way they get  
24 paid. They're -- they're made whole, and we've got -- the  
25 Department has a lot more clout to go after that bond

1 than -- and they can suspend licenses. The Department has  
2 a lot more clout than any individual is going to have. So  
3 it seems to me like we just leave it alone is the right  
4 thing to do.

5 MR. HOYLE: I agree.

6 CHAIRMAN BAIRD: Are there comments?

7 MS. DOUGHTY: And maybe convince the  
8 Registrar of Contractors to do the same, that they should  
9 be the ones that changes their rules to be more consumer  
10 friendly.

11 MS. BLAKE: Good luck with that.

12 CHAIRMAN BAIRD: I'm sure there's several  
13 different avenues we haven't thought about here that's the  
14 reason they've got it that way, you know.

15 DIRECTOR TRAILOR: Well, every -- every  
16 retailer in Arizona ought to be using this as another  
17 bonus for buying a manufactured home.

18 CHAIRMAN BAIRD: Well said.

19 MS. BLAKE: Yeah.

20 CHAIRMAN BAIRD: Okay. So any comments? Do  
21 we need to vote on this?

22 MS. BLAKE: No, not unless you want to make  
23 a change.

24 CHAIRMAN BAIRD: We're fine. Next item.

25 MS. BLAKE: Next item is, again, back to

1 agenda item 12, the fee structure, and I'm going to move  
2 you to page 41, and this is the presentation for  
3 recommending fees for the new fiscal year.

4 CHAIRMAN BAIRD: Just to remind everybody,  
5 that's -- this meeting is about this. This is -- our main  
6 task is to set fees that will be effective starting July 1  
7 and then will stay in effect through June 30 of '17. So  
8 this is a physical '17 fee structure.

9 MS. BLAKE: Correct. So if you'll go with  
10 me to page 42, I prepared a little presentation for you,  
11 and I wanted to talk about briefly, although we've already  
12 mentioned it, about manufactured housing changing from the  
13 Department of Fire, Building and Life Safety to Arizona  
14 Department of Housing. That's still scheduled to happen  
15 on July 1st of this year. DFBLS, as they call it down at  
16 the legislature, DFBLS will cease to be a state agency.  
17 The Office of Manufactured Housing will join Director  
18 Trailor with Arizona Department of Housing as one of its  
19 divisions. We'll be staying in the same building, but we  
20 will be moving from our current Suite 100 on the first  
21 floor to the second floor, and that second floor  
22 renovation build out will bring all of Director Trailor's  
23 divisions and staff in one place. So that will be the  
24 optimum way to do it.

25 I'm really happy to share with you, as I've

1 already done in the beginning, all current staff members  
2 who are part of Office of Manufactured Housing, and that  
3 includes front counter support, licensing, plan review,  
4 permits, complaints and inspection, all of those services  
5 we provide to our customers and our stakeholders. There  
6 will be no disruption in those services. They will  
7 continue as is. We do plan to add one installation  
8 inspector, again, to maintain those same service levels.  
9 All of our contact numbers will remain the same. Our  
10 e-mail contact information will -- the suffix of it will  
11 change as reflected there, but it's always first name dot  
12 last name at, and so that will change. Our website  
13 address will change from its current location to the one  
14 for Housing, but you'll still be able to find all of the  
15 same information that you find today there.

16           Just sharing a little bit about the  
17 Department of Housing. It administers programs for  
18 housing partners who apply to that department for funding.  
19 It's basically a federally funded agency, receives no  
20 general fund financial support. It's home to the Arizona  
21 Housing Finance Authority and the Home Foreclosure  
22 Prevention Funding Corp. ADOA does not own or build any  
23 houses, but they manage the funding for the program  
24 through profit and nonprofit developers, faith-based  
25 organizations, service organizations, state, county, city

1 who apply for funding and meet the criteria.

2 Financials for DFBLS, the Department, was  
3 always an agency that depended on state general fund  
4 support. That was primarily due to the state fire marshal  
5 division and its administrative divisions. The Board of  
6 Manufactured Housing is statutorily required to set the  
7 manufactured housing fees that we cover our expenses. The  
8 range in statute is between 95 and 105, and the Board's  
9 done a great job of doing that over the years and, in  
10 fact, for Fiscal Year 15, they hit that target -- you all  
11 hit that target of 99.5. With the consolidation of  
12 manufactured housing, we will be a fee-based structure,  
13 which means we have to cover our costs at 100 percent. We  
14 will not get the support of any general fund moneys in the  
15 future. There's good news with that. Fees already bring  
16 in basically a hundred percent, and it's certainly more  
17 effective to manage as an agency when you manage your own  
18 budget without all the oversight of the State through its  
19 general fund.

20 CHAIRMAN BAIRD: Debra?

21 MS. BLAKE: Yes, sir.

22 CHAIRMAN BAIRD: Interrupt you just for a  
23 second. Had we had been at 105 percent, that extra  
24 5 percent monies would have gone to the general fund?

25 MS. BLAKE: All fees go into the general

1 fund. So the way a general fund agency works is you  
2 submit a budget of what your costs are going to be. Like  
3 for us currently, it's 2.1 million. So the general fund  
4 gives us 2.1 million to operate for the fiscal year. So  
5 all fees that we collect, automatically get deposited into  
6 the general fund. So in addition to general fund -- and  
7 you'll see in just a minute, we have a couple of other  
8 revenue sources that I'll go over with you in a minute.

9 CHAIRMAN BAIRD: Thank you.

10 MS. BLAKE: But just based on fees. So on  
11 page 46, the Department's fee recommendation to the Board  
12 is that we make no changes to the fees for this year.  
13 Here's the reasons. Based on the Fiscal 16, which is our  
14 current budget year, cash flow and projections, it appears  
15 that the current amount of fees will be in the sufficient  
16 amount to cover our costs, and therefore I think that this  
17 next fiscal year starting in July 1st, we will have better  
18 financial tracking because we won't be general fund.  
19 We'll be using the services of our new department,  
20 Housing, who already has a very effective accounting  
21 department, IT and all of those support functions. We'll  
22 be able to make more accurate recommendations for next  
23 year, and we'll be able to provide quarterly information  
24 to you at upcoming board meetings.

25 CHAIRMAN BAIRD: Oh, yeah.

1 MS. BLAKE: So that will be our  
2 recommendation, that you don't do anything with fees this  
3 year, and if you look at page 47, this is a snapshot of  
4 our Fiscal 17 budget. We're anticipating for Office of  
5 Manufactured Housing our total expenditures will be  
6 1.2 million. We get 171,000 from the federal grant from  
7 HUD. We get \$97,000 from the relocation fund to cover our  
8 administrative costs, and we are anticipating on track to  
9 collect \$951,000 in fees which brings us to that  
10 1.2 million budget. And that's all I have to say about  
11 that except thank you.

12 CHAIRMAN BAIRD: Since there's no changes,  
13 do we have to vote?

14 MS. BLAKE: You do not.

15 MR. JOHNLOZ: I have a question.

16 CHAIRMAN BAIRD: Questions.

17 MR. JOHNLOZ: On the relocation fund, can we  
18 get a -- just a down and dirty summary, kind of like we  
19 did for the recovery fund, included in our packet so we  
20 know what's being spent out of that and where it's going?

21 MS. BLAKE: The board has no authority over  
22 the relocation fund.

23 MR. JOHNLOZ: Okay.

24 MS. BLAKE: So it's public information. If  
25 anyone on the Board would like to know what that cash flow

1 looks like, what that balance looks like, you're more than  
2 welcome to give me a call, and I'm happy to share it with  
3 you, but the relocation fund is not under the purview of  
4 the Board.

5 MR. JOHNLOZ: Okay. That answers that  
6 question because I was just wondering because that's --  
7 we're getting some funding from there was the only reason  
8 I asked.

9 MS. BLAKE: Okay. I'd be happy to share  
10 that with you.

11 MR. JOHNLOZ: Okay.

12 MS. BLAKE: I can send it to you.

13 MR. JOHNLOZ: Perfect.

14 CHAIRMAN BAIRD: Thanks for the question.  
15 Do -- this \$96,000, does that cover the  
16 expenses?

17 MS. BLAKE: It covers our administrative  
18 costs of handling the closure of parks, of handling the  
19 relocation petition packets. On occasion, we go to parks  
20 and provide assistance, although Susan and her group have  
21 been doing a great job doing that on our behalf, so that's  
22 great. They have the resources they can bring in to  
23 actually find parks, which would not be our role, but yes,  
24 it covers our administrative costs and our costs of taking  
25 the case to hearing if it needs to go.

1 MS. BRENTON: Inspections.

2 CHAIRMAN BAIRD: Okay.

3 MS. BLAKE: And any complaints we get.

4 Tenants can file a complaint against the park. Parks can  
5 file one against their tenants, but they usually use the  
6 services of an attorney and handle that differently.

7 CHAIRMAN BAIRD: I understand that we don't  
8 have any purview over this or authority, but it is in our  
9 budget, so, therefore, I just -- the question is obvious,  
10 you know. Are we funding that as well because you spend  
11 \$200,000 to take care of it.

12 MS. BLAKE: No.

13 CHAIRMAN BAIRD: That was the question.

14 MS. BLAKE: No, you're not funding it. It's  
15 currently -- in fact, this year, there will be no personal  
16 property tax assessments because the fund is currently at  
17 8.2 million. Once it reaches 8 million, it gets capped  
18 and no more tax assessments go into it.

19 CHAIRMAN BAIRD: Excellent.

20 MS. BLAKE: So we'll be letting the county  
21 assessors know that soon to stop all those tax  
22 assessments.

23 CHAIRMAN BAIRD: Great. All right. Well, I  
24 think I can speak for all of us, thank you. That's great  
25 if we don't have to have any changes.

1 MR. GLEESON: That's very nice.

2 CHAIRMAN BAIRD: That's wonderful. Okay.

3 What's left for us? The bond amounts for licensees --

4 MS. BLAKE: Yes, sir.

5 CHAIRMAN BAIRD: -- under 12(c).

6 MS. BLAKE: Yes. You can find that in your  
7 booklet beginning on page 49 -- I'm sorry. 51.

8 MR. JOHNLOZ: So this really answers the  
9 question, I think, that I had last time about why is it AD  
10 or DHB or something that are exempt from the bonding --

11 MS. BLAKE: Yes.

12 MR. JOHNLOZ: -- process. That's what 50  
13 explains why.

14 MS. BLAKE: Yeah, page 50 tells you --

15 MR. JOHNLOZ: Why they're exempt.

16 MS. BLAKE: Yes. All licensees, before they  
17 can get a license, except for salespersons or brokers,  
18 have to establish a surety bond or a cash fund with the  
19 Department. That's a condition of licensure. So the  
20 exception there is salespersons. I think the Department  
21 has long held, and you probably all agree, a salesperson  
22 cannot independently sell homes. They work through a  
23 retailer, a dealer license, so the dealer is the one  
24 responsible for that sale. The salesperson is an employee  
25 who facilitates that sale. So there's no risk to the

1 customer, to the salesperson. It would be through the --  
2 the dealer license. On page 51, here are the --

3 MR. JOHNLOZ: But there actually is -- there  
4 actually is a risk for -- the salesperson, I agree with  
5 totally, but the broker -- I mean, the broker is  
6 required -- isn't required to have -- they're required to  
7 have a trust account, right?

8 MS. BLAKE: That's just for handling of the  
9 money.

10 MR. JOHNLOZ: Okay. But they're required to  
11 have a trust account just like a D8 dealer is or --

12 MS. BLAKE: That's just a bank account, yes.

13 MR. JOHNLOZ: Whatever.

14 MS. BLAKE: Yeah.

15 MR. JOHNLOZ: Well, it seems to me like if  
16 you have a trust account, you should have to have a bond.  
17 I mean that just seems like that tracks to me.

18 MS. BLAKE: Right.

19 MR. JOHNLOZ: Because that's -- that allows  
20 the person to walk away with money with no recourse if  
21 they -- if they do decide to abscond with the funds.

22 MS. BLAKE: Agree.

23 MR. JOHNLOZ: So I -- and I know that would  
24 take a -- that would take a legislative change.

25 MS. BLAKE: This would have to go through

1 the Governor's regulatory review council. It's in a rule,  
2 so it would be a rule change if you want to do anything  
3 with the licensing bond amount. So as you can see on  
4 page 51, a D8B, B as in boy, is a broker license, and  
5 there is no bond amount that exists there. So we would  
6 have to change the statute legislatively, and we would  
7 have to establish a bond amount through rule if you want  
8 to take action on that.

9 MR. JOHNLOZ: Okay.

10 CHAIRMAN BAIRD: Have we been harmed by any  
11 D8B retailers or brokers?

12 MS. BLAKE: Well, I think customers have  
13 been. I think the trend has changed. The old D8B was  
14 dealing in manufactured homes that were 5- to \$10,000  
15 where today they're dealing with homes that are much  
16 higher price, so there's a greater risk today, and so  
17 that's for your discussion and direction for the  
18 Department.

19 CHAIRMAN BAIRD: I just think that if  
20 somebody is dealing with the public, they don't have a --  
21 we don't have a recourse to go back against them. The  
22 customer has no recourse, either, so it's just like  
23 what -- and we know there's been problems with this. So  
24 maybe we should start the action, that's what I'm  
25 thinking, and if it takes a couple years, it takes a

1 couple years but we'll get it there, you know, looking  
2 down the road. That's just my thoughts.

3 MR. JOHNLOZ: And it seems to me like if  
4 it's -- you could -- well, you could just make them not  
5 exempt. I mean, you can just take the broker out of there  
6 and you'd solve the problem.

7 CHAIRMAN BAIRD: Oh, make it be a retailer,  
8 is that what you meant?

9 MR. JOHNLOZ: No.

10 MS. DOUGHTY: No, just the statute wording,  
11 just take --

12 MR. JOHNLOZ: You could just take the broker  
13 of manufactured homes out of here, mobile homes, and just  
14 leave salesperson in. I'm fine with the salesperson not  
15 having a bond but, you know, it sure seems like if they're  
16 handling money and they're handling consumer money, there  
17 ought to be a bond. I hear you, Wayne, that you could go  
18 back against if they -- if they decide to walk away, and  
19 these guys typically aren't, you know, they're not well  
20 funded, let's put it that way, typically.

21 MR. SYREK: I was wondering as an owner of  
22 an insurance agency that sells commercial surety bonds, it  
23 probably be appropriate for me to recuse myself for  
24 discussion or voting on this. I don't want to be an  
25 appearance of conflict of interest in voting in --

1 CHAIRMAN BAIRD: Of course.

2 MR. SYREK: -- you know, higher bond amounts  
3 or excluding different classes to benefit our agency.

4 MS. BLAKE: Makes sense.

5 MR. GLEESON: I have a question.

6 CHAIRMAN BAIRD: Yeah.

7 MR. GLEESON: So if a broker sells a home  
8 and they're harmed, the consumer is harmed, can they go  
9 after the recovery?

10 MS. BLAKE: Yes.

11 MR. GLEESON: Yes? So there should be a  
12 bond, then.

13 MR. JOHNLOZ: That puts it right in  
14 perspective, doesn't it?

15 MR. GLEESON: Yes.

16 MR. HOYLE: They have all of the benefits  
17 and none of the drawbacks.

18 MR. JOHNLOZ: It could be 25,000. I mean,  
19 that's 250 bucks a year. It's not going to kill anybody.

20 MR. HOYLE: Out of the industry.  
21 Essentially a used car salesman.

22 MR. JOHNLOZ: That's exactly right.

23 CHAIRMAN BAIRD: So let's get a motion going  
24 here.

25 MR. JOHNLOZ: I would move that the

1 Department start the process of creating the need for a  
2 bond for the D8B -- the brokers of manufactured homes --  
3 of manufactured mobile homes and factory built buildings.

4 CHAIRMAN BAIRD: In the amount of?

5 MR. JOHNLOZ: In the amount of 25,000.

6 MR. GLEESON: I second that.

7 CHAIRMAN BAIRD: Okay. All in favor.

8 BOARD MEMBERS: Aye.

9 CHAIRMAN BAIRD: Opposed. With a notable  
10 exception of our person who opted out. Okay.

11 MS. BLAKE: While we're on the topic of  
12 bonds, I have just one more piece of information to share  
13 with you. On page 55 is the latest information out of  
14 HUD, and HUD is enforcing -- is overseeing installation  
15 requirements for the 13 default states, meaning they don't  
16 have installation agreements with HUD, and part of that  
17 requirement for them is that all installers have a \$10,000  
18 surety bond. If you look at the bond amounts for our  
19 different classes of licensees on page 51, you will see  
20 that they are anywhere from a thousand dollars up to  
21 5,000.

22 CHAIRMAN BAIRD: Three classes. So you're  
23 saying each of those classes need to be at a -- whenever  
24 this HUD thing takes effect, they'll need to be at 10,000?

25 MS. BLAKE: That's HUD's perspective on it.

1 CHAIRMAN BAIRD: Oh, HUD's perspective.

2 MS. BLAKE: 10,000 for all installers.

3 CHAIRMAN BAIRD: So this isn't law. This is  
4 just a recommendation.

5 MS. BLAKE: It's information for you to  
6 consider if you want to make any changes to the bond  
7 amounts for our installers.

8 MR. JOHNLOZ: But it's what HUD requires in  
9 the 13 states or whatever where they don't have IGA  
10 agreements, right?

11 MS. BLAKE: Correct.

12 MR. JOHNLOZ: Okay.

13 CHAIRMAN BAIRD: The costing difference  
14 between a \$5,000 bond and a \$10,000 bond is obviously  
15 twice as much, but what is it?

16 MR. JOHNLOZ: Well, \$25,000 is 250 bucks a  
17 year. I mean, it's -- I mean, I pay 250 a year for my  
18 \$25,000 bond.

19 CHAIRMAN BAIRD: Other comments? Other  
20 ideas? Thoughts?

21 MR. HOYLE: Waiting for board member Terry  
22 to interject.

23 MR. GLEESON: I don't have a problem with  
24 it.

25 CHAIRMAN BAIRD: You don't have any problem

1 making each of these --

2 MR. GLEESON: No.

3 CHAIRMAN BAIRD: C, D -- I-10C, D and G each  
4 \$10,000?

5 MR. GLEESON: No.

6 CHAIRMAN BAIRD: Okay.

7 MS. DOUGHTY: Is that statute or --

8 MS. SHINN-ECKBERG: That would be a rule  
9 change.

10 MS. DOUGHTY: It's another statute?

11 MS. BLAKE: Rule.

12 CHAIRMAN BAIRD: Meaning.

13 MS. BLAKE: Meaning it has to get approval  
14 to -- for the governor's current moratorium against rule  
15 making that the Board would like to better protect its  
16 customers by changing those bond amounts. So it has to go  
17 through a regulatory review council.

18 CHAIRMAN BAIRD: Okay. Any other comments?

19 MR. SYREK: Many surety companies have  
20 minimum premiums, so you'd find that some of those changes  
21 wouldn't affect the bond premiums.

22 CHAIRMAN BAIRD: Got it.

23 MR. JOHNLOZ: I guess my only question is,  
24 you know, is 10,000 enough? I mean, the additional cost  
25 to the -- to Terry or whatever, I mean, it's a -- it's a

1 small number. I mean, the difference between 10,000 and  
2 25,000 is 150 bucks.

3 MR. HOYLE: I'm not -- and if I had a rule  
4 book in front of me, the deviation between the IC -- or  
5 the I-10C, D and G, what are their limitations? I mean, I  
6 don't know that those guys are -- on a typical double  
7 wide, how much trouble they can create on a job as far as  
8 that stands. I guess my whole point is I don't know that  
9 10K is too low or too high.

10 MR. JOHNLOZ: And I guess -- I guess what I  
11 was looking at is if there are multiple claims against  
12 them versus, you know, any job 10,000.

13 MR. GLEESON: 35,000 and walk away.

14 MR. JOHNLOZ: My concern if there were  
15 multiple claims.

16 MR. GLEESON: The only people that this will  
17 affect is those who put up a cash bond. They go from  
18 5,000 to 10,000 or from 2,500 to 10,000. That's a big  
19 number.

20 MR. HOYLE: I definitely agree it's worth  
21 investigating it, getting it raised.

22 CHAIRMAN BAIRD: Okay. More discussion?  
23 Somebody willing to make a motion?

24 MS. DOUGHTY: I'll make a motion that we  
25 recommend to the regulatory --

1 MS. BLAKE: To the Department.

2 MS. DOUGHTY: To the Department that we  
3 raise I-10C, D and G to a \$10,000 bond.

4 CHAIRMAN BAIRD: Thank you. A second.

5 MR. HOYLE: Second.

6 CHAIRMAN BAIRD: All in favor.

7 BOARD MEMBERS: Aye.

8 CHAIRMAN BAIRD: Opposed, with a notable  
9 exception.

10 MR. STEGMAYER: Now the department will sit  
11 on it until --

12 MS. BLAKE: We make due diligence to ask for  
13 an exemption, but we may or may not get it.

14 CHAIRMAN BAIRD: Thank you.

15 MR. JOHNLOZ: That's all we can do is ask.

16 CHAIRMAN BAIRD: I'm pretty sure we only  
17 have one thing left and that's a motion to adjourn.  
18 Before we do that, I do have a personal -- you're going to  
19 be mad at me, but Debra's mother, just in the last couple  
20 weeks, has experienced a horrible stroke. Let's just keep  
21 her and her and er family in our thoughts, if we would,  
22 please.

23 MS. BLAKE: Thank you.

24 CHAIRMAN BAIRD: Motion, seriously. You?

25 MR. HOYLE: Motion.

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CHAIRMAN BAIRD: Got it. Second.

MR. PEARCE: Second.

CHAIRMAN BAIRD: Out of here.

(Whereupon, the proceedings were concluded  
at 2:41 p.m.)

1 STATE OF ARIZONA )  
 ) ss.  
 2 COUNTY OF MARICOPA )

3 BE IT KNOWN that the foregoing proceedings were  
 taken before me; that the foregoing pages are a full,  
 4 true, and accurate record of the proceedings, all done to  
 the best of my skill and ability; that the proceedings  
 5 were taken down by me in shorthand and thereafter reduced  
 to print under my direction.

6 I CERTIFY that I am in no way related to any of  
 7 the parties hereto, nor am I in any way interested in the  
 outcome hereof.

8  
 9 [ ] Review and signature was requested.  
 [ ] Review and signature was waived.  
 10 [X] Review and signature not required.

11 I CERTIFY that I have complied with the ethical  
 12 obligations set forth in ACJA 7-206(F)(3) and ACJA 7-206  
 J(1)(g)(1) and (2).

13 Dated at Phoenix, Arizona, this 3rd day of  
 14 May, 2016.

15  
 16 Marisa L. Montini, RPR  
 Certified Reporter  
 17 Arizona CR No. 50176

18 \* \* \* \* \*

19  
 20 I CERTIFY that GRIFFIN & ASSOCIATES, LLC, has  
 21 complied with the ethical obligations set forth in  
 ACJA 7-206 (J)(1)(g)(1) through (6).

22  
 23 GRIFFIN & ASSOCIATES, LLC  
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