

In The Matter Of:
Arizona Board of Manufactured Housing Meeting

Reporter's Transcript of Proceedings
January 27, 2016

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ARIZONA BOARD OF MANUFACTURED HOUSING MEETING

REPORTER'S TRANSCRIPT OF PROCEEDINGS

Phoenix, Arizona
January 27, 2016
1:00 p.m.

REPORTED BY:

TERESA A. VANMETER, RMR
Certified Reporter
Certificate No. 50876

PREPARED FOR:

Board of Manufactured Housing

(Certified Copy)

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1 THE ARIZONA BOARD OF MANUFACTURED HOUSING MEETING
2 taken at 1:00 p.m., on January 27, 2016, at the offices of
3 Arizona Board of Manufactured Housing, Department of Fire,
4 Building and Life Safety, 1110 West Washington Street, Room
5 3100B, 3rd Floor, Phoenix, Arizona, before TERESA A. VANMETER,
6 RMR, a Certified Reporter in and for the State of Arizona.

7

8 PARTICIPANTS:

- 9 Samuel Baird, Chairman
10 Wayne Syrek
11 Terry Gleeson
12 Joseph Stegmayer
13 Lloyd Strode
14 Everette Hoyle
15 Gregory Johnloz
16 Jan Doughty

17 Agency Members:

- 18 Debra Blake, Deputy Director
19 Ayde Sanchez, Secretary

20 Board Counsel:

- 21 Frankie Shinn-Eckberg, Assistant Attorney General

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P R O C E E D I N G S

CHAIRMAN BAIRD: Let me call this meeting to order, the meeting of the Board of Manufactured Housing, Wednesday, January 27th, 2016, one o'clock.

Ayde, would you please call roll?

MS. SANCHEZ: Yeah. 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: Gregory Johnloz.

MR. JOHNLOZ: Here.

MS. SANCHEZ: Michael Minnaugh, absent.

Joe Stegmayer.

MR. STEGMAYER: Here.

MS. SANCHEZ: Luke Strode.

MR. STRODE: Here.

MS. SANCHEZ: Wayne Syrek.

MR. SYREK: Syrek. Here.

MS. SANCHEZ: Eric.

MR. SYREK: Eric Syrek.

1 MS. SANCHEZ: Debra Blake.

2 MS. BLAKE: Here.

3 MS. SANCHEZ: Frankie Shinn-Eckberg.

4 MS. SHINN-ECKBERG: Here.

5 MS. SANCHEZ: That's it.

6 CHAIRMAN BAIRD: We're all here. All right. Our
7 court reporter asked us not to speak at the same time. Speak
8 one at a time. I told her that wasn't going to happen, but
9 that's what she requested. So let's try to remember that as we
10 go through this. Okay? So welcome.

11 MS. BLAKE: Mr. Chairman.

12 CHAIRMAN BAIRD: Yes.

13 MS. BLAKE: This would be the agenda item if
14 you'd like to acknowledge and introduce the new members.

15 CHAIRMAN BAIRD: Let's do that. Let's introduce
16 ourselves. In the past we were able to pass around who we are,
17 what we did and all that good stuff, and I've got some of those
18 still on file. But if the new ones would give me some type of a
19 paragraph or two of who you are and what you're doing and why
20 you want to do this, we'll share it all amongst ourselves. I'll
21 get it out today, or whenever you get it to me, I'll pass it
22 around to everybody so we'll all know. Plus, I'll get the
23 people like myself and Joe and Terry that have already done
24 that. Everette and Gregory has already done that. So we pass
25 it out so we kind of know who we are. That's what it boils down

1 to. That will be great.

2 I'm Sam Baird. I've been doing this too long and
3 it's somebody else's turn, but in the meantime, I am on the
4 board. I haven't gone through my -- what do you call it?

5 MS. BLAKE: Senate confirmation.

6 CHAIRMAN BAIRD: Senate confirmation, but I
7 understand they're imminent. They're going to be happening over
8 here in the next two, three, four weeks. You've probably
9 already gotten notification of that and the list of the people
10 you can talk to in advance if you'd like to, so... And I've
11 done that. It's been -- it was good. It was great, so...

12 You are?

13 MR. SYREK: My name is Wayne Syrek. I've spent
14 the last 20 years working in the manufactured housing industry
15 on the insurance side, owner and operator of an insurance agency
16 that specializes in manufactured housing, and happy to do what I
17 can to further along the industry and serve at this time. I
18 have seven children. They keep my busy at home.

19 CHAIRMAN BAIRD: Seven?

20 MR. SYREK: Seven. Just became a grandfather.
21 I'm very excited about that.

22 MS. BLAKE: Wow.

23 MR. SYREK: Happy to be here.

24 CHAIRMAN BAIRD: Congratulations.

25 MR. SYREK: Thank you.

1 CHAIRMAN BAIRD: I'm glad you're here.

2 Terry.

3 MR. GLEESON: Terry Gleeson, Gleeson Mobile Home
4 Service. I've been in southern Arizona since 1984. Been on the
5 board, I think, about three years.

6 CHAIRMAN BAIRD: Great. We're glad you're back
7 and here, and to stay.

8 MR. GLEESON: Thank you.

9 CHAIRMAN BAIRD: Mr. Stegmayer.

10 MR. STEGMAYER: Joe Stegmayer, Cavco Industries.
11 Been an administrator for 30 years. Cavco's been around for 50
12 years, and it's based right here in Phoenix. There's 19
13 factories across the country.

14 CHAIRMAN BAIRD: Joe's being very modest here.
15 He's also served as the chairman of our national association and
16 in Washington. He's intimately involved in all phases of our
17 business. So we're lucky to have him back on the board. He's
18 served before.

19 MR. STEGMAYER: Thank you, sir.

20 CHAIRMAN BAIRD: Go ahead. Why not?

21 MS. SANCHEZ: I'm Ayde Sanchez, the Secretary.

22 CHAIRMAN BAIRD: Yeah. Does a great job.

23 MS. BLAKE: She does a great job.

24 CHAIRMAN BAIRD: She does.

25 MS. BLAKE: Yes.

1 I'm Debra Blake. I've been the deputy director
2 for the Office of Manufactured Housing for ten years. I, for
3 the last year, have served as interim director for the agency,
4 which includes both Office of Manufactured Housing and the state
5 fire marshal. I serve on the Manufactured Housing Consensus
6 Committee, which is an advisory board to HUD, and I'm currently
7 this year's co-chair, and next year and the following year I'll
8 chair the committee. It's an interesting process. It's an
9 interesting industry, and I'm glad I'm part of it.

10 CHAIRMAN BAIRD: And we are, too.

11 MS. SHINN-ECKBERG: Thank you. I'm Assistant
12 Attorney General Frankie Shinn-Eckberg. I've been representing
13 this board for a little over a year. Hopefully continue to do
14 so until it's consolidated or whatnot, so...

15 CHAIRMAN BAIRD: Thanks.

16 MR. STRODE: I'm Luke. This is the first kind of
17 board meeting for anything like this that I've done before. I'm
18 really excited to help everybody out. I have a lot of family
19 members that live in manufactured housing in Tucson. I'm a
20 financial planner. Most of my clients are business owners. So
21 hopefully I can kind of bring some insight on both sides of
22 that. And yeah, just looking forward to serving and helping
23 everybody out.

24 CHAIRMAN BAIRD: Great.

25 MR. HOYLE: Cool. Thank you.

1 I'm Everette Hoyle. I have been on the board for
2 three years. I have been in or affiliated with this industry
3 for about 20 years as a manufacturer/dealer, currently as a
4 general contractor that specializes in commercial modular
5 buildings. Glad to be here.

6 CHAIRMAN BAIRD: Very good.

7 MR. JOHNLOZ: I'm Greg Johnloz. I've been in the
8 business since 1976, mostly managing mobile home parks.
9 Currently I'm retired. I finally got out of the day-to-day
10 stuff, but I still have ownership interest in something like 17
11 mobile home parks and did a little consulting work, and I'm
12 still active on boards. So that's why I'm here and hope to add
13 a little perspective from the historical standpoint.

14 MS. DOUGHTY: I'm Jan Doughty. I've been in the
15 insurance industry since '73 and have a Cavco home up in Munds
16 Park.

17 MR. STEGMAYER: Thank you.

18 MS. DOUGHTY: We spend half of the time there,
19 especially my husband. When it hits 100 here, he's there for
20 the rest of the season.

21 CHAIRMAN BAIRD: That's it.

22 MS. DOUGHTY: So I've been on several state and
23 City of Tempe boards. So this sounded interesting.

24 CHAIRMAN BAIRD: Okay. I forget what I said
25 about myself, but I've been in the industry since 1972. Will be

1 46 years this year, and I know it's amazing, next month,
2 actually. I've got a couple claims to fame, and that's one of
3 them. The other one is I've been married, as of February 17th,
4 for 50 years to the same woman. That's amazing. That's nice.

5 MS. DOUGHTY: Congratulations.

6 MR. HOYLE: That's a medal.

7 CHAIRMAN BAIRD: She admitted that she liked me
8 -- she's liked me for about 40 of those, so I'll take it. I
9 took it, you know. Sounds really great.

10 I'm with Clayton Homes. Us and Cavco share
11 probably close to 70 percent of the business -- national
12 business across the board. Here in Arizona, we probably share,
13 I'm guessing, 70 percent, maybe 75, right in there, of the
14 business, and it's been awhile. Cavco's got a couple of
15 factories here in town, both operating. We've got a couple, one
16 operating, and it's been a tough time coming back, but it is
17 coming back.

18 MR. STEGMAYER: Right.

19 CHAIRMAN BAIRD: You know, it's coming back
20 wonderfully well. So this should be a really good year for us,
21 and next year should be as well. So it's fun to be here, fun to
22 be in this thing.

23 Debra, why don't you tell everybody you what
24 their -- what we're really here for. Why are we here? What are
25 we -- what's our charge, if you will?

1 MS. BLAKE: Oh, gosh. Well, I don't have my
2 statute book with me --

3 CHAIRMAN BAIRD: You know.

4 MS. BLAKE: -- but off the top of my head, the
5 board has two major responsibilities. One of those is to set
6 annual fees that the Department of Manufactured Housing charges,
7 and those fees must be set based on information given to the
8 board by the department so that the revenues cover 95 to 105
9 percent of expenditures for the department. The board has done,
10 in my opinion, an excellent job over the last few years, and
11 I'll take some credit for my staff. We've been able to provide
12 better information to the board to help them make those
13 decisions last year, last fiscal year, which ended June 30th of
14 2015. The net result of the work above the department and the
15 board ended up with the proration of revenue to expenses at 99.5
16 percent, which is excellent.

17 Obviously there's a lot of variables in there.
18 We don't know what the production volumes are going to be. We
19 can make some good guesses, and of course, the industry has
20 financial experts that help us with those numbers. But I was
21 very pleased that it ended up where it did. So that's the
22 number one first responsibility of the board.

23 The second responsibility of the board is to
24 review and adopt rules. Rules clarify and support the statutes
25 that the department is responsible to operate under. There

1 hasn't been a lot of activity on that by the board except a
2 little bit last year, because the current governor and the past
3 governor have had a rule moratorium in place now -- gosh, what's
4 it's been, Frankie -- seems like ten years now. It's been a
5 very long time that special permission has to be given by the
6 governor's office to enact or change any rules.

7 When Governor Ducey came in, he charged all
8 agencies with reviewing all of their rules. Get rid of what you
9 don't need and let's streamline it. The board and the
10 department went through that exercise last calendar year. This
11 was the board packet for last year, and all of this folded over
12 information were the recommendations, and the board adopted our
13 recommendations in their entirety. That was August of 2015.
14 Our recommendations were due to the governor's office by
15 September 1st, and to date we've heard nothing back, good news,
16 bad news, do nothing, move forward. And so I don't know where
17 in all honesty that sits, but it is the responsibility of the
18 board to look at that information.

19 For the new members, I would encourage you. The
20 board packets are on our web site. This board packet is out
21 there. You might want to take a look at it, familiarize
22 yourself with the rules, but primarily a lot of it had to do
23 with installation activities, what's required. A lot of it has
24 to do with permit activities, which Ayde is responsible for;
25 sales activities, all of that. So those are the primary two

1 purposes of the board: Fees and rules.

2 CHAIRMAN BAIRD: Cool. Thank you.

3 MS. BLAKE: You're welcome.

4 CHAIRMAN BAIRD: It all comes down to money,
5 doesn't it?

6 Okay. At this time we allow Debra to continue
7 talking and tell us what's going on. This is -- this area here
8 I call like a state of the state of what's going on with the
9 department and generally within the industry. More of a
10 discussion type. She brings us up-to-date on things that have
11 happened, and there's been some significant changes, so as you
12 can discuss.

13 MS. BLAKE: Sure. Thank you.

14 If it's appropriate, with our attorney, I'd like
15 to kind of talk about both Item 4 and 5, which is department
16 information and legislative updates, because there's a bit of an
17 overlap in the two. Is that okay?

18 MS. SHINN-ECKBERG: That's fine.

19 MS. BLAKE: Okay. So I'm going to start off with
20 the big news, and that is that the Department of Fire, Building
21 and Life Safety as it exists today will no longer be a state
22 agency by January 2017, if not before. Our budget financial
23 cycle is July 1st through June 30th. There is some activity
24 currently going on to try to get it transitioned by -- before
25 July 1st, but we don't know if we'll get that all done.

1 What's happening specifically is that the
2 functions of the agency are just moving and consolidating with
3 other agencies. So the Office of Manufactured Housing, all of
4 its staff, all of our roles and responsibilities are not
5 changing, but we will be moving as a separate division under
6 Arizona Department of Housing. I think it's a good move. I
7 think that there's been talk, the ten years I've been with the
8 department, about consolidating with that. It somewhat mirrors
9 the U.S. Department of Housing and Urban Development at the
10 federal level where all activities about all types of housing
11 are consolidated into one agency called HUD.

12 The Arizona Department of Housing as it exists
13 today is not regulatory. By that, for the new members, what I
14 mean is it doesn't issue licenses. It doesn't have statutes and
15 rules that it enforces for the industry. It is a grant pass
16 through agency. It gets federal moneys, and so it will be a
17 change for them. We already all know how to do the regulatory
18 portion and enforce the HUD regulations as well. So I think it
19 will be a good mix for both of us, and we're looking forward to
20 it.

21 Michael Trailer is the director of the Department
22 of Housing. That's not changing. And so we'll look forward to
23 working with him.

24 The Office of the State Fire Marshal, the other
25 division in the agency, is also moving in its entirety, and it's

1 going under the state forester. They have the same customer
2 base. They all work with fire departments and, you know,
3 protect property and lives. So I think that's a good move for
4 them as well.

5 HOA complaints, homeowner association complaints,
6 was given to the agency, to us a few years ago, because we
7 support the complaints from mobile home parks between landlords
8 and tenants. So we already had the infrastructure in place to
9 process those complaints, and so the legislature decided years
10 ago we should take the homeowner association complaint process
11 as well. Part of this consolidation moves that, only the
12 homeowner association, to Department of Real Estate.

13 We do not know at this point, but it's probably a
14 50/50 chance that the physical location of the department will
15 not be moving. Department of Housing is right around the corner
16 here on the third floor. Forestry shares office space with us
17 on the first floor. Our goal is to minimize the impact as much
18 to our external customers and their use to, of course, our front
19 counter office that's down on the first floor. So more details
20 will come on that.

21 I'm jumping to Item Number 5, too, which is your
22 legislative update. The last tab in your booklet, and that is
23 the executive budget. That was submitted to the legislature two
24 weeks ago. As you can see in it, beginning on page 34, and
25 again for new members, the page numbers are on the bottom right-

1 hand corner of your packets. The budget that we had approved
2 and had submitted is still demonstrated there. You will see at
3 the bottom of that page 34 the language and the discussion about
4 the consolidation. Again, it's not really to save money. It's
5 just to improve efficiencies, and you will see exactly what I
6 just went over with you listed there on the bottom of page 34
7 and the top of 35.

8 So lots of details to work out in terms of
9 consolidating. All the statutes and rules will have to have
10 some conforming language changes to them since there will no
11 longer be a Department of Fire, Building and Life Safety under
12 that heading.

13 Staff changes, again, I've been serving now,
14 effective next month, a year as interim director. Now that we
15 know about the consolidation, that won't be changing until we
16 work out the details with the consolidation. The state fire
17 marshal position has been vacant over a year. There is some
18 discussion down at the capital about going ahead and filling
19 that position. It's a critical position. I don't know if I'll
20 be involved in that or if forestry, but we'll certainly work
21 together to make that happen.

22 Regarding HUD and the Manufactured Housing
23 Consensus Committee, the committee had its first meeting of 2016
24 last week in Louisville, Kentucky. That was also the site for
25 the manufactured housing home show. Most -- a lot of

1 manufacturers there presenting, actually, their homes in the
2 convention center. A lot of interesting and beautiful homes on
3 display. A lot of different variety. So that was good to see.

4 I guess the biggest topic at the Consensus
5 Committee meeting that I want to share with you is HUD's final
6 rule for on-site construction. For those of you directly
7 connected with the industry, you probably saw some information
8 today from Mark Weiss with the Manufactured Housing Regulatory
9 Review.

10 No members of the Consensus Committee were in
11 agreement with the final rule that HUD has published. We
12 believe it has a lot of negative impact to the manufactured
13 housing industry in terms of cost and that. Going back to I
14 think it was 2003, the industry has a process that's called
15 alternative construction, where a manufacturer can make a
16 request of HUD to do some on-site construction. Once the home
17 is substantially completed at the factory, delivered to the site
18 that it's going to, some final things -- and I guess Joe and Sam
19 could better speak to this, help me here -- but one good example
20 is a stucco finish on the outside of the home. So when the home
21 ships, it looks complete. It is complete. It could be
22 complete, but the customer wants to customize it with a stucco
23 finish on the outside of it. That's not something that travels
24 well down the road when the home is transported, and so that's
25 an example of an alternate construction that would be approved

1 by HUD, because that piece of the construction is going to be
2 finished at the site where it's delivered. Those approvals have
3 to be made through HUD.

4 It becomes a bit of a process on those AC
5 letters. There's time frames on them. There's some
6 limitations. And so my understanding, because I wasn't on the
7 Consensus Committee in 2003, is that basically the manufacturing
8 construction part of the industry said, Is there a way to kind
9 of get rid of these AC letters, give us some more flexibility,
10 maybe expand that a bit more? And for those who've been in the
11 industry a long time, know that sometimes what starts out as a
12 great idea through its process with HUD looks very different
13 when HUD publishes a rule or a final rule on it.

14 That's kind of what happened here. What started
15 out as a response to manufacturers has now turned into a lot of
16 red tape, a lot of additional paperwork, and basically, like I
17 said, it took a life of its own. The other thing is the details
18 of the final rule, which is in place and becomes effective March
19 7th, was never reviewed by the Manufactured Housing Consensus
20 Committee, and that, of course, is its purpose to be an advisory
21 board to HUD. So it was not good news.

22 The presentation, I will share that presentation
23 with manufacturers. I've already sent that to Manny at Cavco,
24 because he was at the meeting and had asked for that. I'm going
25 to attend chapter meetings with the association and share it,

1 and then I will provide a detailed presentation to you at the
2 next meeting in April.

3 Now, having said all that, what HUD has
4 recommended is that the effective date is March 7th. They're
5 willing to extend that six months as a transition period. What
6 the Manufactured Housing Consensus Committee said is two things.
7 Let's extend that to a year, and let's assign that to the
8 regulatory subcommittee, which is part of the Consensus
9 Committee, and let them review it for cost analysis. Are there
10 other options? There are many states that have effective
11 programs in place already. Arizona is one of those. So let's
12 look at all the options.

13 One of the other major things that came to my
14 attention was that really it's two things. Number one, our
15 inspectors in the factory are very busy. Good news, production
16 levels are up. We actually hired a third inspector this year to
17 anticipate and support that. Manufacturers can't ship a home
18 until it's been inspected by those inspectors. This new rule
19 requires that anything that gets on-site construction has to be
20 done by an IPIA inspector. IPIA inspectors are ones that are
21 out in the factories.

22 Arizona, we don't have the budget to hire more.
23 We certainly don't want to be in a position that we're delaying
24 shipments, and so we would have to third party that on-site
25 construction out. That gets costly. I've already had some

1 initial conversation with some third parties, but basically, if
2 it's done well, there's no violations, it's good to go, first
3 attempt, it's at least a \$400 bill, which gets, of course,
4 inflated by retailers. You know, everything gets marked up all
5 the way. So there is cost impact to the customer, and again,
6 we're all very aware that the whole purpose of a manufactured
7 home is to have, you know, a nice home to live in but that's
8 affordable. So that's a huge concern. So there's going to be
9 some cost with that.

10 There's going to be some delays with it, too.
11 One of those delays really negatively affects retailers, dealers
12 of the product, because the new rule says that even though the
13 home is going to get a HUD label on it that says it's compliant
14 with the HUD code, through on-site construction, it really isn't
15 compliant until a third party, in Arizona, IPIA inspector goes
16 to the site, inspects it, verifies it and writes a final
17 approval. Until that final approval is issued by the third
18 party IPIA, the sale is not complete.

19 What that means is for your -- I hate to call
20 them mom and pop, but your independent retailers, they've got to
21 wait on their money. It could be two, three weeks. It could be
22 two, three months. Most of them cannot afford to operate that.
23 The corporate ones that, you know, Cavco has, Clayton has,
24 others, you know, they might have some more flexibility,
25 because, you know, they have the funding of bigger corporate

1 entities that that might not be a huge issue. So the date the
2 sale is complete moves.

3 MR. STEGMAYER: I might add, Debra, that that
4 also impacts the consumer who might be actually getting into a
5 new home.

6 MS. BLAKE: Exactly.

7 MR. STEGMAYER: And they might be delayed and
8 have to pay a parking rent or something longer.

9 MS. BLAKE: Yes.

10 MR. STEGMAYER: So it's not just the builder. It
11 would be the consumer himself or herself who would be impacted
12 as well.

13 MS. BLAKE: Absolutely. Thank you for that, Joe.

14 Yeah. So it's -- there's a lot of things in this
15 new final rule, and the final rule is not going away. The
16 challenge for the regulatory subcommittee is that we look at
17 some alternatives. We look at some reasonable solutions that
18 make it work. So it's a big challenge. I'll be participating
19 in that. I chair the regulatory subcommittee, and so -- and
20 it's comprised of a lot of other members on the Consensus
21 Committee. So we'll be looking at that over the next couple of
22 months pretty much in detail looking for information from
23 manufacturers, retailers. And that's why I want to be pretty
24 proactive about getting the information out there so that we get
25 good feedback.

1 Governor's budget, we already talked about.

2 Other department updates, I would like to share
3 with you. Mohave County, I've been working with Ken Anderson
4 and the association, is that they have an ordinance that they
5 are reviewing again that strictly limits the year of a
6 manufactured home that can be installed in their jurisdiction,
7 and they are setting that at seven years. So today we're
8 building 2016s, which means that anything 2008 and older is not
9 allowed in the jurisdiction. Now, not only is that not a good
10 thing for the industry. It's not a good thing for homeowners.
11 If you own a 2007, good luck selling it if you're in Mohave
12 County, because it can't be moved.

13 And so I made the association aware of the issue.
14 They've worked with them. I've been involved. I did get a
15 legal opinion from the Attorney General's office, which
16 supported what we believe is -- it's a violation of HUD
17 preemption. If that has a HUD label on it, it says it conforms
18 to all of the standards for construction, and the only caveat
19 beyond that is if a local jurisdiction determines that the home
20 is no longer habitable. And so that's kind of the push we want
21 to take with it. I've talked to HUD a couple of different
22 times. They're a bit slow in responding at times, but I did get
23 the ear of Pamela Danner, who's the administrator of the
24 program. I told her about the AG opinion we have in Arizona.
25 Their attorneys are looking at it, so I'm going to send that to

1 them to see if I can get something from them as well that
2 supports the preemption approach and see if we can't encourage
3 Mohave County to do something different.

4 Another local jurisdiction, the Town of Eagar is
5 looking at an ordinance that bans mobile and manufactured homes
6 from its jurisdiction, period. When I was in Louisville last
7 week, I learned of this yet more exciting news for the industry.
8 I immediately made Ken Anderson aware of it, and so we'll see
9 what we can do, if anything, to encourage that not to happen.

10 The last jurisdiction I want to talk to you about
11 is Yavapai County. They've been an IGA partner. In fact, one
12 of our best IGA partners. IGA is a partnership between a local
13 jurisdiction and the department for the inspection of
14 installation of all manufactured homes and mobile homes in their
15 jurisdiction.

16 Yavapai County is on a hiring freeze. Their
17 volume for site built has increased so that they can't support
18 additional volume without hiring additional staff. And so
19 regrettably, they have decided to terminate their agreement with
20 us. That's effective February 1st.

21 So what the department is doing is committing to
22 a two-day-a-week inspection schedule in Yavapai County so that
23 we don't delay any installation activity. Again, installers
24 don't get paid until they're done with their work. Consumers
25 can't move into their homes until it's done, and we will see how

1 that goes.

2 We looked at the monthly reporting volumes we had
3 gotten from Yavapai County. It looks like we're looking at
4 about ten homes being installed a month. And so we believe that
5 we can support that with the two-day schedule. So we're very
6 flexible with it, whether that's a Monday and a Friday or what
7 two days a week it is. Again, we want to make it as seamless to
8 all of our customers as possible, but we'll have to pick that
9 jurisdiction up.

10 We have an inspector who lives in Yavapai County.
11 We've had him down here working because of our local volume in
12 the Phoenix metropolitan area, but it will be good for his
13 family to have him home a couple of extra days, and it will be
14 good for our support of Yavapai County.

15 And Mr. Chairman, that's all the updates I have.

16 CHAIRMAN BAIRD: Okay. She -- Debra referred to
17 Ken Anderson, and for those of you who don't know, he's the
18 president of our Manufactured Housing Association. Okay.
19 That's who he is.

20 Two major associations that we really deal with
21 and count on for information and deal with, one is the
22 Manufactured Housing Industry of Arizona, and the other is the
23 Park Association --

24 MR. JOHNLOZ: MHCA, Manufactured Housing
25 Communities of Arizona, I think.

1 CHAIRMAN BAIRD: Thank you, sir.

2 Last year for the -- we -- both of the
3 associations have an annual convention, and last year for the
4 first time we joined forces, and we're doing it again this year.

5 MR. JOHNLOZ: Yes.

6 CHAIRMAN BAIRD: You know, to support, and it's
7 great. We both share a great membership of the park owners
8 association. They have almost every park in the state that
9 belongs, and we have in the manufactured housing side. We have
10 almost every discipline represented by -- it's probably 80 or 90
11 percent. So there's a lot of things going on that we can share
12 as we go forward. Good information.

13 Okay. Thank you, Debra --

14 MS. BLAKE: You're welcome.

15 CHAIRMAN BAIRD: -- for doing that, and before we
16 let you talk about finances, why don't we go over the Item
17 Number 3 that I failed to follow, the -- in sequence, review and
18 action on the transcripts. We all know you have transcripts.
19 You get them e-mailed to you. You can read them, address them.
20 If you don't lose your e-mail, you can go on the web site and
21 see them as well, but we do need to approve them. So the chair
22 will entertain a motion to --

23 MR. GLEESON: I make a motion we approve the
24 minutes.

25 CHAIRMAN BAIRD: Okay. Second?

1 MR. HOYLE: I'll second.

2 CHAIRMAN BAIRD: Second. Thank you.

3 All in favor, aye.

4 BOARD MEMBERS: Aye.

5 CHAIRMAN BAIRD: Agree. Passed. Thank you.

6 Okay. Now we can talk about money again.

7 Financial report.

8 MS. BLAKE: My favorite topic.

9 CHAIRMAN BAIRD: It is.

10 MS. BLAKE: Find your tab in your booklet that
11 says Financial Reports, and that begins on page 11. Lots of
12 reports in this particular packet. Usually it's about three
13 months. Of course, we had rescheduled a meeting, and so in this
14 packet you will find financial reports July, August, September,
15 October, November, and Ayde was able to complete December's as
16 well --

17 CHAIRMAN BAIRD: Great.

18 MS. BLAKE: -- which is great, because that's our
19 -- the first half of the year, our fiscal year.

20 So for the new -- benefit of the new members, the
21 first few -- first five months that are in there, I'm looking at
22 page 12, this is the kind of information that's provided. You
23 see on the right-hand side this is for the month of July 2015.
24 This is the beginning of our fiscal year. It's going to track
25 for you volumes of types of plan review, permits, inspections,

1 insignias, licenses, all that kind of information that staff
2 here supports. Tells you what kind of volumes for the month,
3 year to date, prior year to date as a comparison, and then gives
4 you financial information, the amount of fees that were
5 collected, again for that month, the year to date and then the
6 prior year to date for comparison purposes.

7 For those who obviously are new, haven't seen
8 this report before, you're going to find something at the bottom
9 of page 12 that's called educational grants. We give a lot of
10 history on that. Basically what that is is as you serve on the
11 committee, you'll hear about the Consumer Recovery Fund, and
12 we'll talk about that on the next agenda item in more detail,
13 but 75 percent of the prior year's interest accrued off the
14 recovery fund is available for educational grants. And that's
15 what this chart depicts down below.

16 You'll see that there's a lot of money available
17 for grants. Grants would come from the manufactured housing --
18 grant requests from manufactured housing communities, could come
19 from the association Sam talked to you about, could come from
20 the Arizona Association of Manufactured Home and RV Owners,
21 which represents tenants and parks. And historically, we've had
22 some of those requests you'll see back in fiscal '07 and '08.
23 Then over the next few years you'll see that there haven't been
24 any. In fact, there have been some, but the board has not
25 approved them because the -- of some impacts to the recovery

1 fund over the years. And so we'll talk more in detail about
2 that under the next agenda item.

3 If you flip to page 13, in every monthly report
4 you'll also see some production trending. You heard information
5 today that production is climbing. I'll draw your attention to
6 what's highlighted in yellow for July of 2015, and you will see,
7 if you just follow your finger across, that in 2011, production
8 volumes were really low, 78. They've slowly climbed, and
9 they're up to 196. Now, this is production for all
10 manufacturers in Arizona for that month. So still not where it
11 was back in the 2006, 2007 years where it was three, four,
12 almost 500 homes produced per month, but it is going in the
13 right direction now. So just some interesting information there
14 for you.

15 At the very bottom of that page, you're going to
16 see some information also about the number of installations for
17 mobile and manufactured homes, and then to the far right, these
18 are commercial factory-built buildings. Again, see some good
19 news there. For July, 332 installations reported, compared to
20 the prior year being 200-and-some and so on. So just some
21 trending information for your information. So as you go through
22 here, you'll see that every month you're going to get those two
23 pages.

24 And then if you get to the last month in the
25 packet, which is going to be December, which begins on page 22,

1 that you're going to get the same piece of information, and then
2 you're going to get some graphs that Ayde has done such a nice
3 job with beginning on page 24 that show you how revenue is
4 broken down, the number of fees coming in. You'll see 25.3
5 percent of that came from manufactured housing permits. The
6 next, followed by the next biggest percentage being license
7 renewals. So just so you get a sense for how the fees and how
8 the revenues are streaming into the department.

9 You'll find on page 25 it will give you the
10 fiscal year to date. It's the same revenue stream. The first
11 one was for the month. The second one is for the fiscal period
12 year to date. Kind of follows the same pattern where permits,
13 manufactured home permits coming in tend to be the biggest
14 percent of revenue that we generate.

15 And then if you look on page 26, again, the graph
16 is going to show you the expenditure breakdown. Obviously the
17 bulk of our expenditure is payroll, followed by operating,
18 travel, equipment and professional services. So just how you
19 get a sense of the money coming in and how it goes back out. So
20 a lot of information to absorb there.

21 The other thing that I would point you to is that
22 on page 22, something that I watch month to month that we
23 already talked about is that proration. Are our fees covering
24 our expenditures within that 95,105. You will see that right
25 now, in December we're tracking at about 91 percent, which is a

1 little low. Those of you who are new to the board and perhaps
2 new to how finances work in state government, there are some
3 reasons for that. For example, there are certain expenditures
4 that are front loaded into the first or second month of the
5 budget. The rent of the building that we occupy would be one.
6 So that's a big dollar item. We pay for all of that in July.
7 And so it's a bit skewed, because unlike having a mortgage,
8 you're not paying a set amount of money every month. And so as
9 we catch up further in the fiscal cycle, we should see that
10 proration change. So that's why we don't provide you the
11 proration month to month, because there are some impacts to it,
12 and we look at it more towards the end of the year to make our
13 decisions for you.

14 CHAIRMAN BAIRD: Debra?

15 MS. BLAKE: Yes, sir.

16 CHAIRMAN BAIRD: There's is also income. HUD
17 income comes in once a year, right?

18 MS. BLAKE: Yes.

19 CHAIRMAN BAIRD: Yeah. That's our largest source
20 of income.

21 MS. BLAKE: Yes. We get a -- I want to say
22 stipend, but that's not the word. Supplemental payment for the
23 inspections that we do in the factories. We get small amounts
24 of money every month, but then the current federal regulations
25 guarantee that we are paid at the rate of production that we

1 just looked at back in the 2006, '07, which is good for us as a
2 state. We could not afford to continue to operate based on
3 production volumes today. So we get a lump sum amount that's
4 usually around 130 to \$160,000 one time a year. So yes. Thank
5 you, Sam. So there are other factors that impact that.

6 MS. DOUGHTY: And when does that normally come
7 in?

8 MS. BLAKE: It -- the federal fiscal cycle ends
9 in October. So it's due in October. We typically get it in
10 February.

11 MS. DOUGHTY: Okay.

12 MS. BLAKE: Because there's a long process by
13 which that has to happen, and we have got it -- I think we got
14 it in January this year, because we just recently received it.

15 CHAIRMAN BAIRD: But it's not included in that 91
16 percent, for example.

17 MS. DOUGHTY: This, right.

18 MS. BLAKE: Yeah.

19 CHAIRMAN BAIRD: So that will...

20 MS. BLAKE: Correct.

21 CHAIRMAN BAIRD: Yeah.

22 MS. BLAKE: Correct. Any other questions about
23 the financial reports?

24 CHAIRMAN BAIRD: I don't think so. Do we need to
25 approve those?

1 MS. BLAKE: No.

2 CHAIRMAN BAIRD: I can't remember. Association
3 we do. Okay. Here we don't. Cool.

4 MS. BLAKE: Thank you.

5 CHAIRMAN BAIRD: Most of the new people probably
6 don't know what a recovery fund is.

7 MS. BLAKE: Ahh.

8 CHAIRMAN BAIRD: Is that our next item? It is.

9 MS. BLAKE: It is our next agenda item.

10 CHAIRMAN BAIRD: Yeah. Unless there's any
11 questions on the financials. If you do have questions, I would
12 encourage you. Debra will talk to you, you know. Just call and
13 ask. There -- other members can try and work you through it,
14 too. So if you've got issues, just call. What's the only bad
15 question? The one that's not asked, right?

16 MS. BLAKE: Right.

17 CHAIRMAN BAIRD: So don't hesitate.

18 MS. BLAKE: Thank you. And we are available for
19 that. I would just caution you as you've seen already in Ayde's
20 e-mail communications, and Joe's given us some great feedback on
21 that, please don't put it in an e-mail and copy it to the entire
22 board, because that violates open meeting laws, but you
23 certainly can e-mail me directly or Ayde individually, and we'll
24 certainly get back to you.

25 CHAIRMAN BAIRD: All right. Never reply all.

1 MS. BLAKE: Never.

2 CHAIRMAN BAIRD: That's the --

3 MS. BLAKE: Well, we're going to change our
4 process again thanks to Joe's feedback.

5 CHAIRMAN BAIRD: Oh, good.

6 MS. BLAKE: So that everyone will be blind copied
7 so you won't see everybody's, and if you reply to all, it's not
8 going to go to those who were blind copied, so...

9 CHAIRMAN BAIRD: Perfect.

10 MS. BLAKE: Yeah. So thank you for that.

11 CHAIRMAN BAIRD: Good. Got that figured out.

12 Okay. What's a recovery fund?

13 MR. STEGMAYER: Debra?

14 MS. BLAKE: Debra, what is the recovery fund?

15 CHAIRMAN BAIRD: It's where we protect our
16 consumer.

17 MS. BLAKE: I hate to say it's like an insurance
18 policy, because those of you that represent the insurance
19 industry. It is something that's set in statute that basically
20 says for every home that's sold, new home that's sold, you pay a
21 certain amount that's actually set in statute, but adjustable by
22 the board, and currently it's \$30. And that money goes into
23 this recovery fund, and the purpose of the recovery fund is if a
24 retailer -- and again, for new people, retailer/dealer, they're
25 interchangeable. It's somebody who sells the homes -- fails to

1 deliver all goods and services that they contracted with, and
2 then fails to correct the problems with the consumer, the
3 consumer can file a claim with the department, and they can be
4 made whole by money that's in the recovery fund.

5 In addition to that, the department takes it a
6 step further, because all licensees are required to have a cash
7 bond or surety bond on file with us. So the department takes
8 care of the consumer, so they're made whole, and then the
9 department goes after the surety bond and collects against that
10 on behalf of the customer. The customer can't get both. It's
11 one or the other.

12 The short version history of the recovery fund in
13 a nutshell was that the recovery fund has been extremely healthy
14 in the past, in excess of a million dollars, which is good,
15 meaning a lot of money's coming in, not a lot of claims against
16 it. We had a period back in two-thousand --

17 MR. STEGMAYER: '08, '09.

18 MS. BLAKE: '10 -- yeah, '09, where
19 unfortunately -- I don't like to label -- but an unethical
20 business practices took place. A retailer had taken money from
21 consumers, significant moneys from several consumers, never
22 delivered their homes or never paid the flooring, the funding
23 source for the home, and the recovery fund had to pay out
24 \$990-some thousand, almost a million dollars. And that's about
25 -- there wasn't enough money in the recovery fund at that point

1 to pay everybody, make them whole immediately. So then they had
2 to get on a waiting list. And as money was replenished in the
3 recovery fund, they were paid out in whole in the order by which
4 they made their claim. So that was not a good thing for the
5 industry.

6 There have been statutory changes and things that
7 have gone into place driven by the industry itself where new
8 home sales have to go through an independent escrow company to
9 ensure a consumer doesn't get harmed in that way again. That's
10 been in place since 2009, I believe. So that's a good thing.

11 And so what you see on page 27 is a summary of
12 the recovery fund as it sits today. The balance as of December
13 30th was 411,000. As you see, prior -- all of these different
14 funds. There's also a cash bond fund that for those licensees
15 who either have money and prefer to post a cash bond or for some
16 reason can't qualify for a surety bond, post cash with us, and
17 that cash bond earns interest every month. So the prior year's
18 interest, which for this case in November was \$222, gets added
19 into the recovery fund, and again, remember, that money is
20 available for education purposes.

21 So the new balance going forward is the 411,000.
22 Currently there are no claims that have either been received by
23 us, have been scheduled for hearing or are not scheduled for
24 hearing. So we have no outstanding claims right now. So that
25 balance you see on the far right-hand side, the \$411,000 is the

1 current balance, and it's looking healthy again.

2 CHAIRMAN BAIRD: That's great.

3 MR. STEGMAYER: Now, Debra, the Registrar of
4 Contractors, I believe, asked the complainant to go to the
5 licensed contractor's bonding company first before they'll
6 consider payment from the fund, but you're saying we go -- our
7 consumers go to this recovery fund first, and then we try to
8 collect for the bond?

9 MS. BLAKE: Yes.

10 MR. STEGMAYER: Why don't we do it the same as
11 the Registrar of Contractors?

12 MS. BLAKE: Well, I think the decision actually
13 probably by the board or the direction has been that sometimes
14 those claims against the surety band can take six months or
15 more. They're not as timely. And so because we have the
16 recovery fund, and once it goes to a hearing officer to approve,
17 we can have a consumer paid out in a couple months. So it seems
18 more to the benefit of the customers to do it that way, but
19 if -- you know, we can put on it a future agenda and see if we
20 need to make a process change and do that differently going
21 forward.

22 CHAIRMAN BAIRD: I think it bears discussion.

23 MR. STEGMAYER: Sam, you probably remember better
24 than I, but in that case that Debra was referring to, it was a
25 couple cases, that one disreputable retailer.

1 CHAIRMAN BAIRD: The 990,000. Yeah.

2 MR. STEGMAYER: Yeah. There was also an issue,
3 as I recall, the hearing officer was very quick and lenient and
4 did not verify the losses of consumers. And so the consumers
5 actually got much more than their damages. I recall we were
6 talking about that.

7 CHAIRMAN BAIRD: I think that was a discussion.
8 The process is once the department has said, you've got a -- we
9 think you've got a claim, then our consumer thinks they do, they
10 go before an administrative judge, and all parties to the loss
11 can explain themselves. And in this particular case, the
12 retailer was nowhere around. He was the main person who caused
13 all the problems. So there were -- there was discussion about
14 some people who were out \$100 ended up getting \$150,000. There
15 was some emotional things. There was some discussion. I don't
16 know, but there was something there. The Registrar of
17 Contractors are very -- it's a whole different process that we
18 go through. I mean, it really is, and it's totally different,
19 and it -- we should probably talk about it in an official
20 meeting once we have all the details. I think you're right,
21 Joe.

22 MS. BLAKE: Sure.

23 CHAIRMAN BAIRD: I'm glad you brought that up.

24 MS. BLAKE: I'll make a note, and we'll add it to
25 the next agenda.

1 CHAIRMAN BAIRD: Yeah.

2 MS. BLAKE: I know the Registrar of Contractors
3 has a \$30,000 cap on any claim that comes to them. So if you
4 were damaged to the tune of 50,000, you know, I guess the
5 remaining 20,000 that you can't recover, you could, you know, go
6 to a civil matter. Our recovery fund has no cap. As Joe said,
7 you have to submit claims, what your actual damages were,
8 reviewed by a hearing officer, and then the determination made
9 on what the department pays out of that fund. So I will look at
10 our statutes, bring that to you, make sure that it looks at it,
11 look at the recovery fund process from the Registrar of
12 Contractors, and then we'll have it as an agenda item to
13 discuss.

14 CHAIRMAN BAIRD: Now, just so everybody
15 understands, once a claim is made and it's been approved by the
16 court, then the department can go against the bond and we get
17 the money that way.

18 MS. DOUGHTY: Right.

19 MS. BLAKE: Right.

20 CHAIRMAN BAIRD: It's not just retail. It's any
21 basic licensee. The air-conditioning guy, for example, or the
22 awning guy or the setup person or the factory, you know, we're
23 all -- we all have bonds. If you a license, you've got a bond,
24 pretty much.

25 MS. BLAKE: Yeah.

1 CHAIRMAN BAIRD: So that's what Deb's for.

2 MS. BLAKE: Unless you're a salesperson.

3 CHAIRMAN BAIRD: Unless you're a salesperson.

4 Right, right.

5 MS. BLAKE: Yes.

6 CHAIRMAN BAIRD: Right. So -- cool.

7 MS. BLAKE: Okay. Beginning on page 28 through
8 30 is just some more detailed information as it relates to
9 recovery fund and complaints received from consumers. These are
10 the complaints that were verified. The board has previously
11 asked that we identify the manufacturer and the dealer and the
12 installer who were involved in the transaction, whether -- I'm
13 looking at page 28 -- whether or not it's a possible recovery
14 fund claim, and then we always put notes in there that --
15 relative to the claim, and so --

16 CHAIRMAN BAIRD: I don't know why we did that,
17 Debra. I can't recall as to why we asked for that.

18 MS. BLAKE: Well, we used to provide just the
19 complainant's name.

20 CHAIRMAN BAIRD: Oh, maybe that was it.

21 MS. BLAKE: And then folks wanted more detail
22 about it.

23 If you look on page 29, then it actually gives
24 you even further detail as to what the details of the complaint.
25 In this one the complainant was -- last name was George. His

1 complaint having to do with the manufacturer with some floor
2 squeaks, with the installer. They're listed there. And then
3 with the dealer. And so that's just more detailed information.

4 CHAIRMAN BAIRD: For your information, the real
5 issue is possible recovery fund. That says no. That means it's
6 being handled.

7 MS. BLAKE: Right.

8 CHAIRMAN BAIRD: That's what it means. If it
9 says yes, those are the ones to key into.

10 MS. BLAKE: Right.

11 CHAIRMAN BAIRD: I'm not sure we need this
12 information anymore, you know, because we've been so over -- the
13 past year-and-a-half, the industry has been actually pretty --
14 I'm involved but -- in the industry as well, but we've been
15 really remarkable at policing ourselves. We just really have.
16 We don't have an issue. We've learned our lesson when we spent
17 \$991,000. That's our money. That's the way we look at it.

18 And since then it's been -- we passed a new law.
19 We go to escrow now. We -- now we take care of these things.
20 We don't have any complaints. I mean, there's been years past
21 where there were 30 and 40 on here, you know, and they're just
22 not there. So I'm not sure we need to have this anymore, this
23 kind of detail, other than the first page.

24 Uh-oh, we have a little...

25 MS. BLAKE: Mr. Chairman, this is an agenda item

1 that is up for discussion and possible action by the board. So
2 you're welcome to decide what, if anything, you want reported on
3 complaints. We can modify it in any way the board decides.

4 CHAIRMAN BAIRD: Well, throw it out there. Yes?
5 No? Maybe? Good information.

6 MS. DOUGHTY: I'm assuming you were just -- you
7 were doing it just to see if you saw any trends --

8 CHAIRMAN BAIRD: Exactly.

9 MS. DOUGHTY: -- in certain areas or retailers
10 or...

11 CHAIRMAN BAIRD: Yeah. That's exactly what it
12 was. There's some guy that's got all five of them, but there's
13 never any on here. So I don't -- you know, I don't know if it's
14 necessary. The first page, the summary, I think is wonderful.
15 It's there. But if zero, zero, zero, zero, zero, okay, next, is
16 the way I'm looking at it. But it's up to you.

17 Everette, any thoughts?

18 MR. HOYLE: I think the detail is unnecessary. I
19 certainly don't need to know about crossovers being an issue
20 or --

21 CHAIRMAN BAIRD: Yes. Floor squeaks.

22 MR. HOYLE: -- trim's falling off or... Yeah. I
23 think if a complaint's filed, it is informative to know that.
24 But beyond that, I don't know that we need --

25 MR. JOHNLOZ: What about just the first two

1 pages, like 27 and 28?

2 CHAIRMAN BAIRD: Sure.

3 MR. JOHNLOZ: Not the --

4 CHAIRMAN BAIRD: Not the detail?

5 MR. JOHNLOZ: Not the detail.

6 MR. HOYLE: Yeah. Just 28.

7 CHAIRMAN BAIRD: Yeah.

8 MR. JOHNLOZ: Yeah. Just 28.

9 MR. HOYLE: Just 27 and 28.

10 MR. JOHNLOZ: Just 27 and 28 would be more what
11 the board would need to see.

12 CHAIRMAN BAIRD: Any other thoughts?

13 MR. HOYLE: I agree.

14 MR. GLEESON: Yeah. I think one of the reasons
15 was because of the number they were claiming, you know, the
16 amount of money that they were claiming before we talked about
17 earlier, but they were --

18 CHAIRMAN BAIRD: Yeah.

19 MR. GLEESON: -- they were getting more money
20 than they were supposed to get.

21 CHAIRMAN BAIRD: Well, that's if it goes to --

22 MR. GLEESON: That's why we are listing the
23 items, because we were trying to figure out if they were --

24 CHAIRMAN BAIRD: Oh, okay. Maybe that was it.
25 Yeah.

1 MR. GLEESON: That's the reason we did that.

2 CHAIRMAN BAIRD: From that point of view. What
3 he's saying is, paraphrasing what he said, is that that -- if
4 this would have been listed, so that guy that was owed 100 grand
5 that got 150, we'd have said, wait a minute. That's not --

6 MR. JOHNLOZ: Yeah. There is 20 grand.

7 CHAIRMAN BAIRD: That's not -- whoa, whoa, whoa,
8 wait here.

9 MR. GLEESON: Yeah. I think that's what we did.

10 MR. JOHNLOZ: That makes sense.

11 CHAIRMAN BAIRD: From that point of view, it
12 makes sense.

13 MR. GLEESON: We were paying out 40 or \$50,000
14 for five or six items, which didn't even add up.

15 MR. STEGMAYER: I think Terry's right. And then
16 the other thing is, too, to see not only the potential claim
17 amount that might not be just, but also just the fact that what
18 are the issues going on? Are they serious issues to be dealt
19 with or are they minor issues?

20 MR. JOHNLOZ: Uh-huh.

21 MR. STEGMAYER: You can bet -- I mean, I held my
22 comments when you mentioned the same. Our name is on here, so I
23 didn't want to speak out as if I try to get our name on here,
24 but when I saw this in the e-mail, I actually sent -- you can
25 bet I checked with the division --

1 CHAIRMAN BAIRD: Absolutely.

2 MR. STEGMAYER: -- asked for the stats of this
3 and found out exactly what happened, and that the customer did
4 have some floor squeak issues. Our service people got out
5 there, took care of it. We wanted the service to be done, and
6 we would do that anyway, even if there wasn't an inspection. If
7 the customer just called us up and said, our floor squeaks, we
8 would have been there, but if the floor squeaks, we didn't need
9 an inspection to do that. But it so happened the customer had
10 other issues that apparently weren't maybe addressed, and so
11 they asked for an inspection.

12 But I -- so I -- I think that's probably why
13 we're looking at this before we're acting -- all the parties
14 acting and what parties maybe were not reacting to the consumer.
15 But it does seem like it's declined a great deal, so as you
16 mentioned, over the years all the parties are doing better. I
17 think that was just a blanket statement on your part. I think
18 it's true. Every party in the consumer chain, the retailer, the
19 installer, manufacturer, all are doing better jobs, and I think
20 the state has been very diligent about licensing and surety
21 bonds and those things. So it's so much tighter a loop now, I
22 think.

23 CHAIRMAN BAIRD: Well, maybe -- we're a new
24 group. We're going to be here for a bit, so maybe we just let
25 it ride for a couple times and then make a decision. I mean, it

1 doesn't hurt, right? I mean, you know.

2 MR. JOHNLOZ: Doesn't hurt.

3 CHAIRMAN BAIRD: It worked. In your case, you
4 saw your name, you're like, oh, and so you made a phone call.

5 MR. STEGMAYER: I would.

6 CHAIRMAN BAIRD: I would do that, too. I mean, I
7 would be all over it, you know. I'd say, oh, no, we took care
8 of that already.

9 MR. STEGMAYER: Yeah.

10 CHAIRMAN BAIRD: You know, basically. Yeah. So
11 okay. Enough said.

12 Yes.

13 MR. SYREK: A question. So the -- just
14 logistically, the fact that these were not possible recovery
15 funds, that's for a specific reason or just because the
16 complaints were handled through the dealer or, you know, at the
17 dealer level or manufacturer level? Is that why they weren't --

18 MS. BLAKE: Well, the only way a consumer can get
19 to recovery fund is if it was a failure of the retailer.

20 MR. SYREK: Okay.

21 MS. BLAKE: So let's say, for example, and as Joe
22 and Sam both said, the department never has any issues with our
23 manufacturers. Manufacturers fix it. Doesn't matter. That's
24 not a problem. We have had some issues with retailers and
25 installers, and many times the manufacturer will take it out of

1 their money because they want a happy customer. But yes, so
2 some of these complaints like the installer, if the complaints
3 are all about the installer, you can't get to the recovery fund.

4 MR. SYREK: Okay.

5 MS. BLAKE: If the complaint is about the
6 manufacturer and the manufacturer says, I'm not fixing it, we
7 can't get to the recovery fund. The only issues here are under
8 the -- for verified to dealer, if the dealer doesn't make those
9 good, that's how the customer gets to the recovery fund. So
10 that's why you'll see nos if you look on page 30. There's no
11 manufacturer involved here. It's just complaints against the
12 workmanship of the installer. They can get to the bond, but
13 they can't get to the recovery fund.

14 MR. SYREK: Okay.

15 MS. BLAKE: Does that help?

16 MR. SYREK: Thank you. Yes.

17 MR. JOHNLOZ: Debra, I have one question, and
18 this sort of fits in this. Why -- on the new licenses that were
19 -- that are issued on the list that you've sent out, why -- the
20 D8B licenses, why do they not require a bond or why are they
21 exempt?

22 MS. BLAKE: Because statute exempts them. Should
23 that be the way it works? That's up to you guys to decide, but
24 that would take a statutory change.

25 MR. JOHNLOZ: Okay.

1 MS. BLAKE: So a broker -- a D8B is a broker
2 license. They don't deal in any new homes. It's resale homes.
3 And salespeople who have to work under the license of a licensed
4 dealer --

5 MR. JOHNLOZ: Do they have a trust fund -- or do
6 they have a trust account?

7 MS. BLAKE: No.

8 MR. JOHNLOZ: No. So all their deals have to be
9 done through escrow.

10 MS. BLAKE: Well, yes, they have a trust account.
11 Gosh, I wish I'd brought my statute book. All new homes and all
12 pre-owned homes with a sale value of 50,000 or more have to go
13 through escrow.

14 MR. JOHNLOZ: Right. I understand that.

15 MS. BLAKE: Yeah.

16 MR. JOHNLOZ: Uh-huh.

17 MS. BLAKE: So if you're dealing with 20 or
18 \$30,000 homes, it's all through the trust account.

19 MR. JOHNLOZ: Well, what I'm thinking is that a
20 lot of these people are dealing in that five to \$50,000 range.

21 MS. BLAKE: Right.

22 MR. JOHNLOZ: And it seems to me like if they've
23 got a trust account, they certainly should have a bond, because
24 that's where all the abuse has been over the years, has been in
25 the trust accounts where people have absconded with that money.

1 CHAIRMAN BAIRD: Right.

2 MR. JOHNLOZ: So why would they not have to have
3 a bond? I mean, I think that -- I mean, I understand that it's
4 statutory. That's why they don't have to have it currently, but
5 it seems to me like they should have to have a bond. Why would
6 they not have? If they've got a trust account, why would they
7 not have to have a bond?

8 MS. BLAKE: We can certainly add to this the next
9 agenda --

10 MR. JOHNLOZ: Okay.

11 MS. BLAKE: -- to talk about bond amounts for
12 licensing, specifically, if you want to talk about the D8 broker
13 license.

14 MR. JOHNLOZ: Because they're the only ones that
15 aren't required to have a bond; is that correct?

16 MS. BLAKE: Well, just for purposes of
17 information, and again, we'll have to agendize it, because
18 Frankie will be kicking me under the table, what I'm suggesting
19 to you is you look at all the bonds at your next meeting, and
20 here's the reason why. And I'm not going to look at Terry
21 Gleeson. Installer bonds are very low.

22 MR. GLEESON: They are.

23 MS. BLAKE: They're only \$10,000. As you can see
24 from this complaint summary, that big laundry list of what the
25 installer --

1 MR. JOHNLOZ: Sure.

2 CHAIRMAN BAIRD: -- didn't do --

3 MR. JOHNLOZ: Uh-huh.

4 MS. BLAKE: -- that could easily exceed 10,000.

5 MR. JOHNLOZ: Right. On any one deal, much less
6 multiple ones.

7 MS. BLAKE: On any one.

8 MR. JOHNLOZ: Yeah.

9 MS. BLAKE: On any one. If you are an installer
10 and your oversight is through HUD at the federal level, so in
11 other words, Arizona's installation program is approved by HUD,
12 many states don't have that, so HUD administers it. Installers
13 in those HUD-administered states have to have huge bonds, huge
14 bonds. Now, the bad news is it puts a lot of installers out of
15 business who can't qualify for a 30, 40, \$50,000 bond. But
16 while you're looking at the bond amounts, I'd like to present
17 them all to you, and then as a board you can discuss the ones
18 that you want to discuss and not discuss the others.

19 CHAIRMAN BAIRD: So in -- so if we want to change
20 them, we would make a recommendation. Then we'd have to go
21 through the legislature to have the change?

22 MS. BLAKE: It would be the bond amounts are in
23 the rule.

24 CHAIRMAN BAIRD: Yes.

25 MR. HOYLE: Yeah.

1 MS. BLAKE: If the board wants to change them,
2 the department would put forth an exception request for the rule
3 making moratorium with the justification on why we believe that
4 this is important. If it gets approved by the governors's
5 office, then it goes through rule making. Start to finish takes
6 about six months to get it through.

7 MR. JOHNLOZ: Okay.

8 CHAIRMAN BAIRD: Okay. Good.

9 MR. JOHNLOZ: I think we ought to put that on the
10 agenda.

11 CHAIRMAN BAIRD: I agree. Let's do that.

12 MS. BLAKE: Okay.

13 CHAIRMAN BAIRD: When we get the agenda, then
14 you'll give us the backup information on what the bonds are
15 and --

16 MS. BLAKE: I will.

17 CHAIRMAN BAIRD: Perfect. Good. All right.

18 Next item would be fee structure. That's an
19 automatic review.

20 MS. BLAKE: It is. It's provided for you in your
21 packet beginning -- page 31. It's 31 and 32. No action at this
22 point in time. At your next board meeting in April is the board
23 meeting where the board is required to set fees for the new
24 fiscal year that will take place in July of 2016. And so in
25 March you'll get e-mailed information from Ayde that gives you

1 the basis of our recommendations to the board so that you have,
2 you know, at least a full month to review any recommendations
3 that we're making for change and the reasons why, and then at
4 the April meeting, you will set the fees for the next fiscal
5 year.

6 CHAIRMAN BAIRD: So we have the data for the --
7 financial data for the first six months?

8 MS. BLAKE: Correct.

9 CHAIRMAN BAIRD: By the April meeting? March
10 meeting?

11 MS. BLAKE: You'll set the fees at the April
12 meeting --

13 CHAIRMAN BAIRD: April.

14 MS. BLAKE: -- which is mid April.

15 CHAIRMAN BAIRD: So we should have January and
16 February by then?

17 MS. BLAKE: Yes.

18 CHAIRMAN BAIRD: So we should have 8 of our 12
19 months --

20 MS. BLAKE: Right.

21 CHAIRMAN BAIRD: -- to review --

22 MS. BLAKE: Right.

23 CHAIRMAN BAIRD: -- and compare notes on.

24 MS. BLAKE: And we'll do a cost analysis like
25 we've done over the last few years for you as to how we've

1 determined the cost of providing certain services and see if,
2 you know, there's any indication for you to make some
3 adjustments to the fees.

4 CHAIRMAN BAIRD: So the goal, guys, is for us --
5 guys and gals, sorry -- is to come up with a 90 to the 110
6 percentage, try to -- around that 100 percent based upon what we
7 think future business will be for the fiscal year '17, and then
8 compared to the expenses. So, you know... Good. So we'll have
9 much more information than we ever had in the past to be able to
10 make an informed decision. We had that information last year,
11 and that's probably one of the reasons why we came up with the
12 99.5 right there, you know.

13 Okay. Call to the public. Public? I hear
14 nothing back.

15 MR. JOHNLOZ: I have one --

16 CHAIRMAN BAIRD: Good.

17 MR. JOHNLOZ: -- question. Does this board have
18 any control over the relocation fund?

19 MS. BLAKE: No. There's my short answer. No.

20 MR. JOHNLOZ: Okay.

21 MS. BLAKE: No. As you know, you could preach
22 this better than I could, the relocation fund, for those that
23 you don't know, the department is fiduciary over that fund, but
24 that fund is not state money. It's money that everybody who
25 owns a manufactured home or a mobile home and lives in a mobile

1 home park in Arizona pays a personal property tax assessment
2 annually that goes into the fund.

3 It was established back in the '70s, and the
4 purpose of that fund is because -- and I have to say what Susan
5 Brenton always calls it, so I mean no disrespect. If you live
6 in a mobile home park, you rent the dirt. You own your home.
7 And so you have no control over any decisions the landowner
8 makes. We've seen a lot of parks, especially this last year and
9 a few years ago closing so that the light rail can go through,
10 it gets redeveloped as condos or apartments. And so the
11 landowner, the courts have long held, it's your land. You can
12 do what you want with it.

13 So the purpose of the recovery fund is I own a
14 manufactured home. I pay into it. If my park owner says, you
15 have a 180-day notice, this isn't going to be a mobile home park
16 anymore, the relocation fund, the intent of it is that it will
17 pay for reasonable costs to move your home from that park to a
18 different park or to private land. There is some legislative
19 action right now, some bills that have been dropped to raise the
20 amount, because the cost of transporting, tearing down has gone
21 up. But that's the purpose of the relocation fund, and this
22 board has no input or ability to influence that in any way.

23 MR. JOHNLOZ: Okay.

24 CHAIRMAN BAIRD: Who does, just for informational
25 purposes?

1 MS. BLAKE: The trade organizations, MHCA,
2 Manufactured Housing Communities, that's the park owners, and
3 then AAMHO, the Arizona Association For Manufactured Home and RV
4 Owners, because it's their members that pay into that fund and
5 it's their money.

6 CHAIRMAN BAIRD: Okay. Who administers the fund?

7 MS. BLAKE: The department.

8 CHAIRMAN BAIRD: Under the new regime, are you
9 still going to administer it?

10 MS. BLAKE: The department. Well, manufactured
11 housing. Yeah, we've done that.

12 CHAIRMAN BAIRD: So it will be up to the
13 Department of Housing.

14 MR. STEGMAYER: How do you determine the amount
15 then that the person receives.

16 MS. BLAKE: It's set in statute. If it's a
17 single wide --

18 MR. STEGMAYER: I see.

19 MS. BLAKE: -- you can get up to 5,000. Double
20 wide, or they call it multi wide, up to 10,000, and then if it's
21 ground set, it's an additional 1,250. But we're finding
22 trending over the last few years that tenants are having to pay
23 two, three, \$4,000 out of pocket, and many can't afford to do
24 so, and so -- yeah.

25 CHAIRMAN BAIRD: Okay. All right.

1 MR. JOHNLOZ: There have been several, several
2 parks that either have closed or in the process of closing just
3 in the last year or so.

4 MS. BLAKE: Oh, we have one staff member who
5 depends on the activity. She's spending 35 percent of her
6 workday dealing with relocation requests.

7 MR. JOHNLOZ: I'm sure.

8 MS. BLAKE: Yeah. We've had some ones that have
9 been, you know, newsworthy, you know. The City of Tempe
10 condemned the one park.

11 MR. JOHNLOZ: Uh-huh.

12 MS. BLAKE: I believe that man has passed away
13 now. But anyway, the homes were uninhabitable. We've had one in
14 -- the only mobile home park in Scottsdale, Wheel Inn Ranch,
15 just closed. Very old homes but well maintained.

16 CHAIRMAN BAIRD: Yeah.

17 MR. JOHNLOZ: Uh-huh.

18 MS. BLAKE: And you couldn't -- they couldn't
19 find a place to move them to, because most parks won't take --

20 MR. JOHNLOZ: Most of them are pre-HUD.

21 MS. BLAKE: Most of them were pre-HUD --

22 CHAIRMAN BAIRD: Uh-huh.

23 MS. BLAKE: -- and so we did a lot of
24 abandonments, and that's not a lot of money. It was 1,250.

25 CHAIRMAN BAIRD: Very nice park. Very nice park.

1 MR. JOHNLOZ: Very nice park.

2 MS. BLAKE: Beautiful park.

3 MR. STEGMAYER: Where was it located at?

4 MR. JOHNLOZ: Scottsdale Road.

5 CHAIRMAN BAIRD: It's on Thomas --

6 MR. JOHNLOZ: It's on Thomas.

7 CHAIRMAN BAIRD: It's on Thomas, just east of
8 Scottsdale Road a couple blocks.

9 MR. JOHNLOZ: Yeah.

10 CHAIRMAN BAIRD: Three blocks.

11 MR. STEGMAYER: I think I know the place.

12 MS. BLAKE: Yeah.

13 CHAIRMAN BAIRD: North, south.

14 MS. BLAKE: It's now going to be an RV park, but
15 not a mobile home. No mobile homes. It has to be an RV. No
16 park models now.

17 CHAIRMAN BAIRD: Really?

18 MS. BLAKE: That's what I've been told by the
19 owner.

20 MR. JOHNLOZ: Why would he do that?

21 MS. DOUGHTY: Yeah, why would you do that?

22 MR. STEGMAYER: That doesn't make sense.

23 MS. BLAKE: Money.

24 MR. SYREK: Space rent is --

25 MS. BLAKE: Space rent's different. Yeah. It

1 was a shame. The residents fought it, fought it, fought it.

2 CHAIRMAN BAIRD: I mean, there were people in
3 there that lived there for 40 years.

4 MR. JOHNLOZ: Yeah.

5 CHAIRMAN BAIRD: You know.

6 MS. BLAKE: And had no place else to go.

7 CHAIRMAN BAIRD: Right.

8 MS. BLAKE: They didn't have family to take them
9 in. They couldn't afford assisted living, which is very
10 expensive, so yeah.

11 CHAIRMAN BAIRD: Amazing.

12 Do we have another column here?

13 MS. BLAKE: We have the schedule.

14 CHAIRMAN BAIRD: I know. I'm -- does anybody
15 have anything else you want to talk about here?

16 MS. BLAKE: Like to discuss --

17 MR. HOYLE: Mr. Chairman, I actually have a
18 question.

19 CHAIRMAN BAIRD: Please.

20 MR. HOYLE: The -- back to the consolidation
21 discussion.

22 MS. BLAKE: Yes.

23 MR. HOYLE: This is the question. Licensing at
24 this point in time will remain the same and under jurisdiction
25 of this office in whatever form it's moving into?

1 MS. BLAKE: Yes.

2 MR. HOYLE: So it will remain the same?

3 MS. BLAKE: Yes. The Office of Manufactured
4 Housing includes licensing, plan review, complaints, permitting,
5 inspection in the factories and inspection in the field for
6 installation. So all of those people that you currently
7 interact with, including me, we are all going as a unit.

8 MR. HOYLE: Well, that -- your answer is going to
9 lead into another question then about the IPIA factory
10 inspections, and what's going on on a national level. How
11 difficult would it be for the state to certify our field install
12 inspectors to inspect IPIA? It's -- I call it an extension of
13 the factory, because you're --

14 MS. BLAKE: You're talking about for the on-site
15 construction?

16 MR. HOYLE: Yeah. How difficult would it be for
17 them to be trained to -- they're already out in the field to
18 inspect that. Or is it even an option?

19 MS. BLAKE: Well, I think that it depends.
20 That's the famous answer, right?

21 MR. HOYLE: Yeah. Sure.

22 MS. BLAKE: It depends on what the on-site
23 construction is. If you're talking about stuccoing the outside
24 finish, probably that's an IRC code thing.

25 MR. HOYLE: Right.

1 MS. BLAKE: Which is probably very similar to the
2 HUD code, which adopts --

3 MR. HOYLE: Right.

4 MS. BLAKE: -- certain things. So that's
5 probably doable. If you're talking about something internal,
6 you're talking about a tankless water heater, you're talking
7 about other things that are not necessarily comparable with the
8 IRC, then I think it gets more difficult, because the HUD code
9 is unique to any other building code.

10 MR. HOYLE: Right.

11 MS. BLAKE: And I think it's doable, but there
12 would be a huge learning curve.

13 MR. HOYLE: Yeah. Okay.

14 MS. BLAKE: And again, I think homes are going to
15 be shipped, obviously what the final rule says, substantially
16 compliant.

17 MR. HOYLE: Right.

18 MS. BLAKE: I mean, obviously in the field,
19 you're not going to put in, you know, a water distribution
20 system inside the home or things like that. So there's more
21 unknown about it than known.

22 MR. HOYLE: Understood.

23 MS. BLAKE: But that's a good question.

24 MR. HOYLE: Thank you.

25 CHAIRMAN BAIRD: Well, the far majority will be

1 shipped the way they are now, totally complete.

2 MS. BLAKE: Oh, of course.

3 CHAIRMAN BAIRD: I mean, we're -- a large
4 percentage.

5 MR. HOYLE: Right.

6 CHAIRMAN BAIRD: 90 percent probably.

7 MS. BLAKE: And I think depending on how
8 successful we are with making recommendations and modifications
9 to HUD, manufacturers are going to make those decisions about,
10 well, is on-site construction an option for them or not. So it
11 will be an interesting discussion.

12 CHAIRMAN BAIRD: Okay. Our next meeting is
13 scheduled for?

14 MS. BLAKE: Ayde?

15 MS. SANCHEZ: April 20.

16 CHAIRMAN BAIRD: If you go to page 33, you'll see
17 that we tried to schedule out through '16 so you can adjust your
18 calendars and such. I think it's important for us to be here.
19 I mean, we've all volunteered to be here, and we want to be
20 here. And there's some people who are absent who haven't been
21 here very much, and so we need folks that want to be involved.
22 And so if you can't be involved, that's okay. That's cool.
23 Nothing wrong, but you need to step aside, I think, and let --
24 consider stepping aside and let somebody who can be here be
25 here. You know, if you can't be here -- we all can't be

1 everywhere every time. We know that. We can't do that, but
2 when you've got somebody that's missing three times in a row,
3 it's like, whoa, come on, so...

4 MR. JOHNLOZ: Are these dates going to be pretty
5 firm?

6 CHAIRMAN BAIRD: I think these -- well, except --
7 in your case we'll make an exception.

8 MS. BLAKE: We're all --

9 CHAIRMAN BAIRD: Tell us when you're going to be
10 in California and we will schedule that. Yeah. I think so.

11 MR. STEGMAYER: July 20, you're not --

12 MR. JOHNLOZ: No, I'm good with all these dates.
13 I just want to know if you're going to change them or not.

14 MR. STEGMAYER: Yeah.

15 CHAIRMAN BAIRD: He says he didn't get an e-mail.
16 Everybody else got one.

17 MS. BLAKE: Well, I will apologize for the last
18 change was my fault.

19 CHAIRMAN BAIRD: It was.

20 MS. BLAKE: I didn't know when the Manufactured
21 Housing Consensus Committee meeting was going to be, and once I
22 knew, obviously it was in conflict with our originally scheduled
23 date. I offered to not be at this meeting and have you have it
24 last week, but Sam wasn't having any of that. So that was my
25 fault. I apologize.

1 MR. JOHNLOZ: That's fine. I mean, things are
2 going to change. I was just --

3 CHAIRMAN BAIRD: I know what you're doing.

4 MR. JOHNLOZ: -- digging a little hole for Sam.

5 CHAIRMAN BAIRD: Yeah. But we're okay. So our
6 next one's April 20th? Yay. We'll all have our taxes paid by
7 then, and everybody will be able to come.

8 MS. BLAKE: Well, filed. Maybe not paid, but
9 filed.

10 MS. DOUGHTY: Yeah. Right.

11 MR. JOHNLOZ: Theoretically, anyway.

12 CHAIRMAN BAIRD: True. All right. Well, let's
13 enter -- we'll entertain a motion to adjourn.

14 MR. JOHNLOZ: So moved.

15 CHAIRMAN BAIRD: Second?

16 MR. GLEESON: Second.

17 MR. HOYLE: I second.

18 CHAIRMAN BAIRD: In favor?

19 BOARD MEMBERS: Aye.

20 CHAIRMAN BAIRD: Thanks, everybody.

21 MS. BLAKE: Thank you.

22 (Proceeding concluded at 2:23 p.m.)
23
24
25

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

3

4 BE IT KNOWN that the foregoing proceedings were taken
 5 before me; that the witness before testifying was duly sworn by
 me to testify to the whole truth; that the foregoing pages are a
 6 full, true and accurate record of the proceedings, all done to
 the best of my skill and ability; that the proceedings were
 7 taken down by me in stenographic shorthand and thereafter
 reduced to print under my direction.

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

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

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

14 DATED at Phoenix, Arizona, this 16th day of February
 15 2016.

16 _____
 17 TERESA A. VANMETER, RMR
 18 Certified Reporter
 Certificate No. 50876

19 * * * * *
 20

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