

**Garden Oaks Maintenance Organization (GOMO)
Town Hall**

April 11, 2018

Agenda:

- Notice of Bankruptcy Filing
- Rationale for Bankruptcy Filing
- Next Steps
- Feedback from Neighborhood

Bankruptcy Filing

GOMO has retained Walker and Patterson, P.C. to represent GOMO in a Chapter 11 bankruptcy

Walker and Patterson specializes in bankruptcy proceedings

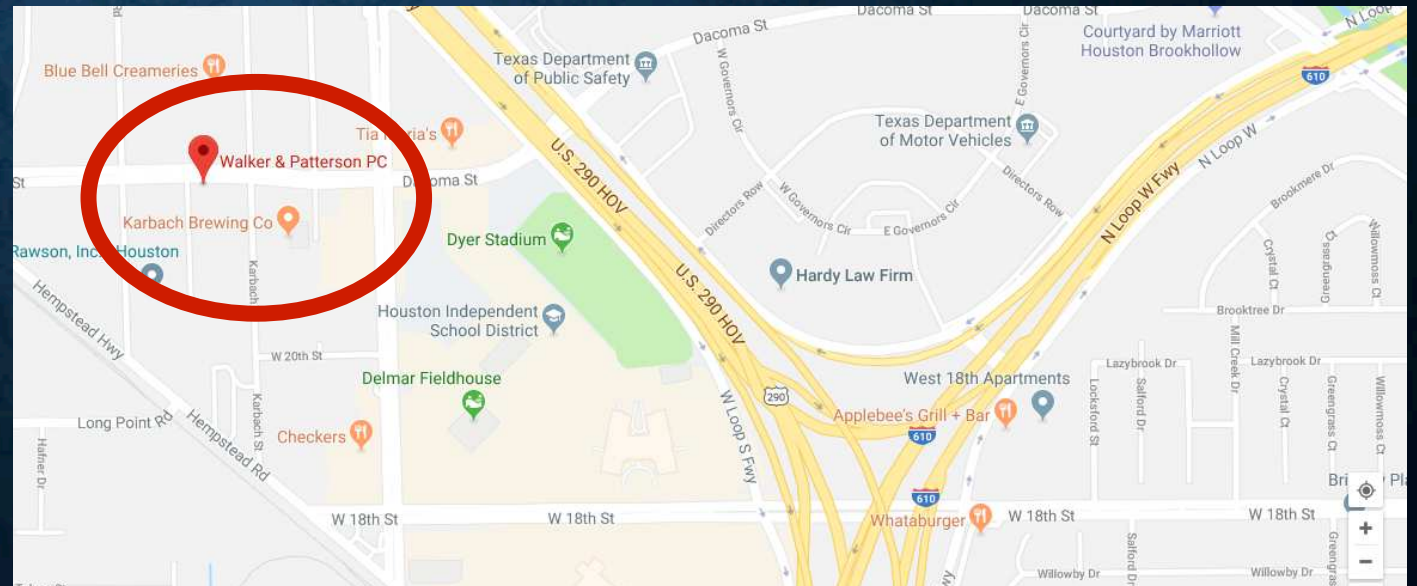
Bankruptcy petition was filed April 11, 2018

Bankruptcy Filing

Johnie Patterson and Miriam Gooft will be lead attorneys, primary point of contact and will handle all future communication re. bankruptcy with the neighborhood

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Rationale for Bankruptcy

Summary of Section 3 Litigation Outcome

- GOMO has legal authority and standing to take action to resolve alleged deed restriction violations
- GOMO's By-laws have force and effect
- Deed restriction for >2 car garages in Section 3 is waived
- GOMO is improperly formed (regarding a single property)

Rationale for Bankruptcy

GOMO desires a Court-supervised process to definitively establish rules for bankruptcy

- Eligibility for receipt of transfer-fee refund
- Calculation of refund amounts due
- Whether transfer-fee checks should still be collected/cashed

Rationale for Bankruptcy

- Proactive process that does not require GOMO members to hire their own attorney and sue for potential refund
- Process that keeps costs low, keeps \$\$ in the neighborhood
- Fair, transparent, and expeditious

Bankruptcy Filing

Estimated length of Bankruptcy: **3-10 months**

Estimated cost: **\$40K - \$70K**

GOMO has paid a retainer of **\$50K**
to Walker and Patterson, P.C.

Next Steps:

During Bankruptcy, all spending by GOMO will be supervised by the Bankruptcy Court (normal business expenses, GOMO attorney's fees, deed restriction enforcement costs)

GOMO will continue to perform construction plan review and will enforce deed restrictions (subject to spending approval)

Next Steps:

It is expected that post-bankruptcy, GOMO will emerge intact and with its financial obligations resolved

A major outstanding issue is that GOMO will still be improperly formed, and GOMO membership must provide guidance



WHITE PAPER

The Impact of Community Associations on Residential
Property Values:

A Review of the Literature

November 2015

Prepared by:

Erin A. Hopkins, Assistant Professor, Virginia Tech, Blacksburg, VA

Those who eschew community associations may want to reconsider their position in light of the potential property valuation benefits. Most studies reviewed in this paper indicate that community associations have a positive impact on housing values.

Arguments for creation of a properly-formed HOA

Restrictive covenants allow for increased housing values within a community association (Speyrer, 1989)

Positive price effects are associated with an HOA. 8.5% premium for properties within 2 miles of an HOA (Meltzer and Cheung, 2014)

Residential community associations lessen the negative impact of a foreclosed home by approximately 3% and virtually eliminate any negative spillover effects to neighbors (Groves and Rogers, 2011)

However, various components of an HOA can impede property values. Too many constraints, overprovision of services and fees and low efficiency of services can also hamper housing values.

As age seems to negatively affect the housing values within community associations, it may be important to modify CC&Rs within aging associations to keep pace.

Furthermore, the level of fees relative to the community association should be kept in mind when trying to make this [HOA] as efficient as possible.

Oak Forest HOA Example:

The Oak Forest HOA functions as both Civic Club and HOA

Funded through voluntary donations (\$40/yr)

Deed restriction violations immediately forwarded to City of Houston or Harris County; very pleased with level of service; deed-restriction violations get flagged which prevent title companies from issuing title and thus prevent receipt of loans; GOMO confirms good service from COH over last few years

Threats: COH may not enforce all deed restrictions (home height restrictions or fencing around front of yard)

Future Tasks

Creation of GOMO Subcommittee on Re-formation (Sign-up sheet)

Comprised of GOMO Members + Section 4 residents

Group of 10; two people per Sections 1-5

1 member/household

Debrief with involved parties to gain understanding

Examine alternative pathways to litigation

Benefits of Re-formation of HOA

Solid legal standing with funding mechanism

Amend and Restate (e.g. complete removal of racial language)

Mechanism to update fee structure

Create Mission Statement to clarify what the HOA stands for

Code of Ethics

Set financial limits for how much \$\$ GOMMO may hold in reserve