



Garden Oaks
Maintenance Organization -
Bankruptcy Plan
Preliminary Proposal

Neighborhood Town Hall
September 22, 2018

A Road Map

- In his comments during the August 16, 2018 hearing, Judge Jones stated that he has a road map in mind for how GOMO can exit bankruptcy
- His comments throughout the hearing give clues to what he is thinking
- In addition he asked that the “sides” work together to gather information from the neighborhood

A Road Map

- The GO-Reform committee's survey of the neighborhood, as well as anecdotal information from the April 11, 2018 town hall meeting, give indications of what the neighborhood wants
- GOMO has created a plan that incorporates the feedback received thus far and will continue to update as the neighborhood's opinions are made known

The Court: August 16, 2018 hearing

- Judge Jones' comments hint at what he wants to see in any proposed plan from GOMO and the Creditors Committee
 - Properly formed HOA, a sentiment echoed by members of the Creditor Committee and their attorney
 - Judge Jones believes he can fix many problems, including the issue of improper formation through the bankruptcy process

The Court: August 16, 2018 hearing

- Judge Jones discussed combining GOCC and GOMO – a single entity for the neighborhood
- Wants funding of the HOA to be via a mandatory fee
 - Voluntary doesn't work
 - Must be fair, prefers it not be a transfer fee – “Mandatory . . . reasonable . . . and equal” (Aug 16 hearing 1:15:55)
- Defined duties, updated DRs, fewer lawsuits

Define the problem(s)

- Improper formation of GOMO
- High level of transfer fee relative to low level of services
- Inability to easily amend the high transfer fee
 - (avg. \$1,200 in 2001, now potentially >\$10,000 in 2018)
- Lack of organizational clarity and types of services provided re. GOMO vs Civic Club

Define the problem(s)

- Difficult to recruit volunteers for 2 elected bodies
- Both elected bodies often run by same set of volunteers
- GOMO = **NEGATIVE** deed restriction violations
- Civic Club = *positive* neighborhood events/outcomes
- Confusing pass through of funds from GOMO to Civic Club

Perspective Bias?? Ask the neighborhood!

GO Re-Form Survey

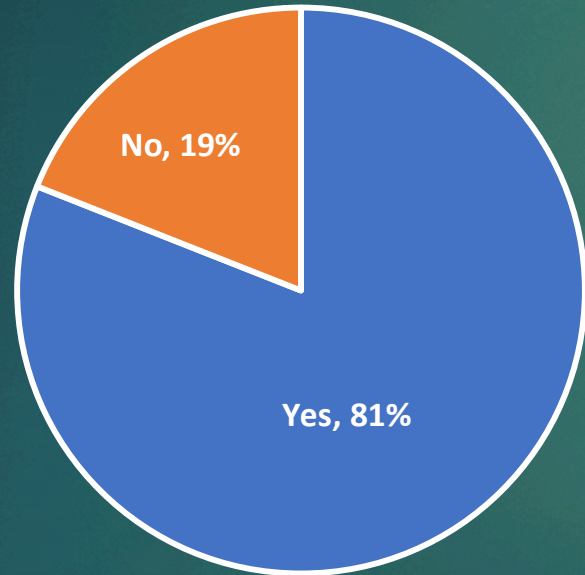
- At the April 11, 2018 town hall, homeowners were invited to volunteer to form a committee to meet and discuss issues with the current HOA (GOMO) and recommend possible remedies
- This group was called GO Re-Form and met every 2 weeks from May-August 2018; became a sub-committee of Garden Oaks Civic Club
- After multiple meetings of roundtable discussion, the group decided to survey the entire neighborhood to better understand what it wants and remove perspective bias

GO Re-Form Survey

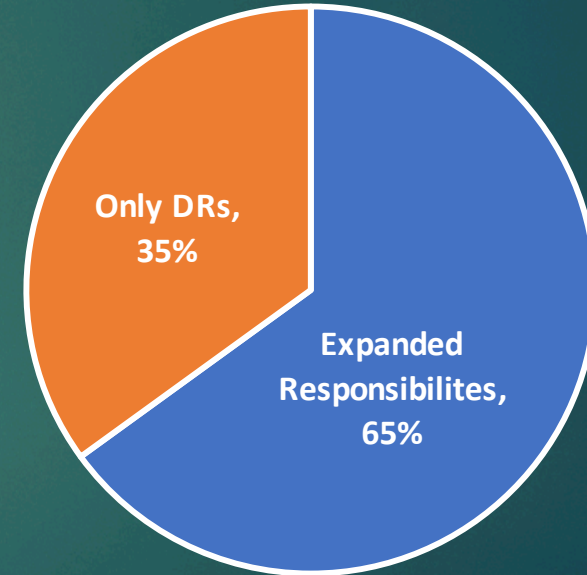
- All Garden Oaks homeowners (~1400) in Sections 1,2,3,4, and 5 were mailed surveys, regardless of whether or not they resided in Garden Oaks
- 2018 Survey followed a model set by a similar 2000 survey from the Garden Oaks Civic Club to solicit feedback from the neighborhood regarding interest in forming a new HOA (GOMO)
- 311 surveys were received by August 2018 deadline; not every question received a response

GO Re-Form Survey Results

Do You Want a New HOA?

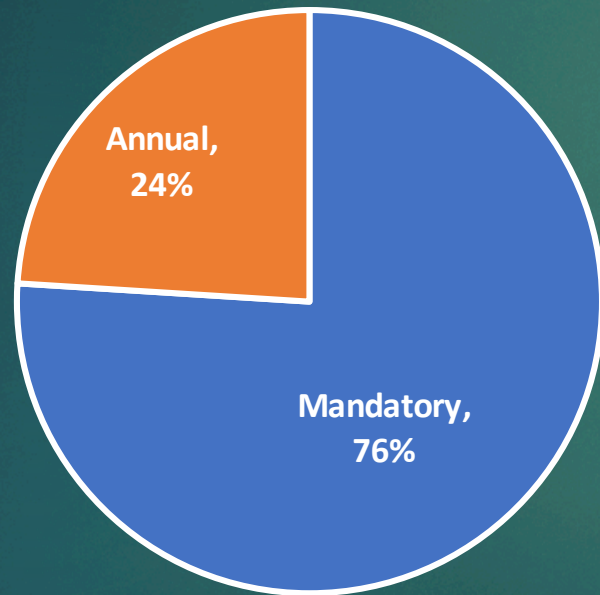


Scope of HOA Responsibilities

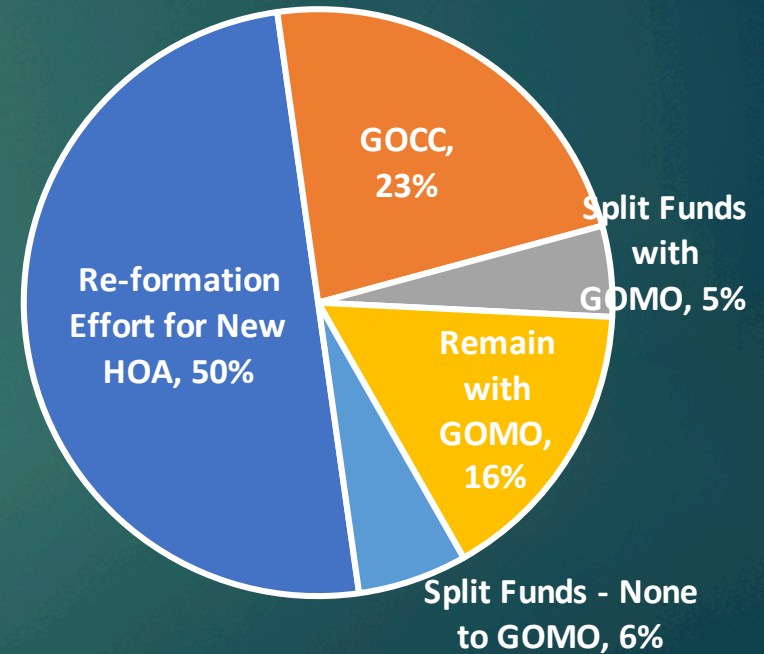


GO Re-Form Survey Results

Type of Funding Mechanism?

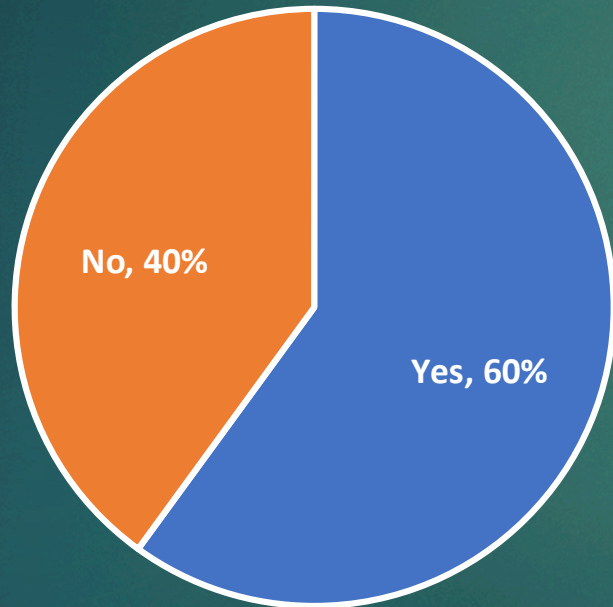


GOMO's Remaining Funds?

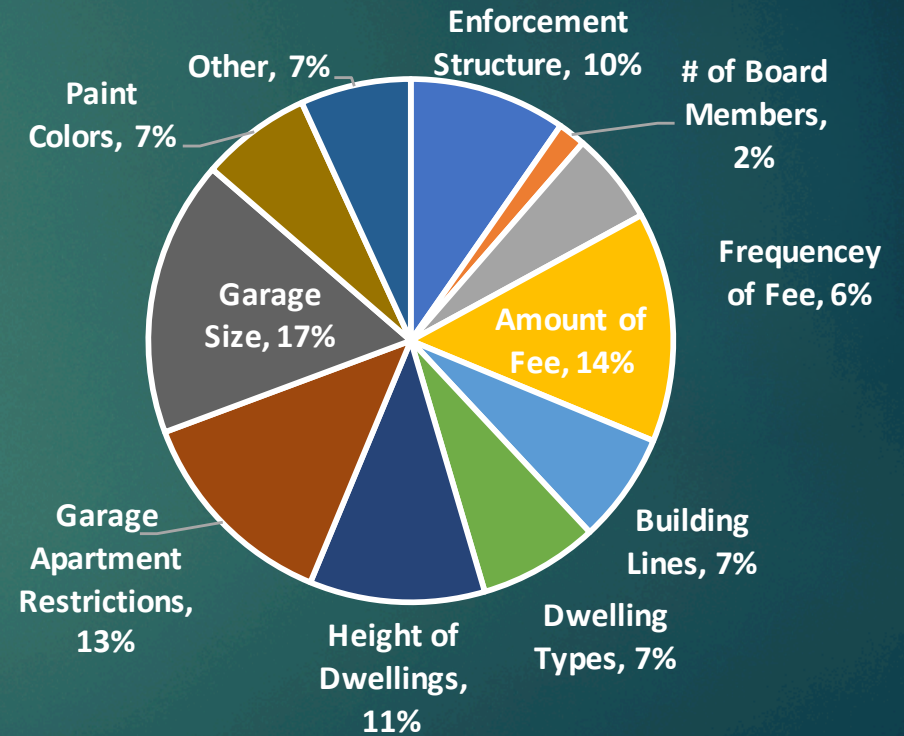


GO Re-Form Survey Results

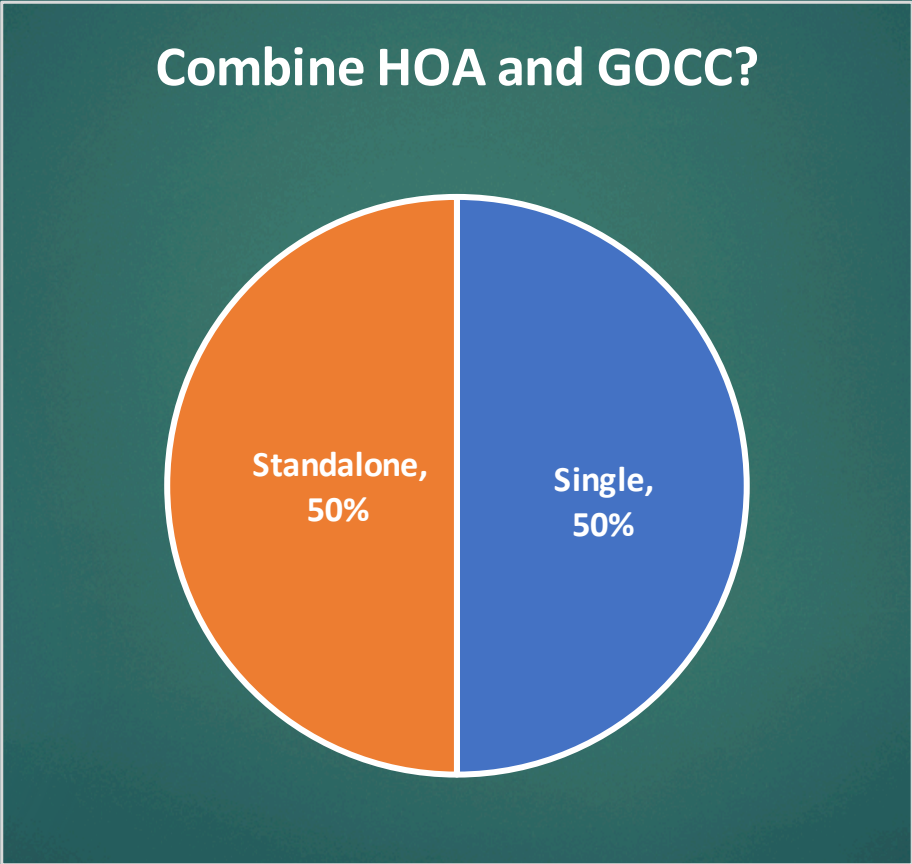
Are the DRs Outdated?



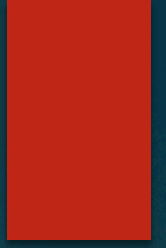
Which DRs Are Outdated?



GO Re-Form Survey Results



Acknowledgment



Our Plan

- Goal: not a GOMO plan nor an individual's plan, but the Garden Oaks neighborhood's plan
- Incorporates feedback from the neighborhood expressed in April 11, 2018 town hall, public Civic Club meetings, GO Re-Form survey, as well as subsequent court-mandated Town Halls
- 2 Phase plan: Bankruptcy and Post-Bankruptcy

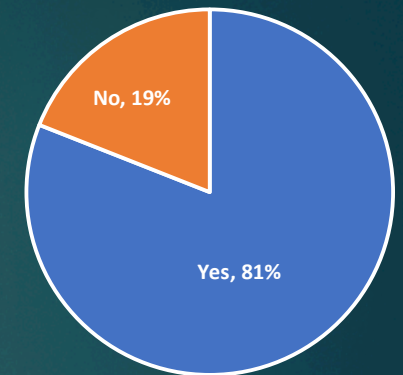
Our Plan: Bankruptcy

- Vision for the new HOA
- Structure of HOA
- Legal and Financial liabilities
- People
- Disbursements of Funds (\$)

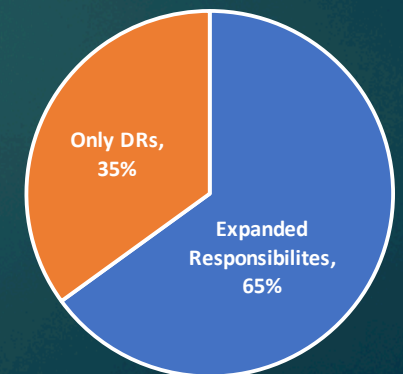
Vision for the new HOA

- Services will be expanded beyond deed restriction enforcement
- New HOA and its HOA attorney can be utilized to help the neighborhood with issues affecting urban development (e.g. Section 1 church issue)
- Funding source for issues relevant to the neighborhood such as security, beautification

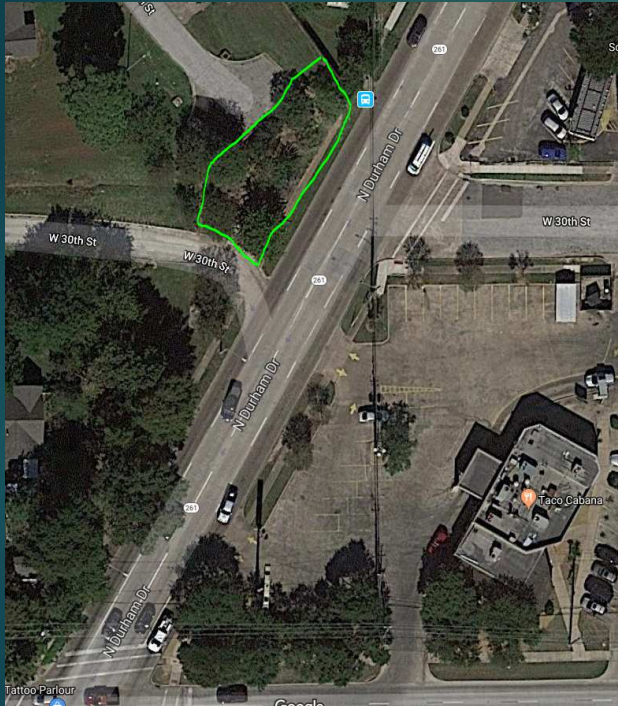
Do You Want a New HOA?



Scope of HOA Responsibilities



Email from Garden Oaks residents to GOMO, June 2018



Hello,

My husband and I live right by the large entrance sign for our great neighborhood of Garden Oaks located at Garden oaks and 30th st. (Near the Taco Cabana). This is one of Garden Oaks largest signs, however, it is one of the most run down. The garden if full of weeds, unruly plants and branches, exposed old weed stop, broken fence, trash, and it overall unsightly.

We have brought this up several times before and **have not been heard**. We are asking again that the civic club take a look and see what help can be offered.

- Can the gardening club offer a hand?
- IS there a local boy scout troupe needing a volunteering project?
- Would the volunteer committee add this to their projects?

We are so grateful for your attention to this and happy to help as well!

Thank you!



Garden Oaks HOA Mission Statement & Values

Mission

To represent the interests of all current and future homeowners and to enhance the quality of life in our neighborhood through support of initiatives that strengthen community bonds.

Vision

We envision a community working together in voluntary association to achieve a higher quality of life and which is considered to be a desirable place to live.

Values

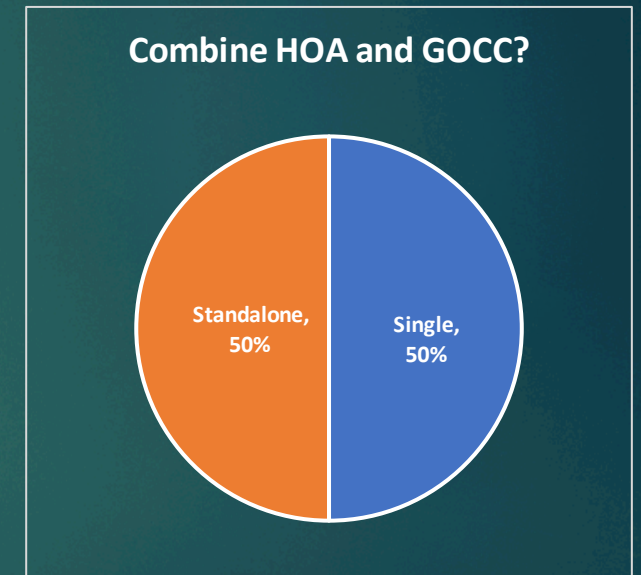
In fulfilling our mission and achieving our vision, we value honesty, fairness, firmness, equity, common sense, respect, cooperation, frugality, and neighborliness in all our actions.

Structure for the new Garden Oaks HOA

- Improper formation issue will be remedied via bankruptcy process
- The newly formed Garden Oaks HOA (formerly GOMO) will emerge from bankruptcy as a properly formed HOA and with its ability to enforce deed restrictions intact
- Garden Oaks HOA will still only have enforcement ability for Sections 1,2,3, and 5, and not Section 4

Structure for the new Garden Oaks HOA

- Combine GOMO and the Civic Club into a single entity, the new **Garden Oaks HOA**
 - GOMO and the Civic Club cease to exist
 - One entity to represent Garden Oaks
 - One entity which both receives fees and provides services



Structure for the new Garden Oaks HOA

- Old GOMO bylaws will be updated as needed for the new Garden Oaks HOA per 2018 standards
- System of 3 elected Directors per Sections 1,2,3, and 5 with overlapping terms of 3 years each will be retained
 - Promote diversity of opinion, prevent a select few from dominating the Board, maintain fund of knowledge of deed restrictions on the Board of Directors, and allow annual elections to be a potential force for change
 - 33% potential turnover every year, 66% potential turnover in a 13 month period
- With 12+ Directors, consider committees comprised of multiple elected Directors

Structure for the new Garden Oaks HOA

- Bankruptcy **cannot** alter deed restrictions
- Current 0.75 basis points transfer fee are in the deed restrictions and require a petition to change
- Bylaws **can** be amended via bankruptcy

Structure for the new Garden Oaks HOA

- Bylaws will be updated to lower effective mandatory fee paid by future home sales
- Bylaws will cap amount of fees that new HOA can keep; difference between 0.75 transfer fee and cap will be refunded
- Example: 0.75 point transfer fee = \$10,000; cap is \$3,500
 - $\$10,000 - \$3,500 = \$6,500$ refunded
- Bylaws can continue to be amended by annual vote of members to ensure net fees remain commensurate with standards of the time and services provided

Structure for the new Garden Oaks HOA

- All homeowners become members, including Section 4
- Mandatory fees only derived from Sections 1,2,3, and 5
- Garden Oaks HOA will represent Section 4 in all matters except deed restriction enforcement (status quo)
- Section 4 homeowners can offer voluntary donations to supplement the new HOA, similar to all other sections

Legal and Financial Liabilities

- All GOMO legal and financial liabilities will be resolved through bankruptcy
 - **The formation issue would be settled once and for all**
- Newly formed Garden Oaks HOA will emerge from bankruptcy with no residual liabilities or encumbrances

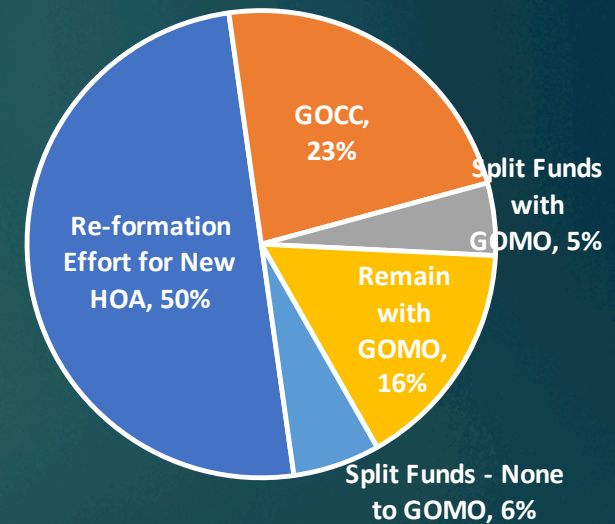
People

- While the current GOMO Board is not responsible for mistakes of the past, the neighborhood and the new HOA will be better served with a newly elected Board of Directors
- Post bankruptcy, an election for Garden Oaks HOA will be held
 - All current GOMO Directors will resign immediately post-election
 - A voluntary pledge is requested that no homeowner who has served within the past 6 years as a GOMO Director run for a position on the new HOA for this initial election
- Current GOMO HOA attorney will not be retained

Disbursements of Funds (\$)

- Per Texas law, statute of limitations for request of transfer fees based on improper formation has passed
- No eligible creditors exist who would receive repayment of transfer fees
- Survey: 79% respondents desire that money be directed either to a new HOA or the Garden Oaks Civic Club

GOMO's Remaining Funds?



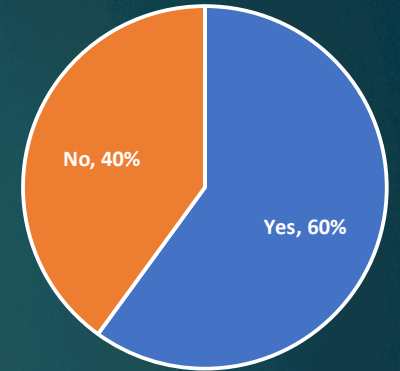
Disbursements of Funds (\$)

Update Deed Restrictions:	12.3% (up to \$75K)
GO-Zoned School PTOs (GOMM, Durham, FBMS, Waltrip, B.T.W.)	28.2%
Garden Oaks HOA Security Committee:	27.7%
Garden Oaks HOA Beautification Committee:	9.0%
Garden Oaks HOA:	7.0% (up to \$50K)
Endowment:	9.0%
Other:	6.8%

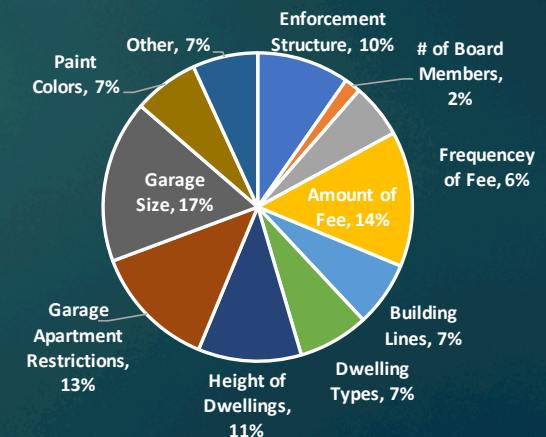
Our Plan: Post Bankruptcy

- New Garden Oaks HOA Board of Directors will hire an HOA attorney to assist in updating/creating deed restrictions for Garden Oaks
- New Garden Oaks HOA will hold town halls to receive input from the neighborhood
- Petition to amend the deed restrictions will be created and voted upon by homeowners

Are the DRs Outdated?

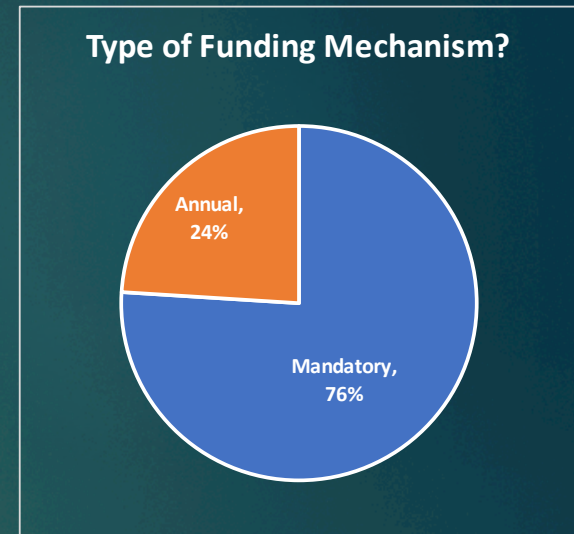


Which DRs Are Outdated?



Our Plan: Post Bankruptcy

- Reference to racial restrictions will be removed
- Transfer/Mandatory Fee will be amended
- Easier mechanism to amend future fees will be created so that the level of the fee is always commensurate with standards of the time and services provided
- Additional Section 4 vote to establish whether they wish to directly benefit from new deed restrictions and allow Garden Oaks HOA enforcement on their behalf, similar to Sections 1,2,3, and 5



Areas of Agreement

- The Court, GO Re-form survey, and GOMO's plan all end with a validly formed HOA/POA, authorized to enforce deed restrictions
- All want amended and restated Deed Restrictions
- The Court, GO Re-form survey and GOMO plans all want a mandatory fee
- The GO Re-Form survey and GOMO plans want expanded duties for the HOA
 - The court hinted at this but was not explicit

Concerns with Our Plan

- System of amending bylaws to effectively lower net transfer fee is functional, but may cause confusion and frustration for homeowners unaware they will receive a refund of fee in excess of cap
- Petition to amend outdated 1930's era Deed Restrictions post-bankruptcy may fail

Concerns with Our Plan

- Dissolution of Civic Club means loss of 1 of 3 constable patrols; new system of funding may still require voluntary contributions
- More clarity needed to establish membership rights of Section 4
- Requires more discussion/methodology to set level of transfer fee cap in bylaws

Concerns with Our Plan

- No money going to the Creditors
- Requires direction/feedback from neighborhood on path to fix improper formation issue in bankruptcy before all other issues in plan can be considered
- Lack of complete “heart and minds” buy-in from all neighbors; negative, divisive discourse may continue in absence of a full petition to form a new HOA

Alternative Paths

- Petition effort to create new HOA; complete re-do
- Separate petition effort may be required to amend/create new deed restrictions
- No guarantee of passage of petitions
 - (>60% threshold of voting homeowners must affirm)
- If petition fails, must wait 5 years before creating new petition

Alternative Paths

- Considering logistical challenges of 5 sections requiring affirmation in 1 year, suggest serial petitions focusing only on 1 section at a time
- Total process will take years; outcome not known for years
- Some Sections could vote Yes, others No
 - (ex. Sections 1 and 3 Yes, Sections 2,4, and 5 No)

Questions for the Neighborhood

- If possible, do you approve of fixing the formation issues through bankruptcy, even if this means no new formation petition and no money paid out to creditors (with the understanding that under no circumstance does GOMO keep the funds and go forward as if none of this ever happened)?
- Do you prefer that the current HOA be dissolved and a new petition committee formed, even if that runs the risk of having no organized DR enforcement until a petition is passed?
- Do you prefer that we fix the formation issues in bankruptcy and then have a new petition, in addition to the petition to change DRs?
- What is your opinion of combining the HOA and the Civic Club?