

Arizona Department of Real Estate (ADRE)
Real Estate Advisory Board
Minutes
February 13, 2013

The Real Estate Advisory Board met on Wednesday, February 13, 2013 at the Arizona Department of Real Estate (ADRE), 2910 N 44th Street, Commissioner's Conference Room, Phoenix, Arizona.

I. Call to Order

Chair Charles Bowles called the meeting to order at 10:11 a.m.

Members present:

Charles Bowles, Chair
Kim Clifton, Member
Frank Dickens, Member

Teleconference:

Kim Horn, Member
Jo Ann Sabbagh, Member

Absent:

Carla Bowen, Vice Chair
Patti Shaw, Member
Dennis Wilenchik, Member

ADRE Representatives present:

Judy Lowe, Commissioner
Mike Wheeler, Assistant Commissioner – Real Estate Services
Sarah Dobbins, Chief of Staff
Carla Randolph, Education Manager
Joni Smith, Administrative Assistant

II. Introductions & Welcome

Chair Bowles welcomed Advisory Board members and ADRE staff to the meeting.

III. Minutes

Upon a motion by Member Clifton; seconded by Member Dickens, the Minutes of the December 4, 2012 meeting were unanimously approved.

IV. Election of 2013 Chair and Vice Chair

Member Clifton motioned to postpone election of chair and vice chair to the next meeting, scheduled for April 24, 2013. Member Dickens seconded the motion. It was unanimously approved.

V. Facilitator Report

Chair Bowles presented the Real Estate Advisory Board Chairman's letter that will be sent to the Governor's office with the 2012 Accomplishments Report .

Member Dickens reported a minor inconsistency on the department website to create a database report for PC/PLC agents; he advised that this report would assist a DB in compiling a list of independent contractor agents. He will turn paperwork into the Commissioner.

There were no other facilitator reports.

VI. Education Update

Carla Randolph, Education Manager reported on the Education Stakeholder Committee meeting that was held on January 29, 2013. Participation was well-received with 12 attendees participating out of the 18 invited. The appointed co-chairs were Bill Gray and Bob Peirce.

The Stakeholder group discussed the definition of "Classroom" and "Live/ Remote classroom". Stakeholder group recommendations have gone to the Commissioner. Education Manager Randolph read aloud the Draft definition of "Classroom". She commented that it is an item that will likely go to Rule.

Other items reported on by Education Manager Randolph were:

- **Broker Management Clinic:** Became effective January 1, 2013,
 - As of 1/31/2013 - 46 live courses and 14 distance learning
 - As of 1/31/2013 - 31 instructors in each category, 20 pending instructor applications
 - Education Manager Randolph reviewed the individuals who are required to take the 9hrs. of BMC

- **Education Fees:** Effective February 1, 2013, was the implementation of fees for real estate schools, instructors and courses. The ability to pay the fees online will be coming soon.

VII. Legislative Update

Commissioner Lowe provided the report. She noted bills that would not be moving forward this session.

- **Fingerprint Clearance Card Requirements:** Commissioner Lowe commented the industry has expressed concerns with the DPS “restriction” stamp on back of card for driving privileges. Commissioner Lowe explained that the Department’s stance on the bill is that it;
 - 1) Protects the public
 - 2) Protects the Designated Broker by creating awareness for hiring/retention of agents.

Commissioner Lowe added that DPS has developed new technology to deliver background reports thus shortening the timeframe for FCC. Further, pushing to remove the “restriction” on FCC would be going against other agencies current requirements.

- **Requirements for Branch Office:** No discussion on this matter.
- **Real Estate Recovery Fund:** Commissioner Lowe commented that the three modifications to the statutes were not supported by the industry.

Commissioner Lowe asked the Advisory Board to consider how they could aid the department in legislative proposals in the future.

Member Horn commented that she spoke to Representative Fann, who commented that if ADRE and AAR held meetings over the summer to work on proposals, she would be willing to attend the meetings.

Commissioner Lowe summarized the bills that are moving forward in the legislative process and are within the real estate industry and impact the department.

- **HB2525 – Real Estate Licenses; cancelation:** Rep. Warren is the sponsor; the bill would allow a one word change that would allow for the cancellation of an inactive real estate license. Currently, an individual must have an ‘active’ license in order to cancel.
- **HB2404 – Property managers; records; storage:** This has been brought forward by Arizona Multihousing Association. ADRE is working on developing a substantive policy statement, that may delete the need for this bill.
- **HB2622 – Real estate department; civil penalties:** Rep. Lydia Hernandez is sponsoring a bill that would allow ADRE to charge a penalty for “Cease & Desist” orders and unlicensed activity.
- **HB2390 – Real estate; public report; exemption:** The Commissioner commented that Louis Dettorre, ADRE’s legislative liaison, is working with Spencer Kamps of Central Arizona Home Builders on an amendment.

Chair Bowles inquired about the specifics of the bill and Commissioner Lowe explained that the original bill was very restrictive and took away ADRE’s ability to be flexible

when developers and spec builders request an exemption from public report requirements. She further advised the members to look at the bill from the perspective of the existing owners in a development as well as the builders, and how it impacts the entire subdivision.

VIII. Real Estate Services Update

Assistant Commissioner – Real Estate Services, Mike Wheeler presented an update on division services:

- **Investigations** – Mr. Wheeler reported an increase in efficiency in the review process and timeline with the addition of a new investigator.
- **Auditing** – Mr. Wheeler is working with the Investigation’s manager to review EBAR (electronic broker audit declaration) to streamline process and create timelines that may require a subpoena of licensees to meet with investigators.
- **Enforcement and Compliance** – More emphasis on tighter restriction and moving forward cases to AG office for hearings.

Mr. Wheeler outlined a future project for creating a one-time Broker Audit Declaration survey that would compile a report of designated brokers. 100% participation within a set timeline would be required.

Member Dickens inquired as to what the Department is seeing with companies who have had to enter into a property management related consent orders. Mr. Wheeler commented that some of the consent orders require the company to turn their books into the Department on a quarterly basis. E&C is seeing that some companies are not reconciling books properly. Member Dickens and Member Clifton asked if there were any accounting classes that fall within ADRE approved CE courses. Mr. Wheeler commented very limited, many companies use accounting software but it’s just a tool. Commissioner Lowe commented that instituting a required accounting class, would require a rule change.

Assistant Commissioner Wheeler also reported that the Department is working on updating the internal policy and procedural manuals for staff, and implementing modules that will be developed for each division.

IX. Commissioner’s Report

- a) **Budget** - Commissioner Lowe reported that the department initially asked for \$3.3 million for the FY2014. The Governor’s office approved an appropriation of \$2.9 million for FY2014.

One of the recommendations included in the Governor’s office ADRE budget recommendation, is that ADRE become a 90/10 funded agency. ADRE is currently the only cabinet level agency that is 95/110. Licensing fees paid to the General Fund cannot be less than 95% of ADRE’s annual appropriation, nor more than 100% of said appropriation. Currently Arizona has the lowest fees in the US for real estate licensees. Commissioner Lowe commented that being a 90/10 agency would allow the department to be in a stronger position

to have a larger appropriation. She also commented that fees are governed by a cap in statute ARS 32.2132 and that all fees paid by industry (in a 90/10 scenario) go to the agency fund, and that if ADRE becomes a 90/10 agency, we would no longer have to adjust fees annually.

ADRE is in support of the Governor's recommendation and is meeting with industry associations to hear their positions.

- b) **Division Reports** - Commissioner Lowe reviewed the current budget as well as division and licensing stats (see attachment). She reported the number of licensees leaving the business is approximately 700 per month. The department is seeing an average of 400 new licensees per month.

Commissioner Lowe expressed the importance of encouraging new licensees to get educated, as well as the importance for seasoned licensees to mentor the newly licensed member of the industry.

She also commented that the Department would be putting together an educational piece for consumers/ investors in "How to Choose a Property Manager".

X. Other Matters - None

XI. Call to the Public

Auggie Bartning, attended for NAHREP, National Association of Hispanic Real Estate Professionals. Mr. Bartning leads NAHREP's Legislative Committee. One of the bills they've been working with is HB2622 – real estate; civil penalties. Commissioner Lowe extended her appreciation for their work and to Rep. Hernandez for support of the bill for unlicensed activity and recommended that Mr. Bartning connect with ADRE's Legislative Liaison, Louis Dettorre.

XII. Next Real Estate Advisory Board Meeting:

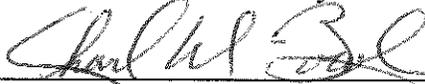
April 24, 2013

XIII. Adjournment

At 11:45pm Member Sabbagh made a motion to adjourn the meeting. The motion was seconded by Member Frank Dickens and passed unanimously.

Respectfully submitted this 24 day of April, 2013

Real Estate Advisory Board



Charles Bowles, Chair