

**Arizona Department of Real Estate (ADRE)
Real Estate Advisory Board
Minutes
April 23, 2014**

The Real Estate Advisory Board met on Wednesday, April 23, 2014 at the Arizona Department of Real Estate (ADRE), 2910 N 44th Street, Commissioner's Conference Room, Phoenix, Arizona.

I. Call to Order

Chair Kim Horn called the meeting to order at 10:00 a.m. Chair Horn welcomed Governor Brewer's newly appointed board member, Dustin Jones, R.E. Attorney. Member Jones is "Of Counsel" with the law firm of Ridenour, Hinton & Lewis, PLC, and chairs the firm's land use and zoning practice. He is also a member of the faculty of the Department of City and Regional Planning at Cornell University.

Members present:

Kim Horn, Chair
Kimberly Clifton, Vice Chair
Charlie Bowles
Carla Bowen
Frank Dickens
Bill Gray
Dustin Jones

Absent

Jo Ann Sabbagh
Scott Peterson

ADRE Representatives present:

Judy Lowe, Commissioner
Louis Dettorre, Assistant Commissioner Operations/ Legislative Affairs
Sarah Dobbins, Chief of Staff
Mike Wheeler, Assistant Commissioner Regulatory Affairs
Carla Randolph, Assistant Commissioner Licensing/ Education/ Development Services
Kim Ellis, CSR

Public present:

Scott Drucker, AAR
Erin Kvist, Mosaic Properties
Jake Hinman, Arizona Multihousing Association
Kristena Hansen, Phoenix Business Journal

II. Introductions & Welcome

For the benefit of the members of the public in attendance, Chair Horn asked everyone in attendance to introduce themselves.

III. Approval of February 19, 2014 meeting minutes

Upon a motion by Member Bowles; seconded by Vice Chair Clifton, the Minutes of the February 19, 2014 meeting were unanimously approved.

IV. Commissioner's Report – Judy Lowe, Commissioner

a. Industry/ADRE Update

Commissioner Lowe reviewed licensing statistics in comparison to those from April 2013. The Department sees between 750-800 licenses terminated at end of grace period monthly and sees approximately 450-475 new licensees every month. The Commissioner commented on returning from the April 2014 ARELLO conference and reviewed the handout she presented at ARELLO. Commissioner Lowe discussed some of the issues covered at ARELLO including many states implementing an “umbrella” format where several agencies, including real estate, are merged, then regulated under one department.

b. Budget

Assistant Commissioner (AC) Dettorre provided a handout on H.B. 2703, sec 81 showing the lump sum appropriation for ADRE. The Department had requested 3.3 million, Governor Brewer had recommended 3.1 million, and the Legislature approved 2.98 million for fiscal year 2014. Of the 2.98 million, 76%+ will go to staffing costs. Currently, an IT position is posted and there are plans to post for an auditor and contract auditor. In 2008, the appropriation was 4.6 million. Commissioner Lowe challenged the Advisory Board to address what needs to be done to obtain additional funding. The Commissioner commented that according to the Department's budget analyst, the low appropriation is due ADRE being a 95/110 agency. The Department of Insurance is also a 95/110; however, they receive an exemption from the 95/110 every year.

c. Division Reports

See Assistant Commissioner Reports

d. Department Report

The Commissioner commented that ADRE has exceeded expectations through teamwork and technological advancements. Approximately 450-475 new licensee applications are processed each month. ADRE has focused on outstanding collectables including recovery fund reimbursement and civil penalties. The greatest needs for ADRE are: 1) Budget and 2) Revision of rules, especially since there has been a moratorium on rule revisions since 2009, and ADRE having the last rule revision in 2006. AC Dettorre has requested an exemption from the moratorium for ADRE. Per the Commissioner's request, Member Gray announced the upcoming Commissioner Connection meeting on May 5th in Tucson and May 6th in Phoenix. The topic will be Advertising and a discussion of the rules applicability in the present age of social media.

V. Update Assistant Commissioner Operations/ Legislative Affairs

Assistant Commissioner (AC) Dettorre provided a status update on the current legislative session. He commented on five bills, currently in the legislative process, which will be enacted 90 days after the legislature adjourns sine die, which relate to ADRE:

SB 1215 Unsubdivided land; definition
SB 1213 Real Estate Advisory Board; Membership
HB2018 Mortgages Trust Deeds; Deficiency Actions
SB1482 Homeowners' Associations; Omnibus
HB2477 Homeowners' Associations; transfer fees; exemption
SB1047 Closing Protection Letters' Escrow Agents

As further questions arose pertaining to un-subdivided land, AC Dettorre provided a copy of Senate Bill 1215. When the current session of the Legislature ends, AC Dettorre will place a summary of each bill on the website.

VI. Update Assistant Commissioner Regulatory Affairs – Mike Wheeler

AC Wheeler commented that there will be a meeting in a few days with the Assistant Attorney General concerning criminal cases. Since last meeting, the Attorney's General office has filed another indictment, this time on Maricopa Properties. AC Wheeler commented that there are some new reports of unlicensed activity; as well as several issues concerning online auction houses, e.g. Hubzu. AC Wheeler stated that since January 1, 2014, 204 audits have been scheduled. Out of those, 150 have been completed and 120 completed on-site. Audits have been performed in Prescott and Payson. Internally, a new administrative assistant has been hired and will be an asset to Regulatory Affairs. AC Wheeler mentioned the "beta testing" of a program for property management entities who are found with deficient trust accounts. Property Management trust accounts monthly balancing information will be placed on the website and a PDF file is being developed which facilitates this process.

VII. Update Assistance Commission Licensing/Education/Development Services – Carla Randolph

- For Education, AC Randolph commented that 19 distance learning classes have been approved. These consist of one live host location with a teacher who teaches via audiovisual equipment to remote live locations. These classes greatly assist agents in rural areas. All distance learning classes are monitored by volunteers.
- For Licensing, AC Randolph commented that challenges for Licensing include reducing number of walk-in applicants. About 50% of new license applicants are submitting documents online. Recommendation was made by an employee to place a scanner at the kiosks, so that walk-ins can scan their own documents. The Commissioner commented that ADRE's 5-year contract with Pearson Vue is at the end. At this point, an RFP has been posted and the State will be looking at bids from different vendors. Another challenge for licensing is entity name requests. Arizona does not allow team, group, or .com to be placed in an entity name.

- For Development Services, AC Randolph commented that an internal employee has been assigned to that area.

VIII. Advisory Board Member Facilitator Reports

Chair Horn explained for the benefit of Member Jones what a facilitator report is.

Vice Chair Clifton had two items, teams and a question about unlicensed activity, both of which had been addressed.

The Commissioner commented that a topic that was mentioned at ARELLO was agents from several companies forming a team and purposefully, and illegally, doing business without a broker, the bottom line being that they do not have to share a profit with a broker.

Member Gray commented on a call that he received concerning drone technology being used to take pictures of listings. The Federal government and the FAA have regulations concerning drones. The caller wanted to know what, if any, real estate regulations existed pertaining to drones. Member Gray also commented on a concern from a broker concerning agents taking distance learning classes and that those classes are keeping up to date with changes. Member Gray suggested that this be reviewed. The Commissioner commented that challenges concerning distance learning include many of the schools are located outside of the State of Arizona and the schools are approved for 4 years. Member Dickens suggested that online schools submit to reviews every 3 months.

Member Dickens commented about a call he had concerning un-subdivided land.

IX. Other Matters

NONE

X. Call to the Public

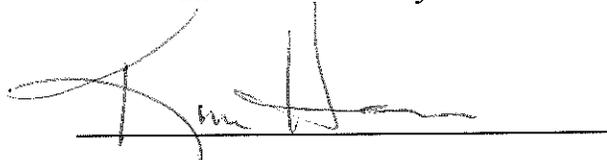
NONE

XI. Next Real Estate Advisory Board meeting: June 11, 2014.

XII. Adjournment – After a motion from Member Bowen, seconded by Member Gray, Chair Horn called the meeting adjourned at 12 noon.

Respectfully submitted this 11 day of June, 2014

Real Estate Advisory Board



Kim Horn, Chair