



Arizona Real Estate Advisory Board
100 N. 15th Avenue, Suite 201
Phoenix, Arizona 85007



January 13, 2021

Douglas A. Ducey
Governor

Arizona Real Estate
Advisory Board

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Commissioner

Dear Governor Ducey,

It has been an honor for me to serve as the Department of Real Estate Advisory Board Chairman in 2020. Please consider this my formal evaluation pursuant to A.R.S. § 32-2104 (F).

The Real Estate Advisory Board’s statutory purpose is to provide the Real Estate Commissioner with such recommendations as it deems necessary and beneficial to the best interests of the public, as well as recommendations on specific questions or proposals as requested by the Commissioner.

Your appointees to the Real Estate Advisory Board represent many diverse Arizona Real Estate professionals; and the public members who attend the meetings always provide valuable insight.

There were 89,539 total licensees at 2020 calendar year end, a nearly one percent increase from the previous year, and approximately 13 percent increase since January 2015. New license applications continue to be processed in one day, with 99 percent completed online through the Online Licensing System. Approval and issuance of Public Disclosure Reports to builders/developers for marketing subdivision property increased by 45 percent from fiscal year 2015 through 2020.

ADRE has remained focused on excellent customer service and responsiveness during the challenges relating to COVID-19. While some other state real estate agencies throughout the country have seen a decrease in activity, ADRE has seen an increase in the number of applications for licensure, education courses, and development services and maintained timeliness throughout.

Pursuant to A.R.S. § 32-2124 (K) the Department did not grant licensure to anyone in 2020 who met licensing educational requirements by an equivalent alternative. Topics of discussion that the Advisory Board has addressed include: new real estate brokerage models, real estate teams, education standards, universal license recognition, and content quality for precursing courses. The Advisory Board has continued to encourage stakeholder engagement on relevant topics and communicate the needs of their respective communities. Department leadership has continued to share their respective workplace accomplishments and successes and update the Advisory Board on the implementation of the Arizona Management System.

The accomplishments provided in the following pages reflect the leadership of Commissioner Judy Lowe, and the focus placed on continuous improvement and demonstrable value to real estate professionals and the protection of the public. In conclusion, the Arizona Department of Real Estate continues to be one of the best in the nation and continues to perform the Arizona way. I look forward to the continued success of the Advisory Board and Commissioner Lowe in 2021.

Respectfully,

Nicole LaSlavic

Nicole LaSlavic
2020 Chairman ADRE Advisory Board

Cc: Daniel Scarpinato, Chief of Staff
Daniel Ruiz, Chief Operating Officer

ARIZONA DEPARTMENT OF REAL ESTATE (ADRE)
Summary of Accomplishments
Calendar Year (CY) 2020

COMMISSIONER'S OFFICE

- The Arizona Department of Real Estate's number one strategic goal is to “*provide excellent customer service*”. The ADRE Team remained focused on excellent customer service and responsiveness during the challenges relating to COVID-19.
- ADRE remained open for business, operational, responsive, and timely during the COVID-19 pandemic. The Department implemented telework for the majority of staff, while maintaining a focus on timeliness, professionalism, and customer service.
- Created a Host Remote Live Streaming Work Group made up of real estate educators and professionals that provided a recommendation to ADRE to establish guidelines for the Host Remote Course Delivery option to be made permanently available.
- Implemented the Host Remote Live Streaming program in March, which enabled live classroom continuing education to convert to live streaming courses that real estate professionals could take without leaving their homes.
- Continued implementation of the Arizona Management System (AMS).
- Continued and sustained two new AMS breakthrough measures – “key goals to increase the number of volunteer monitor assignments, and increase and maintain a high quality of reports”.
- The updated and improved ADRE website, www.azre.gov was launched to add enhancements and functionality.
- Continued to identify. And implement processes which can be further streamlined, generating cost savings where applicable.
- At least 95 percent of all ADRE eligible staff “Meeting Expectations” or “Exceeding Expectations” in FY2020.
- Implemented Substantive Policy Statement 2020.01 related to real estate teams.
- Submitted *Success Stories* to the Governor's Office relating to agency process improvements.
- Commissioner Lowe appointed to the 2021 Association of Real Estate License Law Officials (ARELLO) Board of Directors, as well as serving since 2015.
- Continued holding customer stakeholder meetings with real estate professionals ranging from residential, multi-family, development services/builders, real estate, escrow/title and lender Partners, Education Advisory Committee, HOA stakeholders, and more.

- Commissioner and Deputy Commissioner presentations and community outreach to stakeholder and real estate professional groups throughout the state.
- Held four quarterly Real Estate Advisory Board meetings.
- Published two ADRE Real Estate Bulletins, available on www.azre.gov.
- Published frequent real estate updates and Educator Updates through Late Breaking News emails to keep all Arizona real estate licensees and the public aware of updates to ADRE programs and any applicable changes.
- Published an updated brochure for Out-of-State License Recognition applicants.
- Participated as Co-Chair of the Arizona Mexico Commission Real Estate Committee planning meeting held in Phoenix.

BUSINESS SERVICES

- The public, real estate licensees, and ADRE benefited from the speed and efficiency of available online services for original and renewal license applications, completing other changes, and interacting with ADRE through the online Message Center.
- Continued Focus on Document Digitization.
- Continued reduction in Records Management Center (RMC) costs through digitization, and creating a streamlined workflow.
- Faster retrieval time and better access to records for agency operations and public records delivery - reduced cost in staff time to search and process physical records.
- HOA Dispute Petition Process: Received and processed 65 petitions.
- Complaint Review Process: This process continues to provide a response to non-jurisdictional complaint filers in an average of one day, with focus on providing up-to-date information to the public on where complainants can seek assistance to non-jurisdictional matters, and issues that fall within ADRE's jurisdiction, thus additional time is provided for Investigators to focus on complaints within the Department's authority.
- Consistently meeting the State requirement of days to pay bills with a target of three days, the Department averaged 1.25 days a month for FY2020.
- Department wide forms review and update that clarified form language and refined processes.

- ADRE processed over 53,900 total incoming messages to all division categories in the Online Message Center. The Message Center allows customers to submit a question, application, or complaint, directly to the ADRE division that can assist. Usage of the Message Center increased 32 percent from CY2019.

INFORMATION TECHNOLOGY

- **New Online License Renewal System:** The development and implementation of the new Online License Renewal System was completed. Enhancements and additional functionality includes:
 - Support for mobile devices and modern web browsers.
 - Use of modern technology improves security and agility for further enhancing the system.
- **New ADRE website:** The updated and improved ADRE website, www.azre.gov was launched to include the following enhancements and functionality:
 - Support for mobile devices and modern web browsers.
 - Organized content by user roles for better discoverability.
 - Creation of “step by step” pages for actions including, how to start a career in Arizona real estate, applying for a salesperson or brokers license, opening an entity in Arizona, and applying for licensure through out-of-state license recognition.
 - Use of a modern content management system allows ADRE to better manage content updates and provide accurate information to customers.
- **Begin development of the new Online Education System:** Enhancements and additional functionality to include:
 - Support for Host Remote Live Streaming 14 day notices.
 - Support for mobile devices and modern web browsers.
- **Online Services:** A majority of customer services are available online. The established and highly utilized Online License System (Licensee Login and Personal Page) and Online Message Center have been critical components of the successful continuity of operations and meeting timeframe metrics during the COVID-19 pandemic. ADRE application processing timeframes continued to be far below the timeframes established by statute.
 - **Online Message Center:** Public and industry professional submissions increased again from the previous fiscal year. The Message Center allows the public and industry to submit questions and applications online, without calling or visiting the office.
 - **Online License System:** Real estate licensee transactions through the Online License System increased again from the previous fiscal year.
- **Focus on Cybersecurity:** Exceeded, once again, the statewide cyber security metric goal at calendar year end.

LICENSING

- Processed over 5,700 new real estate license applications in CY2020.

- Usage of the Online Licensure System, known to real estate licensees as their personal page or “licensee login” was 99 percent.
- Usage of the online original license application increased to 88 percent since implementation allows a new license applicant to be licensed within 24 hours, or less, of passing the real estate licensing exam.
- Processed over 19,700 incoming messages to the Licensing Services Division in the Online Message Center, where the majority of the messages consist of all licensing application types, including processing of online payments.
- With the COVID-19 challenges, ADRE assisted customers with the robust online services available through the Online Message Center and real estate online license services. The ADRE remained open for business through appointment only.

DEVELOPMENT SERVICES

- Development Services staff issued approximately 755 subdivision public reports in CY2020.
- ADRE continued to hold virtual stakeholder Learn and Lunch events for the Builder/Developer community, and title representatives, which encourages the sharing of information and identification of opportunities for improvement and collaboration around ADRE development services, and includes guest speakers from other organizations and government entities.
- ADRE surpassed its target metric to issue an expedited Public Report Filing of 4.5 days, issuing expedited public reports in an average of 2.75 days in FY2020. Amended Public Reports were issued in an average of just under 8 days, where the target number of days was 15 days.
- ADRE received a record number of applications in FY2020 from homebuilders seeking approval for a Subdivision Public Report or other approval indicating home development within a subdivision. Applying Arizona Management System (AMS) principles, the Department processed over 1,000 applications, surpassing the previous ten-year high of 813 in FY2019.
- ADRE conducts subdivision inspections to verify that elements of an approved Public Disclosure Report are complete, such as roads, utilities, community or recreational facilities, and other improvements included in the offering. The Department evaluated its process for completing physical subdivision inspections, and implemented an updated process in February 2020 to complete subdivision inspections virtually using available technology tools to identify elements in an approved Public Disclosure Report. The subdivision inspection fee was eliminated in March 2020 for inspections that are completed not requiring travel.

- Continued to promote the online application system for all development/builder applications; which reduced paper check payments and saved staff time in scanning large documents.

EDUCATION DIVISION

- Oversaw the delivery of over 2,600 active real estate courses;
- ADRE staff has acted as volunteer monitors for real estate courses, primarily Host Remote Live Streaming virtual courses. The volunteer monitors assist ADRE in monitoring the many pre licensure and continuing education courses, as well as participate in Arizona’s great real estate education.
- The Education Advisory Committee held four public meetings at ADRE or virtually.
- Education staff employees worked diligently to ensure efficient processing of applications.
- ADRE’s examination vendor, Pearson Vue administered over 9,600 license examinations.
- Established a state specific examination for salesperson and Broker.
- Pre licensure Review Committee met to complete the ADRE 90-hour Real Estate Broker Pre License Curriculum outline and examination content outline.
- Held multiple Instructor Development Workshop (IDW) meetings virtually for the ADRE 90-hour Real Estate Salesperson and Broker Pre License Curriculum outlines.
- Made the Real Estate school exam pass/fail rate available to the public by posting information monthly to the ADRE Website.

AUDITING & INVESTIGATIONS

During Calendar Year 2020, the Division’s Auditors and Investigators continued to process files with the goal of meeting the AMS Sustainment Objectives: an average of 30 days for “Investigate Further Files” and 52 days for Audits referred to the Enforcement and Compliance Division. While the Investigators were able to meet the objectives, the Auditors fell short of this goal, while averaging a shorter average timeframe for all audits completed overall. As of December 31, 2020, the Auditing and Investigation Division was staffed by two (2) Investigators, three (3) Auditors, an Administrative Assistant and a Division Manager.

Real Estate Investigations	As of 12/31/2020
Open Pending Cases	21
New Cases Received During Year	520

Cases Closed During Year	554
Average Age of Open Cases (Calendar Days)	21
Average Case Closure (Calendar Days) (All Files)	22
Average Case Closure (Calendar Days) for Cases Requiring Full Investigation (Goal: Sustain 30 calendar days)	30

In January 2020, the goal was to complete Audits referred to Enforcement and Compliance in an average of 52 days. The average for CY2020 was 86 days. CY2019 again saw attrition in the Auditing staff, which required hiring and training new Auditors in late 2019-early 2020. The loss of Auditors in 2019 resulted in a number of aging cases pending completion in 2020.

The ADRE Auditing staff adapted to the challenges of the COVID-19 pandemic by completing the majority of audit work remotely through electronic audits. Although a small number of Onsite Audits were completed prior to April 1, 2020, the majority of audits were completed electronically. The electronic audits included Brokers who engage exclusively in residential sales and leasing and/or commercial sales and leasing (ERSA) residential and/or commercial property management (EBAR); and, property management with sales (EBAR w/ Sales). The process for conducting electronic audits involves requesting preliminary information from the Broker with a follow-up request for specific documentation. During CY2020, the Department's Auditing Staff completed 134 Auditing files including 28 Onsite Audits and 106 Electronic Audits. All Auditing files were closed within an average of 40 days.

Brokerage Audits	As of 12/31/2020
Open Pending Cases	23
New Cases Received During Year	146
Cases Closed During Year	134
Average Age of Open Cases (Calendar Days)	56
Average Case Closure (Calendar Days) (All Files)	40
Average Case Closure (Calendar Days) for Cases Referred to Enforcement and Compliance (Goal: Sustain 52 calendar days)	86

In January 2020, the goal was to complete Audits referred to Enforcement and Compliance in an average of 52 days. The average for CY2020 was 86 days. CY2019 again saw attrition in the Auditing staff, which required hiring and training new Auditors in late 2019-early 2020. The loss

of Auditors in 2019, and the challenges of the COVID-19 pandemic beginning in early 2020 resulted in a number of aging cases pending completion in 2020.

Although a small number of Onsite Audits were completed prior to April 1, 2020, the majority of audits were completed electronically. The electronic audits included Brokers who engage exclusively in residential sales and leasing and/or commercial sales and leasing (ERSA) residential and/or commercial property management (EBAR); and, property management with sales (EBAR w/ Sales). The process for conducting electronic audits involves requesting preliminary information from the Broker with a follow-up request for specific documentation. During CY2020, the Department’s Auditing Staff completed 134 Auditing files including 28 Onsite Audits and 106 Electronic Audits. All Auditing files were closed within an average of 40 days.

Subdivision Investigations	As of 12/31/2020
Open Pending Cases	0
New Cases Received During Year (All Subdivision Related Cases)	20
Cases Closed During Year) Investigate Further Files vs. (Complaint Review Files)	23 (1)
Average Age of Open Cases (Calendar Days)	0
Average Case Closure (Calendar Days) For Calendar Year for Investigate Further Files	26

20 Subdivision related complaints were received in CY2020. In CY2020, the average subdivision “Investigate Further” was 26 days.

ENFORCEMENT & COMPLIANCE (E&C)

The average days open of current enforcement files increased by 10.2% by year-end 2020. New cases referred to E&C decreased by 17.4% which is primarily attributable to a reduction in the number of cases referred by the audit and investigation division. Average case closure days improved 4.6% for 2020.

Enforcement	As of 12/31/2020
Open Cases	51
In House	30
AGO	21
New Cases	369

Closed Cases	355
Average Age of Open Cases (Days)	108
Average Case Closure (Days)	62

2019 Enforcement Actions	CY2020
Accelerated Settlement Agreement	97
Consent Order	162
Commissioner's Final Order	40
Cease & Desist Order	14
Summary Suspension	8
Advisory Letter of Concern	6
License Granted after Review	18
Case Dismissed/Closed after Review	14
Case return additional investigation	4
Surrender of License in lieu of hearing	9

The number of cases referred from Enforcement to Compliance decreased by 24.8 % during 2020, while the number pending open cases increased by 17.5%. Compliance cases may remain open for a minimum of two years. Brokers on trust account review status, and original and renewing applicants that disclose criminal convictions may be issued a 2-year provisional license during which time they are monitored by Compliance. During 2020, the Compliance division continued its AMS "breakthrough" procedures to make the financial review of trust account records faster and more responsive. Compliance conducts monthly reviews of each Property Management Trust Accounts to ensure they are fully funded, and all required reconciliations are performed. The trust account reviews were completed, on average, in 6.3 days. Additionally, Compliance monitors the time required to receive and process required submissions which averaged 1.9 days in CY 2020.

Compliance	As of 12/31/2020
Open Cases	470
New Cases	285

Closed Cases	197
Referred for Further Action/Noncompliance	2