

**Arizona Department of Real Estate (ADRE)  
Real Estate Advisory Board  
Minutes  
August 12, 2015**

The Real Estate Advisory Board met on Wednesday, August 12, 2015 at the Arizona Department of Real Estate (ADRE), 2910 N 44<sup>th</sup> Street, Commissioner's Conference Room, Phoenix, Arizona.

**I. Call to Order**

Chair Clifton called the meeting to order at 10:00am

**Members present:**

Kimberly Clifton, Chair  
Frank Dickens, Vice-Chair  
Karen Bohler  
Charlie Bowles  
Carla Bowen  
Bill Gray  
Nedra Halley  
Scott Peterson

**Absent**

Dustin Jones  
JoAnn Sabbagh

**ADRE Representatives present:**

Judy Lowe, Commissioner  
Louis Dettorre, Assistant Commissioner Operations/Legislative Affairs  
Sarah Dobbins, Chief of Staff  
Carla Randolph, Assistant Commissioner Licensing/Education/Development Services

**Public present:**

Mel Comstock  
Scott Drucker, Arizona Association of Realtors  
Harry Eastlick  
Courtney LeVinus, Capitol Consulting

**II. Introductions & Welcome**

Chair Clifton announced that there had been a change in the Real Estate Advisory Board. Karen Bohler has been appointed by the Governor's Office to serve in the Residential Real Estate seat.

For the benefit of new Member Bohler as well as the members of the public in attendance Chair Clifton asked all in attendance to introduce themselves.

### **III. Approval of June 10, 2015 Meeting Minutes**

Upon a motion by Vice-Chair Dickens, seconded by Member Peterson, the Minutes of the June 10, 2015 meeting were unanimously approved.

### **IV. Commissioner's Report – Judy Lowe, Commissioner**

Commissioner Lowe provided an update on ADRE FY15 accomplishments and statistics. She reviewed a chart showing original license and renewal license statistics for FY11 through FY15. She noted there was a slight decline in the number of entities in FY14. She also noted that for FY15 the overall total of original licenses (including sales, broker and entity) was strong at 5,930. This is an increase from previous years. With regard to the Renewal licenses, she commented that the overall number of Renewals (including sales, broker and entity) increased slightly in FY15. The FY14 total was 30,665 while the FY15 total was 31,417.

Member Bowen commented that she is seeing a spike in new licensees with a lack of real estate practice knowledge. She commented that this spoke to the need for post licensing education.

Commissioner Lowe commented that the call volume to ADRE's HUB decreased by 15% over the past fiscal year. The reason for this was because of the Message Center on ADRE's website. The Message Center allows an individual to send a question to a specific ADRE Department. The question is answered by an ADRE staff member within 24 hours via email. Increased use of the Message Center by the public has reduced the number of calls coming to the HUB.

With regard to Education, the Commissioner shared the following statistics: comparing FY14 to FY15, school course applications were down by 27%; instructor applications were down by 17%. This decrease is consistent with the past five years.

The Commissioner mentioned that 100% of ADRE's staff have opted to be 'uncovered employees'. This means that every ADRE employee has performance measures and are evaluated monthly. The Commissioner provided a verbal overview of the monthly performance goals and explained that by the 15<sup>th</sup> of every month each employee has a review with their Manager. For FY15 the Commissioner commented that there was a 10% increase in employees who 'Met Expectations' and a decrease of 6% in those who 'Need Improvement'. She also shared positive comments that have been received from the public about ADRE staff.

With regard to Department accomplishments, Commissioner Lowe shared the following update:

- LEAN Transformation: She noted that this involves creating a culture open to change and one that is constantly looking for problems in processes and as a team, developing and implementing solutions in order to streamline processes to make

them better, faster and more efficient. She commented that all of ADRE's staff members participated in a LEAN overview training session during the June ADRE Staff training. Scott Kurish from the Government Transformation Office provided the staff training.

She noted that, as an early adopter in 2013, the first process that ADRE worked on through the LEAN Transformation process was the Disciplinary Disclosure.

Assistant Commissioner (AC) Randolph provided information on ADRE's participation in the current LEAN Permit Blitz. She noted that ADRE's participation in LEAN really began when Commissioner Lowe came to the Department. She provided a verbal overview of how the LEAN process works, that it means doing a Gemba walk, which means to literally walk through each step in a process and look for areas of waste and areas where efficiencies could be applied. She commented that, with the first project ADRE's Development Services team did for the expedited public report application, after "walking through" the process they realized there were 7 in-boxes that an application may come to when it arrives at the Department. This was an inefficiency, therefore, there is now only 1 box in which the expedited public report applications are received and the industry has also been instructed to note on the label on the outside of the mailed envelope what type of application is enclosed. This allows it to go directly to the expedited public report in-box and be picked up by a Development Services Rep when it arrives. After this LEAN project, the turn-around time for the expedited public report process went from 10 days to 4 days.

The Development Services Division has also begun having quarterly Learn & Lunch Meetings with the builder/ developer industry.

The current Development Services team LEAN project is the Amended Public Report application. They are working to reduce the processing time from 30 days to 15 days.

The LEAN process has also been done in ADRE's Investigations & Auditing Division and will be done throughout all ADRE Divisions. It is an ongoing program, in which staff members will have weekly huddle meetings in order to continuously be examining processes.

Commissioner Lowe also provided a verbal review of FY16 Budget with regard to staffing. She noted that the Department received the same appropriation for FY16 that it did in the past three years of \$2.9M. She also noted that the FY16 budget request was for 37 FTE's (full time employees), but that due to the hiring freeze, the cap for ADRE number of employees is 34.

With regard to the Strategic Plan for calendar year 2016 – 2020, she mentioned that a primary focus would be on continuing the LEAN program throughout all agency divisions. She commented that ADRE will also be looking at partnering with other state agencies, the real estate industry to continue to raise the bar, with real estate schools to enhance education, with developers/ builders to streamline processes, with the Arizona Mexico Commission to enhance cross-border relationships and partnering with Arizona constituents to enhance their knowledge of real estate and encourage members of the public, if they are working through a real estate transaction, to ask the person they are working with "do you have an Arizona real estate license".

The Commissioner will also be looking to partner with her counterparts from the ARELLO Board of Directors. In terms of partnering, the Commissioner commented that ADRE has already begun partnering with the Arizona Association of Realtors® (AAR). She and President Sexton have had several interviews which resulted in articles which have been published on AAR's blog, as well as in ADRE's Quarterly Bulletin.

She mentioned that ADRE is also working with the escrow association, mortgage originators and other real estate associations to look at CFPB rules and form changes that will be occurring.

She mentioned that a couple of items that are being talked about in ARELLO currently are:

- The DANGER report, which was commissioned by the National Association of Realtors. Much of it points to the need to partner. She offered that if anyone would like to receive a copy to please let her know.
- She commented that some States (mostly smaller) are considering revising the requirements to become a real estate licensee.

## **V. Assistant Commissioner Updates**

### **a. Assistant Commissioner (AC) Operations & Legislative Affairs – Louis Dettorre**

AC Dettorre commented that the licensing file room digitizing project was completed on Friday, August 7, 2015. The team is now working on digitizing Investigation files. He mentioned that he has been contacted by and fielded questions from other agencies who are interested in digitizing files.

He also mentioned that the State has completed the conversion to the new statewide accounting system.

The Department is currently working on the Strategic Plan for calendar year 2016 – 2020. This is to be submitted to the Governor's Office along with the FY17 budget by September 1, 2015.

He noted that, in regards to the Rule Report required by Executive Order, ADRE received a great amount of feedback. The feedback came from industry associations, real estate educators as well as individual real estate professionals. He commented that all information received is being reviewed. He is compiling the report, which will also be submitted to the Governor's office by September 1<sup>st</sup>.

With regard to the Recovery Fund, AC Dettorre commented that, as of the end of July the fund balance was \$940,290. Since the fund has exceeded \$600,000, fees are currently only being collected from new original license applicants. For FY15 he mentioned the following statistics:

- FY15 – 11 claims to the fund
- 4 of the 11 were paid out in FY15
- 3 of the 11 were paid out in FY16
- The remaining 3 of the 11 claims from FY15 were closed , not paid out; 1 claim remains pending

- FY15 payout total was \$48,477
- FY16 payout total to-date is \$38,183
- Of the 11 FY15 Claims to the fund, 9 were residential property management (single family), the 1 pending application has a liability of \$1,400, and is residential property management.

**b. Assistant Commissioner (AC) Licensing Services – Carla Randolph**

AC Randolph provided a verbal update for the Licensing, Education and Development Services Divisions.

With regard to Licensing services she noted that in FY15, the licensing customer service representatives (CSR) processed 6,000 new license applications, 31,000 renewals and over 9,000 message center messages. She commented that the licensing CSR's also review licensing applications that are submitted online. In FY15 there were 6,000 walk-in's to the licensing customer service counter.

AC Randolph commented that the Department had just implemented a self-service kiosk for walk-ins to licensing that allows an original licensing applicant to complete their entire process on-line at the Department. Upon immediate confirmed approval of the application, they receive their license while at the Department. They may then go on-line and be hired by a Broker, which allows the entire licensing process to be completed in one trip.

With regard to the Education Division, AC Randolph commented that there are two staff members in this division. In the last month, they have completed 49 subdivision inspections. In FY15 they completed 218, they are working to double that number for FY16.

AC Randolph mentioned that there have been two recent education related disciplinary actions. One was a situation in which an instructor used courses he taught as CE's for his own renewal. The other involved a licensee having an unlicensed assistant taking the real estate CE courses for her.

With regard to Development Services, AC Randolph commented that a goal has been set to have 'on-line' Development Services applications by the end of FY16.

**VI. Advisory Board Member Facilitator Reports**

For the benefit of new member Bohler, Chair Clifton provided a verbal description of the purpose of the Facilitator Report.

Member Bowles commented that an issue was brought to him in which licensees were reportedly not getting their customers contracts to the mortgage companies in a timely manner. He commented that when rates change this could have a negative impact on the

public. It was mentioned that this is a contractual matter and not one that would fall under the jurisdiction of ADRE. It was also mentioned that this would be a good education point for licensees.

Member Gray had two items related to builders. One of the items came up in a class in which it was asked if a builder, with a model home on their property has to have a branch office license for that model home. AC Randolph commented that it is in Rule and that new development site offices are exempt from this requirement.

The other item Member Gray had involved builders using people, who already live in the new development, as 'ambassadors' at model home open houses. The ambassadors are there to greet people and talk about the community, they are not compensated and not giving out price or listing information. The question was, do these ambassadors have to have a real estate license. It was the general consensus that they do not, they are not being compensated and not providing price or listing information. Member Peterson commented that, while he has seen this, it is not a common practice for builders.

Member Bowen commented that she had someone come in to her office whose husband passed away in April. He owned a timeshare and her name was not on any of the documentation for the ownership of the timeshare. Since his death, there are payments that have not been made and she is receiving calls in regards to collecting the payment, yet she is not listed anywhere for ownership of the timeshare. The question was, should she seek legal advice or is it an issue the Department could look at. Per AC Randolph, based on the information shared, it appears to be a contractual issue and therefore one she would need to seek legal advice on. Member Bowen had with her the completed complaint forms from the individual and she turned those into ADRE to be reviewed.

With regard to the July 21<sup>st</sup> Education Advisory Committee (EAC), Chair Clifton asked if any member who attended the meeting would like to provide a report. Member Halley volunteered to provide a verbal report of what occurred at the meeting. She commented that there was a discussion regarding the need for a definition of property management/ manager and that she agreed to bring the item up with the Multi-housing Association and that she invited EAC Member, Jon Kichen to attend the Multi-housing Association Government Affairs Committee meeting and share why he believes a definition of property management/ manager is needed. Chair Clifton commented that this is a great step. She also commented that other industry involvement would be needed if this was an item the industry wished to move forward. She mentioned that the Arizona Association of Realtors - Realtor Caucus is scheduled for September 3rd and asked Scott Drucker, who was in attendance, if this would be a forum to bring this item to. Mr. Drucker commented that EAC Member Kichen was scheduled to speak to AAR's Risk Committee regarding this item, and that it should also be heard by the Legislative/ Political Affairs Committee. Chair Clifton asked if Mr. Drucker would please share the date of the next AAR Legislative Political Affairs meeting.

Commissioner Lowe commented that in the past ADRE had been instructed to only move items forward that have industry support, therefore if this an issue that is to be brought forward it must be brought forward by the industry, not ADRE.

After a brief discussion, Chair Clifton commented that this item would be placed on a future Real Estate Advisory Board meeting agenda and that the question is, as an Advisory Board, is there any recommendation the Real Estate Advisory Board wishes to make to ADRE.

## **VII. Other Matters**

Chair Clifton announced that the date of the December Real Estate Advisory Board meeting has been changed from December 9<sup>th</sup> to Wednesday, December 2<sup>nd</sup>. She noted that the calendar posted to ADRE's website will also be changed.

With regard to 'Unlicensed Activity', Chair Clifton commented that she has had 3 items brought to her attention related to 'unlicensed activity' since the last Real Estate Advisory board meeting. One of the instances included a Self-employed Broker whose license expired, the Broker did not renew the license and conducted and closed 14 transactions after her license expired. Commissioner Lowe commented that ADRE sends 90, 60 and 30 day reminders when a license is getting ready to expire, however, the reminders are sent to the email address that the licensee has on file with the Department. Therefore, if the licensee email changes and they have not noticed the Department, the reminders are being sent to the old address because that is the address the licensee has on file with the Department. ADRE is in the process of trying to develop a mechanism by which Brokers and escrow companies would be able to confirm, through direct access to ADRE's website whether or not an individual is licensed.

## **VIII. Call to the Public**

Scott Drucker with AAR commented that the next Legislative Public Affairs committee meeting is scheduled for September 10<sup>th</sup> at 3pm.

## **IX. Next Real Estate Advisory Board Meeting is October 14, 2015**

## **X. Adjournment**

Chair Clifton called the meeting adjourned at 12noon.

*Respectfully submitted this 14<sup>th</sup> day of October, 2015  
Real Estate Advisory Board*

  
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*Kimberly Clifton, Chair*