

Arizona Department of Real Estate (ADRE)
Real Estate Advisory Board
Minutes
October 9, 2013

The Real Estate Advisory Board met on Wednesday, October 9, 2013 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.

Members present:

Kim Horn, Chair
Kimberly Clifton, Vice Chair
Carla Bowen, Member
Charlie Bowles, Member
Frank Dickens, Member
Bill Gray, Member
Dennis Wilenchik, Member

Present Via Tele-conference

Scott Peterson

Absent

Jo Ann Sabbagh, Member

ADRE Representatives present:

Judy Lowe, Mike Wheeler, Sarah Dobbins, Louis Dettorre, Carla Randolph, Robin King, Joni Smith

II. Introductions & Welcome

Chair Horn welcomed members and guests to the meeting. Due to the large number of public present, Chair Horn asked the Advisory Board members and ADRE staff to introduce themselves.

Chair Horn stated the purpose of the Advisory Board.

Commissioner Lowe announced the recent appointment of two Assistant Commissioners. Carla Randolph as ADRE's Assistant Commissioner Licensing, Education, Development Services, and Louis Dettorre as ADRE's Assistant Commissioner Operations/ Legislative Affairs. Mr. Dettorre will also continue to serve as ADRE's Recovery Fund Administrator. Commissioner Lowe also announced new Business Services Manager, Robyne Clark.

III. Minutes

Upon a motion by Member Bowles; seconded by Member Clifton, the Minutes of the August 14 and August 21, 2013 meetings were unanimously approved.

IV. Assistant Commissioner Operations/Legislative Liaison Update, Louis Dettorre

Assistant Commissioner Dettorre commented that ADRE's Legislative proposals were submitted to the Governor's Office and that they are currently under review.

Mr. Dettorre reviewed Recovery Fund information that was requested at the August 21, 2013 Special Advisory Board meeting.

V. Commissioner's Report, Judy Lowe, Commissioner

- a) **Budget** – Commissioner Lowe reported the Strategic Plan & the FY15 budget request was delivered to the Governor's Office of Strategic Planning and Budgeting in August and asked for 3.5 million for FY2015. ADRE's appropriation for FY14 was approved for 2.9 million.
- b) **Division Reports** – Provided by the Assistant Commissioner's in their reports
- c) **Department Report** – Commissioner provided an overview of the major objectives of the strategic plan
- d) **Pending Issues** – Commissioner Lowe commented that ADRE is in the process of having the Law Book published.

VI. Follow Up on Property Management Related Items from August 21, 2013 Special Meeting

Chair Horn opened the discussion with Assistant Commissioner Dettorre providing an overview of potential legislative items during the 2014 session.

Chair Horn then reviewed the list of "follow-up" topics from the Special Advisory Board Meeting.

Topics discussed were as follows:

➤ Audit Process

After Advisory Board discussion, Member Bowen made a motion that the "Property Management Audit package" provided by Assistant Commissioner Wheeler be posted on the ADRE website and also be provided to any Broker who has been scheduled for an audit. Member Bowles seconded the motion; motion carried unanimously.

➤ How can the Department collect necessary data

Commissioner Lowe commented that the Department's current technology does not allow information to be extrapolated from the Broker Audit Declaration into the Department database.

For example, for purposes of those required to take the Broker Management Clinic, the current system does not allow for the gathering of Delegated Associate Broker name/ license information to be compiled.

Discussion ensued around disclosure of licensees doing property management and notification to the Department outside of the renewal timeframe.

Member Bowen motioned that “On the 2-year Broker Audit Declaration, there be sections allowing the employing broker to provide (name, license number) information to ADRE of the individuals within their company (including themselves, if applicable) who are involved in property management.” Vice-Chair Clifton made an amendment to motion “with ongoing notification be given by broker of changes”. The motion was seconded by Member Bowles, motion carried unanimously.

➤ **Education**

Chair Horn opened the discussion on education and a permit for property management. After discussion and in the interest of time, Chair Horn suggested this topic be discussed in a later meeting. Member Bowles made a motion to move this item to a special meeting. Member Bowen seconded; motion carried unanimously.

➤ **Bonding Discussion**

Member Gray provided a handout and presented the idea of the option for bonding, there being one that would allow for trust monies to be handled by a third-party, a license and bonding escrow or title company. He suggested that it may reduce claims against the recovery fund and eliminate the handling of trust money by Designated Brokers. Chair Horn opened discussion to the Board. Discussion ensued around feedback from the industry. It was expressed that this option may be financially difficult for property management companies in that there may be a loss of revenue.

Chair Horn expressed her appreciation to Assistant Commissioner Wheeler and Investigation and Auditing Manager Robin King for their work on Property Management.

Member Bowles made a motion that “ the information Member Gray provided to the group be provided to the Commissioner for her consideration with regards to statutory changes that may need to be reviewed with regards to property management; Commissioner will come back at the next Real Estate Advisory Board meeting with her recommendations”, motion was seconded by Member Bowen, motion carried unanimously.

➤ **Recovery Fund**

After discussion Member Bowles made a motion “to move discussion of Recovery Fund to another meeting” seconded by Member Wilenchik, motion carried unanimously.

➤ **Definition of Property Management**

After discussion regarding the recommendation that a definition of property management be developed as a legislative action in ARS §§32-2101, Member Bowen made a motion to “charge the department to develop a definition for Property Management”; seconded by Member Gray, motion carried unanimously.

In light of the motions to move the education and recovery fund items to a special meeting, Chair Horn requested a special meeting for each topic.

VII. Assistant Commissioner Regulatory Affairs Update, Mike Wheeler

Assistant Commissioner Wheeler provided a brief division update. He noted that auditing cases have increased. Audits include property management, sales, onsite audits and electronic broker audit declarations. For the month of September, the Investigations Division received 71 new cases.

VIII. Assistant Commissioner Licensing/Education/Development Services Update, Carla Randolph

Assistant Commissioner Randolph provided the following update:

- The Development Services Division recently implemented a law change to the subsequent owner exempt report. Forms and website have been updated.
- The Licensing Division recently implemented the new law for cancellation of a license. With this change, an individual who is in 'Inactive' status can now cancel their license. Members of the licensing staff have also been involved, under the facilitation of an Arizona Department of Administration Consultant, with a project team of ADRE employees who are working on streamlining the disclosure process.
- Education Division, there are 27 pending applications; by May 2014, the Education Division will have done a complex review of all existing CE courses. The Education Division is recruiting for the Volunteer Monitor Program.

IX. Advisory Board Member Facilitator Reports

Member Bowen commented she had information she would be providing to Assistant Commissioner Wheeler.

Member Gray commented that he was contacted by an individual who filed a complaint that was outside of the jurisdiction of the Department.

There were no other facilitator reports.

X. Other Matters

None to report

XI. Call to the Public

Sue Fluke commented on the Broker Management Clinic. She also thanked the Commissioner and the Department for providing presentations for a recent class regarding Broker Audits. She complimented Assistant Commissioner Wheeler and Auditing/ Investigations Manager King on their work and thanked them for presenting at the class.

XII. Next regularly scheduled Real Estate Advisory Board Meeting: December 11, 2013; Information on the requested Special Meeting will be posted when the meeting is confirmed

XII. Adjournment

Chair Horn adjourned the meeting at 12: 15pm.

Respectfully submitted this _____ day of December, 2013

Real Estate Advisory Board

A handwritten signature in black ink, appearing to read "Kim Horn", written over a horizontal line.

Kim Horn, Chair