

IREC/IAR®
Property Management Work Group

Wednesday, September 12, 2012
Meeting Notes

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|---------------------------------------------|------------------------------------|
| ✓ Andy Enrico, Chair | Idaho Real Estate Commission |
| ✓ Marc Banner | 575 E. Parkcenter Blvd., Suite 180 |
| ✓ Craig Boyack, IREC | Boise, Idaho 83706 |
| Pam Bullock, Idaho Affordable Housing Assn. | |
| ✓ Trish Callies | Call-in Number: 866-706-6468 |
| Jake Durtschi, Eastern Idaho Property Assn. | Participant Code: 1844479 |
| ✓ John Eaton, IAR® | |
| Matt Engel | |
| ✓ Steve Fender, IREM | |
| Senator Russ Fulcher | |
| Brad Golphenee | |
| James Holtzclaw | |
| ✓ Jeanne Jackson-Heim, IREC | |
| ✓ Miguel Legaretta, IAR® | |
| ✓ Paul Lorenzen | |
| ✓ Jim Reimer, NARPM | |
| ✓ Tayson Rockefeller | |
| ✓ Brian Shaffer, NARPM | |
| Amy Wernsing, Governor's Office | |

I. Call to Order – Introductions – Purpose of the Meeting: The meeting was called to order at 2:00 p.m. by Chair Andy Enrico. (Attendees are noted with a check mark above.) Attendees reviewed documentation prepared by Chair Enrico on property management licensing requirements from other jurisdictions.

II. Discussion Topics re Draft Property Management Legislation: Chair Enrico led discussion on the following topics:

1. If licensed, should property managers hold the same license as a real estate agent, or a separate license?

A: The consensus was that property managers should be separately licensed, but real estate licensees should also be authorized to conduct property management activity under the real estate license. (The Commission could revise its prelicense courses to include a defined property management curriculum.) Leasing activity could be under the property management license, as leasing most often goes hand in hand with other rental or property management activities. A property manager would not be required to affiliate with a broker or hold a broker level license. Those licensees already holding a real estate license would not have to meet additional requirements. The implementation date for any new legislation should be one year from the law's effective date to allow those not presently licensed to take care of requirements.

2. *Who should be exempt from licensing? What about out-of-state “management” firms?*

A: The group felt if the property is located in Idaho, a license should be required, regardless of the location of the management company. There was discussion regarding out-of-state trust accounts. Current license law allows for real estate trust accounts to be maintained anywhere and this has not posed a problem for auditing or enforcement purposes. The group reviewed the exemptions noted in 54-2003 for real estate licensure, and there was consensus that these same exemptions would also be appropriate for property managers.

3. *How would trust accounting be handled? Referral fees?*

A: The group discussed current industry practices. There was general agreement that one management trust account would be sufficient to accommodate security deposits, rent receipts, and expense payments. Jeanne Jackson-Heim will inquire of other states to see whether they allow a trust account to contain negative owner balances. The group also discussed the practice of the property manager being a co-signer on the owner’s bank account. The issue of referral fees was discussed, but no consensus was reached on how these would be handled. It was suggested to delete the prohibition against referral fees being paid to unlicensed persons from the license law, but there was also concern expressed that this would lead to unforeseen consequences. More discussion is needed on these topics.

4. *If a separate license from a real estate license, should there be a prelicense education and/or exam requirement for licensure? Fingerprinting? Continuing education for renewals? E&O insurance requirement?*

A: The group agreed strongly that fingerprinting and background check should be required for licensure; the process currently followed for real estate licensees would work. It was suggested that language be included that anyone with a misdemeanor related to a sex crime would not be eligible for licensure. Most of the group felt E&O insurance should be required, and Jeanne Jackson-Heim will contact the Commission’s group insurance provider to verify that anyone with a separate property management license would also be covered under the existing policy. The group also generally felt there should be prelicense and continuing education requirements. There are two professional property management associations that provide excellent education which could possibly be utilized for licensing requirements. More discussion is needed, as well as further discussion on the idea of a licensing exam.

III. **Wrap-Up and Next Steps:** Jeanne Jackson-Heim will:

1. Contact other licensing authorities to find out their accounting requirements pertaining to client balances, and report back to the work group
2. Provide copies of the Commission’s group E&O policy to work group members
3. Provide copies of the Department of Finance letter and position statement regarding debt collection to work group members

IV. Adjournment: Chair Enrico adjourned the meeting at 3:45 p.m. An e-mail will be sent to obtain available dates for the next meeting.