

# REAL ESTATE BULLETIN

RONALD REAGAN, *Governor*

Fall 1974

ROBERT W. KARPE, *Commissioner*

# SELL SERVICE

## SELLING SERVICE LEADS TO GOOD WILL

There is no such thing as a trip without destination—success without a goal—a sale without a reward. And furthermore, the good real agent knows that obstacles are those things we see only when we take our eyes off our goals. The professional real estate person learned long ago that people don't fail in this life because they plan to fail—they fail because they fail to plan.

If we plan to take a trip we normally "fill out" our itinerary long before we start the machine. And so, it is with the real estate business. We can fill out the ticket for the journey, but first we must decide where we want to go.

### *Client Relationship*

Admittedly, the future is uncertain and henceforth the real estate business may be affected by elements entirely beyond the control of any one real estate company or its sales representatives. However, one sure way to decrease, if not eliminate, the uncertainties of the future is to build sound, progressive business relationships with our clients. These relationships may be developed through a positive program of building good will and service to our clients.

Building good will and service is an activity that enters into every phase of the selling process. The sales person cannot effectively build good will if he views his real estate activity as something apart and distinct from his regular daily duties. Service minded people build good will before the sale is made, during the sales presentation, and after the sale is closed.

- New schedule for balance of 1974 broker exams—see page 8.
- Involved in subdivision advertising? Obtain a copy of the DRE advertising guidelines—see page 8.
- Medical history of a real (estate) problem—page 6.
- Nearly 1½ million dollars appropriated from the Real Estate Fund for advancement of real estate education—page 5.
- Important article for all brokers and salesmen regarding subject of disclosure—page 4.
- DRE license records show an increase of nearly 8.5% in number of licensees since last year—now totals 219,000!
- Is your real estate firm small and unprofitable? See page 4 for a new research report that may be of assistance.
- If you're enrolled in required real estate courses in the Fall you may qualify for a broker exam in Dec. 1974—see page 3 for details.
- During the month of June, the DRE was host to the Western and Midwest District Conference of the National Association of Real Estate License Law Officials (NARELLO). It was attended by officials from 28 states and Canadian Provinces.
- A new Real Estate Commission member appointed—page 4.

It is built when prospecting, when soliciting for listings, yes, even when answering objections, and over the years offering services to the purchaser who ultimately becomes a seller and one of the best sources for referrals.

### *Good Service Equals Good Will*

To the accountant good will sparked by good service is an intangible asset recorded on the balance sheet. Its value is stated in dollars; if the business is sold, a charge is made for the good will just as a charge is made for the real estate inventory and time spent. If the real estate entrepreneur were to accent service and good will, rather than boast of commissions earned it could very well lead to a brand new ball game. His services with its counter part, good will, could

reap rewards not heretofore recognized by real estate investors.

### *Will it be Commissions or Service?*

Unfortunately many good real estate firms spend thousands of dollars advertising and ballyhooing their sales force which has sold over a million dollars in real estate during the last "great" year. The Real Estate sections of the Sunday newspapers generally carry story after story of men and women who have joined the "million dollar club" for their salesmanship. Although we do not criticize them for making money, we believe articles and stories concerning human effort to service the shelter needs of society may have a far greater impact on

*(Continued on page 3)*

**REAL ESTATE BULLETIN**

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**Vol. 34, No. 3**                      **Fall, 1974**

**STATE OF CALIFORNIA**  
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The *Real Estate Bulletin* is a quarterly published by the State of California, Department of Real Estate, as an educational service to all real estate licensees in the state under the provisions of Section 10083 of the California Business and Professions Code.

From the license renewal fee, \$1 is allocated to cover subscription to the *Bulletin*. Second Class Postage Paid at Sacramento, California.

**Disciplinary Action—April—June 1974**

REB—Real estate broker  
RREB—Restricted real estate broker

RES—Real estate salesman  
RRES—Restricted real estate salesman

REO—Real estate officer  
REC—Real estate corporation

NOTE: A list of actions is not published in this *Bulletin* until the 30-day period allowed for court appeal has expired; or if an appeal is taken on the disciplinary action stayed, until the stay is dissolved. Names of persons to whom licenses are denied upon application are not published.

**Licenses Revoked**

Name	Address	Effective date	Violation R.E. Law/Regulations
Sweet, Harold Arthur (RES)	8500 Wilshire Blvd., Ste. 606, Beverly Hills	4/ 3/74	10177(a)(b)(f)
Spradley, Harold Marcellus (REB)(REO)	4708 Market St., San Diego	4/ 4/74	10176(a)(e)(f), 10177(f)(i)
Harvey, Miles Argalas (RES)	2813 San Pablo Ave., Bakersfield	4/ 9/74	10177(b)(f)
Barton, Rosalee Annette (RES)	5478 Wilshire Blvd., Ste. 206, Los Angeles	4/11/74	10177(b)(f)
Raible, William David (RES)	3241 Isabella Dr., Oceanside	4/18/74	10177(b)
Powers, Clara Anna (RES)	20331 Stanford Ave., Riverside	4/30/74	10177(b)
Schiller, Patrick Byron (RES)	2720 Broadway, #15, San Diego	4/30/74	10177(b)
Finley, Jock Andrew (RES)	3815 Porter Creek Rd., Santa Rosa	5/ 7/74	10177(b)(f)
Browne, Charles A. (REB)	648 B St., Davis	5/ 9/74	10177.5
Bell, Catherine Jo (RES)	4149 Sunrise Blvd., Fair Oaks	5/14/74	10177(b)
Crandell, Raymond Earl (RES)	1702 Daisy Way, Antioch	5/14/74	10177(b)(f)
Abagli, Leon (RES)	9242 Randall, La Habra	5/15/74	10177(a)(b)
Coleman, Samuel Edward (RES)	P.O. Box 215, Rosamond	5/21/74	10177(b)
Kochman, Mercedes (REB)	5744 La Saine Ave., Encino	5/22/74	10177.5
McCormick, John Joseph (REB)	12732 Bonita Heights Dr., Santa Ana	5/29/74	10177.5
Grunewald, Jack Henry (RES)	22030 Dela Guerra, Woodland Hills	5/30/74	10177(b)
Garrett, Thomas Walter (RES)	8500 Wilshire Blvd., Ste. 606, Beverly Hills	6/ 3/74	10177(b)
May, Harold Edward (RES)	23427 Victory Blvd., Canoga Park	6/12/74	10177(b)
Hurtado, Jo Emma (RES)	119 Atlantic City Ave., Grover City	6/27/74	10177(b)
Koepke, Jimmy Dale (RES)	15351 Woodruff Place, #65, Bellflower	6/27/74	10177(f)(i)
Moore, Michael Clayton (RES)	426 Via Corta, Palos Verdes Estates	6/27/74	10177(b)
Walker, Marvin Eugene (RES)	1235 Larch Ave., Moraga	6/27/74	10177(f)(i)
Boorum, George Merritt IV (RES)	740 Aeroplane Ave., Bear City	6/28/74	10177(b)

**Licenses Revoked With Right to Restricted License**

Name	Address	Effective date	Violation R.E. Law/Regulations
Peterson, Frank Marvin (REB)	P.O. Box 372, 14684 Oak St., Saratoga	4/16/74	10176(a)(f), 10177(f)(i)
Grisolio, James (REB)	1330 Bayshore Rd., Rm. 220, Burlingame	4/17/74	10145, 10176(c)(i), 10177(d)(f)(g), 10177.5, 10241, 10242, 2830, 2832, 2843
McPherson, David Leslie (RES)	734 Daisy St., Escondido	4/17/74	10177(b)
Miller, Paul Andrew (REB)	1269 E. Main St., El Cajon	4/25/74	10177(b)(f)
Forthum, Ronald W. (RES)	10300 S. Saratoga-Sunnyvale Rd., Cupertino	5/ 2/74	10177(a)(b)(f)
Staebel, Billie Jo (REB)	3913 Ingraham St., #U110, San Diego	5/ 2/74	10176(i), 10177(d)(f)(g)
Smith, Homer (REB)	P.O. Box 2766, 1450 N. D St., San Bernardino	5/ 7/74	10177(b)
Theofanides, Thomas Gus (REB)	1744 I St., Merced	5/ 7/74	10177(d)(j), 10270
Crossley, Charles Raymond (RES)	5251 El Cajon Blvd., San Diego	5/14/74	10177(b)
Gilliland, Neva Lee (RES)	1092 E. Sierra, Fresno	5/14/74	10177(d)
Holmes, Herbert Hoover (REB)	12039 Long Beach Blvd., Lynwood	6/20/74	10176(i), 10177(f)
Spunt, Ronald Seymour (RES)	5238 Sanborn Ave., Lynwood	6/27/74	10177(b)

**Licenses Suspended**

Name	Address	Effective date	Violation R.E. Law/Regulations
Fandrich, Richard Allen (RES)	505 Popular Ave., San Bruno	4/17/74	10177.5
Tyree, William Donald (REB)	62 N. Maclay Ave., San Fernando	30 days	10145, 10176(c), 10177(f)
Nobel, Pamela Denise (RES)	78 Alpine Ave., Los Gatos	5/ 7/74	10177(b)(f)
Young, Robert Lee Jr. (REB)	9365 Palo Alto, Curranong	5/14/74	10176(a)(i), 10177(f)(g)
Kohne, Dorothy Jeanne (RES)	833 N. Humoldt Ave., San Mateo	5/15/74	10177(f)(f)



## Licenses Suspended With Stays

Name	Address	Effective date	Violation R.E. Law/Regulations
Standsberry, Marvin Lee (REB). (25 days stayed for 2 years on terms and conditions)	12400 Euclid Ave., Garden Grove...	4/16/74 30 days	10176(a)(i)
Turstan, Inc. (REC). Dba Federal Real Estate	9636 Garden Grove Blvd., Ste. 21, Garden Grove	4/16/74 30 days	10176(a)(i)
Standsberry, Marvin Lee (REO) (25 days stayed for 2 years on terms and conditions)			
Mattos, Donald Joseph (RES). (Stayed for 6 months on terms and conditions)	8516-B Auburn Blvd., Citrus Heights.	4/18/74 30 days	10177(g)
Mattos, Steve Manuel (REB). Dba Delta Realtors	2418 Royal Oaks Dr., Alamo..... 25805 Mission Blvd., Hayward	4/18/74 30 days	10177(h)
Lane, Fred Barrnet (RES). (80 days stayed for 2 years on terms and conditions)	3017 W. Beverly Blvd., Montebello..	4/24/74 90 days	10177(b)(f)
Price, Melvin H. (RES). (Stayed for 1 year on terms and conditions)	19190 Beardsley Rd., Los Gatos.....	5/ 7/74 15 days	10177(b)(f)
Parker, Robert Cecil (REB). (All but 20 days stayed for 3 years on terms and conditions)	P.O. Box 3177, 1452 E. Highland Ave., San Bernardino	5/ 9/74 90 days	10176(b)(i), 10177(f)(i)
Putman, Bill Junior (REB). Dba Century 21 Putman & Parks Realtors	3423 W. Torrance Blvd., Torrance... 85 days stayed for 3 years on terms and conditions)	5/15/74 90 days	10176(i), 10177(d)(g)
Roach, Loring (REB). Dba Loring Associates	548 Chautauqua Blvd., Pacific Palisades	6/ 6/74 60 days	10145, 10176(e), 10177(d)
Challstrom, Marjorie Jane (RES). (10 days stayed for 1 year on terms and conditions)	364 Caprino, San Carlos.....	6/11/74 15 days	10137, 10177(f)

## Indefinite Suspensions Under Recovery Fund Provisions

Name	Address	Effective date	Fund payout
Jenewin, Al (REB). Swift, Kermit Schofield (REB).	859 Galloway St., Pacific Palisades..... 1161 Dell Ave., Campbell.....	4/18/74 4/18/74	\$2,500.00 \$3,750.00

### Selling Service

(Continued from page 1)

people. We all like a success story, but perhaps we overdo it!

Thousands of competitive real estate sales people enjoy a good living from the sale of real estate. Many may be about equal in ability and provide equal profit to the real estate firm. Why, then, do some firms enjoy more than their share of the business in any area? The answer is that some salesmen or saleswomen sell more than real estate. They sell themselves by showing a sincere interest in the welfare of their client.

It's true, sales are made in money, but sales are made to people. Good will and service control success and bring the people back to buy again. The real estate client is not inept at evaluating salesmen. A salesperson is soon classified as one whose judgment can be depended upon or as one whose one and only objective is to get a commission. The real estate client tends to welcome the former type.

### Supervision Wears Two Hats

Quite often brokers are so wrapped up in their own sales efforts that they do not give the kind of counsel and advice to the sales force that is needed to service the sale. Supervision also in-

cludes maintenance of good will and service. It does not necessarily only include attention to matters which could be improper.

### Big or Little Business?

Recent innovations in computerization could provide the smaller firm with increased capacity for service in the residential housing markets. Multiple listing services have already supplied bigger and better inventories for the smaller office. Both economic theory and common sense tell us that the small firm must have access to a greater variety of information if it is to properly service the house hunter.

### Service, A Major Goal

In closing let us say:

- Good will and service can be far more important than commissions if one wants repeated business and satisfaction.
- The center-of-influence to buy or sell rests with the kind of service to be offered.
- The client's interest is paramount.
- The closing statement does not end the sale.
- The real estate sales force only prospers if the client prospers.

### Attention

## FALL SEMESTER STUDENTS

Because of the 1975 added course requirements to become a real estate broker any broker applicant enrolled in the Fall school term in a public or private school and who is deemed qualified in all other aspects may be permitted to sit for a December broker examination provided the remaining course(s) is substantially completed and evidence of final completion is submitted not later than February 15, 1975 and before license issuance.

The following conditions prevail:

- The applicant must have at least 22 months full-time salesman experience prior to November 1, 1974 or qualify on equivalent educational or experience grounds and furnish the balance of required employment evidence not later than January 15, 1975.
- The applicant must be able to complete or have completed all four courses without exception by the end of the 1974 Fall term.
- The applicant agrees to furnish evidence of course completion at the end of the course session and before February 15, 1975.
- The college or school authority must furnish the applicant with a statement after October 1, and before November 1, 1974 to the effect that course work is expected to be satisfactorily completed. (Persons taking approved correspondence courses must present evidence of completion of at least 12 of the usual 15 assignments before November 1, 1974 and furnish evidence of final completion prior to February 15, 1975.)

The commissioner will not grant a real estate broker license until all deficiencies have been corrected. Candidates who fail the December examination will not be permitted a re-examination until the added (1975) course work is completed.

## DISCLOSURE Keeps Broker Out of Trouble

Several past *Bulletin* articles have discussed a licensee's duty of disclosure in probate and other estate transactions in which the licensee seeks a commission from the estate as the agent for the sale of the estate property to himself or to a buyer in which he has a financial interest. In *Batson v. Strehlow*, 68 C 2d 662, a judgment was rendered against a real estate broker for the commission that he received while acting in a dual capacity as agent and buyer without a full disclosure of his dual role to the estate and the probate court. Over the years, the Department has brought several disciplinary actions against licensees who acted in a dual capacity in estate transactions without a full disclosure of that fact to the representative of the estate and the court.

Recently in *Baldwin v. Seeley Co. et al* 34 CA 3d 596 a Court of Appeal considered this question of dual capacity in a different context. In this case, Broker A presented the bid that was returned to the probate court for confirmation. He made a full disclosure to the attorney for the estate and to the probate court that he was the bidder as well as the broker.

At the hearing before the probate court, the property was sold to a competing bidder, but the court awarded a substantial portion of the real estate commission to Broker A under authority of Section 761 of the Probate Code. This section provides that one-half of the commission on an original bid shall be paid to the agent whose bid was returned to the court for confirmation.

The commission award to Broker A was appealed by the representative of the estate on a theory—among others—that a real estate broker cannot recover a commission where he acts in the dual role of purchaser-broker.

The court of appeal rejected appellant's contention, pointing out that the California rule is that a broker may collect a commission when he is also the purchaser in the transaction if he discloses his dual capacity and all other material facts concerning the trans-

## Effect of the Alquist-Priolo Geologic Hazard Zones Act

The Alquist-Priolo Geologic Hazard Zones Act was passed by the State Legislature in 1972 to avoid unnecessary loss of life attributable to fault rupture of real estate development sites. As provided in the statute the State Geologist has established Special Studies Zones about certain active and potentially active faults pursuant to the Act. Existing zones are approximately one-quarter of a mile in width and extend along the entire known extent of the San Andreas, Hayward, Calaveras and San Jacinto faults. Additional zones will be established about other potentially active faults.

Since July 1, 1974 cities and counties cannot approve the location of real estate developments of structures for human occupancy within Special Studies Zones if an undue hazard would be created thereby. They may also require special geologic and engineering studies to define the precise zone of hazard. The State Mining and Geology Board, acting in accordance with the statute, has stipulated that "No structure for human occupancy shall be permitted to be placed across the trace of an active fault".

Special Publication 42 of the California Division of Mines and Geology includes: an index to the 186 quadrangle maps that show zone boundaries; a copy of the Act; and the Policies and Criteria adopted by the State Mining and Geology Board pursuant to the Act. Real Estate licensees can buy Special Publication 42 for \$1.00 plus tax from the Division of Mines and Geology, Room 1341, 1416 Ninth St., Sacramento, CA 95814. The individual maps that show the details of special study zone locations may be obtained from the affected city or county.

action which might affect his principal's decision. While the court holds that public policy considerations dictate that brokers be allowed to act in a dual capacity, providing they make a full disclosure, the court also emphasizes the duty of a real estate broker to act in the highest good faith towards his principal and to obtain no advantage over the principal in any transaction by virtue of the agency.

## NEW RESEARCH REPORT

"Keeping the Small Independent Brokerage Firm Profitable" is the title of a new research report by Gary D. Tuchman and Eugene J. Corman, from California State University, Fullerton.

A study was made of small independent firms in Orange County (less than 10 employees) and the results examined to identify the differences in operating characteristics that could account for large differences in production. Recommendations are offered based on the survey that could increase the opportunity for greater income.

A copy of the report can be obtained by mailing \$1.59 (includes tax), check or money order, to the Department of Real Estate, 714 P Street, Sacramento, CA 95814.

## Member Appointed ARTHUR HOUSTON JR. TO REAL ESTATE COMMISSION

Governor Ronald Reagan recently announced the appointment of Arthur Houston Jr. of Los Angeles to the State Real Estate Commission for a term expiring January 15, 1978. Mr. Houston has been a real estate broker for over 20 years and also active in the insurance and contracting fields.

His involvement in community affairs include life membership in the NAACP and membership on the Citizens' Advisory Council to the state's Attorney General. Mr. Houston is married with two children presently attending universities in the Los Angeles area.

## Geldermann Reappointed

Harlan Geldermann of Danville, a commission member since 1967, was reappointed to a new term also expiring January 15, 1978. Other members of the commission include John Cotton, San Diego; Art Leitch, San Diego; Robert C. Lindsey, San Jose; Frank McBride Jr., Sacramento; Phil Saenz, San Diego; L. H. (Spike) Wilson, Fresno and Real Estate Commissioner Robert Karpe, who serves as chairman.

## Real Estate Education Endowment

Effective January 1, 1974 Senate Bill 1158 (Schrade) appropriated \$1,450,000 from the Real Estate Fund for advancement of real estate education. One objective of this legislation was to set up a million dollar endowment to be used to further real estate education in schools, in the state university and college system.

The legislation called for an advisory committee to be appointed by the Real Estate Commissioner. Members appointed were:

### Real Estate Brokers

Donald A. Wiedmann of San Diego, Committee Chairman; Richard C. Van Valer of San Jose; Herbert P. Hawkins of Temple City; William S. Reid of Santa Monica; Art Godi of Stockton.

### Public Members

Howard J. Smiley of Sacramento; Don B. Curran of Los Angeles; George B. Parks of Los Angeles.

### Real Estate Faculty

Norbert J. Mietus of CSU, Sacramento; William H. Hippaka of CSU, San Diego.

### State College/University Representative

Robert O. Bess of Los Angeles.

Since January 1974 the above committee members have met and worked out a contract to implement the one million dollar endowment. Following is the text of Chancellor Dumke's letter expressing appreciation to the real estate industry for this endowment.



THE CALIFORNIA STATE UNIVERSITY AND COLLEGES

5670 WILSHIRE BOULEVARD • LOS ANGELES, CALIFORNIA 90026 • (213) 938-2981

THE CHANCELLOR

May 24, 1974

Mr. Robert W. Karpe, Commissioner  
Department of Real Estate  
714 P Street  
Sacramento, California 95814

Dear Commissioner Karpe:

Enclosed are signed copies of the Real Estate Education endowment contract. On behalf of the Trustees, staff and students, I want to express thanks to you and those members of the Real Estate industry whose interest in improved education has brought about this endowment.

Matters related to the receipt and deposit of this fund will be handled by Mr. Edmond Macias, Assistant Vice-Chancellor for Business Affairs. Members of your staff may want to contact him directly concerning transfer.

I have asked Dean Robert Bess to continue working with you and members of your staff on programmatic matters such as establishment and functioning of the Advisory Committee. As I see it, we have several months to get operating machinery in order while interest accrues to the fund.

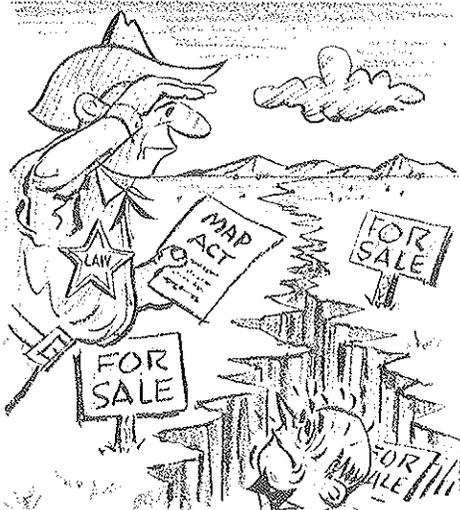
Again, my thanks. Be assured that we shall do our best to see that this endowment is used to the maximum benefit of Real Estate Education.

Sincerely,

Glenn S. Dumke  
Chancellor

GSD:mb  
Enc.

cc: Dr. Alex C. Sherriffs  
Dr. Robert O. Bess  
Mr. Edmond Macias



## LOT SPLITS REQUIRE APPROVAL

*Editorial Note:* This is a sequel to the "4-4-4ing" and "Avoid Illegal Land Splits" article appearing in the Fall 1972 and Spring 1974 *Bulletins*. Because this activity is illegal, it is worthy of added comment.

The two previous articles stressed requirements under the Subdivided Lands Act. The SLA under the jurisdiction of the Real Estate Commissioner, assures purchasers protection during the marketing of subdivided lands.

The Subdivision Map Act, administered by city and county government requires local government approval of any proposed division of

land, even the division of one parcel into two parcels.\*

Noncompliance with the provisions of the map act and/or local ordinances implementing the act by the present owner or preceding owners can result in prohibitions by city/county authorities against development of the property. It is also a basis for civil litigation. What is the status of the real estate agent under these prohibitions? The licensee should contact the local governing authority before selling any property that has been divided. No matter how minor the division appears . . . some element of local jurisdiction will be involved.

\* Section 11535(d) of the Business and Professions Code.

## A real (estate) problem

### *Ailment:*

The following ad appeared in a Southern California newspaper almost continuously for months:

\$295 an acre  
**ANTELOPE VALLEY**  
Downtown Area  
key location must sell  
E-Z terms  
Owner 805-274-5658

A seemingly innocent ad? Its response was great and profitable until a few of the buyers got word to the DRE.

Interviews with buyers resulted in a full-scale investigation by the DRE subdivision task force. The representations made were so deceptive the file was submitted to the San Bernardino District Attorney.

### *Diagnosis:*

A few of the false and misleading statements to people deceived by the ad and the promises resulting from it:

- Downtown . . . fact, the property was outside any town.
- Antelope Valley . . . fact, the property was located in the Barstow, Red Mountain area, remote from Antelope Valley.
- Owner . . . fact, real estate licenses.
- Last Parcel . . . salesman claimed—this is the last parcel for sale . . . we have had telephone calls from other prospects who want to buy . . . creates an atmosphere of urgency to buy the last parcel . . . fact, many parcels available for sale.
- Sophisticated Purchasers . . . parcels being purchased by "real estate people" . . . creates impression that sales were made to knowledgeable and sophisticated investors. Fact, parcels sold to members of public not engaged in the real estate business.

(Continued on page 8)

## *Reflections . . .*

Speaking of real estate salesmen; as with all of us they are born into this world with the right to fail as well as succeed.

There are those salesmen who feel the need for listing property but don't want to go too far away from the security blanket—maybe a block or two and dash back to the office "status quo" . . . gasoline shortage, you know.

There are those with built-in limitations. The quiet life . . . not disturbed in the least over any crisis. They flit from broker to broker . . . lots of enthusiasm and extremely content. They are often allergic to real effort and often don't know which end of the candle to light. They patiently wait for the client to walk in and say, I want to list my property.

We also have those critical pessimists . . . seem to have been weaned on dill pickles . . . never take a listing, gripe at shortages, sit on the sidelines, watch the traffic go by, and become experts . . . experts on criticizing others, but seldom take any risks.

I'm sorry to say we have two kinds of people the industry doesn't need: those sitting on the ball in the middle of the field, and those running wildly across the goal line who don't have the ball. We seek those with their hands on the ball and their eyes on the goal line—and, a step at a time, heading in the right direction.

Well, I could go on, and I recognize in our American way of life we need to respect the right of others to do as they wish and take any path they care to follow, but the end result should be to get the ball over the goal line . . . and there is no shortage of goal posts.

*Robert W. Karpe*

ROBERT W. KARPE  
Real Estate Commissioner

## *John Adams Retires*

Attorney John Adams, Jr., Senior Counsel for the California State Department of Real Estate in charge of the Legal Section, San Francisco Office, retired March 28 after ten years of service with DRE.

Approximately one hundred persons, including Real Estate Commissioner Karpe, were in attendance at his retirement dinner on March 29 in San Francisco. Mr. Adams was awarded service plaques by the California Association of Real Estate Brokers, and the Golden State Business League.

Adams has re-entered the general practice of law in Oakland. He is a graduate of the University of Nebraska Law School, 1929, and served as a member of the Nebraska Unicameral Legislature from 1937 to 1943. During World War II he served as a company commander at Camp John T. Knight, Oakland, with the rank of captain. He was admitted to the practice of law in California in December of 1946.

He was engaged in the private practice of law in San Francisco from 1947 to 1960. In 1960 Mr. Adams was appointed guardianship and probate counsel in the Chief Attorney's Office of the Veterans Administration, San Francisco and in 1964 he received an appointment as counsel for the State Department of Real Estate.

## *Who Is a Minor?*

Under California law, a minor is anyone under 18 years of age. A minor may not enter into a contract relating to real property. Any such contract with a minor, therefore, is void, and the minor may disaffirm at any time without restoring any consideration received. For the protection of his client, the broker should always ascertain whether a prospective buyer is a "minor".

The above corrects our "Minors" article that appeared in the Summer 1974 issue of the *Bulletin*.

## Realistic Budgets A Must For Common Facilities

Department of Real Estate appraisers and subdivision deputies review and analyze proposed budgets for the operation of common areas in condominium projects and planned developments.

Often these budgets are incorrect and inadequate; this can only delay the Real Estate Commissioner's issuance of the final subdivision public report.

An appropriate budget cannot be developed in a vacuum nor can it be copied from a previous budget of another development which has little resemblance to the development under consideration.

A map of the development and, in the case of a condominium project, the condominium plan, even though tentative in nature, is essential as a work tool in preparing such a budget. A complete review of the items listed on the management documents is necessary, since many items which are required expenses by the Conditions, Covenants and Restrictions and the Articles of Incorporation may otherwise be ignored.

Some of the items most frequently overlooked in the preparation of budgets are reserves for replacements of: Roofs, water heaters, pool heater and equipment and recreational equipment.

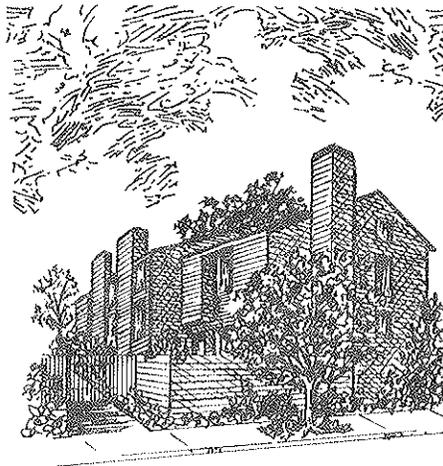
Most budgets are extremely optimistic insofar as painting costs and the interval between the time necessary for painting. Department appraisers believe exterior painting is normally necessary between five and eight years.

A current insurance estimate from a broker should be obtained with a realistic projection as to the rates during the next five years.

Commonly omitted items include the rescaling and resurfacing of parking areas, driveways and walkways which have been created within the development. Knowledgeable management firms recommend a 3 percent operational reserve for contingencies.

Department subdivision deputies realize that any person engaged in the preparation of a budget is faced with the problem of rising costs of all items in our day-to-day living. There

is a natural reluctance to anticipate these inflationary factors and prepare a realistic budget. Successful developers, however, believe that it is preferable to prepare a realistic budget even though it may at the outset call for larger monthly assessments from the unit owners than is absolutely necessary.



It is preferable, after the first year of operation, for the budget to have a slight reduction in monthly assessments, rather than a large increase in costs to the individual owners—which is too often the case. This approach is strongly recommended by successful developers, as well as lending institutions and governmental loan insuring agencies. The use of this practical approach may also have a beneficial effect on the reputation of the subdivider when he develops his next project—and if it hurts sales the project is marginal at best.

To assist builders and developers, the department has a budget form which can be obtained by requesting it from any of our district offices. After proposed budgets are submitted, our department appraisers review each one and contact the subdivider when necessary to discuss any discrepancies or necessary changes. For other information concerning the proper methods of handling the filing of documents on subdivisions with commonly owned facilities, we urge developers to contact our subdivision deputies in the Sacramento, Los Angeles, or San Francisco District Offices.

### Land Regulation

## ONE PURPOSE: PROTECT THE PUBLIC INTEREST

The principle of publicly reporting only detrimental features of a land subdivision was changed over ten years ago in California because the consumer needed more than mere advice to protect his interest. The lot buyer needed a viable protective measure which would guard him against the unprincipled few and their promotional schemes.

The Legislature has provided the State Department of Real Estate, accordingly, with affirmative standards to supplement mere informative guidelines. Today's subdivider must establish that promised improvements and other amenities will be installed; that the subdivider has made financial arrangements to carry out his plan. Responsibility is placed on the developer, where it belongs, rather than on the lot buyer's reliance upon mere disclosure.

Spirited and enthusiastic promotion of subdivision lots, primarily located in remote regions of the nation where raw land is plentiful, has historically encouraged many investors to "buy a little piece of America", unfortunately, to find later the potential of increased value was unrealistic or the property was unsuitable for development.

### A Leader in Subdivision Law

Although there is a growing number of other states with extensive land regulations, inspections and controls, California's land laws are a prime example for other states to follow if the nation's citizenry is to be equally protected.

The creation of a massive bureaucracy in Washington, however, or a huge land office in an individual state to supervise and inspect each real estate transaction is plainly not in the best interest of the taxpayer.

### Practical Laws

California's subdivision laws today offer more public protection to lot purchasers than do the laws of most

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### Land Regulation (Continued from page 7)

other states, and they are practical, as well. For example, the Subdivided Lands Act requires a subdivider to demonstrate that *adequate financial arrangements* have been made to complete all "off-site" improvements (roads, sewers, street lighting, etc.) included in the offering . . . prime feature of the law.

Another illustration: in a planned development or condominium project, where lot purchasers will own recreational or other common facilities, the developer must satisfy the commissioner that he has made *adequate financial arrangements* for completion of these improvements too. If there are substantial recreational facilities, golfcourses, riding trails and other large scale development, located on property outside of the actual offering, the department may require the developer to post a *bond to guarantee completion* of those facilities which are normally an inducement to the sale . . . all these regulations are protective measures of an affirmative nature—that is, things which must be done as opposed to things which are prohibited.

### Truth in Advertising

State subdivision advertising regulations are also tied to the financial arrangements; the developer may not make reference in advertisements to prospective availability of any sort of improvement in the subdivision, unless the financial arrangements for the completion or installation of such improvements have been approved by the commissioner. This equally applies to private facilities to be constructed

outside the development for the use of the purchasers of unit interests in the subdivision. Because of this strict enforcement over the developer, the requirements pertaining to financial arrangements and the advertising of common facilities, the purchaser of a subdivision interest located in a California approved subdivision is offered a substantial and affirmative measure of protection.

### A Full Measure of Protection

Each state and those communities within the state should offer a full measure of protection to its citizens. It is not always essential to include every detail of an offering in a public report when the state can and does place the major responsibility for performance upon the seller or subdivider of its land. To do so, in fact, could be counter productive by making too lengthy a report which would be less likely to be read and understood.

The State of California is well equipped to render these vital services; it lends stability to the subdividing field and protects developer and purchaser alike from unfair business practices.

### GUIDELINES FOR SUBDIVISION ADVERTISING AVAILABLE

DRE 13-page pamphlet, called Guidelines for Subdivision Advertising, is available to anyone interested in media advertising of subdivided lands. Copies may be ordered from any DRE district office.

## 1974 BROKER EXAM SCHEDULE

October 12 and 26

November 9 and 23

December 7, 14 and 21

For the remainder of this year broker examinations will be administered in accordance with the above schedule, however additional dates may be scheduled depending on applicant volume. During 1975 they will be planned for every other month beginning in February.

### A R. E. Problem

(Continued from page 6)

#### Problems:

The advertisers and sellers neither complied with the Map Act nor the Subdivided Lands Act. If purchasers are to obtain compliance with the state and local laws, it will be at their expense . . . something they didn't bargain for.

By selling land in violation of law, the sellers avoid the costs of doing business legitimately (maps, engineering, etc.) . . . creates unfair competition with genuine subdividers.

#### Medication:

In this case the violators are facing civil penalties and possible loss of license. The right kind of advertising can help your clients and improve the image of the industry.