



Changes in Commissioner's Regulations

Important changes in the Real Estate Law enacted by the Legislature in 1963 were summarized in the August *Bulletin*. To implement, interpret or make specific various portions of the law the Real Estate Commissioner has adopted or amended certain sections of his official regulations. Other sections have been repealed as obsolete.

Duly adopted regulations have the force and effect of the law itself and licensees are well advised to know and understand them. Below the changes in the Real Estate Commissioner's Regulations are summarized, or quoted in full text.

These regulations have been repealed in their entirety: Sections 2766, 2768, 2780, 2781, 2782, 2783, 2791.1, 2792, 2794, 2904, 2978.

Of major importance to most brokers are those regulations regarding the handling of funds and the keeping of records. The first two regulations below relate to these matters.

Broker Must Keep Trust Fund Records Available for Inspection

Section 2831. Every broker shall keep a record of all trust funds received by him, including uncashed checks held pursuant to instructions of his principal. Said record shall set forth in columnar form:

- (1) Date funds received;
- (2) From whom received;
- (3) Amount received;
- (4) With respect to funds deposited to trust bank account, date of said deposit;
- (5) With respect to funds previously deposited to trust bank account, check number or date of related disbursement;
- (6) With respect to funds not deposited in trust bank account, nature of other depository and date funds were forwarded;
- (7) Daily balance of trust bank account.

Each broker who maintains a formal trust cash receipts journal and a formal cash disbursement journal or other similar records, in accordance with sound accounting principles, shall be deemed to have complied with the above.

All records and funds shall be subject to inspection by the commissioner or his deputies. (Italics added.)

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REAL ESTATE LAW AND REGULATIONS AVAILABLE

It is important that licensees, prospective licensees and subdividers have a thorough knowledge of the Commissioner's Regulations in conjunction with the law which they supplement. This *Bulletin* could well be placed in an accessible file for ready reference pending acquisition of a copy of *California Real Estate Law*, 1964 Edition, which contains not only the complete text of both law and regulations, but also pertinent excerpts from related codes relevant to the practice of real estate. This volume is now available from any office of the Division of Real Estate for \$1.04 per copy, including sales tax.

University Conferences on Race and Property

Every licensee and concerned citizen is urged to hear distinguished authorities in the fields of law, government, and business present an objective discussion of problems related to racial discrimination in housing at a "Race and Property" conference, sponsored by the School of Law and Extension Division of the University of California, Berkeley, starting at 8.30 a.m., November 22, in the Claremont Hotel's Gold Room. A similar conference for Southern Californians, chaired by Richard C. Maxwell, UCLA Law School dean, and State Real Estate Commission member Ralph H. Miller, will be held December 7 at UCLA's Student Union.

Featured authorities and their subjects are Dr. Richard R. B. Powell, Hastings College Professor of Law, discussing "What is the relationship between property rights and civil

rights"; Clare Short, Jr., Chairman, Equal Rights Committee, California Real Estate Association, discussing "The Obligations of Industry to Resolve Conflicts In This Area"; and Milton G. Gordon, California Real Estate Commissioner, analyzing the obligations of government in resolving discrimination conflicts.

Other noted participants representing industry, commerce, professions and government will be Dr. Frank C. Newman, John H. Tolan, Jr., Jefferson A. Beaver, Evelio Grillo, Thomas L. Berkeley, Dr. Robert L. Nolan, Reed Robins, and Ned Robinson. Audience questions will be solicited.

Interested persons should write University Extension, 2223 Fulton Street, Berkeley 4; for the UCLA meeting—University Extension, 813 South Hill Street, Los Angeles. The fee for either, including lunch, is \$8.

Disciplinary Action—June, July, 1963

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, until a final determination of the court action. Names of persons to whom licenses are denied upon application are not published.

Licenses Revoked During June, July, 1963

| Name | Address | Effective date | Violation |
|--|--|----------------|---|
| Barnhart, Howard Lee..... | 238 S. Berendo, Los Angeles.... | 6/ 4/63 | Sec. 10177 (d) and (k) |
| Restricted Real Estate Salesman | | | |
| Bizze, Washington Henry, Jr..... | 353 E. Orange Grove, Pasadena.. | 6/ 4/63 | Secs. 10176 (e), (i); 10177 (d) and (f) |
| Real Estate Salesman | | | |
| (Granted right to restricted license on terms and conditions; said restricted license shall be suspended for a period 90 days from effective date of decision) | | | |
| Kinkus, Sam Edward..... | 1048 W. 17th St., Santa Ana.... | 6/ 4/63 | Sec. 10177 (b) and (f) |
| Real Estate Broker | | | |
| (Granted right to restricted license on conditions) | | | |
| Monisteri, Joseph Paul..... | 4111 Glen Albyn Dr., Los Angeles | 6/ 4/63 | Sec. 10177 (b) and (f) |
| Real Estate Salesman | | | |
| (Granted right to restricted license) | | | |
| Zepeda, Victor Ralph..... | 1150 S. Sturbridge Dr., La Habra | 6/ 4/63 | Sec. 10177 (b) and (f) |
| Real Estate Salesman | | | |
| Ballinger-Hamlin Real Estate Co.. | 9601 S. Hoover, Los Angeles.... | 6/ 6/63 | Secs. 10176 (e); 10177 (d), (f) and Sec. 2830 of R.E. Comm. Reg. |
| Arthur Hamlin, Jr., Member | | | |
| Benjamin Ballinger, Jr., Member | | | |
| Real Estate Partnership | | | |
| Hamlin, Arthur, Jr..... | 9601 S. Hoover, Los Angeles.... | 6/ 6/63 | Secs. 10176 (e); 10177 (d), (f) and Sec. 2830 of R.E. Comm. Reg. |
| Real Estate Broker | | | |
| Strosnider, Charles Milton..... | 555 Abrego St., P.O. Box 254, Monterey | 6/13/63 | Secs. 10176 (e), (i); 10177 (f); 10302 (d) and (e) |
| dba C. M. Strosnider & Co. | | | |
| Real Estate Broker | | | |
| Business Opportunity Broker | | | |
| Real Estate Salesman | | | |
| Business Opportunity Salesman | | | |
| (Granted right to restricted real estate and business opportunity broker licenses on terms and conditions) | | | |
| Chiodo, Samuel, Jr..... | 7357 Van Nuys Blvd., Van Nuys.. | 6/25/63 | Sec. 10177 (b) and (f) |
| Real Estate Salesman | | | |
| (Granted right to restricted license on conditions) | | | |
| Yee, George Hong Yen..... | 1949 Montecito Ave., Santa Rosa | 6/27/63 | Sec. 10177 (b) |
| Real Estate Salesman | | | |
| (Granted right to restricted license on conditions) | | | |
| Adams, Paul Jones..... | 4307 S. Broadway, Los Angeles.. | 7/ 2/63 | Sec. 10177 (b) and (f) |
| Real Estate Salesman | | | |
| (Granted right to restricted license) | | | |
| Miles, Robert..... | 5512 Hollywood Blvd., Hollywood | 7/ 2/63 | Sec. 10177 (a), (b) and (f) |
| Real Estate Salesman | | | |
| Stewart, Mack..... | 14641 Vose St., Van Nuys..... | 7/ 2/63 | Sec. 10177 (b) and (f) |
| Real Estate Salesman | | | |
| Guthrie, Wiley Galen..... | 5449 E. Pontiac Way, Fresno.... | 7/ 3/63 | Secs. 10176 (e); 10177 (b), (d), (f); Secs. 2830 and 2832 of R.E. Comm. Reg. |
| (Right to apply for restricted licenses revoked) | | | |
| Schell, William James..... | 5605 San Mateo Dr., San Diego.. | 7/16/63 | Secs. 10145; 10176 (e), (i); 10177 (d), (f); Secs. 2830 and 2832 of R.E. Comm. Reg. |
| Real Estate Broker | | | |
| Wheeler, Dorothy Corinne S..... | 5200 Magnolia Ave., Ramona.... | 7/16/63 | Secs. 10176 (e), (i); 10177 (d), (f); Secs. 2794 and 2795 of R.E. Comm. Reg. |
| Real Estate Broker | | | |
| Oberg, Hugh Edward..... | 1149 W. Sierra Madre, Fresno.. | 7/22/63 | Sec. 10177 (b) |
| Real Estate Salesman | | | |
| Pepper, Arthur..... | 1517 Jefferson St., Napa..... | 7/24/63 | Sec. 10177 (k) |
| Restricted Real Estate Salesman | | | |
| Boorstin, Henry Mayer..... | 1021 N. Vermont Ave., Los Angeles | 8/ 1/63 | Sec. 10177 (b) and (f) |
| Real Estate Salesman | | | |
| (Granted right to restricted license) | | | |

Licenses Suspended During June, July, 1963

| Name | Address | Effective date and term | Violation |
|---|---|-------------------------|--|
| Haley, Robert Preston..... | 341 17th St., Oakland..... | 6/ 4/63 60 days | Sec. 10177 (k) |
| Restricted Real Estate Salesman | | | |
| Tyner, Donald Lee..... | 2082 Oro Dam Blvd., Oroville... | 6/ 5/63 60 days | Secs. 10176 (e) and 10177 (f) |
| dba Oro Dam Realty | | | |
| Real Estate Broker | | | |
| (Stayed for one year on terms and conditions) | | | |
| Tyner, Donald Lee..... | 68 Valley View Dr., Oroville.... | 6/ 5/63 one year | Secs. 10176 (e) and 10177 (f) |
| Real Estate Salesman | | | |
| Ballinger, Benjamin, Jr..... | 9601 S. Hoover, Los Angeles.... | 6/ 6/63 30 days | Secs. 10176 (e); 10177 (d), (f) and Sec. 2830 of R.E. Comm. Reg. |
| Real Estate Broker | | | |
| Hoffman, Joseph..... | 9011 Wilshire Blvd., Beverly Hills | 6/ 6/63 5 days | Sec. 10177 (d); Secs. 2771 (b) and 2772 of R.E. Comm. Reg. |
| Real Estate Broker | | | |
| Pope, Orland Riley..... | 7884 E. Florence Ave., Downey.. | 6/16/63 30 days | Secs. 10176 (a), (i); 10177 (f) and (j) |
| Real Estate Salesman | | | |
| Bacus, Maxine Austin..... | Tahoe City Y, Intersec. of Hwys. 89 and 28, Box 348, Tahoe City | 6/27/63 60 days | Secs. 10137 and 10176 (e) |
| Real Estate Salesman | | | |
| (Stayed for one year on terms and conditions) | | | |
| Brandon, George Lonzo Lee..... | 3244 Belden St., North Sacramento | 6/27/63 15 days | Sec. 10176 (e) |
| Real Estate Broker | | | |

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MILTON G. GORDON
Real Estate Commissioner

JOHN E. HEMPEL
Chief Assistant Commissioner

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A Fair Practice Mandate

The Division of Real Estate responded promptly, and will continue to respond in every possible constructive way, in complying with the Governor's program for fair practices, both with respect to internal personnel employment and management and to the external carrying out of jurisdictional responsibility.

Ethnic nondiscrimination is the law of the land, the policy of national and state administrations, and every practical effort within the framework of law will be made to translate it into reality.

Formal Hearings Protect License Rights

The Real Estate Commissioner is not endowed with plenary power in granting or withdrawing licenses, as some seem to think. And a formal hearing involving a license right or the privilege of obtaining a license is not a capricious proceeding dictated by the preconceived opinions of the commissioner, his legal advisors or his deputies.

On the contrary, a formal hearing must be conducted in accordance with the provisions of the Administrative Procedure Act, which is the California law governing agencies, such as the Division of Real Estate, in disciplinary actions against licensees or in actions to deny licenses to persons who have not demonstrated proper qualifications. The Administrative Procedure Act has been carefully drawn to guard the rights of all parties concerned in a license action.

Essentially there are two different kinds of formal hearings, those initiated with an "accusation" and those which result from a "statement of issues." The "accusation" starts the proceeding against one who is already a licensee. The "statement of issues" is used when the Real Estate Commissioner is not satisfied with the honesty, truthfulness and good reputation of the applicant for license.

Hearing on Accusation Preceded by Thorough Investigation

An accusation is not issued lightly, it is only drawn and served after a careful preliminary investigation indicates evidence of a violation of the Real Estate Law. The investigation is thorough and the results are carefully screened and reviewed before a hearing is authorized.

In drawing the accusation, which the commissioner is required to do by law, the charges against the licensee must be detailed specifically enough so that he, the respondent, will know just what the alleged infraction consists of. For instance, it is not enough to say that the licensee is alleged to have materially misrepresented in a certain transaction; the nature and circumstances of the misrepresentation must be set forth.

The issuance of the accusation does not condemn the licensee; the charges against him must be proved.

When an accusation is filed, a copy is served on the licensee who becomes the respondent in the action. Under the law, service of the accusation must be made in a specified manner and with the accusation goes a form entitled "notice of defense," which the licensee uses to request a hearing.

Notice of Defense

The respondent is entitled to a hearing if he files notice of defense within 15 days after service upon him of the accusation. Failure to file the notice of defense within the 15-day period constitutes a waiver of the respondent's right to a hearing and action against him may be entered by default.

When, as happens most times, the licensee-respondent files a notice of defense, a time and place of hearing are set. All parties must be notified at least 10 days prior to the hearing. The respondent is advised he may be present at the hearing, may be represented by counsel, present any relevant evidence and will be given an opportunity to cross examine witnesses. The respondent is entitled to the issuance

NOTICE TO APPLICANTS FOR BROKER LICENSE

Anyone basing his claim of qualification for broker license examination on experience as a salesman must present proof he has been actively engaged in the business. Ordinarily, this is done by furnishing a "Verification of Employing Broker" form. On this form, the broker states how much time the salesman devoted to real estate or business opportunity work, how many transactions he engaged in and what he earned. The broker signs the form which accompanies the salesman's application for broker license.

Henceforth, the broker's signature must be notarized. So this can be done conveniently, a new form has been devised, and it is available at all offices of the Division of Real Estate. **If you have old "Verification of Employing Broker" forms on hand, please destroy them and call or write the Division of Real Estate for the new forms which have a space for notarization.**

of subpoenas, if he deems it necessary.

At the hearing itself, a member of the commissioner's legal staff presents the case against the licensee. As to each offense charged in an accusation, the burden is upon the commissioner's counsel to prove by competent evidence that: (1) an act properly the subject of disciplinary action was committed; (2) the respondent committed it; and (3) respondent was within the jurisdiction of the commissioner.

The counsel presents his evidence—documents and testimony—and the respondent, or his counsel, is entitled to do likewise. The rules of evidence in administrative proceedings may be broader than in judicial trials, but the evidence must be such as will stand up on judicial review.

Independent Hearing Officer

A hearing officer conducts the hearing, as would a judge in judicial pro-

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Disciplinary Action—Continued

| Name | Address | Effective date | Violation |
|--|--|--------------------|--|
| Brandon, George Realty George Lonzo Lee Brandon, Member Real Estate Partnership | 3711 Marysville Blvd., Del Paso Heights | 6/27/63 15 days | Sec. 10176 (e) |
| Culbertson, Otis Jerry dba Sierra Tahoe Realty Real Estate Broker (Stayed for one year on terms and conditions) | Tahoe City Y. Intersec. of Hwy. 89 and 28, Box 348, Tahoe City | 6/27/63 60 days | Sec. 10177 (d) and Sec. 2731 of R.E. Comm. Reg. |
| Beadle, Bill Gene Real Estate Salesman | 2730 Maine, Long Beach | 7/11/63 30 days | Sec. 10177 (b) and (f) |
| Galt, Leo William Real Estate Broker | 923 Westmount Dr., Los Angeles | 7/11/63 30 days | Sec. 10177 (b) and (f) |
| Sweet, Melville Stanton Real Estate Salesman | 75 El Bonito Way, Millbrae | 7/16/63 60 days | Sec. 10177 (b) |

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ceedings. To assure impartial and unbiased procedure, the hearing officer, a member of the Office of Administrative Procedure's hearing panel, is entirely independent of the agency prosecuting the hearing.

After the hearing is concluded, the hearing officer presents a proposed decision to the commissioner who has the choice of adopting the decision as recommended or issuing an order calling for a lesser penalty than that recommended by the hearing officer. If the commissioner feels a more severe penalty should be imposed, then he may reject the proposed decision, in which event he may rehear the case himself.

Suppose the commissioner orders the respondent's license revoked or suspended. The respondent now has a limited time in which to seek reconsideration of the penalty by the Real Estate Commissioner.

Judicial Review

If the respondent is not satisfied with the results of his petition for reconsideration, he has recourse to the courts as provided in Section 1094.5, Code of Civil Procedure. The appropriate court may stay the operation of the administrative order of the commissioner pending the judgment of the court.

If the superior court holds against the disciplined licensee, he can, of course, carry his case to an appeals court and even up to the Supreme Court of the State.

From the foregoing, it is apparent that accusations against licensees are not undertaken lightly or instituted to harass or embarrass him. The law is designed to protect the licensee's vested right in his license every step of the way.

Statement of Issues

When a statement of issues is served upon the applicant for license whose "honesty, truthfulness and good reputation" are in doubt, the hearing officer is appointed by the Office of Administrative Procedure as is the case in hearings on accusations. At the hearing, a representative of the commissioner introduces any evidence of criminal convictions or other documentary evidence tending to reflect upon the applicant's worthiness

Fund Supports College Real Estate Research

One of the outstanding results of the administration of the Real Estate Education and Research Fund by the Real Estate Commissioner has been the emergence of a series of 24 regional research projects carried out by our state colleges under contract with the Division of Real Estate.

Published results of these studies have been distributed to the State's 72 junior colleges, state colleges, and the University of California Extension Division for instructional and reference use. Most have been summarized in the *Real Estate Bulletin* and in trade publications to give maximum exposure of the facts and principles presented.

In addition, studies are made available to licensees and others through the Sacramento office of the Division at \$1.04 per copy, including state sales tax.

Research studies now in process include: California State Polytechnic College (San Luis Obispo), *A Pilot Study of Real Estate Education and Research Needs in the South Coast Region*; Chico State College, *Study and Report on Management Practices of Small Real Estate Brokerage Firms in Northern California*; Fresno State College, further work on *Capital Growth and Farm Land Valuation, Marketability Problems Arising from the Conversion of Land to Urban Uses* and *A Study of the Fresno Redevelopment Project*; Humboldt State College, *An Evaluation of the Effects of Planning on Residential Real Estate Valuation and Financing*; Sacramento State College, *Economic Impact of the Sacramento-Yolo Port Facility*.

Some of the more recently completed reports include: Fresno State College, *Real Estate Cases I and II, Housing Trends in Fresno County: 1950-1960, Part I of Capital Growth and Farm Land Valuation, The Merced-Atwater Economic Area Study, Marketability Problems Arising from the Conversion of Land to Urban Uses*.

Because the program at Fresno State is typical of the type of work which

for license. It is then up to the applicant to present his own evidence or statements or witnesses which will prove his honesty, truthfulness and reputation are such as to entitle him to license.

After the hearing is concluded, the hearing officer makes his recommendation to the Real Estate Commissioner. The procedure then is the same as in an "accusation" case and the applicant for license, if denied, has the same right of appeal to the courts.

can be done in unearthing facts and working principles of value to the real estate industry, we present a somewhat detailed picture of the program and a digest of completed studies.

REAL ESTATE RESEARCH AT FRESNO STATE COLLEGE

The Bureau of Business Research at Fresno State College had its beginnings some nine years ago, although it was not formally organized within the Division of Business until the fall of 1960. The first real estate research project of the bureau was financed by the State Division of Real Estate. That project, entitled "The Impact of the Lemoore Air Base Development on Real Estate Uses, Values and Taxation," was completed in 1962. The objective of the study was to measure the impact of the airbase on income, employment, residential housing, commercial property, industrial property and taxation and to develop procedures for measuring the impact.

Since the initial real estate project was launched in 1960, the Bureau of Business Research has completed two real estate casebooks and teacher's guides, a project on housing trends, the first year of a two-year study on capital growth and farmland valuation and a study of the Merced-Atwater economic area. During 1963-64, the bureau plans to complete the capital growth study and a study of marketability of real estate.

A description of the studies is given on the next three pages of this Bulletin.

REAL ESTATE RESEARCH PROJECTS AT FRESNO STATE COLLEGE

REAL ESTATE CASES

Research in real estate cases at Fresno State College has extended over two years and has resulted in the publication of two textbooks and two teachers' guides. *Real Estate Cases I* is a casebook consisting of 10 cases of interest to teachers of real estate, and to researchers and real estate profession. *Real Estate Cases II* is a casebook consisting of 21 cases covering problems of brokerage firms, apartment management, business, operations, relocation, and investment.

The casebook is designed to serve as a companion to assigned textbooks in principles of real estate. Also it may serve as a basis for discussions in business training programs. The teacher's guide has been prepared for those who want brief pointers on how to use case material in the classroom and who want to save time in preparing questions for review and discussion.

The cases in all instances are real. None are fictitious or made up. Trained casewriters under professional direction have contacted real estate and other business firms within the State for actual real estate experiences involving decision problems. The field data have been collected and shaped for classroom, research and professional uses. Most of the cases are disguised so that the contributors may remain anonymous.

Student Learns to Solve Problems by Solving Problems

The purpose of using these cases is not to determine right answers to real estate problems. In the case method there are no correct answers as such. Rather, the student is subjected to a process of analysis, logical thinking, and decision making. He should be able to pinpoint principal issues, organize evidence, and draw conclusions. The goal of the case method is interpretation, understanding, and explanation of real estate situations by the student. These cases report the facts; the student then tries to interpret, explain, evaluate, and judge. The benefits are insight, interpretation and communication.

The professional person interested in real estate is searching for a set of guiding principles and the ability to make effective and profitable decisions. In this respect the case method is a useful learning device for the professional.

Choice of the particular cases which are included in the casebook is the responsibility of the project coordinator and the editorial consultants. A rigorous screening process is used to select only those cases which are expected to generate lively discussion and active classroom participation. The subject matter fields of material used in the casebook correspond closely with those of textbooks in principles of real estate. It is intended that the casebook be used in connection with basic texts in the field of real estate.

Study Has Served Industry and School in Multiple Ways

Development of these cases has resulted in benefits beyond the casebook itself. Businessmen who have contributed case materials have become more interested in the research work and other activities of the college. Students who have worked as casewriters have learned much about real estate as well as composition and communication.

The real estate cases, either separately or as a whole, are being made available to the Intercollegiate Case Clearing House in Boston where students and professional persons in other states may benefit from the case approach to real estate education and research.

HOUSING TRENDS IN FRESNO COUNTY: 1950-1960

In view of an increasing need and demand for information about the housing inventory and its utilization, the purpose of this study is to provide a readily accessible review of housing census data for Fresno County. The report examines the 1960 census of housing and compares it with the 1950 census. The nature and magnitude of changes in housing are analyzed and an effort is made to interpret the meaning of movements in

the basic data. The study should be of assistance to parties interested in understanding patterns in housing development during the past decade. The materials presented provide a background against which particular housing problems in the Fresno area may be evaluated.

A Rich Mine of Statistical Material

The statistical tables appearing throughout the study present aggregations of census data, percentage distributions, rates of change, ratios, indices, averages, and inter- and intra-areal comparisons, on both cross-sectional and longitudinal bases. The textual portion of the study highlights the more significant relationships, changes, and interareal similarities and dissimilarities as these are reflected in the data. The tables, which are largely self-explanatory, provide a rich source of information for further analyses by those interested in the subject. The scope of this study, however, is limited to interpretations of the generalized aspects of housing, since precise uses will vary from one analyst to another.

A review, in briefest form, of only a few of the more significant statistical findings provides an indication of the scope and substance of the study.

Home Ownership. An analysis of cross-classified data on home ownership and a number of other housing and household variables indicated several meaningful relationships. Increases in home ownership are associated with the following: increases in family income, decreases in the age of residential structures, improvements in the quality of the housing inventory, increases in the number of rooms per unit, decreases in the numbers of persons per room.

Changes in Housing Characteristics. During the 1950-1960 decade, Fresno County's total housing inventory increased by 35 percent, while the population increased by 32 percent. Almost two-fifths of the population growth was the result of civilian immigration. The structural composition of the county's housing inventory changed from 86 percent one-

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unit structures in 1950 to over 90 percent in 1960. The decade brought an overall improvement in the quality of the housing inventory, with owner households enjoying a more rapid rate of improvement in condition of housing than renter households. Median value of owner-occupied housing rose by over 50 percent, while median gross rent rose by 75 percent.

Changes in Household Characteristics. Owner households grew at almost twice the rate at which renter households grew. With respect to household composition, one-person households, particularly female primary individuals, were relatively more important in 1960 than in 1950. Households headed by persons 65 years and over in age also gained in relative importance during the decade.

Changes in Family Income. There was a widespread upgrading of family income during the decade: only one-fifth of all households in 1950 had incomes exceeding \$5,000, while in 1960, one-half of all households had incomes of more than \$5,000. The net change in family income was reflected in a 75-percent increase in median income for owner households and a 40-percent increase for renter households.

CAPITAL GROWTH AND FARMLAND VALUATION

This is a two-year study. The completed first year's findings are reported under the title "A Statistical Approach to Farm Land Value." The purpose of this first phase of the study is to propose a method of increasing the reliability of land valuation by reducing the subjective nature of appraisal practices. The approach has been to apply correlation technique to the problem of discovering useful relationships between property values and property attributes.

Faults of Subjectivity in Appraisal Process

The report indicates that the traditional approaches to real estate value, particularly farmland value, leave much to the personal judgment of the

individual appraiser. Subjective judgment in appraisal practice is unreliable. Numerous examples of very different appraisal results for identical properties illustrate this lack of reliability. Records of condemnation trials of the California Division of Highways show differences in value estimates by appraisers of 500 percent and more. Reports of the appraisal review committee of the American Institute of Real Estate Appraisers show significant differences in opinions of value among institute members.

The prevailing attitude among many appraisers and professional groups is that little can be done to eliminate the subjectivity of appraisal methods. It has not been considered economical or practical to reduce the appraisal process to a statistical formula.

Findings Offer Hope of Improved Appraisal Methods

Preliminary findings of the study in farmland valuation show promise of a feasible statistical method of improving upon the reliability of the traditional approaches. The study began with the preparation of a survey form which provides blanks for more than 200 items of individual farm information, including basic property data, conditions of sale, location, soil, irrigation, climate, water supply, land use, improvements and characteristics of the farming community. The survey forms were developed for the dual purpose of serving as appraisal reports and as source documents providing 158 blanks for coded information.

Reason for Variation in Price of Land Is Measured

A first pilot run using 110 completed survey forms has been programmed through the IBM 1620 computer using a multiple linear regression system. The observations were made on farms which had records of sales in the Madera Irrigation District in Madera County. Complete information for each observation was available for 30 value-determining variables. First results using sale price per acre as the dependent variable show

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a standard error of the estimate of \$494 an acre and a coefficient of correlation of 0.82. The computational results show that about two-thirds of the variation in the price of land is accounted for by the 30 independent variables. The error is approximately 25 to 35 percent at the 68-percent level.

In the first test of the 30 variable regression equation, data from three farms were used to predict their land values. A recent appraisal made on each farm served as the "true" value. The first example was a farm in Fresno. The computed value is \$1,675 an acre, the appraised value \$1,800, the "error" \$125.

The second example was a farm in Delano. The predicted value is \$1,567, the appraised value \$2,000 and the error \$433. The third example was a farm in the Madera Irrigation District. The estimated price is \$1,715, the appraised value \$2,000, the error \$285. For each example, the error was well within the interval defined at the 68-percent level of confidence. Not enough tests have been made to draw any conclusions about market areas, although it appears that errors are increased when predictions are made outside geographical areas of the regression analysis.

In order to reduce the regression equation to a practical size, seven of the most significant variables were selected and used to compute a new equation for the Madera Irrigation District market area. The independent variables selected for the equation consist of: total acres in the farm, distance from the farm to the closest shipping point, percentage of permanent planting to total acres, distance in miles to the closest metropolitan area, percentage of irrigated land, pH factor of the soil, and improvement of the farm with a dwelling.

The reduction of the size of the estimating equation from 30 to 7 variables has not materially changed the standard error or the correlation coefficient. New predictions of land values were made for the same three farms. The results show that computed estimates differ from "true"

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SEARCH PROJECTS REPORT

(Continued from page 626, col. 3)

values by \$23, \$299 and \$284 respectively.

The first results of testing the statistical approach to land value demonstrate that value-determining variables, when properly selected and weighted, provide a reliable basis for estimation.

THE MERCED-ATWATER ECONOMIC AREA STUDY

This study presents a profile of the factors affecting economic activity and resource use in the Merced-Atwater area of the Great Central Valley of California. Although Merced County is a rich and fertile agricultural economy, urban influences have been gaining in importance since 1950, with Merced City as the principal retailing center.

This economic study endeavors to examine the Merced-Atwater economic area in terms of its recent past, its present, and its future. It is the purpose of the study to reveal the adaptability and the vulnerability of the area to the forces of economic change.

Methodology Used in Study

The study is divided into six major subjects; population, labor force, income and expenditure patterns, housing characteristics, business activity, and agriculture. Each of these areas is examined to the extent that available information permits. The major portion of the data utilized was derived from the publications of the U.S. Department of Commerce in its censuses of population, business, agriculture, and housing for the years 1950 and 1960. The "profile method" was the principal economic base technique employed in the study.

Influence of Adjacent Military Installations

The study shows the significant influences of the Castle Air Force Base and its military personnel upon the various subject areas investigated. During the 1950-1960 decade, Atwater experienced a 156-percent growth in population, attributable largely to the influx of military forces and their families. The military ac-

counted for about one-third of total expenditures for 1960 in the study area. Military personnel and dependents accounted for well over 40 percent of the purchases in such establishments as eating and drinking places, apparel and accessory stores, and furnishings stores.

Of particular interest are relative changes in housing and household characteristics in the City of Atwater. The study shows that nearly two-thirds of the housing units in Atwater were constructed during the 1950-1960 decade with the largest number being built the last five years. A 76-percent rise in the median value of the housing inventory and an 182-percent rise in gross rents were reported for Atwater and attributed largely to the demand influences of the military population. The predominant size of household shifted from the two-person household in 1950 to the four-person household in 1960. Again the influence of military families, which tend to have more children than civilian families, is given as the cause.

Fluidity of Population a Notable Byproduct

Population mobility in the study area has been particularly pronounced. By examining percentage distributions of households by the year they moved into the housing unit the extent of mobility is shown:

| | 1954-1960 | | 1953 or earlier | |
|-------------------|-----------|---------|-----------------|---------|
| | Owners | Renters | Owners | Renters |
| Merced County | 50 | 87 | 50 | 13 |
| Merced City | 51 | 88 | 49 | 12 |
| Atwater City | 80 | 92 | 20 | 8 |
| Merced-Atwater | 59 | 89 | 41 | 11 |
| California: rural | | | | |
| nonfarm | 64 | 88 | 36 | 12 |
| Four-county area | 51 | 86 | 49 | 14 |

Atwater deserves special note because of the extent to which it differs from other areas. Almost 47 percent of its owner households moved into their residences during 1958 to March 1960, 33 percent moved in between 1954 and 1957, and only 20 percent had occupied their residences earlier than this.

The study concludes that in the light of the past and present stages of economic development, the future prospects of the Merced-Atwater economic area seem to point in the direction of growth in the urban

Subdivision Unit Under Full Steam

One of the more significant of recent regulatory developments is the new staff subdivision unit, headquartered at the main office in Sacramento, and consisting of a chief deputy, an appraiser and an attorney at law.

All subdivision reports filed anywhere in the State will now be cleared through this unit to assure uniform and effective enforcement of the strengthened protective requirements enacted by the 1963 Legislature.

Especially attention will be given to promotional subdivision advertising and to applying the "fair, just, and equitable" rule to out-of-state subdivision properties.

type of economic structure, in a manner consistent with its civilian population and labor force. It should be noted that much of the influence of the military will be lessened in the future. When the military influence is discounted, the civilian trends seem to point toward modest growth in relation to the rate for the whole State. The developing economic structure of the emerging urban areas are still quite closely tied to their agricultural base.

MARKETABILITY PROBLEMS ARISING FROM THE CONVERSION OF LAND TO URBAN USES

The purpose of this study is to investigate tax problems and restraints on land use at the rural-urban margin of the Fresno area with the end in view of enhancing the marketability of real estate. The Fresno area does not have any natural boundaries to confine its urban development. Land development has crisscrossed county and city boundaries, bypassed growth areas and forced the extension of service areas for utilities, transportation, police, fire, sanitation, flood and other health and welfare needs.

This 1963-64 study will include land use and ownership patterns over the past 15 years. It will be concerned with changing size, distribution of ownership, the record of zoning ordinances and subdivision code changes and taxation changes affecting fringe area lands.

CHANGES IN REGULATIONS

(Continued from page 621, col. 1)

Separate Record for Each Beneficiary and Transaction

Section 2831.1. Each broker shall keep a separate record for each beneficiary or transaction, accounting for all funds therein which have been deposited to the broker's trust bank account. These separate records shall set forth information sufficient to identify the transaction and the parties thereto. Each such record shall set forth in columnar form:

- (1) Date funds deposited;
- (2) Amount deposited;
- (3) The date of each related disbursement;
- (4) The check number of each related disbursement;
- (5) The amount of each related disbursement.

Each broker who maintains a formal trust ledger or similar record, in accordance with sound accounting principles, shall be deemed to have complied with the above.

Criteria for Subdivision Advertising

Section 2799.1. "The use of any advertisement, radiobroadcast or telecast concerning subdivided lands, which contains any of the following, may be held by the commissioner to be misleading as provided in Section 11022 of the Business and Professions Code:

(1) The use of a name or trade style which implies that the subdivider or his agent is a bona fide research organization, public bureau, nonprofit group, or other similar establishment, when such is not the case.

(2) Reference to any improvements or facilities in the subdivision which do not actually exist or are not yet completed, unless completion is provided for by bonding or other means approved by the Real Estate Commissioner.

(3) Reference to streets, roads, sewers, drainage or other utilities which have not been accepted for maintenance by a public entity, unless such fact is fully disclosed.

(4) Reference to the availability of financing for on-site construction unless written evidence thereof is in the possession of the subdivider.

(5) Reference to unimproved subdivided lands as "developments" or "homesites" or other similar expressions, without adequate qualifying phrases.

(6) Failure to disclose the true nature of the roads.

(7) Reference to roads as improved unless they conform to applicable city and county specifications and have an all-weather surface.

(8) Failure to disclose the fact that no roads exist as direct access to the parcels being offered for sale or lease, if such is the case.

(9) Reference to the property being offered by illustrations which do not substantially portray the property in its present state, without adequate qualifying phrases.

(10) Reference by illustrations to points of interest some distance removed from the subdivision, unless the distance in miles from the subdivision to the points of interest is mentioned.

(11) The use of "artists' conceptions" or renderings of the property and/or facilities, unless they are described as such.

(12) The use of maps to show proximity to other communities or points of interest, unless such maps are drawn to scale and the scale appears on the map, or the distance in miles is shown.

(13) Reference to distances to any facilities or features located more than one mile from the nearest point in the subdivision unless said distances are disclosed in road miles.

(14) Reference to the distance to nearest cities, towns or villages, unless said distances are disclosed in road miles measured from the locations being advertised.

(15) In referring to water supply, the use of superlatives or phrases, such as "abundant" water, "plenty of" water, etc., unless such phrases are fully supported by the facts.

COMMISSIONER ACTIVE IN NALLO PROGRAM

Commissioner Milton G. Gordon and the Chief Assistant Commissioner, John E. Hempel, were active participants in proceedings of the 1963 conference of the National Association of License Law Officials at Memphis, Tennessee, September 16-21.

Indicative of this State's leadership in the real estate license law field was the commissioner's invitation to outline California's past contributions, present program, and future planning with respect to real estate education.

The 1964 NALLO conference will be held in California with Commissioner Gordon as chairman and Mr. Hempel serving as vice chairman.

(16) Unqualified reference to any utility services as "available," unless such utility services are installed and ready for use, or adequate financial arrangements have been made for their installation.

Nothing contained herein shall limit the authority of the Real Estate Commissioner to take formal action against an owner, subdivider, or his agent for the use of false or misleading advertising of a type not specifically described herein."

Definition of "Permit" Changed

Section 2705. Subsection 12 now reads: "Permit" shall mean the authorization issued by the commissioner to a licensed real estate broker or salesman under Section 10507(b) of the Business and Professions Code to engage in a mineral, oil and gas transaction; *the authorization issued by the commissioner to sell real property securities* under the provision of Article 6 (commencing with Section 10237) of Chapter 3 of Part 1 of Division 4 of the Business and Professions Code; *and the authorization by the commissioner to offer for sale or lease lots or parcels in an out-of-state land promotion* under the provisions of Article 6 (commencing with Section 1237) and Article 8 (commencing with Section 10249) of Chapter 3, Part 1, Division 4 of the Business and Professions Code. (Italics added.)

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Minor Changes Made in Investigation Period Requirements

Section 2722. The plural "they" in line 7 of this section is changed to the singular "applicant"; and, in subsection (a) line 2, "in World War II" is replaced by the more general "military service" in setting forth conditions under which a 60-day investigation period prior to license issuance may be waived by the commissioner.

Inactive Broker Must File Address

Section 2723. To eliminate misunderstanding this is changed to read, "the holder of a canceled or inactive license shall file his residence address with the commissioner and shall promptly notify the commissioner of any change in his residence address." (Italics added.)

Definition of a Fictitious Name

Section 2730. A fictitious name is now defined as "one which is other than the true name or names of the individual or the members of a partnership, or, in the case of a corporation, differs from the corporate name as filed with the Secretary of State."

License Bearing Fictitious Name Required

Section 2731. Provides that no licensee may use a fictitious name in the conduct of his business unless he has been issued a license bearing the name so used.

True Name or Registered Fictitious Name Must be on License

Section 2732. Provides that only the true or personal name of a licensee will be placed on a license, except that, in the case of a broker, a legally registered fictitious name may be so placed.

Partnership Member or Corporation Officer Cannot Have Salesman License

Section 2741. Bans the issuance of a salesman license to act on behalf of a partnership or corporation to: (1) member of the partnership; (2) officer or director of the corporation; (3) shareholder of the corporation who, directly or indirectly, owns or controls a majority of the stock; (4) shareholder of a corporation "if the

aggregate of the shares of stock of such corporation owned or controlled directly or indirectly by all other salesmen licensees of such corporation constitute a majority of the outstanding shares of stock of such corporation." (Italics added.)

Inactive Salesman Must File Address

Section 2754. All licensed salesmen, including those holding canceled or inactive licenses, must file their residence address with the commissioner and shall promptly notify the commissioner of any change in such address. (Italics added.)

Employing Broker to Receive Notice of Charges Against Salesman

Section 2781. If the respondent in an action to be tried is a salesman or applicant for a salesman license, the employing broker will be served with a copy of the statement of issues or accusation and be notified of the time and place of the hearing.

Subdivision Questionnaires Must be Verified

Section 2790.5. The subdivision questionnaire and attached or supplemental documents required by Section 11011, B. & P. Code, must be certified under penalty of perjury or verified before a notary or other officer qualified to administer oaths.

Out-of-State Land Offerings now Treated as Real Property Securities

Section 2790.7. This regulation has been added to clarify control over the offering of out-of-state lands in California, now subject to the real property securities provisions of the law as well as to those provisions governing the offering of any subdivided property within the State.

It makes clear that the term "real property securities dealer" includes a subdivider and any person offering for sale or lease, or selling or leasing lots or parcels in an out-of-state land promotion offered in-state.

The term "real property security" or "real property securities" includes lots or parcels in an out-of-state land promotion proposed to be offered within California.

Appraisal of Out-of-State Subdivision Offerings

Section 2790.8. This specifies that an appraisal of out-of-state land offerings shall be made by a qualified independent appraiser and shall be submitted to the Real Estate Commissioner prior to the issuance of any subdivision public report. (Italics added.)

Agreements Concerning Common Facilities in Subdivision

Section 2792.1. "Where community, recreational or other common facilities are included in a subdivision offering other than a condominium or community apartment project, the commissioner will ordinarily require the owner of the project to submit with the subdivision questionnaire a declaration of restrictions (which must be recorded prior to issuance of the final public report), bylaws or other agreements providing for:

(1) Transfer of the property and facilities to the lot owners or to an association or corporation consisting exclusively of the lot owners; and

(2) The management of the property and facilities by the lot owners, a board of governors elected by the lot owners, or a management agent elected by the lot owners or the board; and

(3) Quorums, notices, meeting dates and other rules governing the managing body; and

(4) Reasonable assessments and other financial arrangements and procedures for the effective management and operation of the property and facilities; or

(5) Such alternative arrangements as are acceptable to the commissioner."

Supplementary Requirements When Subdivision Facilities Are Owned in Common

Section 2792.2. "In subdivision offerings, except condominium or community apartment projects, that provide a common area or common facilities for the common benefit and use of purchasers or lessees, as licensees, owners in common, or as members of an association or corporation owning the common area or common facilities, the subdivider, owner or agent shall submit the fol-

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lowing with the subdivision questionnaire:

(1) Copies of all documents and agreements relating to the management and operation of the premises or facilities;

(2) Evidence of financial arrangements for the acquisition, development and completion of the common area or common facility;

(3) A detailed statement and description of existing and proposed improvements with reference to zoning and anticipated construction dates;

(4) A current certificate of title, policy of title insurance or preliminary title report evidencing the ownership or interest in the common area or common facility;

(5) Copies of all documents to be utilized in financing and conveying;

(6) A detailed statement of the costs of maintenance and operation of the common area or common facility and method by which these costs are to be assessed."

Facilities Are Not Completed in Subdivision

Section 2792.3. "If the offsite improvements or community, recreational or other common facilities included in the offering, except condominium or community apartment projects, are not to be completed prior to the issuance of a public report or if the construction of such improvements is not covered by an agreement with a local governing body, secured by a bond or cash deposit, the Real Estate Commissioner may deny the issuance of a final public report on the project unless one or more of the following conditions have been met:

(1) A bond or bonds furnished in an amount and subject to such terms, conditions and coverage as the commissioner may approve;

(2) All funds from the sale of lots or parcels or such portions thereof as the commissioner shall determine are sufficient to assure construction of the improvement or improvements shall be impounded in a neutral escrow depository acceptable to the commissioner until the improvements have

been completed and all applicable lien periods have expired;

(3) An amount sufficient to cover the costs of construction shall be deposited in a neutral escrow depository acceptable to the commissioner under a written agreement providing for disbursements from such escrow as work is completed;

(4) Such other alternative plan as may be approved by the commissioner."

Requirements of Subdivider When Completion of Common Facilities Conditioned on Sale of So Many Parcels

Section 2792.4. "If the construction of any offsite improvements or community, recreational or other common facilities included in a subdivision, except a condominium or community apartment project, is to be conditioned in any way upon the sale of all or a stated percentage of the lots or parcels in the project, the commissioner will *ordinarily* not issue a final subdivision public report on the project unless one or more of the following conditions have been complied with:

(1) Title to the lots or parcels upon which the common facility is to be constructed, together with a percentage (acceptable to the commissioner) of the purchase price of each lot or parcel sold, is placed in trust with a title insurance, trust or licensed escrow company, qualified to do business in California, under a written agreement providing for completion and transfer of the facility or facilities;

(2) An amount which the commissioner determines is sufficient to cover the total costs of such improvement or facilities shall be deposited in a neutral escrow depository, qualified to do business in California, under a written agreement providing that such funds will be disbursed for the installation of said improvements or facilities when the conditions have been met;

(3) Such other arrangements as the commissioner finds satisfactory to assure the adequacy of said construction plans consistent with the limitations and conditions contained in the offering."

Requirements of Subdivider When Improvement District Is Utilized

Section 2792.5. "If an improvement district is to be utilized for offsite improvements, community, recreational or other common facilities included in the subdivision offering, the commissioner will require submission of evidence satisfactory to him that there has been a substantial compliance with all prerequisite statutes to assure completion of the contemplated improvements prior to the issuance of the final subdivision public report on the project."

Requirements of Subdivider When Filing Condominium or Community Project

Section 2792.6. "The owner, subdivider or agent of a condominium or community apartment project shall submit with the subdivision questionnaire or prior to the issuance of the public report the following:

(1) A current certificate of title, policy of title insurance or preliminary title report issued after recordation of the subdivision map;

(2) An explanation of the adequacy of the financial arrangements to assure completion of the project including:

(a) Onsite improvements such as structures, landscaping, recreational areas;

(b) Offsite improvements such as streets and other facilities;

(3) A detailed statement of the maintenance and operational costs as required by Section 2792.7 of the Commissioner's Regulations;

(4) A detailed statement of existing or proposed financing for the sale of the individual units to the purchasers;

(5) A schedule of the fractional interest in the common areas appurtenant to each unit;

(6) A copy of the declaration of restrictions (evidence of recordation must be filed prior to issuance of final public report);

(7) A copy of the management agreement, bylaws or other agreements relating to the control and management of the project;

(8) A copy of escrow instructions completed in sample form;

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(9) A copy of any written agreement the assessor has entered into pursuant to Section 2188.3 of the Revenue and Taxation Code;

(10) A copy of any plan recorded pursuant to Section 1351, Civil Code, if applicable.

(11) A copy of the recorded subdivision map, if applicable;

(12) Copies of sales agreements, deeds, notes, deeds of trust, mortgages, leases, subleases, assignments and receipts completed relating to the interest to be transferred and conveyed;

(13) Such other information as the commissioner may require."

Statement of Costs to be Submitted with Condominium Questionnaire

Section 2792.7. "The owner, subdivider or agent of a condominium or community apartment project shall submit with the subdivision questionnaire a detailed statement of the costs of maintenance and operation as contemplated in connection with the management agreements of such projects including, where applicable, but not limited to, the following:

(1) Fixed charges

(a) Real property taxes (if units and common area are not separately assessed);

(b) Other taxes;

(c) Insurance;

(d) Other fixed charges;

(2) Operating expenses

(a) Utilities;

(b) Fuel;

(c) Refuse disposal;

(d) Custodial services;

(e) Landscaping service;

(f) Legal services;

(g) Accounting services;

(h) Management services;

(i) Other operating expenses;

(3) Reserve for replacement

(a) Heating and refrigeration systems;

(b) Elevators;

(c) Carpets;

(d) Alarm systems, if any;

(e) Alterations;

(f) Redecorating;

(g) Other building components and equipment, if any."

Contents of Condominium Project Declaration of Restrictions

Section 2792.8. "The declaration of restrictions, bylaws, or other agreements relating to the management and control of a condominium or community apartment project subject to approval by the commissioner will ordinarily include, but need not be limited to, the following provisions:

(1) For the management of the project by one or more of the management bodies enumerated in Section 1355(a), Civil Code;

(2) That a management body or agent named by the declarant shall be employed to manage only until the first annual election at which time the same or another body or agent shall be elected by a majority of the voting power;

(3) For an annual meeting;

(4) For voting rights allocated either on a unit basis, or in ratio to purchase price of the units or on a reasonable combination of both methods; for cumulative voting on the election and removal of directors and for first annual meeting to be held within one year after the transfer and conveyance of the first unit in the project;

(5) That notice of any meeting shall be sent to the unit owners not less than seven days before the meeting;

(6) That the notice of meeting shall specify the place, date and hour of the meeting and, in the case of a special meeting, the general nature of the business to be transacted;

(7) That at least a majority of the voting power shall prevail at all such meetings;

(8) That the presence in person or by proxy of unit owners holding in excess of fifty percent (50%) of the voting power shall constitute a quorum for the transaction of business at any annual or special meeting;

(9) That the management body shall, among other things, have power to:

(a) Enforce the provisions of the declaration of restrictions, bylaws or other agreement;

(b) Contract for and pay fire, casualty, liability and other insurance insuring the unit owners, including

bonding of the members of any management body;

(c) Contract for and pay maintenance, gardening, utilities, materials and supplies, and services relating to the common area and to employ personnel necessary for the operation of the project, including legal and accounting services;

(d) Pay taxes and special assessments which are or would become a lien on the entire project or common area;

(e) Pay for reconstruction of any portion or portions of the project damaged or destroyed which are to be rebuilt;

(f) Delegate its powers;

(g) Enter into any unit when necessary in connection with the maintenance or construction for which the management body is responsible;

(10) Where appropriate, for an annual independent audit of the account or accounts of any management body and for delivery of a copy of such audit to each unit owner within 30 days after completion;

(11) For amendments of restrictions, agreements, bylaws or other documents relating to the management and control of the project upon vote or written consent of unit owners representing at least seventy-five percent (75%) of the voting powers;

(12) For assessments to meet authorized expenditures and to provide adequate reserves for replacements and for a reasonable method for assessing each unit owner for the pro rata share thereof;

(13) That assessments charged to unsold units shall be the debt of the subdivider;

(14) For the establishment of a lien to secure assessment payments and for foreclosure thereof in accordance with the provisions of Section 1356, Civil Code;

(15) Where appropriate, for the conditions upon which partition may be had in the event of a total or partial destruction of the project and an election not to rebuild;

(16) Where appropriate, for restrictions upon the severability of the

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component interests which comprise the condominium or community apartment project;

(17) Where appropriate, for establishment of the authority of the management body to sell the entire project for the benefit of all the owners upon an election not to rebuild."

Requirements of Subdivider When Condominium Project Not Completed

Section 2792.9. "If the condominium or community apartment project, or premises or facilities within the common area are not completed prior to the issuance of a final subdivision public report on the project, the commissioner may deny the issuance of a subdivision public report unless the subdivider specifies the date of completion and complies with one of the following conditions:

(1) Arranges for lien and completion bond or bonds in an amount and subject to such terms, conditions and coverage as the commissioner may approve;

(2) All funds from the sale of lots or parcels or such portions thereof as the commissioner shall determine are sufficient to assure construction of the improvement or improvements shall be impounded in a neutral escrow depository acceptable to the commissioner until the improvements have been completed and all applicable lien periods have expired;

(3) An amount sufficient to cover the costs of construction shall be deposited in a neutral escrow depository acceptable to the commissioner under

a written agreement providing for disbursements from such escrow as work is completed;

(4) Such other alternative plan as may be approved by the commissioner."

Requirements of Subdivider When Condominium Project Is Subject to Blanket Encumbrance

Section 2792.10. Where the condominium or community project is subject to a blanket encumbrance or loan recorded prior to the recordation of the declaration of restrictions, all sales of units in the project shall be escrowed in a neutral escrow depository under a written agreement providing for return of said funds at the conditioned option of the purchaser. This option may be exercised in the event sufficient units to discharge said obligation have not been sold within one year after issuance of the final subdivision public report, unless or until the holder of such loan or encumbrance subordinates his interest to the declaration of restrictions.

An individual loan or loans recorded prior to the declaration of restrictions shall be subordinated thereto.

Approved Form for Receipt for Commissioner's Public Report

Section 2795.1. The form has been amended to reflect current requirements of the law. The introductory statement now reads, "The owner, subdivider, or his agent is required to give you an opportunity to read the public report before demanding or accepting any deposit, consideration

or written offer to purchase or lease lots or parcels in a subdivision."

Use of Public Report in Advertising

Section 2799. In addition to the existing requirement that the public report be used in its entirety or not at all, this regulation has been strengthened by adding the phrase, "nor shall any person advertise or represent that the Division of Real Estate or the commissioner approves or recommends the subdivision project or sale thereof."

Escrow Holders

Section 2833. When a licensee acts as an escrow holder "in conjunction with a pending real estate transaction in which he is or will be entitled to a commission or fee," he is required to observe Regulations 2830, 2831, 2831.1 and 2832, which prescribe the manner in which funds are to be handled.

Broker Loan Statement Form

Section 2840. This form has been revised to conform with new legislation and only the revised form will now be acceptable.

Grounds for Disciplinary Action Against Broker Escrow Holder

Section 2950. This regulation remains the same except for the addition of subsection (1) which reads, "Failing upon closing of an escrow transaction to render to each principal in the transaction a written statement of all receipts and disbursements together with the name of the person to whom any such disbursement is made."