

MINUTES - COMMERCE COMMITTEE - 56TH ASSEMBLY
March 4, 1971

Present: Capurro, Hafen, Lingenfelter, Dini, McKissick,
Branch, Poggione, Hilbrecht

Absent: Ashworth

Others Present: Al Levy, Land Co. of Las Vegas
Dr. Tom White, Dept. of Commerce
Hugh McMullen, Elko, Chairman, Advisory Comm.
Cliff Jones, Attorney, Cavanaugh Communities
Assemblyman Bryan
Richard Horton, Attorney, representing
Gulf American Corp.
Wm. Burke, Gulf American Corp.
Ed Douglas, Land Developer
Jim Cashman, Pres. Las Vegas Chamber of Comm.
Chas. Ruthe, Pres., Las Vegas Board of Realtors
David Hagen, Boise Cascade
Proctor Hug, Horizon
Dale Hutchins, Vice Pres. Horizon
John McGattus, Vice Pres. Horizon
Alfred Latonen, Vice Pres., Horizon
Don Steinmeyer, Tahoe Sierra Dev. Co.
Jim Bilbray, American Internation Co., Preferred
Equities
Robert Fink, Realtor

Vice Chairman Lingenfelter convened the meeting at 10:30 a.m. and asked for proponents of AB-248 - Defines authority of real estate advisory commission.

Al Levy stated he was in favor of this bill because it would upgrade the profession and would better protect the consumer. He stated that there is not the proper policing now available to protect the public's interest. He stated this would be a 5-man board consisting of people recommended by the real estate industry and appointed by the governor.

Dr. White spoke against the bill. He said that in the interest of the public, someone other than representatives of the real estate industry who has knowledge of regulations and policing power should control the agency. He said it should be under the Department of Commerce. He said the real estate commissioner would be accountable to the governor. He said it wouldn't be their intention to staff the advisory board with people who don't know anything about real estate.

Dr. White said that of SB-230 - Changes qualifications of Commissioner of Insurance - that this post requires confidence. He stated that the provision which says once a person has filled this post for 2 years and wishes to back to his profession in the real estate field and cannot, is restrictive.

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Lingenfelter brought out that it is the real estate board who govern the real estate people. He asked if they weren't protecting the public. Dr. White replied that there could be improvement. He stated that land sales are not adequately controlled. He stated they should be under the Department of Commerce, as is insurance, banking, etc. Also, stated that regulations should be made concerning land sales operations. He stated that the Department of Commerce cannot expand so said they should establish a real estate commissioner, and that the advisory board could consist of 5 people of which up to 3 could be real estate people and the other 2 would be people of experience in this field such as savings & loans, etc.

Hugh McMullen, Elko Chairman of Advisory Commission spoke against A.B. 481 - Revises structure of real estate division. He stated that he was an outgoing member of the Commission. He stated he could not see why AB 481 was proposed and couldn't see that there was any problem. He said there is not a problem with the composition of the real estate commission. He also said they had consumer orientation on regulations but changes in statutes have brought about limitations. He said the license fees should be raised so a man could be hired to do the policing as they have the public interest most in their minds. He stated the board should have competent people to police the industry. He stated that at present, they go to the administrator who agrees in a certain action but they could be stopped by the director. He said that politics can enter this area, and shouldn't. He said that some of the problems could be solved by passage of 248, and by defeating 481.

Emerson
Dr. White brought out that not all of the real estate industry is under the real estate commission. They only control 52.7% of active licensed real estate people.

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Lingenfelter asked if there was any guarantee that the 5-man board be from people not qualified who know about the industry. Dr. White stated that the board would be politically accountable to the public and could be removed when a new governor was elected.

Al Levy stated that the governor does not have to back any member of the board and pointed out that other industries such as savings and loans have the federal government dictating to them. He said we needed rules and regulations and that land sales should be under licensed real estate brokers as at present, there is no control over them.

A.B. 362 - Enacts land sale law -

Cliff Jones, attorney for Cavanaugh Communities, Las Vegas, gave a background of the land sales business. He brought out that land sales in Florida had resulted in a large community being established and brought money into that state. He stated that after this happened, real estate people got interested in this lucrative business. He stated that this is a big industry and contributes to the economy. He brought out that by bringing people into the state through advertising, they spend a lot of money which contributes to the tourist trade. He explained that his company operates on deficit financing on a 22 - 26% basis. He stated that if the land sales contract only brings in 10%, they must put in the 12%. He said his company sells land in the United States which brings in around 84-60 million all on deficit financing. He stated that GAC was important to the economy of the state. He spoke against salesmen who ~~contract~~ for a piece of property but don't know about the deficit financing business. He stated that these land agencies must qualify under HUD and under the federal government's jurisdiction. He stated that land sales brings together the buyer and seller which is the service they provide. He said they shouldn't be dominated by real estate people who are not giving to the economy.

Assemblyman Bryan who introduced AB 362 said this bill was brought about when a series of articles appeared in a Las Vegas paper showing problems with the land sales operation. He stated that this bill establishes the framework for land sales within the real estate division and into the Dept. of Commerce to control this problem. It requires a licensed broker to handle the sales. Dr. White stated the real estate division would not have the staff or funding to handle this.

Hilbrecht asked if this bill didn't require all land sales to be conducted by a broker. He questioned the restriction of 5 lots which has now been amended to 4 lots that could be sold by private parties.

It was brought out that this bill was patterned after a Connecticut statute to provide as much protection as possible for the buying public.

Dick Horton, attorney who represents Gulf American Corp., spoke about having proper regulations imposed. He also explained that the company he represents is incorporated and is on the New York Stock Exchange. He stated they were worth 2 billion dollars last year. Their holdings are larger than the State of Nevada. He brought out that the philosophy of his company is for full disclosure by telling a buyer just what the purchase terms and

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property consists of. If there is water rights, roads, etc. He sell with this full disclosure, they can sell property and are governed by HUD. He said the federal government enforces the rules. He brought out that with this bill, there would be a lot of paperwork, but was not against the bill, but thought there should be an exemption for those registered with the federal government. This way, Nevada wouldn't have to spend money and it would be a savings of expense to developers, who would only pass on this expense to the buyers. He suggested that this bill be worked in with the federal rulings. He suggested that a screening process be adopted through the real estate commission which would make the salesmen more responsible. He stated this would keep out over-enthusiastic salesmen and make them stay in line by having to be licensed.

Hilbrecht asked why the limit of private sales couldn't be raised to 50 lots. It was brought out that this could be changed.

It was brought out that why couldn't there be a single broker in an office whereby salesmen would be operating out of the office under him.

Hafen asked if HUD require a condition of title or release to be disclosed to them and to the purchaser. If HUD says the project doesn't look good, can they deny sales. He was told they could.

Mr. Burke said that in Pahrump, there had to be a title of property or title insurance policy or HUD wouldn't accept. He said they have to register with the state first. HUD will accept property when it has been certified by the state. He suggested that persons qualified under HUD shouldn't have to go through the whole licensing for brokers and salesmen but have a limited license.

Ed Douglas, a developer in Washoe County, said the contractors would suffer. They are under the state engineers as well as the county. He explained all the various phases a developer of a subdivision must go through. Why they are going through all the various department, County Commissioners, State Board of Health, Planning Commission, public opinion, etc., they must pay interest on the property. He stated that they should be under rules and regulations for standards by the state, under the regulatory body of the County Commissioners. He suggested that the state make sure they set a standard for subdivisions.

The meeting reconvened at 3:12 P.M.

Jim Cashman, president of the Las Vegas Chamber of Commerce, appeared and stated they had numerous complaints from people who had purchased land from unscrupulous people in Las Vegas and they did not know where to take the complaints. He stated that there should be some provisions for tightening restrictions so that unethical promoters of land sales could be curbed.

He was informed that HUD controls this and complaints could be referred to them.

Chas. Ruthe, Pres., Las Vegas Board of Realtors, said they were not against the coming in of out-of-state or locally owned companies selling land inside and outside of Nevada but there was a need for some rules and regulations to protect the public. He said that previously the legislature had been asked for a subdivision and land act but were told that HUD would solve the problem. So far, he said it isn't so steps must be taken to correct the injustices. He said the Better Business Bureau and Chamber of Commerce has turned over numerous complaints to the Real Estate Department in Carson City but they have no jurisdiction over land sales.

Mr. Horton agreed that some regulation is needed. However, he pointed out that the HUD Act informs the purchaser prior to time of purchase the facts of the purchase. This purchase must be registered with the federal agency and each purchaser given a detailed statement of what the purchase consists of. If the purchaser feels that the sale was unfair, he has the right to complain and this will be taken up in the federal courts anywhere in the U.S. He also has the right to revoke the sale within 48 hours for any reason. He stated that AB-362 comes closest to setting up regulations. He asked that they be allowed a transition period so that people in the land sales business would have time to comply and not be out of jobs. He suggested that perhaps a grandfather clause would be in order so they can continue earning their living during this transition period.

David Hagen, representing Boise Cascade, appeared and said they were also interested in protecting the consumer but pointed out that their holdings are at Lake Tahoe and that many of their salesmen live in California but sell land in Nevada. He stated they shouldn't be placed in the position of duplicating services. He liked the full disclosure aspect in 362 as their is in the HUD filing. He thought it should be left to the Dept. of Commerce to provide additional controls to HUD. He was concerned that their California salesmen would have to become brokers and 90% of them are living out of state.

He said the licensing would be no problem but the residency requirement to secure a license would be. He stated they use people in the larger cities of California to bring interested buyers to Nevada, and was concerned whether or not this would be permitted.

McKissick stated that HUD is on the books but abuses are arising so additional requirements should be spelled out.

Lingenfelter said an address on HUD should be secured so complaints can be transferred to them. Chuck Ruthe stated the office was in Washington, D.C.

Capurro asked if there was a way to find out what the complaints are and Dr. White said he would furnish the committee with some cases.

Hafen stated that in violations of county and state subdivisions injunctions had been secured against land developments but they were handled too slowly. He stated that some licensing or registration power should be set up to handle these developers. He said that some land sales were made whereby the purchasers found out that the developers didn't own the land and it would be repossessed.

David Hagen stated they would be more than happy to conform with filing and registration along with filing with HUD.

Proctor Hug, Horizon, stated his company was legitimate and in no way connected with any other company using Horizon in their title. He introduced two vice presidents - Dale Hutchins and Jim McGattus and their manager, Alfred Latonen of Las Vegas. He stated that only legitimate land developers qualify through HUD. He said the state shouldn't try to regulate land developers when they are already governed. He was not happy with the exemptions in AB-362 and stated he was for a limited license. He stated that they should not have to have the kind of education proposed to sell just land. He stated the language should be clarified on brokers.

Capurro asked if there could be a compromise on allowing limited licenses. Mr. Bowers said no, and he was against removal of the residency requirement.

Don Steinmeyer, Tahoe Sierra Development Co., stated they operate in both California and Nevada. He stated the only people they have had to terminated have been licensed salesmen. He stated their operations whereby they sell land, condominiums shouldn't have to take licensed brokers to do this. Said it wasn't any different than selling automobiles. He said they give their salesmen training programs. He said he was for legislation which would solve the licensing for out-of-state salesmen, but didn't think they should have to be brokers.

Jim Bilbray, American Internation Land Co. and Preferred Equities, said they had been hurt by articles that appeared in the Pahrump area. He said that various articles of disreputible companies had declared water rights, roads, etc. and were not true. He said that A.B. 460 would require a tremendous amount of paperwork. He also stated there was a county ordinance which requires advertising to be filed with the Sheriff's office but their company has such a voluminous amount of advertising that they couldn't take it. He suggested limited licensing for brokers not salesmen. Also, time should be allowed to get licenses. He also stated that all the HUD documents being submitted to Dr. White's department would be too hard for that office to handle. He stated that Sec. 19, subparagraph 5 should be changed to "shall" instead "may". He was in support of limited licenses for salesmen and giving them time to secure them.

Mr. Jones stated that regulating the land companies would bring a monopoly to real estate. He said it should be determined whether land owned by an individual should be turned over to a real estate broker to sell. He stated his company spends 10 million dollars a year in promoting land sales in Nevada but real estate does not.

Dr. White stated there are 400 cases on file of inequities in land sales so there is a need for a bill. He stated that 362 is flexible and workable and realtors as brokers could have salesmen working under them to sell land. He said the Dept. of Commerce didn't want to lean on the HUD bill, as it had many deficiencies. He stated they must have control on securing clear titles and must define subdivisions. His proposals for handling land sales is attached to these minutes and shall become a part thereof.

Mr. Jones agreed that it would be workable to have salesmen working under a broker who would be responsible for the land sales.

Lingenfelter asked how many brokers would be willing to take the responsibility for the selling of land.

Robert Fink asked if a person could be hired to be a broker and was told yes.

Mr. Steinmeyer, Mr. Horton, Mr. Jones and Mr. Bilbray concurred they could live with the proposals as suggested by Dr. White of the Commerce Dept.

Meeting adjourned 5:00 P.M.