

1 STATE OF ALASKA
2 DEPARTMENT OF COMMERCE, COMMUNITY & ECONOMIC DEVELOPMENT
3 DIVISION OF CORPORATIONS, BUSINESS AND PROFESSIONAL LICENSING
4

5 REAL ESTATE COMMISSION
6 Property Management Committee
7 MEETING MINUTES
8

9 January 21, 2021
10

11 By authority of AS 08.01.070(2), and in compliance with the provisions of AS 44.62, Article 6, a
12 scheduled teleconference meeting of the Real Estate Commission Property Management
13 Committee was held January 21, 2021, at the State of Alaska Atwood Building, 550 W. 7th
14 Avenue, Suite 1550, Anchorage, Alaska.
15

16 **Thursday, January 21, 2021**

17 **Agenda Item 1 – Call to Order**

18 Chair, Cassandra Taggart, called the meeting to order at 12:02 p.m.
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21 **Attendees present via ZOOM:**

22 Cassandra Taggart, Broker, Real Property Management Last Frontier, Anchorage
23 Cheryl Markwood, Commission Member, Broker, Markwood Realty, Fairbanks
24 Toni Brewer, Salesperson, NextHome Arctic Sun, Fairbanks
25 Eric Ritner, Broker, Real Estate Solutions of Alaska, Anchorage
26 Tracy Scott, Associate Broker, Real Estate Solutions of Alaska, Anchorage
27 Laura McMillon, Compliance Administrator, The CE Shop
28 Julie Wrigley, Professor, University of Alaska, Anchorage
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30 **Staff Present:**

31 Shyla Consalo, Executive Administrator
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34 **Agenda Item 2 – Approval of Agenda**

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36 On a motion duly made by, Mr. Ritner, seconded by Ms. Markwood, it was,
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38 RESOLVED to approve the meeting agenda.
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41 **Agenda Item 3 – Approval of October 29, 2020 Meeting Minutes**

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43 On a motion duly made by, Ms. Markwood, seconded by Ms. Taggart, it was,
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45 RESOLVED to approve the October 29, 2020 meeting minutes as presented.
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48 **Agenda Item 4 – Public Comment**

49 There were no public comments.
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55 **Agenda Item 5 – Summary of Mission Statement & Top 5 Goals**

56 Ms. Taggart stated the mission statement: Licensed property and association managers be well
57 informed, educated, and supportive of real estate needs for Alaskans.

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59 Ms. Taggart stated the top 5 goals as a summary:

- 60 1. Clarity and best practices on security deposits and management of client accounts.
- 61 2. Advocacy for education of all property and association management.
- 62 3. Audit of Alaska of real estate property management and association regulations to bring
63 up the standards to today's practice. (12 AAC 64.550 - 580).
- 64 4. Research what other states have done in property management and association
65 management, specifically through ARELLO and Florida.
- 66 5. Connecting property and association management resources to the public.

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69 **Agenda Item 6 – Brainstorm Session on Security Deposit/Ernest Money Best Practice**

70 Ms. Taggart explained the Committee is working on the last best practice for Goal #1, which is a
71 best practice in the property management industry around the topic of security deposits, earnest
72 money, and trust accounting. The last time this topic was discussed was a year ago, so she
73 wanted to do an additional brain storming session to see if anyone had any further input,
74 scenarios, or problems to bring forward and incorporate into this next best practice document. Ms.
75 Taggart reviewed two scenarios from the initial brain storming session on this topic, and asked if
76 anyone in the group had anything to add to those. No one had any additional comments.

77

78 Ms. Taggart asked Ms. Markwood if she had any input from the HOA and condo association
79 perspective, since it's a little different. Ms. Markwood explained it's not very well stipulated in the
80 Commission's regulations or standard practices on how HOA and condo association funds are
81 handled, so she's had to set her own standards in her office and with the associations she
82 manages, to ensure association reserves are treated like a security deposit. While they the funds
83 may not be in an official property management trust account, the associations should handle
84 those funds just like a security deposit. When it comes to HOAs and condo associations, this is
85 important because those are liability funds for the associations; they are not assets to the
86 associations because they go back. Another question that's come up quite a bit within the last few
87 months is how to treat pre-paid rents for tenants who are receiving COVID-19 Cares Act funds. Is
88 that pre-paid rent money given to the owners in advance? She's had funding from Native
89 corporations/entities available and, in some cases, they've paid up to six months of rents for the
90 tenants in advance. Are those six months of rents transferred to the owner as soon as they're
91 received, or are they held as a security deposit and then transferred to the owner per month?
92 These have been questions that have come up that licensees just don't know the answer to. So, it
93 might behoove the Committee to consider putting a best practice in place so that can be referred
94 to, because this isn't always taught in classes. Mr. Ritner commented that his company has been
95 sending back funds for accounts that contain a credit of more than three times rent because the
96 law is clear that anything more cannot be held. Mr. Ritner asked how people in the group were
97 handling the rent overpayments. Ms. Taggart stated, in her case, all the accounts had balances of
98 some kind, where the pre-paid amounts didn't go beyond a month or two. Mr. Ritner explained
99 this was happening somewhat frequently with his company in the last couple months, where they
100 were getting large checks and the accounts already had too much credit, so they were sending
101 the money back. Ms. Taggart stated the issue was likely going to get worse before it got better
102 because the new Cares Act funds coming through could potentially pay up to 15 months in pre-
103 paid rent. Mr. Ritner asked if the real estate industry had anyone in the legislature that could push
104 something through to get rid of the rule that licensees/brokerages can't hold more than three
105 times rent. Ms. Taggart stated that topic was still at the House and Senate being debated, and the
106 issue was outside of the scope of the Committee or the Commission; however, the Committee

107 could put recommendations in the best practice document that states pre-paid deposits need to
108 reference the Alaska Landlord Tenant Act for residential situations – reference the code, which is
109 section, and say each broker needs to review and interpret the law, and establish an office policy
110 on how to handle, watch for, and honor the law in those situations. The Committee cannot make
111 rules stating what everyone needs to do. Ms. Taggart agreed this is an issue that legislation is
112 going to have to answer because there are a lot of tenants that are going to be walking into this
113 scenario in the next few months, if they haven't already, because of how much is getting passed
114 out on rent relief and how fast it's being passing it out. Mr. Ritner agreed, and stated this was a
115 unique situation that could cause licensees to either break the law or lose funds, especially with
116 the moratorium being pushed out again. Ms. Brewer added that she deals with a lot of seasonal
117 workers in Fairbanks that like to pre-pay their rents when they have the money because they may
118 not have their job year-round, and sometimes those requests are more than three times rent. So,
119 this is definitely a unique issue in Alaska, even without COVID-19.

120
121 Ms. Taggart moved on from addressing the pre-paid rents issue, and asked if Ms. Markwood
122 could clarify the separation of the different association accounts, and the importance of having a
123 policy on how to keep those accounts separate for those offices managing an HOAs and condo
124 associations. Ms. Markwood explained most associations aren't going to be brokerage accounts –
125 they're the association's accounts that the brokerage manages on behalf of the HOA or condo
126 association. So, it's just a matter of office policy. It is important to ensure the associations clearly
127 understand what best practices are for HOAs and condo associations, and for their bookkeeping.
128 For example, she just took over a condo association that was managed, for a number of years, by
129 an accounting firm. Their capital reserves and homeowner reserves were all one account;
130 however, in their p&l they had the accounts separated, but it was still commingled. It is best
131 practice to have those accounts separate, and have three individual accounts held by the
132 association, so that the owner reserves are in a separate account and not part of the capital
133 account. That way, if the association makes capital reserve expenditures, they're not using any
134 owner reserves. Ms. Markwood thinks that this should be a topic of conversation and put into best
135 practices, because there is very little as far as standards go for HOA and condo association
136 management. Ms. Taggart stated this topic was an interesting challenge since the bank accounts
137 are owned, managed, and regulated by the associations, putting it outside of the authority of the
138 Commission. She stated she would do her best on drafting a best practice for this, but would
139 greatly appreciate Ms. Markwood's input on the draft before it's brought to the Committee for
140 review/approval.

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142 Ms. Taggart moved on, and asked if there were any examples or scenarios regarding security
143 deposit issues. She explained she had a situation where a property manager allowed the tenant
144 to spend security deposit funds to pay for maintenance the tenant was responsible for, but didn't
145 require the tenant to pay the money back or sign any sort of agreement that showed what
146 happened to the security deposit. This created a conflict between the account and the contract
147 and caused a dispute. Mr. Ritner stated his company does not run into this issue often because of
148 how his operation is set up; however, when this does this come up, his response is
149 simple...security deposit money is security deposit money – it's not money for commissions or
150 anything else.

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Agenda Item 7 – Review/Approve “2020 Review & 2021 Goals” Letter to the Commission

153 Ms. Taggart explained that every year, the Committee is tasked with establishing their mission
154 and goals to the Commission. The Commission also appoints one of the Commission member's
155 as a liaison/representative for the Committee. So, Ms. Taggart drafted a letter to the Commission
156 that outlines what the Committee accomplished in 2020, and some ideas/goals of what the
157 Committee would like to accomplish in 2021. The letter also requests the Commission appoint a
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159 liaison/representative for 2021, and provide any input on goals for the Committee in 2021. Ms.
160 Taggart asked the group to review the letter, and speak up if they had any thoughts, additions, or
161 corrections that should be made.

162
163 Ms. Markwood thanked Ms. Taggart for all she's done this last year, putting forth some of the
164 goals that were set for property management in 2020. She's done a phenomenal job, and it's
165 been a real pleasure for Ms. Markwood to sit and participate on the Committee. This last year has
166 been invaluable, and she really appreciates all the hard work Ms. Taggart has done. Ms.
167 Markwood thinks the letter looks great, and is glad Ms. Taggart put it together.

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169 **On a motion duly made by, Mr. Ritner, seconded by Ms. Brewer, it was,**

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171 **RESOLVED to approve the "2020 Review & 2021 Goals" letter to the**
172 **Commission as presented, and submit to the Commission for consideration**
173 **at their March meeting.**

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175 **All in favor; Motion passed.**

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178 **Agenda Item 8 – Next Meeting Dates**

179 Ms. Taggart stated she worked with staff to determine the next meeting dates for the Committee,
180 asked everyone to pull up their calendars, so they could confirm if those dates would work for
181 them. All members in attendance agreed to the following meeting dates:

- 182 • April 22nd
- 183 • October 21st
- 184 • January 20th (2022)

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187 **Agenda Item 9 – Adjourn**

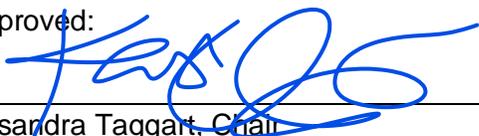
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189 **On a motion duly made by Mr. Ritner, seconded by Ms. Markwood, it was,**

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191 **RESOLVED to adjourn.**

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193 **Meeting adjourned at 12:36 p.m.**

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197 Prepared and submitted by:
198 Real Estate Commission Staff

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200 Approved:

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203 _____
204 Kasandra Taggart, Chair
205 REC Property Management Committee

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207 Date: 4/22/21