NEWSWIRE

Bringing Pertinent Information To Your Desktop

CALIFORNIA BUILDER SERVICES

55 Shaw Avenue, Suite 105 • Clovis, CA 93612 • Phone: 559-473-2690 • www.cabuilderservices.com

March, 2015

"Big bad wolves not withstanding, this area isn't zoned for residential brick structures."

BRE News

The Bureau of Real Estate has taken the initiative to create a more friendly approach to flexible phasing arrangements. At a meeting in Los Angeles on March 3, 2015, the BRE announced that they will now allow industry to utilize flexible-phase budget programs with subdivisions of 150 lots, and 10 marketing phases.

Previously, the base requirements for a development to qualify for flexible phasing programs was a minimum of 200 lots, with multiple builders and multiple product types. Under the new program, single developer entities can now qualify. The submittal request must include a site plan to verify multiple product types.

The BRE is also starting the work of updating their Operating Cost Manual, which was last published in 2007. The Manual serves as the guide post for HOA budget approvals. Stay tuned for a publication date; most likely near the end of 2015. No surprise to industry that the cost standards will increase, meaning that HOA dues will also see a rate hike.

Mixed Use Subdivisions

Mixed use projects continue to be popular in most areas of the State. One of the questions that keeps popping up, is when or whether a Public Report is needed in order to offer the lots or units for sale. There was a time, many years ago, that many in the real estate community understood that a Public Report was not needed if there were less than five residential units in the project.

Today, the Bureau of Real Estate claims jurisdiction over any development when it contains even ***one*** residential lot or unit, when there are *five or more total interests* to be conveyed in the entire or overall project. In other words, the project might consist of four commercial and one residential unit, and the BRE would claim jurisdiction.

If you are considering a mixed use development, it will be wise to factor in the Public Report filing period for approval from the Bureau of Real Estate before planning advertising or sales of residential units. In any scenario, it makes the best sense to obtain BRE approval of the governing documents before recording anything.

PUBLIC REPORTS - is yours still valid?

The thing about Public Reports ("Reports") is that they expire…. or otherwise may become invalid, if certain "***material changes***" occur. We recommend to our clients that they audit their Reports annually, (or semi-annually) to insure that the information contained in the Report is still current and correct.

Public Reports are issued for a term of five years. There was a popular myth that once the Subdivider owns less than 5 lots, they no longer need to maintain a current Report... *Not true*!! So long as the subdivider owns ***any*** lots in the subdivision, a current Public Report should be maintained in order to sell the last lots/units. Our industry is just pulling out of an economy where the majority of developments subject to a Public Report were taking the full term of five years or longer to sell out. It makes sense to audit your Report and make sure it is still current. Also, during the five-year term, material changes may have occurred. While the list of material changes contained in Regulation 2800 is not exclusive, it provides a general guideline. If you are unsure whether a material change may have occurred on your project, we welcome you to contact us for guidance. Some examples of material changes follow.

- Change in ownership
- Change in the type of lot being offered (ie: vacant vs. improved)
- Creation of or annexation into an assessment district
- Change in common area amenities
- Change in completion arrangements
- Change in configuration of the lots (Lot line adjustment)
- Increase in HOA assessments of 20% or more; or decrease in HOA assessments of 10% or more
- Change in subsidy arrangements (or the decision to subsidize)
- Amendment to CC&R's (subject to review)

While new home sales are picking up, it is always a safe measure to review the Report ahead of time, to make sure that it accurately portrays your development (subdivider name, marketing name) and that there are no material changes since the last issuance. If your Report is within 6 to 12 months of expiration, you might want to consider starting the renewal process early in order to avoid any delays in your sales program.

For a copy of Regulation 2800, simply call or email our office and we will get it to you right away.