

ANNUAL REPORT 2017-2018



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OUR MANDATE, MISSION & VISION

REAL ESTATE COUNCIL OF ALBERTA OVERVIEW

Established in 1996, the Real Estate Council of Alberta (RECA) is the independent governing authority that sets, regulates, and enforces standards for real estate brokerage, mortgage brokerage, real estate appraisal, and property management professionals under the *Real Estate Act* of Alberta.

MANDATE

RECA's mandate is to protect consumers, and to provide services that enhance and improve the industry and the business of industry professionals.



VISION

By 2020, the Real Estate Council of Alberta will:

- set the foundation for real estate professionals to serve the public interest, protect consumers, and provide a positive real estate experience through effective establishment and enforcement of professional standards
- be recognized as an independent, responsive, and impartial governing body
- ensure real estate practitioners have a professional mindset and engage in the practice of self-regulation

MISSION

RECA creates consumer trust and confidence in industry professionals by:

- setting and enforcing standards of conduct and professional development requirements for the industry to protect the consumer
- providing services that enhance and improve the industry
- promoting the integrity of the industry
- protecting against, investigating, detecting, and suppressing mortgage fraud as it relates to the industry

2017-2018 COMMITTEES

The Real Estate Council of Alberta (RECA) receives reports and recommendations from eight committees. Five industry sector advisory committees and three Council committees provide the information and expertise Council needs to make informed decisions.

Industry Sector Advisory Committees

Industry sector advisory committees provide a direct line to industry professionals and help maintain cooperation, communication and an exchange of information between RECA and the industry. These committees are made up of Council members, industry professionals, and consumers.

Commercial Real Estate Advisory Committee

Ramey Demian, Chair

Mortgage Brokers Advisory Committee

Phil McDowell, Chair

Property Management Advisory Committee

Christine Zwozdesky, Chair

Real Estate Appraisers Advisory Committee

Robert Telford, Chair

Residential Real Estate Advisory Committee

Stan Mills, Chair

Council Committees

Council committees are in place to address issues and make recommendations to Council on its responsibilities under the *Real Estate Act*.

Finance & Audit Committee

Bonny Clarke, Chair

Governance Committee

Christine Zwozdesky, Chair

Hearings Committee

Bill Kirk, Chair

Ad Hoc Committees

In addition to these committees, Council may, from time to time, establish ad hoc committees to address specific issues usually within specified time lines. Once Council has determined the work of the ad hoc committee is completed or there is no further need for the committee, the committee is disbanded.

Condominium Managers Implementation Advisory Committee

Christine Zwozdesky, Chair

Legislation Review Committee

Krista Bolton, Chair

Consumer Committee

The primary purpose of this committee is to provide a direct line to consumers and to maintain cooperation, communication and an exchange of information between RECA and the public of Alberta.

Consumer Advisory Committee

Bobbi Dawson, Chair



COUNCIL MEMBERS 2017-2018



BRIAN KLINGSPON

CHAIR

appointed by the Alberta Real Estate Association, from industry members who are members of the REALTORS® Association of Edmonton



BONNY CLARKE

CHAIR - ELECT

appointed from industry members who are not members of the Alberta Real Estate Association, by members of Council who represent the Alberta Real Estate Association and the Alberta Mortgage Brokers Association



CHRISTINE ZWOZDESKY

PAST - CHAIR

appointed by Council from nominations received from licensed property managers



KRISTA BOLTON

appointed from the public by members of Council who represent the Alberta Real Estate Association and the Alberta Mortgage Brokers Association



BOBBI DAWSON

appointed by the Alberta Real Estate Association, by industry members who are members of the real estate boards outside of Edmonton and Calgary



AMINA DEIAB

appointed by the Minister of Service Alberta from the public



RAMEY DEMIAN

appointed by the Alberta Real Estate Association, from industry members trading in industrial, commercial and investment real estate



BILL KIRK

appointed by the Alberta Real Estate Association, by industry members of the Calgary Real Estate Board



PHIL MCDOWELL

appointed by the Alberta Mortgage Brokers Association, by industry members dealing in mortgages



STAN MILLS

appointed by the Alberta Real Estate Association, by industry members who are members of real estate boards outside of Edmonton and Calgary



ROBYN MOSER

appointed by the Alberta Real Estate Association, by industry members trading in residential real estate



ROBERT TELFORD

appointed by Council from nominations received from licensed real estate appraisers

MESSAGE FROM THE CHAIR

Brian Klingspon

It is with great pleasure that I provide a summary of Council's activity from the past year as Chair of the Real Estate Council of Alberta (RECA) for 2017-2018.

This was the second year of our 2016-2020 Strategic Plan. The plan positions stakeholders at the core of our objectives and initiatives, with the goal of increasing stakeholder awareness of RECA, and stakeholder understanding of RECA's role in protecting consumers and promoting and enhancing the professionalism of industry professionals.

The year started off with RECA Administration moving offices on January 15, 2018. Council carefully reviewed options that would create long-term value for RECA, consumers, and our industry. We were glad to see such a seamless transition that did not result in any disruptions in carrying out our mandate. At the same time, RECA made organizational changes to work more effectively and efficiently.

Looking inward

Council also took the opportunity to focus internally to ensure we're governing effectively.

To ensure Council is comprised of talented and dedicated members who have a diverse mix of experience, skills, and backgrounds, Council approved a new Diversity Policy in August. Other internal work included amendments to the *Real Estate Act* Bylaws with respect to appointment of non-Alberta Real Estate Association and Public Council members, and updates to our Terms of Reference and position descriptions for Council Members and the Council Chair.

All of these documents better clarify Council's role and the role of each Council member, and ensure that industry professionals are fairly governed by their peers on Council. I'm a real estate associate broker, coming up on 30 years in the industry. My fellow Council members are real estate associates, mortgage brokers, real estate appraisers, property managers, and two outstanding members of the public. We know the industry, and we work as a team to do what is in the best interests of consumer protection and industry professionalism.



Also, starting in January 2018, new policies went into effect to publish Council meeting agendas and meeting minutes to the RECA website. This was an important step in carrying out Council's commitment to openness and transparency. Council also approved revised Discipline Publication Guidelines, which removed publishing restrictions on disciplinary actions and gives stakeholders the opportunity to attend hearings. These policies make it easier for industry professionals to be a part of the self-regulation experience.

Working together

In 2017, Council approved a Consultation Policy to ensure we're following internationally accepted principles for effective consultation. This year it was a pleasure to see RECA's Consultation and Engagement policies in action.

Council approved recommendations put forth by the Mortgage Brokers Advisory Committee (MBAC) to move ahead with a consultation on proposed new Mortgage Brokerage Standards of Practice and Rule changes. This is an immense initiative that includes amendments to the *Real Estate Act* Rules to enhance consumer protection levels, including additional consumer disclosure requirements, and verification of mortgage application information, and mandatory content in mortgage brokerage service agreements. New rules and standards of practice for mortgage brokers representing private lenders were also included in the consultation. MBAC will report back to Council with recommended changes based on this consultation in 2019.

Working groups for the Residential Measurement Standard (RMS) and At-Risk Commissions continued this year. These working groups include industry professionals, stakeholders, and representatives from industry associations and RECA.

As part of its Stakeholder Engagement Policy, RECA regularly reports on stakeholder engagement activities. In 2018 alone, RECA held over 80 meetings with stakeholders across Alberta. A [full list of activity](#) is available on RECA's website. I'm extremely pleased with the level of stakeholder engagement by Council and RECA Administration.

Looking forward

I am a strong believer that self-regulation is a philosophy that licensed professionals need to take on themselves. While Council governs the industry as a whole, everyday industry professionals must regulate themselves and each other.

Self-regulation is in fact a privilege, not a right, and we must all take this privilege seriously if we are to maintain it.

I'm proud to say this past year Council worked on a variety of initiatives to further our mandate of protecting consumers and promoting the integrity of the industry.

I thank you for your support and commitment this past year, and I encourage you to review the rest of this Annual Report and read about our industry's accomplishments and professionalism.

MESSAGE FROM THE EXECUTIVE DIRECTOR

Bob Myroniuk

This past year marked the 22nd year of operations at the Real Estate Council of Alberta (RECA). RECA has made significant strides as an organization over the past year to improve its operations and set up for success for many years to come.

I want to share with you the most significant organizational achievements RECA made in 2017-2018.

New Office, New Beginnings

In early 2018, RECA opened for business in our new office at 202, 1506 11 Avenue SW in Calgary. RECA's previous office lease was ending, and Council took the opportunity to review options that would best serve our organization and the industry well into the future. Council approved the construction and purchase of a new building in Calgary, creating a sound investment that will save money in the long term, and help RECA enhance its operations and the services it provides.

Organizational Changes

To coincide with our move RECA made significant changes to our organizational structure. These changes position RECA to effectively and efficiently communicate, ensure greater consistency in regulatory decision-making, and strengthen RECA's education programs.

- RECA created the new Strategic Initiatives and External Relations department, which is responsible for strategic initiatives and external-facing communications. This department includes RECA's practice advisors, communications team, information officers, reception, and our new project management and policy development unit. Bringing these groups together will help RECA's communication and external relations efforts be more proactive to changing situations and issues in the industry.
- RECA's enhanced Office of the Registrar centralizes RECA's regulatory functions, which creates better consistency in regulatory decision-making. This includes team members from RECA's licensing unit and RECA's former professional standards unit. Centralization of regulatory functions under the supervision of the Registrar helps ensure RECA makes efficient, effective, and consistent regulatory decisions throughout the organization.



- RECA Education is now its own department, Education Programs. RECA Education Programs will continue to offer leading-edge, timely Re-licensing Education Programs, and effective, up-to-date pre-licensing education.
- RECA's Corporate Services department will continue to house human resources, information technology, and accounting service units, but will now also include general counsel and building administration.

Education

In 2017-2018 RECA launched the Real Estate Update 2018 (Commercial/Property Management) renewal course. This marked the first renewal course designated for commercial/property management professionals. Many commercial/property management professionals had requested a course specific to their industries and were involved in the development of the course from the start. The course received high praise from commercial and property management professionals for its depth and real-world applicability.

Strategic Communications

As part of RECA's 2016-2020 Strategic Plan, RECA hired Downey Norris & Associates Inc. (DNA) to conduct an extensive audit of RECA communications, both internal and external. RECA follows a philosophy of continuous improvement, and asked DNA to evaluate and assess the effectiveness of RECA's internal and external communication programs and practices, and provide recommendations.

Overall, DNA's report indicated that RECA effectively uses a wide range of high quality communication tools and processes to communicate with industry professionals, consumers, and RECA employees. The DNA report identified two key areas for improvement: consumer awareness of RECA, and

industry professional understanding about how RECA's role differs from trade associations.

RECA will continue enhancing its communications both internally and externally. The recommendations and findings of the communications audit will guide our organization in the coming months and years.

RECA's New Website

In July 2018, RECA launched its new, mobile-friendly website. The new website was a recommendation of the DNA report and was a business plan item for RECA's 2016-2020 Strategic Plan. An improved website was originally slated to be completed for year three of our Strategic Plan and we're pleased to have launched the site a year early. The new website offers improved navigation, increased search capabilities, online complaint forms, and many more enhancements to improve the experience for both consumers and industry professionals.

These are just a few of the operational achievements RECA has made over the past year, and I encourage you to read the rest of the Annual Report which provides more highlights from 2017-2018. As the industry moves forward and changes, RECA continues its commitment to protect the public and to provide services that enhance and improve the real estate industry.

2017-2018 STRATEGIC GOALS AND ACCOMPLISHMENTS

This was the second year of RECA's 2016-2020 Strategic Plan, and aligned with the 4 critical success factors, these are some of the more significant accomplishments during the past year.

01 CONSUMERS

Aware and informed consumers have trust and confidence in RECA:

- to provide timely and effective responses to their inquiries
- to remedy and resolve issues

ACHIEVEMENTS

- developed and launched the new, mobile-friendly RECA website at www.reca.ca. The site is now easier to navigate, improved public licence search capabilities and provides an enhanced platform to improve the consumer experience
- enhanced resources for improved consumers' financial literacy
- enhanced participation and profile in Provincial Fraud Awareness Month
- conducted biennial consumer focus groups to assess awareness of RECA
- launched "accountability matters" video series
- published disciplinary decisions on CANLii website

02 REAL ESTATE PROFESSIONALS

Competent real estate professionals serve and protect the public interest by:

- embracing and demonstrating a clear understanding of being a part of the real estate profession and an appreciation for self-regulation
- adhering to clear professional standards
- knowing and accessing RECA's industry advisory services

ACHIEVEMENTS

- held stakeholder and industry consultation on proposed new Mortgage Standards of Practice and Rule changes
- developed a Re-Licensing Education Program (REP) course for the commercial real estate and property management sectors
- searchable information bulletin database on www.reca.ca



03 STAKEHOLDERS

Government, stakeholder associations, and industry colleagues will understand RECA promotes positive relations and is the open, transparent, responsive governing body for real estate professionals in Alberta.

ACHIEVEMENTS

- RECA worked with the Alberta Real Estate Association At-Risk Commissions Working Group to propose changes to the *Real Estate Act* Rules 96 and 97
- RECA undertook leadership roles with national regulatory bodies, the Real Estate Regulators of Canada and Mortgage Brokers Regulators' Council of Canada, and collaborated to address regulatory issues and develop common occupational and practice standards
- council approved a new Diversity Policy, made amendments to the *Real Estate Act* Bylaws regarding the appointment of non-Alberta Real Estate Association and Public Council members, updated the Terms of Reference and position descriptions for Council members and the Council Chair
- RECA started publishing Council meeting minutes and agendas, a hearing schedule, and made amendments to the disciplinary decisions publications guidelines as a part of our continuous openness and transparency policy

04 CAPACITY

Maximize RECA's capacity to achieve its 2020 Vision by establishing an appropriate regulatory framework of policies and procedures, a prudent financial plan, and develop both internal and external human resources

ACHIEVEMENTS

- RECA opened for business at our new office in Calgary
- RECA made significant organizational changes. A new Strategic Initiatives and External Relations department was created, with a new project and policy development unit. RECA centralized all regulatory functions under the Office of the Register and RECA Education is now its own department.
- RECA hired Downey Norris & Associates to conduct an extensive audit of RECA communications, both internal and external
- RECA continued the implementation of the Information Technology Strategy, by enhancing network security and utilizing computer resources
- RECA established Service Excellence Principles to support an environment of service excellence for consumers, industry and all stakeholders

EDUCATION PROGRAMS



RECA's Education Programs department provides innovative, leading-edge career preparation and training programs for professionals in the industries RECA governs.

Pre-Licensing Enrollment Report

Real Estate Associates Program	
Career in real estate information session	2,192
Fundamentals of real estate	1,753
Practice of residential real estate	1,030
Practice of commercial real estate	250
Practice of rural real estate	129
Practice of property management	245
Mortgage Associates Program	
Fundamentals of mortgage brokerage	300
Real Estate Appraisal in Alberta	27
Consumer Relationships	24

Course Completions

Real Estate Associates Program	
Career in real estate information session	2,192
Fundamentals of real estate	1,167
Practice of residential real estate	1,003
Practice of commercial real estate	178
Practice of rural real estate	117
Practice of property management	218
Mortgage Associates Program	
Fundamentals of mortgage brokerage	201
Real Estate Appraisal in Alberta	29
Consumer Relationships	21

OFFICE OF THE REGISTRAR

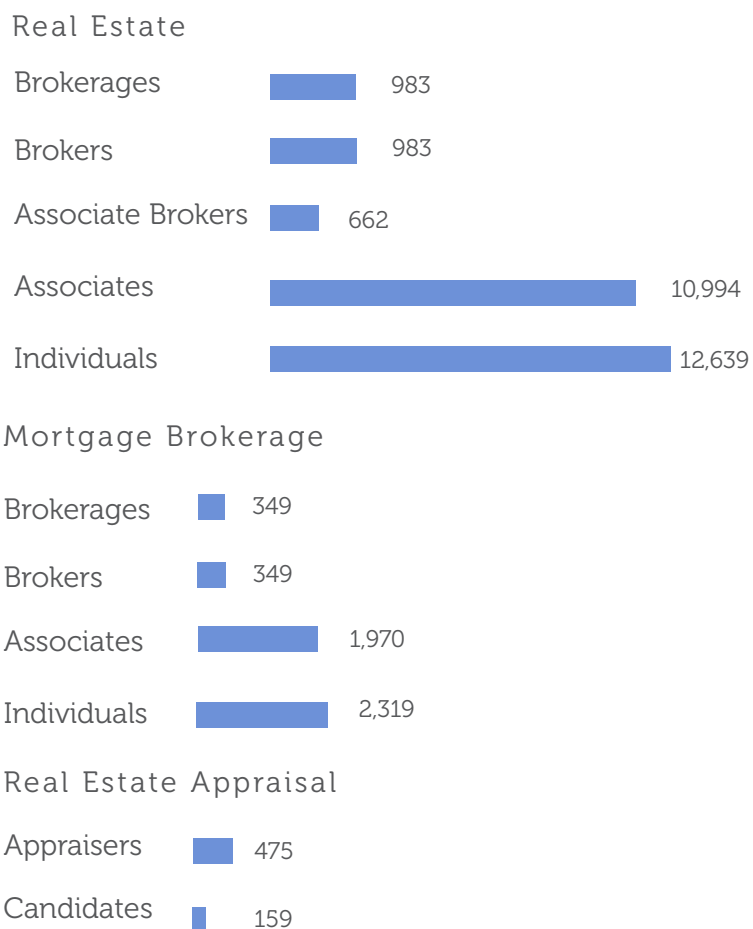


The Office of the Registrar has primary responsibility for RECA's regulatory functions. This includes licensing, discipline, and trust assurance and practice review.

LICENSING SERVICES

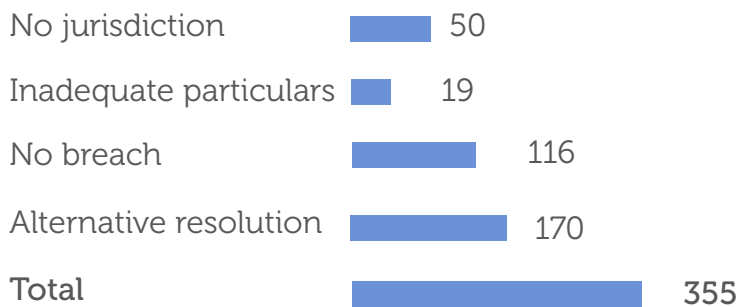
Refused	0
Cancelled	0
Suspended	Real Estate: 2 brokers, 4 associate brokers, 5 associates
Conditions Applied	Real Estate: 77 brokerages, 33 brokers, 7 associate brokers, 224 associates Mortgage: 57 brokerages, 9 brokers, 16 associates Appraiser: 0 Candidate: 1
Lifetime Withdrawals Approved	Real Estate: 1 broker, 2 associate brokers, 7 associates Mortgage: 3 associates

Authorizations



PROFESSIONAL CONDUCT REVIEW

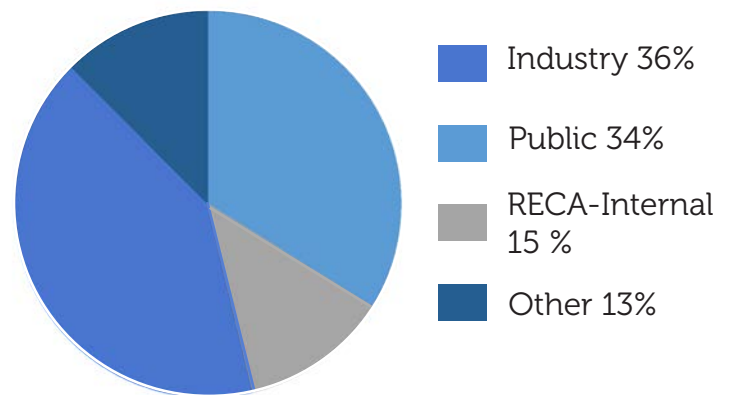
Reason for Complaint Refusal



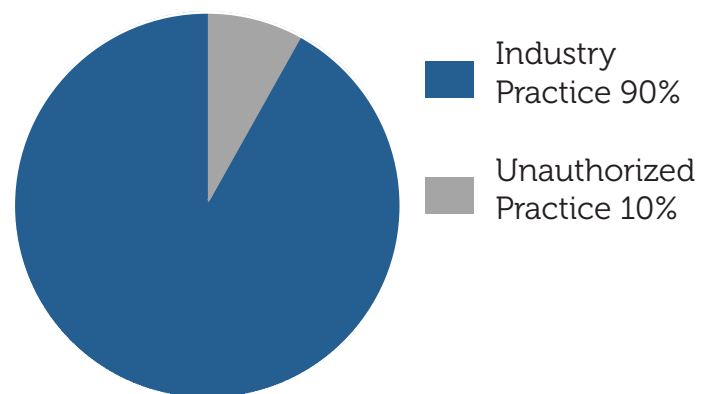
Complaints and Investigation Outcomes

Refused	355
Alternative Resolution Post-Investigation	14
Discontinued	33
Insufficient Evidence Found	225
Letter of Warning (Unauthorized Practice)	15
Advisory Note Issued	88
Letter of Reprimand Issued	39
Administrative Penalty Issued	47
Sent to Conduct Proceedings	20
Total	836

Source of Reviewed Complaint



Complaints Referred for Investigation





PROFESSIONAL CONDUCT PROCEEDINGS

File Count

Open files as of Oct. 1, 2017	82
Files opened during year	37
Files closed during year	53
Open files as of Sept. 30, 2018	67

Subject of Closed Files

Industry Members	 44
Non-Industry Members	 9

Fines and Penalties

Fines Ordered	\$62,500
Fines Received	\$85,750
Administrative Penalties Ordered	\$98,000
Administrative Penalties Received	\$100,150

File Closing Process

Administrative Penalty Issued	8
Appeal Panel Decision	1
Appeal Withdrawn	7
Complainant Appeal Successful	1
Court Decision Denying Judicial Review	1
Hearing Panel Decision on Conduct Hearing	9
Insufficient Evidence Found	5
Letter of Reprimand Appeal Successful	1
Letter of Reprimand Issued	1
Lifetime Withdrawal	17
Opinion Completed	1
Order to Extend Time Granted	1

TRUST ASSURANCE AND PRACTICE REVIEW

Regular Reviews	316
Special/Follow Up Reviews	26
Total	342



REAL ESTATE ASSURANCE FUND

The Real Estate Assurance Fund (REAF) compensates consumers who suffer a financial loss as a result of fraud or breach of trust in a trade in real estate or a deal in mortgages. This includes a real estate or mortgage brokerage's failure to disburse or account for money held in trust. REAF is funded entirely by a levy on new real estate and mortgage brokerage professionals.

Compensation paid from REAF since its inception in 1985 totals \$2,992,222. Compensation paid from REAF since RECA began administering it totals \$1,444,531. RECA paid \$695,542 in compensation from REAF in the 2017-2018 fiscal year. There are 24 potential future applications for compensation (open claim files) from REAF as of September 30, 2018, with total reserves of \$1,206,549 set aside.

Claims Paid

	\$
2017-2018	695,542
2016-2017	244,631
2015-2016	0
2014-2015	9,833
2013-2014	0
2012-2013	0
2011-2012	7,124
2010-2011	35,000
2009-2010	105,855
2008-2009	143,276
2007-2008	90,140
2006-2007	0
2005-2006	0
2004-2005	0
2003-2004	0
2002-2003	20,858
2001-2002	0
2000-2001	0
1999-2000	56,761
1998-1999	0

Files Opened and Reserves Set Aside

		\$
2017-2018	6	581,446
2016-2017	3	219,063
2015-2016	0	0
2014-2015	7	738,000
2013-2014	4	314,600
2012-2013	2	25,000
2011-2012	5	170,000
2010-2011	4	140,000



SUMMARIZED FINANCIAL STATEMENTS

Summarized Statement of Financial Position

As at September 30, 2018

	Council Operating Fund	Assurance Fund	Sept. 30, 2018	Sept. 30, 2017
Assets				
Current				
Cash and cash equivalents	\$8,821,981	\$37,962	\$8,859,943	\$11,555,580
Short-term investments	6,558,256	4,071,929	10,630,185	17,502,333
Accounts receivable and accrued interest receivable	523,389	-	523,389	72,860
Prepaid expenses	336,128	-	336,128	300,264
	16,239,754	4,109,891	20,349,645	29,431,037
Development costs	769,345	-	769,345	514,349
Long-term prepaid expenses	87,900	-	87,900	77,079
Capital assets	24,933,907	-	24,933,907	2,242,747
	\$42,030,906	\$4,109,891	\$46,140,797	\$32,265,212
Liabilities and fund balances				
Current				
Accounts payable and accrued liabilities	\$1,418,967	\$3,590	\$1,422,557	\$2,323,056
Current portion of long-term debt	375,000	-	375,000	-
Deferred licensing revenue	7,463,375	-	7,463,375	7,341,725
	9,257,342	3,590	9,260,932	9,664,781
Long-Term Debt	14,405,162	-	14,405,162	-
Assurance fund reserves		1,206,549	1,206,549	1,341,060
	23,662,504	1,210,139	24,872,643	11,005,841
Net assets				
Invested in capital assets (net of related debt)	10,153,745	-	10,153,745	2,242,747
Unrestricted council operating fund	7,730,157	-	7,730,157	7,105,819
Internally restricted council general reserve	484,500	-	484,500	8,584,500
Externally restricted as assurance fund		2,899,752	2,899,752	3,326,305
	18,368,402	2,899,752	21,268,154	21,259,371
	\$42,030,906	\$4,109,891	\$46,140,797	\$32,265,212

Officers

Brian
Klingspon
Chair

Bonny
Clarke
Chair-Elect

Bob
Myroniuk
Executive Director

Summarized Statement of Operations

For the year ended September 30, 2018

	Council Operating Fund	Assurance Fund	Sept. 30, 2018	Budget 2018	Sept 30, 2017
Restricted revenue and claims					
Assessments	-	\$132,500	\$132,500	\$162,000	\$143,600
Claims and provision for future claims	-	(561,031)	(561,031)	(200,000)	(30,591)
	-	(428,531)	(428,531)	(38,000)	113,009
Revenue from operations					
Licence fees	8,565,190	-	8,565,190	8,505,925	8,533,322
Education courses	4,661,995	-	4,661,995	4,745,950	4,933,355
Office building rental revenue	221,604	-	221,604	342,000	
Penalties, fines and enforcement recovery	202,763	-	202,763	270,000	338,076
Investment income	145,264	48,053	193,317	82,800	105,238
Sundry			-	-	25,000
	13,796,816	48,053	13,844,869	13,946,675	13,934,991
Expenses					
Salaries and benefits	6,486,555	-	6,486,555	7,015,420	6,367,713
Administration	2,467,396	884	2,468,280	2,700,380	1,775,592
Professional services	1,326,758	17,673	1,344,431	1,270,000	632,797
Amortization of capital assets	1,162,582	-	1,162,582	1,062,000	788,400
Education courses	917,952	-	917,952	1,616,200	1,016,820
Information systems	462,517	-	462,517	636,100	376,825
Council	398,136	-	398,136	402,000	390,366
Hearings	182,596	-	182,596	384,500	167,897
	13,404,492	18,557	13,423,049	15,086,600	11,516,410
Excess (deficiency) of revenue over expenses before other items	392,324	(399,035)	(6,711)	(1,177,925)	2,531,590
Other Items:					
Unrealized gain (loss) on investments	1,975	1,979	3,954	-	12,962
Gain on sale of capital assets	11,540	-	11,540	-	-
Assurance fund administration	29,497	(29,497)	-	-	-
	43,012	(27,518)	15,494	-	12,962
Excess (deficiency) of revenue over expenses	435,336	(426,553)	8,783	(1,177,925)	2,544,552
Fund balances, beginning of year	17,933,066	3,326,305	21,259,371		18,714,819
Fund balances, end of year	\$18,368,402	\$2,899,752	\$21,268,154		\$21,259,371

Credits

RECA's complete audited financial statements for the year ended Sept. 30, 2018 are available at www.reca.ca or from the Council's office upon request.

Bank of Montreal
Banking Services

Mawer Investment
Management
Investment Counsel

Toole Peete & Co.
Limited
Insurance Agent

MNP LLP
Auditor

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