

INFORMATION TO USERS

This was produced from a copy of a document sent to us for microfilming. While the most advanced technological means to photograph and reproduce this document have been used, the quality is heavily dependent upon the quality of the material submitted.

The following explanation of techniques is provided to help you understand markings or notations which may appear on this reproduction.

- 1. The sign or "target" for pages apparently lacking from the document photographed is "Missing Page(s)". If it was possible to obtain the missing page(s) or section, they are spliced into the film along with adjacent pages. This may have necessitated cutting through an image and duplicating adjacent pages to assure you of complete continuity.**
- 2. When an image on the film is obliterated with a round black mark it is an indication that the film inspector noticed either blurred copy because of movement during exposure, or duplicate copy. Unless we meant to delete copyrighted materials that should not have been filmed, you will find a good image of the page in the adjacent frame.**
- 3. When a map, drawing or chart, etc., is part of the material being photographed the photographer has followed a definite method in "sectioning" the material. It is customary to begin filming at the upper left hand corner of a large sheet and to continue from left to right in equal sections with small overlaps. If necessary, sectioning is continued again—beginning below the first row and continuing on until complete.**
- 4. For any illustrations that cannot be reproduced satisfactorily by xerography, photographic prints can be purchased at additional cost and tipped into your xerographic copy. Requests can be made to our Dissertations Customer Services Department.**
- 5. Some pages in any document may have indistinct print. In all cases we have filmed the best available copy.**

**University
Microfilms
International**

**300 N. ZEEB ROAD, ANN ARBOR, MI 48106
18 BEDFORD ROW, LONDON WC1R 4EJ, ENGLAND**

7907332

FLETCHER, JAMES EDWARD
A SYSTEMATIC APPROACH TO THE ANALYSIS OF LAND
SALES REGULATORY PROGRAMS: A CASE STUDY OF
THE MICHIGAN LAND SALES ACT OF 1972.

MICHIGAN STATE UNIVERSITY, PH.D., 1978

University
Microfilms
International 300 N. ZEEB ROAD, ANN ARBOR, MI 48106

**A SYSTEMATIC APPROACH TO THE ANALYSIS OF LAND SALES
REGULATORY PROGRAMS: A CASE STUDY OF THE
MICHIGAN LAND SALES ACT OF 1972**

By

James Edward Fletcher

A DISSERTATION

**Submitted to
Michigan State University
in partial fulfillment of the requirements
for the degree of**

DOCTOR OF PHILOSOPHY

Department of Resource Development

1978

ABSTRACT

A SYSTEMATIC APPROACH TO THE ANALYSIS OF LAND SALES REGULATORY PROGRAMS: A CASE STUDY OF THE MICHIGAN LAND SALES ACT OF 1972

By

James Edward Fletcher

The purpose of this study was to develop a general approach for analyzing land sales regulatory programs which affect the market for undeveloped subdivided land. This approach was then used to describe and evaluate the role of the Michigan Land Sales Act of 1972 and its accompanying regulatory program in the recreation and second home land market in Michigan, and to evaluate its effects on consumers and land developers based on the major objective of the act which is to provide consumers with protection from unfair and deceptive trade practices when recreation and second home land is purchased.

This study was begun as a result of the strong interest in an analysis of the Michigan Land Sales Act that was expressed by members of the Michigan Land Association, a number of individual land developers, and officials in the Michigan Department of Licensing and Regulation. Much of this interest stemmed from the alleged problems that were created for land developers by the act and its accompanying administrative program.

James Edward Fletcher

The first part of the study consisted of efforts directed at describing the role of the Michigan Land Sales Act and its accompanying regulatory program in affecting the recreation and second home land market in Michigan relative to other factors which affect this market. Data on the number and size of subdivisions platted in Michigan by county and year for 1967-1976 was used to give a general indication of land subdivision trends over time. A "land development and marketing" questionnaire was used to obtain a ranking of land market factors from developers based on whether each factor has a negative effect on the profitability of land development. This gave an indication of whether the Michigan Land Sales Act has a negative effect on land development as well as its rank with other factors which affect the land market.

Primary and secondary data were used to complete an evaluation of the act and regulatory program. An in-depth review of all consumer complaints that were filed with the State of Michigan provided a means of evaluating the effects of the act on consumers. In addition, a readability analysis of land sales property reports that are given to consumers by developers was completed to determine whether consumers could actually read and understand the material. A "land sales regulations" questionnaire was administered to twenty-four land developers through telephone interviews

James Edward Fletcher

to collect data for evaluating the effects of the act on developers who have lands registered under the act. Analysis of this data together with a review of amendments to the act and regulatory program that have been proposed by land developers and consumer representatives provided the basis for the recommended changes to the act and regulatory program which are presented in this study.

A detailed analysis of the data revealed that time delays which developers incur while registering under the act are creating significant costs which are passed on to the consumer in the form of higher land prices. In addition, several problems with annual renewals, exemptions, de-registration of registered lands, and enforcement procedures were identified. The act has been quite effective in protecting consumers from fraud and deception in land purchases. However, two "loopholes" in the act could leave consumers unprotected when buying large acreage parcels and lots being sold pursuant to court order.

Recommended changes in the act and regulatory program include the implementation of a stronger enforcement program by the regulatory agency, an administrative exemption procedure, a de-registration procedure, and inclusion of large acreage parcels and lands being sold pursuant to court order under the act. Several suggestions for further study of the land market and other land sales regulatory programs are also included.

ACKNOWLEDGMENTS

Several individuals provided valuable assistance in making this study a success. Governor William Milliken and Gary Terry, Executive Vice-President of the American Land Development Association, provided letters of endorsement that were used in the study. Silverenia Kanoyton and Horace Bradshaw in the Michigan Department of Licensing and Regulation cooperated by providing requested information on the Michigan Land Sales Act and regulatory program. Sharon Kellogg and Hugh Adams of the Michigan Land Association were extremely helpful in reviewing and commenting on the questionnaires used in the study.

Special thanks is due my graduate committee for their guidance and assistance in this study. Dr. Raleigh Barlowe, Dr. Leighton Leighty, and Dr. John Mullin were extremely helpful in reviewing study plans and providing periodic advice. I am most grateful to Dr. Lewis Moncrief for his assistance in obtaining funding for the project and his patient guidance and assistance during the entire course of the study. Finally, a special note of gratitude is due my wife, Judy, for her assistance in collecting data and preparing this manuscript, and for her constant devotion to me during my pursuit of a graduate education.

TABLE OF CONTENTS

LIST OF TABLES	vii
LIST OF FIGURES.	x
CHAPTER	
1. INTRODUCTION TO THE PROBLEM	1
The Land Sales Industry	1
State Regulation of Land Sales in Michigan. .	4
Need for the Study.	5
Study Objectives.	8
2. LITERATURE REVIEW	9
The Recreation Land Market.	9
Land Price Factors.	11
Land Purchase Arrangements.	15
Social, Economic, and Environmental Impacts of Land Subdivision	19
Land Market Regulation.	24
Self-Regulation by the Land Development and Sales Industry.	25
Government Regulations.	28
Local Regulations	28
Federal Regulations	31
State Regulations	40
Land Sales Regulation in Michigan	49
3. MODELS AND HYPOTHESES	56
Recreation Land Market Model.	56
Study Hypotheses.	64
4. RESEARCH METHODS AND PROCEDURES	66
Description of the Recreation Land Market . .	66
Description and Evaluation of the Michigan Land Sales Act of 1972.	88

CHAPTER

Review of Consumer Complaints	90
Readability Analysis of Michigan Land Sales Property Reports.	92
Design, Administration, and Analysis of the "Land Sales Regulations" Questionnaire.	94
Review and Evaluation of Proposed Amendments.	100
5. FINDINGS.	102
Characteristics of the Recreation Land Market in Michigan.	102
Land Subdivision Trends	102
Land Development Registration Under the Michigan Land Sales Act of 1972	109
Analysis of Data from the Land Development and Marketing Questionnaire	114
Analysis of Development Size and Location.	116
Relative Rankings for Land Market Variables	123
Effects of the Michigan Land Sales Act of 1972 on Developers and Consumers.	161
Impact of Consumer Complaints and Their Resolution Through Administrative and Legal Means	161
Complaints Resolved by the Michigan Department of Licensing and Regulation.	161
Complaints Referred to the Michigan Attorney General's Office	178
Results of the Readability Analysis of Property Reports.	182
Effects of Land Sales Regulations on Developers and the Land Development Industry.	186
Developers' Views of Land Sales Regulations	186
Costs of State and Federal Land Sales Registrations	189
State Advertising Approval.	197
Annual Renewal Reports Under the Michigan Land Sales Act	198

CHAPTER

Posting of Financial Security	200
Impacts of Regulations on Amenities or Improvements	201
Locations and Uses Permitted in the Land Developments	202
Review of Proposed Amendments to the Michigan Land Sales Act and Its Accom- panying Regulatory Program.	203
Amendments to the Act	203
Inclusion of greater than 10 acre parcels under the act.	203
Repeal of "court ordered sale" exemptions.	206
Amendments to the Administrative Rules	207
Exemption of small subdivisions offering natural amenities.	207
Administrative exemption procedure.	208
Acceptance of amended federal filings	210
Procedure for de-registration	211
Annual renewal report requirements.	212
Publication of registration forms	213
Revision of property report format.	213
Changes in Administrative Procedures.	214
Registration procedures	214
Dissemination of rule changes and new registration forms.	215
Enforcement of the act.	216
Enforcement of Michigan's Real Estate Licensing Law	217
6. CONCLUSIONS AND RECOMMENDATIONS	219
Suggested Changes in the Michigan Land Sales Act and Regulatory Program.	219
Application of the Research Approach and Methods Used in This Study to the Analysis of Other Land Sales Regulatory Programs	229
Suggested Areas for Additional Research	233

Summary	236
APPENDIX A. MICHIGAN LAND SALES ACT.	237
APPENDIX B. MICHIGAN DEPARTMENT OF LICENSING AND REGULATION DIVISION OF LAND SALES GENERAL RULES.	262
APPENDIX C. LAND DEVELOPMENT AND MARKETING QUESTION- NAIRE AND RELATED CORRESPONDENCE . . .	296
APPENDIX D. SELECTION AND APPLICATION OF READ- ABILITY FORMULAS TO MICHIGAN LAND SALES PROPERTY REPORTS	303
APPENDIX E. QUESTIONNAIRE ON LAND SALES REGULATIONS.	314
LIST OF REFERENCES.	321

LIST OF TABLES

Table

1.	State Land Sales Registration Statutes - Administrative Placement and Jurisdictional Reach.	42
2.	Location Regions for Michigan Counties	68
3.	Number of Subdivisions and Lots Platted in the State of Michigan - 1967-1976	103
4.	Statistics on Subdivisions Platted in Michigan's Upper Peninsula	105
5.	Statistics on Subdivisions Platted in Michigan's Northern Lower Peninsula	106
6.	Statistics on Subdivisions Platted in Michigan's Southern Lower Peninsula	108
7.	Data on In-State and Out of State Land Developments Registered Under the Michigan Land Sales Act of 1972	110
8.	Location of Out of State Developers and Developments Currently Registered Under the Michigan Land Sales Act of 1972.	111
9.	In-State and Out of State Land Developments Registered Under the Michigan Land Sales Act of 1972 by Year and Size	113
10.	Comparison Between Sizes of All Developments Registered Under the Michigan Land Sales Act and Sizes of Registered Developments for Which Questionnaires Were Completed	116
11.	Results of Statistical Tests for Significant Relationships Between Location and Development Size Using SPSS Subprogram "Crosstabs"	118

Table

12.	Results of Statistical Tests for Significant Relationships Between Location and Development Size Using SPSS Subprogram "Crosstabs" - In-State Development Only. . . .	121
13.	Average Rankings of Land Market Variables on the "Land Development and Marketing" Questionnaire.	126
14.	Results of the Analyses of Variance Between the Six Classes of Land Market Variables and Development Size	132
15.	Significant "A Priori Contrasts" Between Responses by Development Size Subgroups for the Six Classes of Land Market Variables	136
16.	Results of the Analyses of Variance Between the Individual Land Market Variables and Development Size	139
17.	Significant "A Priori Contrasts" Between Responses by Development Size Subgroups for the Individual Land Market Variables	145
18.	Results of the Analyses of Variance Between the Six Classes of Land Market Variables and Development Location	150
19.	Significant "A Priori Contrasts" Between Responses by Development Location Subgroups for the Six Classes of Land Market Variables .	153
20.	Results of the Analyses of Variance Between the Individual Land Market Variables and Development Location	156
21.	Significant "A Priori Contrasts" Between Responses by Development Location Subgroups for the Individual Land Market Variables . . .	160
22.	Data on Consumer Complaints Against Developers Under the Michigan Land Sales Act of 1972 for July 1, 1975-June 30, 1976 . .	162

Table

23.	Disposition or Resolution of Consumer Complaints Filed with the Michigan Department of Licensing and Regulation, Land Sales Division - July 1, 1975-June 30, 1976.	169
24.	Data on Consumer Complaints Against Developers Under the Michigan Land Sales Act of 1972 for July 1, 1976-June 30, 1977 . . .	171
25.	Disposition or Resolution of Consumer Complaints Filed with the Michigan Department of Licensing and Regulation, Land Sales Division - July 1, 1976-June 30, 1977.	177
26.	Complaints Referred to the Michigan Attorney General's Office - October 1, 1973-June 30, 1977	179
27.	Education Levels of Michigan Residents 14 Years Old and Older - 1970.	183
28.	Reading Levels for Land Sales Property Reports Sampled.	184
29.	Reading Level for the Original and Revised Property Report Introduction	187
30.	Estimates of Education Levels for Flesch "Reading Ease" Scores	309

LIST OF FIGURES

FIGURE

1. Factors Affecting Costs of Land Development 59
2. Descriptive Model of the Recreation Land Market . . 63

CHAPTER 1

INTRODUCTION TO THE PROBLEM

The Land Sales Industry

Most Americans place a high value on the acquisition of land interests which is enhanced by (1) traditional sentiments and attitudes favoring ownership, (2) the cultural approval of society, and (3) the promotional efforts of groups that develop and sell properties.¹ During the last several years, a widespread and complex market has developed for privately owned recreational and second home properties which include vacant lots, single-family detached leisure homes, and resort condominiums.²

A combination of forces is behind the recent surge in recreation land sales. The most fundamental factor is rising affluence. Added to this are the growing disenchantment with urban living and the availability of more leisure time. Vacations and holidays are longer, life spans are increasing, and many people are retiring earlier. Automobiles and the system of modern highways have made recreation travel easier and less hazardous.

¹Raleigh Barlowe, Land Resource Economics: The Economics of Real Property (Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1972), p. 413.

²Richard L. Ragatz, "Future Demand for Recreational Properties, in Man, Leisure and Wildlands: A Complex Interaction (Springfield, Virginia: National Technical Information Service, 1975), p. 46.

Another major factor which has led to the increasing number of recreation land sales is the rapid appreciation of land values. Ideally, a land purchase enables the consumer to enjoy the use of land and results in appreciation of his or her investment. Ordinary consumer goods normally do not offer these same advantages for investment.¹ Due to this rapid increase in land values in recent years speculation in undeveloped subdivided lots has become quite common. For the nation as a whole, at least six undeveloped recreational lots were sold in 1971 for each home started.²

According to a 1973 task force report sponsored by the Rockefeller Brothers Fund, much of the excess in lot sales over second home starts has resulted from demand artificially created by high-pressure sales practices and misrepresentations. Many purchasers are encouraged to think of lots as speculative investments rather than as building sites.³

Along with the recent surge in subdivided recreational property sales has come an increase in "consumer abuses" by members of the land development and sales industry. A

¹National Association of Attorneys General, Land and Condominium Sales Regulations (Raleigh, North Carolina: Committee on the Office of Attorney General, 1975), p. 1.

²William K. Reilly (ed.), The Use of Land: A Citizens' Policy Guide to Urban Growth (New York: Thomas Y. Crowell Company, 1973), pp. 29 & 275-276.

³Ibid., p. 29.

1975 report by the National Association of Attorneys General identified several types of abuses including the following: (1) showing potential purchasers a lot at a location which bears the number of another lot that is actually located at a less desirable place within the development; (2) separating couples who desire to make a joint purchase and then misrepresenting the fact that one couple or the other wished to purchase a lot alone and not with the other couple; (3) failing to disclose restrictive covenants or deed restrictions placed on the use of the property;¹ (4) failing to disclose that fees in addition to the price of a lot are required for sewer service and main water line service, whether the lot owner wants these services or not; (5) failing to honor requests for rescission of sales contracts within 48 hours from the date of purchase pursuant to the Interstate Land Sales Full Disclosure Act; and (6) transporting potential customers around a development in motor vehicles with two-way radios over which is broadcast false information about the property located in the development to create the impression of sales which have not actually been made.²

The federal government and the legislatures of twenty-four states have responded to increases in consumer abuses

¹ Restrictive covenants may include, but are not limited to, minimum floor space requirements for houses, architectural committee approval of fences or house plans, and minimum setback requirements from lot lines for structures.

² National Association of Attorneys General, p. 5.

by passing and enforcing laws which require developers to fully disclose material facts about their land developments. Ten of these states have statutorily exempted in-state developments from registration requirements.¹ Michigan has gone beyond full disclosure by requiring both in-state and out of state developers to post performance or surety bonds or other types of financial assurances for all promised improvements to undeveloped recreation lots marketed or advertised in Michigan with the Michigan Department of Licensing and Regulation, Land Sales Division, and by monitoring and investigating sales presentations, advertising, instruments of conveyance, and changes in marketing status.²

State Regulation of Land Sales in Michigan

Alleged widespread consumer abuses in Michigan land sales, especially in connection with the tourist-resort boom in the northern portion of the state, led to the passage of the Michigan Land Sales Act of 1972 - Public Act Number 286 of 1972. At the time of passage, the act was held to be "the strongest land sales act in the country" by its chief author, Representative William Brodhead.³

¹National Association of Attorneys General, pp. 7 & 26.

²Michigan, Michigan Land Sales Act of 1972, Public Act Number 286 of 1972.

³David Cooper, "Bill to Curb State Land Sale Abuse Nears Passage," Detroit Free Press, 2 October 1972, p. 9C.

The Michigan Land Sales Act, as amended, requires any individual, trust or corporation engaged in the advertising and/or disposition of undeveloped subdivided lands in Michigan which consist of twenty-five (25) or more lots, parcels, units or interests to register all advertising and property information with the Land Sales Division of the Michigan Department of Licensing and Regulation. This applies to both in-state and out of state developers and salesmen who engage in advertising and/or sales activities in Michigan. In addition to filing a property report and annual status report, the developer must pay registration and advertising processing fees to the Land Sales Division for use in defraying administrative expenses related to the act.

Need for the Study

When legislation is drafted and passed, some legislators and interest groups involved may not always have a clear understanding of how each interest group will be affected. A law may or may not accomplish its primary objective, and in addition may create unintended problems which offset or outweigh some or all of its benefits. After a regulatory program set up by legislation has been in effect for a period of time, sufficient information may be available for use in evaluating both its positive and negative effects on various interest groups. Potentially more effective modifications in the law or administrative program can

also be formulated to reduce negative effects and/or improve positive aspects. This type of feedback is needed to guide future decisions regarding continuation or modification of regulatory programs by the state legislature and/or the administrative agency.

One of the major purposes of the Michigan Land Sales Act is to protect consumers or purchasers from "unfair or deceptive trade practices."¹ However, the act has allegedly created legal and financial problems for land developers, and has allegedly indirectly increased the price of undeveloped lots in the state by increasing the developers' costs.

The Michigan Land Sales Act has been in effect since October 1, 1973. However, a detailed analysis of the act and the accompanying regulatory program has not been conducted up to the time of this study despite the alleged problems associated with the act. Strong interest in a policy analysis was expressed by members of the Michigan Land Association,² a number of individual developers, and the bureau chief in charge of the Land Sales Division of the Michigan Department of Licensing and Regulation.³

¹Michigan, Michigan Land Sales Act of 1972.

²This organization consists of 53 members who are land developers, consultants, and engineers involved in land development and marketing. The Michigan Land Association is affiliated with the American Land Development Association.

³Interview with Silverenia Q. Kanoyton, Bureau Chief, Michigan Department of Licensing and Regulation, Lansing, Michigan, 24 August 1977.

These parties are interested in a policy analysis of the act to identify and describe the positive and negative effects of the act on land developers and consumers, and to identify and recommend any needed changes in the act to reduce negative effects while continuing to provide an equal level of consumer protection. For example, the act can improve and protect the public image of the land sales industry by reducing consumer abuses. However, long delays by the Land Sales Division in processing and approving developers' property reports and advertising materials increase land holding costs incurred by developers. In addition, the Land Sales Division must enforce the act uniformly on all developers that fall under its provisions to avoid giving some developers a competitive advantage over others.

To help minimize bias, a policy analysis of the Michigan Land Sales Act was conducted by a university researcher that had no vested interest in the findings and recommendations. The researcher was funded with a Michigan Agricultural Experiment Station research grant that was not connected with any of the interest groups. However, all of the interest groups affected by the act and accompanying regulatory program fully cooperated with the study by contributing information needed by the researcher. This was critical to completing a thorough investigation and evaluation of the act and the accompanying regulatory program.

Study Objectives

The primary objective of this research study was to investigate the positive and negative effects of the Michigan Land Sales Act of 1972 on land developers and consumers of undeveloped subdivided land that is advertised and/or marketed in Michigan, and to recommend any policy changes needed to offset any negative effects. More specifically, the objectives of this study were:

1. Develop a framework for analyzing the Michigan Land Sales Act of 1972 and apply it to the act in an attempt to identify its positive and negative effects on consumers and land developers that purchase, advertise and/or sell undeveloped subdivided land registered under the act in Michigan.
2. Recommend changes in the Michigan Land Sales Act, administrative rules, and/or regulatory program which should reduce negative effects and/or increase positive effects without reducing the level of consumer protection afforded by the act in its present form.
3. Develop general guidelines for possible application in analyzing and evaluating other state land sales regulatory programs based on the approach used in analyzing the Michigan Land Sales Act of 1972.

CHAPTER 2

LITERATURE REVIEW

An extensive literature search was conducted to identify problems created by the land development and sales industry and laws and regulations which affect it. Specific attention was given to national and state land sales regulations and their effects on consumers and developers. A review of the more pertinent literature is contained in this chapter.

The Recreation Land Market

In general, a change in land use is made when the market price of the land for a new or competing use at least equals the cost of converting that land from the existing use to a new use. The market's major role, except as restrained or controlled by public laws and institutions, is to distribute land among alternative uses through competitive means.¹

With increased affluence and mobility in recent years has come widespread demand for private ownership of recreational properties. A 1973 estimate revealed that about 5.7

¹William A. Huemoeller, Kenneth J. Nicol, Earl O. Heady, and Brent W. Spaulding, Land Use: Ongoing Developments in the North Central Region (Ames, Iowa: Iowa State University, Center for Agricultural and Rural Development, 1976), p. 3.

million households in the United States, or about 8.5 percent of the total, owned one of four types of recreational property: vacant lots purchased only for speculation or investment purposes; vacant recreational lots purchased for the purpose of building future leisure homes; recreational lots occupied by single-family, detached leisure homes; and, resort condominiums. By 1985, the number of recreational properties is expected to reach about 12 million, which means that about fourteen percent of all U. S. households will own such property.¹

The market for recreational properties is complex and subject to major shifts in demand due to economic conditions and institutional and societal changes. Since recreational property is not a basic necessity as is food, clothing, and primary shelter, it is subject to major changes in demand. Obviously, demand will increase much faster during periods of economic expansion than during periods of recession due to differences in disposable income.² Likewise, a largely unregulated market is more likely to have "artificially" high demand conditions for recreational property than a regulated market due to high pressure sales tactics and misrepresentations by developers and land sales personnel. Since the demand for recreational property is highly dependent on disposable income and the image of

¹Ragatz, p. 47.

²Ibid., p. 46.

the land development and sales industry, as is the case with other luxury goods, the recreation land market is more vulnerable to regional and national changes in economic conditions, institutional factors and social perceptions than is the primary housing market.

Land Price Factors

As land evolves from rural agricultural uses to more highly developed uses, its price increases markedly. According to a 1974 study conducted by Real Estate Research Corporation, the following factors in combination largely determine land costs:

1. location - accessibility, neighboring uses, community characteristics;
2. site attributes - size, shape, topography, vegetation, soils;
3. services - utilities, roads, public facilities and services;
4. land use controls - zoning, subdivision regulations, building codes, health department regulations;
5. use potential - type and quality of use, timing, size of market;
6. ownership - willingness to sell, need to subdivide or assemble, and,
7. supply and demand - amount of available land with

specific characteristics relative to the active demand for such land.¹

According to Barlowe, cost considerations along with expected benefits help to dictate the uses for which land resources will be developed and the timing of these developments.² Regardless of whether the developer emphasizes profits or nonmonetary goals, he will not proceed with a land resource development unless he anticipates a gross benefit that equals or exceeds his expected costs.

Higher costs of residential lots have contributed significantly to the upward trend in housing costs in recent years. A 1970 Federal Housing Administration report revealed that the average ratio of site value to total value of single-family homes increased from 12.0% to 21.0% between 1950 and 1970. Most of this increase was due to rising prices associated with the acquisition and development of raw land for building site purposes.³

¹Real Estate Research Corporation, The Costs of Sprawl: Environmental and Economic Costs of Alternative Residential Development Patterns at the Urban Fringe, Prepared for the Council on Environmental Quality, the Office of Policy Development and Research in the Department of Housing and Urban Development, and the Office of Planning and Management in the Environmental Protection Agency (Washington, D. C.: U. S. Government Printing Office, 1974), p. 188.

²Barlowe, 1972.

³U. S. Department of Housing and Urban Development, 1970 HUD Statistical Yearbook (Washington, D. C.: U. S. Government Printing Office, 1971), p. 198.

The increase in the profitability of lot sales during the early 1970s, which sometimes involved markups of 500 to 2,000 percent over raw land prices, led some landholding firms to withhold the sale of land in large tracts to new community developers and homebuilders. Instead, many subdivided their land, advertised it to a mass market, and sold it themselves.¹

A 1976 study prepared for the Council on Environmental Quality revealed the following information about the recreational properties market:

1. As of January 1974, approximately ten million recreational lots had been subdivided in the U. S.
2. Seven states - Florida, Texas, New Mexico, Arizona, California, Colorado, and Pennsylvania - contained about seventy-five percent of the 3.5 million recreational lots registered with the Office of Interstate Land Sales Registration, U. S. Department of Housing and Urban Development, in 1974.
3. Recreational properties are used in three major ways: as speculative investments; for seasonal occupancy; and, for permanent occupancy. Between one-third and one-half of all recreational lots are bought primarily as speculative investments.
4. Speculation in recreational lots tends to be concentrated in unimproved recreational subdivisions.

¹Reilly, p. 283.

Consumers who plan on using their property themselves tend to purchase lots in subdivisions with more improvements and amenities.

5. Recreational subdivisions generally have fewer basic site improvements than conventional, primary home subdivisions. These unimproved recreational subdivisions are, in many cases, resulting in extensive premature subdivision of land (i.e., home-sites are subdivided and sold with no foreseeable demand for residential use).
6. Heavy front-end investments are made in mass marketing and advertising schemes by some land development companies, rather than into the basic site improvements necessary for housing construction and occupancy. Since both the land sales firms and the lot buyers are primarily interested in maximizing returns on their investments, neither has much incentive to improve the land, and often the land sales firm does not even expect to sell all of the lots.
7. Speculative subdivisions preclude alternative land uses and dictate patterns of growth for years to come. They lock up large parcels of land by fragmenting and scattering ownership, making any future reassembly of the land for other uses legally difficult and economically prohibitive.

The social, economic and environmental impacts created by recreational land subdivisions have led to an increasing number of regulations at the local, state and federal levels of government. Land sales regulations have been directed at reducing consumer abuses which are social impacts created by the land sales industry.¹

Land Purchase Arrangements

Barlowe defines a mortgage as "a conveyance of landed property by a borrower (mortgager) to a lender (mortgagee) as security for the payment of a debt, with the provision that the conveyance is to be void if the debt is paid in the manner and period prescribed." Most primary homes in the U. S. are purchased through mortgage arrangements. Under this arrangement, mortgagers retain their properties during the mortgage period; if they default in their payments, they can remain in possession during redemption periods which range up to eighteen months in length while the mortgagee initiates foreclosure proceedings. If a property is foreclosed, the mortgagee has a valid claim only to the outstanding value of his loan plus interest, not to the

¹American Society of Planning Officials, Subdividing Rural America: Impacts of Recreational Lot and Second Home Development, Prepared for the Council on Environmental Quality, the Office of Policy Development and Research in the Department of Housing and Urban Development, and the Appalachian Regional Commission (Washington, D. C.: Government Printing Office, 1976), pp. 5-16.

entire property value.¹ Thus, a mortgage arrangement protects the investment interests of both the mortgager and mortgagee, but causes delays in foreclosure which may be costly to the mortgagee in terms of legal fees and court delays. Mortgages are not commonly given on undeveloped recreational lots unless these lots include some type of dwelling unit.

According to Weimer and Hoyt, land contract or contract for deed arrangements are used in some states to permit purchasers with limited capital to acquire rights to property. These purchase arrangements are installment-loan plans which provide for the payment of the land sale price in installments over a period of time. The givers of land contracts (land purchasers) can gradually build up equity in the property to a specified amount at which they can convert the contracts into mortgages or possibly assume complete ownership. However, as long as purchasers continue under land contract arrangements, title to the property usually remains with the contract holder. In most states, purchasers can easily forfeit their equity and all rights to the property without any need for foreclosure proceedings if they default in payments.²

¹Barlowe, pp. 384-385.

²Arthur M. Weimer and Homer Hoyt, Real Estate (New York: The Roland Press Company, 1966), p. 106.

The land contract method of purchase is used by land sales companies and developers in some states to attract large numbers of buyers who would otherwise be unable to purchase land because of their limited ability to make a large down payment. Terms of sale vary, but a lot purchaser will usually make a down payment on a land contract equal to two to seven percent of the lot purchase price and will agree to pay the balance in monthly installments over a period of seven to ten years. Depending on the usury laws of a particular state, interest rates may exceed twelve percent annually in some states.¹

Land contracts in several states stipulate that if a purchaser defaults on his payments for more than sixty days, the company can terminate the agreement and retain, as "liquidated damages," all previous payments. Due to this type of contract arrangement, land sales companies may not run credit checks on customers. When defaults in payments occur under this type of arrangement, the companies are free to resell the land.²

Land contract arrangements in Michigan differ from those in other states in that:

1. Purchasers can generally take possession of the property and make use of it during the contract

¹Morton C. Paulson, The Great Land Hustle (Chicago: Henry Regnery Company, 1972), p. 10.

²Ibid.

period. Some purchasers even build homes on property being purchased under a land contract.

2. Michigan courts have generally held that purchasers have a right to the loan balance they have repaid on a land contract in cases of default where the amount that has been repaid is one-third to one-half the total amount. In other words, purchasers have rights to their equity in a land contract once they repay one-third to one-half of their loan.¹

According to Anthony Wolff, a significant number of land contract purchasers terminate land contracts, either because they cannot continue to make payments or because after further consideration they decide that they do not want the land. Another disincentive to continuing payments stems from land contract stipulations in some states such as Florida and Arizona that buyers are not to receive possession of lots until all payments are made, and that sellers are not obligated to complete any promised improvements until that time.² This is not a consumer problem in Michigan.

GAC Properties, Incorporated, is a large interstate land sales company that has had significant problems with

¹Interview with Horace Bradshaw, Assistant Director, Land Sales Division, Michigan Department of Licensing and Regulation, Lansing, Michigan, 18 August 1977.

²Anthony Wolff, Unreal Estate (San Francisco, California: Sierra Club, 1973).

defaults on land contracts. This company, which operates in several states, had defaults on land contracts totaling \$94 million or thirty-seven percent of the company's sales in 1970. The company has since attempted to reduce its default rate by requiring higher down payments on lots.¹

Social, Economic, and Environmental Impacts of Land Subdivision

According to Edwin Clark, some strong support for and opposition to leisure home developments and recreational subdivisions are stimulated by their supposed economic and social benefits and costs to an area. Host communities or regions always hope that new developments will bring new riches to the area population. Land sales or development companies usually promote this expectation by "painting pictures" of all the spending that will be done by new land-owners and residents, and new employment which will be created by developments. What actually occurs may be quite different as evidenced by research in regional economics which indicates that a major factor determining impacts of developments on local economies is the ability of the economies to provide services required by the land developments. If a local economy is small to begin with, the impact will also be small since a smaller proportion of the original expenditures will be made in the community, and expenditure

¹Paulson, p. 10.

multipliers will be smaller due to "leakage" out of the region.¹

Many residents of Vermont found that land speculation and second home developments often created more costs than benefits. Speculation in that state drastically increased the "fair market value" of much of the land. Since property tax assessments are set at fifty percent of "fair market value," taxes were drastically increased on much of the property owned by new and existing residents. In addition to higher property taxes, existing residents experienced other social costs in the form of overcrowded highways, schools, and other public facilities. In response to increasing social costs associated with land speculation and development, Vermont passed a strong land-use law in 1970. This law is intended to "guide" growth and assure higher quality land development in that state.²

Based on past experience, Reilly contends that much land now being subdivided into lots for second homes will probably never be used. Lot lines will remain on the record books and titles will become more clouded as years pass. This scenario is supported by the existence of "dead subdivisions" around the United States which were created forty

¹Edwin H. Clark, II, "The Rural Suburb: A Socio-Economic Overview," in Man, Leisure and Wildlands: A Complex Interaction (Springfield, Virginia: National Technical Information Service, 1975), pp. 78-85.

²Robert G. Healy, Land Use and the States (Washington, D. C.: Resources for the Future, Inc., 1976), pp. 36-37.

or fifty years ago by "land developers" and sold to individual "speculators." In some instances, a few scattered lots were built upon which turned these subdivisions into sparsely settled rural slums served by neglected roads and lacking essential public services. Since undeveloped lots are generally too small for agricultural or other non-urban uses, no one bothers to manage or care for them. These subdivisions have transformed open land into vacant, useless lots which may be sold by state or local governments for delinquent taxes.¹

Speculation can lead to waste by taking land out of one productive use before it is ready for another. It can tie up capital for long periods in an unproductive enterprise which costs developers and individual speculators in the form of taxes, interest on borrowed money, and special assessments for public services. Local residents may unwillingly share these costs through increased utility rates and higher overall costs of government. Thus, premature development may temporarily damage a local economy by taking large amounts of land out of productive, income-producing uses such as agriculture and forestry.²

Since early installation of improvements by a subdivider can change his cash flow from positive to negative, most

¹Reilly, 1973.

²Richard M. Yearwood, Land Subdivision Regulation: Policy and Legal Considerations for Urban Planning (New York: Praeger Publishers, 1971), p. 35.

will attempt to get local communities to install as many improvements as possible. Where state or local regulations require substantial land improvements by developers before lots may be offered for sale, some developers have left the business due to more profitable opportunities in other areas or because of inadequate operating capital needed to pay for required improvements.¹

The American Society of Planning Officials has compiled a summary of the social, economic, and environmental impacts of recreational subdivisions. Some of the more important impacts include the following:

1. Social Impacts - New subdivisions often increase crowding and traffic, restrict access to public recreation facilities, and increase demands for water, sewer, and electrical services in communities. As home construction and occupancy in recreational subdivisions occur, traditional rural cultures and lifestyles change since newcomers are generally urbanites with attitudes and lifestyles which are in marked contrast to those found in most rural communities. Consumer victimization in recreational land sales has been a serious national issue for more than ten years, and it remains an important social issue today. During 1973, the peak of the recreational land development boom,

¹Reilly, p. 286.

the Office of Interstate Land Sales Registration in the U. S. Department of Housing and Urban Development received about 750 letters per month from consumers concerning the failure of developers to deliver promised improvements to property, deceptive sales practices, and the poor investment potential of property that they had purchased or considered purchasing.

2. Economic Impacts - Recreational land developments can stimulate local economies through increased tax revenues and developer and consumer spending. However, the net outcome depends on a number of factors, including: the characteristics of the local economy such as its size, economic diversification, and taxation policies; the characteristics of the development including its size, level of improvements, extent of recreational amenities, and the market prices of lots and homes; the extent of home construction and permanent occupancy which occurs in the project; and, the level of sophistication of planning and fiscal management practiced by local governments. Negative fiscal impacts may occur if a development necessitates any major, unexpected capital expenditures by local governments, such as improving an access road to a project, or expanding a sewage treatment plant to

facilitate the development of a new recreational or second home subdivision.

3. Environmental Impacts - Most environmental impacts caused by recreational land developments are no different in kind from those of other conventional subdivisions of similar size, density, and levels of improvement. Their environmental effects may be more serious due to a lack of or inadequacy of basic site improvements and their tendency to be located on sites which are environmentally fragile, of special public concern due to their unique natural features, or in areas which lack the natural capacity necessary to sustain intensive development. Serious environmental damage can occur where initial site design does not include soil erosion and siltation control measures, or basic water supply and sewage disposal systems. Fire dangers may be increased in forested areas as a result of population growth in nearby recreational and second home subdivisions.¹

Land Market Regulation

According to Anthony Wolff, premature and inappropriate subdivisions are so common across the nation that it might seem the land sales industry operates free of restraint or

¹American Society of Planning Officials, pp. 7-10.

regulation. However, many subdividers contend that they operate under the "watchful eyes" of their own industry as well as those of state and federal government. Even with these layers of regulation, Wolff contends that some consumer abuses by subdividers and sales personnel continue.¹

Self-Regulation by the Land Development and Sales Industry

The American Land Development Association is the national business and trade association for the recreation land and planned community development industry. Association membership covers a broad spectrum of interests within the industry, ranging from developers of land to brokers, planners, landscape architects, engineers, attorneys, and suppliers of needed goods and services. Members are located throughout the United States and in Canada, Latin America, and the Caribbean.²

Since the land sales and development industry prefers self-discipline over government regulation, the American Land Development Association has adopted the following code of ethics in an attempt to promote high quality land development:

1. In matters of land development, the public good and benefit is to be a major consideration.

¹Wolff, 1973.

²American Land Development Association, "ALDA Fact Sheet" (Washington, D. C.: American Land Development Association, 1971).

2. Good faith efforts are always to be made to increase land's quality as well as its value.
3. Reasonable efforts are to be made to preserve and protect natural flora and fauna peculiar to a region or locale, where development may be undertaken.
4. Reasonable efforts are to be made to preserve landmarks and structures of unique local, state or national historic interest and value.
5. Design and engineering of development improvements are to take into consideration total environmental enhancement.
6. When at all possible, innovations and new technology, materials, and methods are to be employed in site design and preparation, and in construction, rehabilitation, renovation, and maintenance.
7. In the sale or advertisement for sale of land or improvements, the doctrine of caveat emptor is to be renounced in favor of on-site inspection wherever possible, and in all cases true and factual full disclosure as to condition of title, and nature of the land, restrictions and easements, taxes, assessments, and reasonable representation to the purchaser or lessee regarding the nature, dates for completion and cost to the purchaser or lessee of planned common areas.

8. In the sale or advertisement for sale of land or improvements, fair market value is not to be misstated or misrepresented.
9. In the sale or advertisement for sale of land or improvements, statements of future or potential use and value are to be based on known and ascertainable records of fact and on reasonable projections.
10. In the sale or advertisement for sale of land or improvements, no person is to be denied purchase, or lease, or the opportunity of purchase, or lease because of race, color, creed, religion, or national origin.
11. The members of the American Land Development Association will confer, consult, and cooperate with national, state, and local governments, associations of architects, contractors, engineers and similar groups related to the industry, labor unions, and private and non-profit agencies and organizations in a determined effort to upgrade the land development industry and serve the needs of land developers, individual purchasers, the community, and the nation.¹

Even if this code of ethics is intended to have more than public relations value, trade associations, such as the

¹American Land Development Association, 1971.

American Land Development Association, lack effective enforcement procedures or powers.

Government Regulations

Local Regulations

The three levels of government - local, state and federal - have laws and ordinances which affect the acquisition of real property, registration of land titles, leasing arrangements, and mortgages. The major responsibility for controlling the location and substantive quality of land development rests with local government (municipal, county, and township) through the exercise of the "police power" to protect the health, safety, welfare and morals of the community. Police power functions may include the enactment and enforcement of zoning ordinances, building codes, health and sanitary codes, fire and police protection, and health and educational services. However, the American Society of Planning Officials contends that, on the whole, local governments have not been effective in exercising their "police power" responsibility to control recreational land development for several reasons:

1. Recreation land development pressures have been greatest in rural areas where local land use controls have historically been the weakest.
2. Many local governments had no zoning or subdivision regulations at all when the recreational land development boom hit in the mid-1960s. As a result,

hundreds of recreational subdivisions have been platted and sold across the country without being subject to any public development standards or review.

3. Most local land use controls in rural communities were never designed to regulate large scale development and are inadequate to do the job.
4. Administration and enforcement of land use controls in remote rural areas are often weak. Professional staff personnel are scarce and budgets are small.
5. Many local communities failed to anticipate the scale or density of encroaching recreational land development until too late to respond effectively. Others have resisted land use controls until development impacts have reached crisis proportions forcing them into action.¹

Land resources are affected by the collection and spending of taxes by government to provide facilities and services to community residents. The economic value of a piece of property equals the sum of its future rents discounted back to the present.² Since land owners tend to capitalize taxes at the time they are imposed, which means that they subtract the amounts of future taxes from future

¹American Society of Planning Officials, p. 11.

²Barlowe, p. 584.

land rents and discount the net amounts back to the present to obtain "net present value" or the "market value" of the land, a larger tax burden will reduce the land's market value. Some shifting of the incidence of property taxes from buyers to sellers of land takes place as a result of tax capitalization.¹

Through exercising their proprietary powers, local governments can affect the value of land parcels. For example, the acquisition and development of park land and open space, and the planning and development of industrial parks can affect the value of adjacent or nearby land parcels. The extension of services, such as water and sewer lines or streets and sidewalks, can encourage the development of a parcel of land for more intensive uses of higher economic value.

Fred Bosselman and David Callies contend that:

Any system of land regulation imposes substantial costs. These include not only the costs borne by the taxpayers who pay the administrators' salaries and expenses, but the costs borne by developers and eventually passed on to the consumer. Time is a particularly important cost to most land developers because heavy front-end expenses are usually paid with money borrowed at relatively high interest rates which makes each additional day of delay a significant factor in increasing the cost [of development].²

These increased costs may be passed on to the consumer, or

¹Weimer et al., p. 89.

²Fred Bosselman and David Callies, The Quiet Revolution in Land Use Control (Washington, D. C.: Council on Environmental Quality, 1972), p. 319.

the developer may have to absorb them and take a chance on reducing his or her cash flow below the costs of development. In general, the ability to pass on costs is highly dependent on the elasticity of demand for different types of land.

Federal Regulations

Society has an inherent interest in all arrangements involving ownership and use of land. According to Barlowe, this social interest exists because of (1) the original role society plays in granting, recognizing and protecting property rights; (2) the economic and social significance of property in daily living; and, (3) the overall responsibility society has for maximizing social returns both now and in the future. Therefore, if the land sales industry cannot effectively regulate its members to protect interests of consumers and society, it seems reasonable to expect the state and federal governments to regulate the industry and its market to protect citizens from deceptive land sales practices and land from inappropriate subdivision. However, legislatures and regulatory agencies must be careful not to view the entire land development industry as a common enemy of consumers and environmentalists, since this may lead to over-regulation which may unnecessarily increase developers' costs and prices paid by consumers. They must carefully "balance" the rights and interests of the various groups to devise politically

and legally acceptable and effective regulations.

The Office of Interstate Land Sales Registration (OILSR) was established in August 1969 within the U. S. Department of Housing and Urban Development to administer the Interstate Land Sales Full Disclosure Act of 1968. Under this act, companies offering fifty or more unimproved lots for sale or lease through the mail or by other means of interstate commerce under a common promotional sales plan must file a "statement of record" with OILSR and provide all prospective buyers with a "property report."¹ The information required in the federal property report includes:

1. a general description of the property being offered for sale;
2. distances to nearby communities over paved or unpaved roads;
3. any mortgages or liens on the property;
4. whether contract payments are placed in escrow or a special fund set aside to insure that all payments are applied to purchase the property;
5. existing and proposed utility services and their costs;
6. availability of water and sewer services or wells and septic tanks;

¹Interstate Land Sales Full Disclosure Act of 1968, Public Law 90-448, Statutes at Large 82 (1968).

7. number of occupied houses presently in place;
8. existing or planned recreational facilities;
9. availability of schools, medical facilities, shopping and public transportation;
10. soil and foundation conditions which could cause problems in construction or in using septic tanks;
11. drainage and/or landfill necessary for construction;
12. accessibility to lots by road;
13. existence of adequate markets to permit buyers to locate their property; and,
14. type of title buyers will receive and when they will receive it.¹

Even with this information, Anthony Wolff contends that the average buyer will remain relatively uninformed about the described property because much of the information is presented in a technical form which is difficult for even educated laymen to understand.²

In addition to requiring preparation of property reports, the Interstate Land Sales Full Disclosure Act requires the developer to file a "statement of record" with the Office of Interstate Land Sales Registration. This is a highly detailed document containing specific company information concerning:

¹Interstate Land Sales Full Disclosure Act of 1968.

²Wolff, 1973.

1. ownership interest in land;
2. specific physical project information such as topography and climate;
3. status of title to the land and details on any encumbrances, deed restrictions, or covenants to which the land might be subject;
4. current status of project development such as roads, utilities, and internal or neighboring facilities such as shopping centers and schools, recreational facilities and municipal services;
5. current taxes and copies of audited and certified financial statements of the developer for the last full fiscal year as well as means of financing proposed land improvements.¹

The "statement of record" serves as an annual update to the original filing made by the developer. Property reports and statements of record are intended to force the developers to fully disclose all material facts about their land developments.

In order to encourage sellers to expose all buyers to information contained in the property reports, the Interstate Land Sales Full Disclosure Act provides that buyers may void purchase contracts at any time by simply notifying the seller if they were not given copies of property reports. Furthermore, if reports are given to buyers less

¹American Society of Planning Officials, p. 115.

than forty-eight hours before signing purchase contracts, as may occur in high-pressure now-or-never land sales, buyers have forty-eight hours to reconsider their decisions and rescind the contract. However, such protection does not extend to buyers who purchase lots during or after a personal visit to the development, or to those who sign a waiver of their rescission rights.¹

The Office of Interstate Land Sales Registration regulations implementing the Interstate Land Sales Full Disclosure Act have been revised several times since the original passage of the act. Key revisions include the following requirements:

1. Developers must give buyers an audited financial statement of the company in any case where its sales exceed three hundred lots or \$500,000.
2. Developers must disclose past or pending "disciplinary proceedings, bankruptcies or litigation" involving the company or principal officers in the property report if these could affect buyers. These disclosures must include indictments or convictions related to land sales.
3. There must be detailed reports on environmental factors including "unusual" noises, flooding conditions, and odors from "noxious smoke, chemical fumes, stagnant ponds, slaughter houses and sewage

¹Wolff, pp. 258-259.

treatment facilities."

4. Developers must say whether or not they are legally and financially obligated to make promised improvements, such as the installation of clubhouses and swimming pools. They must also disclose the availability of sewage facilities, telephone services, and electric services.
5. Advertisements must advise buyers to obtain property reports and must state whether pictured improvements actually exist or are "merely promised." Advertisers cannot say a development is "minutes away" from somewhere unless mileage measured via roads accessible by car is also given.
6. Advertisements must disclose whether pictured scenes actually exist on the land being offered or whether pictures were taken elsewhere. On the front page of property reports must be overprinted in red capital letters: "PURCHASERS SHOULD READ THIS DOCUMENT BEFORE SIGNING ANYTHING."¹

These revisions together with provisions of the original regulations should disclose the basic material facts about recreation and second home subdivisions which are needed by prospective purchasers in making informed decisions regarding land purchase, thus avoiding many abuses that stemmed from a lack of information in the past.

¹American Society of Planning Officials, p. 116.

Under the federal land sales act, the Office of Interstate Land Sales Registration is authorized to bring actions in any U. S. district court to enjoin practices by developers or sales personnel which violate the act or regulations, such as the sale of unregistered land, improper disclosure in property reports, or deceptive sales practices. The Office of Interstate Land Sales Registration has authority to transmit to the U. S. Attorney General evidence concerning illegal acts or practices so that criminal proceedings can be initiated. Willful violations of the act are punishable, upon conviction, by fines of up to \$5,000 and/or imprisonment of up to five years. In addition, the Office of Interstate Land Sales Registration can institute formal administrative proceedings which can lead to suspension of a developer's right to sell land covered under the Interstate Land Sales Full Disclosure Act. Despite these legal requirements and prescribed penalties for violations, noncompliance is still common according to Alan Happeler, former Assistant Deputy Administrator of the Office of Interstate Land Sales Registration.¹

Some consumer groups and environmentalists would like to see the federal government become more involved in the regulation of interstate land sales. For example, a task force on land use which was sponsored by the Rockefeller Brothers Fund recommended that sellers of unimproved lots

¹American Society of Planning Officials, pp. 116-117.

covered by federal land sales regulations be required to give each purchaser a written warranty to guarantee that each lot sold will, for one year after the date on which the contract obligates the seller to complete all improvements, be fit for construction of a dwelling or any commercial or industrial use specified in the sales contract. According to the task force report, fitness for use should be defined by statute or regulation to include suitable water supply, availability of lawful sewage disposal facilities, and safety elements such as assurances that lots are not subject to flooding.¹

According to the Rockefeller Brothers Fund task force report, the federal government should pass legislation which would require all interstate land sales companies to deposit a portion of each lot buyer's payments in an escrow account until the seller has fulfilled all his obligations to buyers. If improvements are not made, escrow money could be applied to construction costs. The task force report further recommends that the Interstate Land Sales Full Disclosure Act be amended to give buyers of lots a nonwaivable cooling-off period of thirty days instead of the present forty-eight hours which does not, in the opinion of task force members, adequately protect buyers from high-pressure salesmanship.²

¹Reilly, p. 31.

²Ibid., pp. 30-31.

Despite some alleged shortcomings of current federal requirements, the Interstate Land Sales Full Disclosure Act and accompanying Office of Interstate Land Sales Registration regulations are providing prospective interstate land buyers with information needed to make more informed purchase decisions. However, Wolff contends that:

Even the most ambitious consumer laws may prove unable to protect people from their own blind lust for an iota of the American landscape, their own readiness to lunge for the merest shadow of a dream. At least in a technical sense, most lot sales can be considered transactions between willing sellers and willing buyers, and there are moral as well as constitutional hazards involved in trying too closely to monitor human nature on either side.¹

Federal laws and regulations designed to protect recreational land consumers from fraud must rely heavily on consumers for enforcement. Legislators assume that consumers can and will use available property report information to make intelligent and rational purchase decisions, but this is not always the case. Government can only go so far in regulating land sales practices without forcing developers out of business; the remainder of the task of protection is up to individual consumers.

U. S. Department of Housing and Urban Development officials have emphasized that most consumer abuses could be prevented if prospective land buyers took the following precautions:

¹Wolff, 1973.

1. Never buy land sight unseen.
2. Avoid being hurried in reaching a decision to buy or not to buy, regardless of the circumstances.
3. Insist on a "property report" and study it carefully.
4. Do not sign a statement that the property report has been read and understood unless it has in fact been read and understood.
5. Never sign a contract for land without competent legal advice, preferably from a person's own lawyer.
6. Do not accept verbal promises concerning land to be purchased. Promises should be made in writing by a responsible official of the company.
7. When a development is visited, other real estate brokers in the area should be consulted to get an idea of land values in the area and potential for lot resale.¹

Thus, consumer education by government can be effective in reducing land sales abuses just as can the enforcement of land sales regulations.

State Regulations

Recreational land sales consumer protection is considered an important responsibility of state government in

¹Joel Heath, "Land Sales Abuses," Consumer Bulletin (April 1973), p. 13.

many states. As of May 1973, twenty-four states had adopted state land sales statutes (see Table 1) and another seventeen had implemented some form of registration requirements for land sales offerings with local or substate regional units of government.¹

Most state land sales laws are modeled after the Interstate Land Sales Full Disclosure Act, but differ in two major respects. First, many states' laws differentiate between projects located in-state (regardless of where land is sold) and projects located out of state (i.e., those located outside of the regulating state but marketing land to in-state residents). Registration requirements are usually "tougher" on out of state developments than on in-state projects. Second, several state acts go beyond the limited intent of full disclosure of material facts by including requirements which affect the quality of development, primarily through bonding requirements which guarantee that promised improvements will be completed.²

Requirements of land sales laws vary from state to state. All but two states - Maine and South Dakota - require property reports to be given to prospective buyers. Most laws include provisions for rights of rescission, several of which are longer than the federal cooling-off

¹National Association of Attorneys General, pp. 27-28; American Society of Planning Officials, p. 113.

²National Association of Attorneys General, pp. 21-32.

TABLE 1
STATE LAND SALES REGISTRATION STATUTES - ADMINISTRATIVE
PLACEMENT AND JURISDICTIONAL REACH

Jurisdiction	Administrative Agency	Application to In-State and Out of State Land
Alabama	No relevant statute.	-----
Alaska	Department of Commerce	Out of state
Arizona	Real Estate Commission, Department of Real Estate	In-state lands with less than 36 acre parcels 42
Arkansas	No relevant statute.	-----
California	Department of Real Estate	In-state and out of state
Colorado	Real Estate Commission	In-state and out of state
Connecticut	Real Estate Commission	Out of state
Delaware	No relevant statute.	-----
Florida	Division of Florida Land Sales of Department of Business Regu- lation	In-state and out of state

TABLE 1 (cont'd.)

Jurisdiction	Administrative Agency	Application to In-State and Out of State Land
Georgia	Secretary of State, Securities Commissioner	In-state and out of state
Guam	No relevant statute	-----
Hawaii	Director of Regulatory Agencies	In-state and out of state
Idaho	Real Estate Commission	Out of state
Illinois	Department of Registration and Education	Out of state
Indiana	No relevant statute.	-----
Iowa	Attorney General and Real Estate Commission	Out of state
Kansas	Securities Commission	Out of state
Kentucky	No relevant statute.	-----
Louisiana	No relevant statute.	-----
Maine	No relevant statute.	-----
Maryland	No relevant statute.	-----

TABLE 1 (cont'd.)

Jurisdiction	Administrative Agency	Application to In-State and Out of State Land
Massachusetts	No relevant statute.	-----
Michigan	Department of Licensing and Regulation, Land Sales Division	In-state and out of state
Minnesota	Commissioner of Securities	In-state and out of state
Mississippi	No relevant statute.	-----
Missouri	No relevant statute.	-----
Montana	Board of Real Estate and Department of Professional & Occupational Licensing	Out of state
Nebraska	Real Estate Commission	Out of state
Nevada	Real Estate Division, Department of Commerce	In-state and out of state
New Hampshire	Attorney General	In-state and out of state
New Jersey	Division of Housing and Urban Renewal, State Department of Community Affairs	In-state and out of state

TABLE 1 (cont'd.)

Jurisdiction	Administrative Agency	Application to In-State and Out of State Land
New Mexico	No relevant statute.	-----
New York	Department of State	Out of state
North Carolina	No relevant statute.	-----
North Dakota	Real Estate Commission	Out of state
Ohio	No relevant statute.	-----
Oklahoma	No relevant statute.	-----
Oregon	No relevant statute.	-----
Pennsylvania	No relevant statute.	-----
Puerto Rico	No relevant statute.	-----
Rhode Island	No relevant statute.	-----
Samoa	No relevant statute.	-----
South Carolina	Real Estate Commission	Out of state
South Dakota	No relevant statute.	-----
Tennessee	No relevant statute.	-----

TABLE 1 (cont'd.)

Jurisdiction	Administrative Agency	Application to In-State and Out of State Land
Texas	No relevant statute.	-----
Utah	Real Estate Division of Department of Regulation	In-state and out of state
Vermont	No relevant statute.	-----
Virgin Islands	No relevant statute.	-----
Virginia	No relevant statute.	-----
Washington	Director of Department of Motor Vehicles	In-state and out of state
West Virginia	No relevant statute.	-----
Wisconsin	No relevant statute.	-----
Wyoming	No relevant statute.	-----

SOURCE: National Association of Attorneys General, Land and Condominium Sales Regulation (Raleigh, North Carolina: Committee on the Office of Attorney General, 1975), pp. 27-28.

NOTE: This table includes only those states having land sales statutes administered by state government. Those having statutes administered by local or substate regional units of government have not been included.

period of forty-eight hours. Twelve states require registration of all subdivisions containing five or more lots.

In most states, developers are required to register with a state agency. However, New Mexico requires registration with the counties, and six states - Alabama, Maine, North Carolina, Pennsylvania, Tennessee, and Wisconsin - give administrative responsibilities for registrations to planning regions or local governments. Where registration responsibilities are administered by political subdivisions of a state, registration requirements must be formulated by each governmental entity in most instances.¹ Based on this information, it can be seen that requirements may vary within these states and may be confusing to consumers as well as subdividers and developers. Where local officials want to attract recreational land developments, requirements may be made more lenient for the purpose of giving their local areas a comparative advantage over other areas within the same state.

There is little doubt that some state land sales laws have reduced the rate at which land is being subdivided, particularly within states with stringent requirements. After four years with state land use controls in Vermont, Healy concludes that these controls have probably resulted in far less growth than would have otherwise occurred.²

¹American Society of Planning Officials, p. 113.

²Healy, 1976.

California's tough out of state land sales law has forced many land developers to ignore the markets that exist there.

According to Morton Paulson:

[M]any of the largest land companies, including GAC Corporation and Horizon Corporation, have not met California's requirements and are not permitted to sell there. From September 1963 until [1972], the state did not authorize sales in California of any subdivided land located in Florida.¹

Like most state land sales acts which make distinctions between in-state and out of state subdivisions, the California law is not as tough on in-state developers according to Anthony Wolff.²

New York's land sales law has been highly acclaimed for its success in protecting residents of that state from consumer fraud in land sales. Since 1969, the office of New York's Attorney General has been responsible for the return of about "\$7 million in restitution for victimized land buyers." According to Paulson, many offerings that have been approved by the Office of Interstate Land Sales Registration have been banned in New York by the state.³

State land sales regulations as a whole comprise a fragmented maze of widely varying requirements offering consumers different degrees of protection from land sales fraud. However, little evaluative research into the

¹Paulson, 1972.

²Wolff, 1973.

³Paulson, 1972.

effectiveness of state land sales regulatory programs in protecting consumers has been conducted to date. Furthermore, there is a need for research into the effects of these programs on recreational land developers and the recreational land sales industry. Information from these types of research is needed by government legislators and administrative officials in evaluating their land sales regulatory programs.

Land Sales Regulation in Michigan

In 1974, ten states contained almost two-thirds (65%) of all recreational subdivisions filed with the Office of Interstate Land Sales Registration. Michigan was one of these states with a total of thirty-six subdivisions that contained lots offered for sale in interstate commerce.¹ In addition to meeting federal full disclosure requirements under the Interstate Land Sales Full Disclosure Act of 1968, developers and subdividers of land without dwellings must comply with the provisions of the Michigan Land Sales Act of 1972.

Prior to October 1, 1973, the effective date of the Michigan Land Sales Act, consumer protection from unfair or deceptive land sales practices by out of state developers was offered through statutes on fraud and false advertising. In the opinion of some state officials, these statutes

¹American Society of Planning Officials, pp. 19-20.

failed to adequately protect consumers from land sales abuses, which led to the passage of the Michigan Land Sales Act of 1972.

Registration of both in-state and out of state subdivided lands and out of state condominiums is required for those developers wishing to advertise and/or sell in Michigan. Much like the Interstate Land Sales Full Disclosure Act, the Michigan Land Sales Act of 1972 requires a detailed statement of record and property report to be filed with the Land Sales Division of the Michigan Department of Licensing and Regulation. In addition, the act includes the following provisions:

1. Options to purchase land may not be used prior to registration with the state. This applies only to Michigan developments. Subdivisions formerly had been allowed to use options under the Michigan Subdivision Control Act of 1967, but are now precluded from doing so.
2. The law covers offerings of 25 or more lots, parcels, units or interests including condominium and time-share units if offered as part of a common promotional plan regardless of the size of the lots.
3. There is an exemption for offerings where there is a legal obligation on the part of the seller to construct a dwelling unit or other specified types of buildings within two years of the date of

disposition.

4. There is a five-day rescission period which is unconditional and cannot be waived. There is also a right to rescind for failure to deliver or late delivery of the property report to the purchaser. The statute of limitations for both rescission rights cannot be waived and is now limited to five years.
5. If there is a blanket financial encumbrance affecting the title to the subdivision or development, it is subordinated to the rights of the contract purchasers, and the developer must be able to secure releases from the blanket encumbrance for lots sold to individual purchasers. The release clauses must provide for the unconditional release of the encumbrance from the title of a lot when an individual purchaser complies with all of the terms and conditions of the purchase agreement.
6. The developer's financial statement to date of 90 days of filing must be submitted with the statement of record. There is no requirement that it be audited.
7. Promised improvements must be substantially completed or guaranteed by irrevocable bank letter of credit, bond, or similar financial security posted with a public authority or financial institution

which is acceptable to the Department of Licensing and Regulation. If the developer so wishes, an escrow account can be arranged with the approval of the Director of the Land Sales Division.¹

All advertising must be submitted to the agency prior to its distribution or use in the state. The Land Sales Division has 60 days to approve advertising submitted with the application for registration. In cases where advertising is submitted after the registration application has been approved, the division has 15 days from the receipt of the advertising for review. If no action is taken during the 15 days, the advertising is deemed approved.

The Land Sales Division has the right to make on-site inspections of all developments prior to registration. The division also has the right to make subsequent inspections as deemed necessary and the cost of all inspections must be paid by the developer.

The registration fee which must accompany the documents submitted for filing is \$250 plus \$1 for each lot, parcel, unit or interest included in the application. The registration fee for a consolidation (an additional subdivision or subdivisions within a registered development) is \$200 plus \$1 for each lot. The annual renewal fee for each registration and/or consolidation is \$100 plus 25 cents for

¹See Appendix A for a copy of the Michigan Land Sales Act of 1972.

each lot. The advertising submission fee is \$15 for each submission not included in the original registration or consolidation, except that a fee for a classified ad of two column inches or less is 25 cents.

Extensive information and guidelines are included in the rules and regulations which were promulgated by the Land Sales Division in August 1973 (see Appendix B). A knowing and willful violation of many of the provisions of the act or administrative rules can result in a felony conviction and imprisonment for 10 years and/or a fine of not more than \$25,000. Contractual liability is specifically established under the Michigan Land Sales Act and grants the purchaser the right to recover the consideration paid with interest at six percent per year, property taxes paid, court costs, and reasonable attorneys' fees. Liability to the purchaser is now limited to six years. Such liability extends to every general partner, officer or director of a subdivider and every employee who materially aids in the disposition of the property which is found to be in violation of the law. A principal may not sell more than 5 lots of his own land without becoming licensed as a real estate broker. Rule 48 of the Michigan Real Estate License Law defines the characteristics of real estate sales as a principal vocation.

Under the amendments to the Michigan Land Sales Act which became effective on January 3, 1974, mobile home

parks and campgrounds located in Michigan are exempt from the act provided that they have been developed pursuant to the Michigan Mobile Home Park Act and the Michigan Campground Act, but must be licensed by the state before they can be exempted. Out of state mobile home parks and campgrounds are still covered by the Michigan Land Sales Act.

On March 22, 1976, the Michigan Attorney General issued an opinion to the Director of the Land Sales Division, Michigan Department of Licensing and Regulation, holding that non-fee time sharing of dwelling units and either fee or non-fee time sharing of campsites was subject to the Michigan Land Sales Act. The opinion relied upon the definition of a "subdivision" as found in Section 2(n) of the act:

"Subdivision" and "subdivided land" means any land, wherever located, improved or unimproved, which is divided, or proposed to be divided for the purpose of disposition into 25 or more lots, parcels, units or interests, and includes any portion thereof.
(Emphasis supplied.)

The opinion held that the only applicable exemption from the act was for "disposition of a lot, parcel or unit upon which sits a dwelling unit." This exemption would not apply to any non-fee offering of a time-shared dwelling unit since "conveyance of the actual physical property is the only circumstance specified . . . to be an exempt disposition, so long as the physical piece of property (denoted lot, parcel or unit) has upon it a dwelling unit."

Certain time sharing offerings may be subject to the registration requirements of the Michigan Securities Act

based on a declaratory ruling issued by the Department of Commerce on March 15, 1976, In the Matter of Vacation Internationale, Ltd. The ruling held the Vacation Internationale time-sharing offering to be a "security" since it met both the "investment contract" test and the "risk capital" test.

There has been some indication that compliance with the Michigan Land Sales Act is causing substantial increases in the average price of undeveloped lots in the state and is creating financial hardships for many developers due to delays in completing development plans and reduced sales caused by higher consumer prices. A similar situation occurred in Florida after that state enacted tough land sales legislation.¹ Research results on the effects of land sales regulations on consumers and developers of undeveloped recreational land in Michigan should be useful to government decision makers in reassessing the need for and effectiveness of the state land sales regulatory program.

¹"Florida Developers Fall Out of Favor," Business Week, September 9, 1972, p. 68.

CHAPTER 3

MODELS AND HYPOTHESES

Recreation Land Market Model

The market for undeveloped subdivided recreational land in Michigan is a highly interdependent system with interactions between a number of different types of interest groups which ultimately shape the set of opportunities for land development and sale. There are basically five types of interest groups concerned with undeveloped subdivided recreation land in Michigan: government at the federal, state, local and regional levels;¹ land developers and builders; consumers; owners of raw land; and environmentalists. Each interest group interacts with some or all of the other groups to directly or indirectly affect the land market. The interactions between interest groups and their relationships are determined by sets of rights, obligations and privileges established by government. Since these rights, obligations and privileges can change over time along with the views and preferences of the members of the interest groups, the recreation land market is a transient system

¹The influence of regional units of government (i.e., councils of government and regional planning commissions) on land use has been growing in Michigan in recent years, particularly in the Upper Peninsula and the Northern Lower Peninsula. Regional government in this study is considered a form of local government as is municipal, township, and county government.

which changes with time. A more detailed description of the recreation land market system and its operation was helpful in delineating the model that was used in this study. However, this study was only concerned with consumers and land developers, since they are directly impacted by the Michigan Land Sales Act of 1972.

Barlowe contends that man develops and uses land resources primarily because of the products and satisfactions they provide.¹ In the case of the recreation land market, the product may vary from a small undeveloped lot with no improvements or amenities to a large rural or suburban lot with all improvements and elaborate recreational facilities and amenities. However, the overall product of the recreation land market is a set of satisfactions for consumers, developers and government which must be consistent with the expectations of each.

Land developers commit capital, labor and management resources to land development to make profits which are their satisfactions and their motivation for developing land. Generally, land is developed or used when the market price reaches a point that at least equals the cost of converting that land from a prior use to a new use.² Therefore, if developers view an "opportunity" to develop raw land as potentially lacking an acceptable level of profit,

¹Barlowe, 1972.

²Huemoeller et al., p. 3.

they will generally not engage in development.

Several factors affect recreational land developers' costs and ultimately their profits (see Figure 1). These factors affect the land market system by helping to shape the opportunities or lack of opportunities for recreational land development. If developers are to remain in business, they must keep the total cost of their product (i.e., the undeveloped lots and accompanying improvements and amenities, if any) within the willingness and ability to pay range of potential consumers. Therefore, the developers must be able to produce a "marketable" product to remain in business.

One approach that developers can take to minimizing or reducing costs and thus minimizing the price of recreational land, which should make it more marketable, is to minimize "holding costs." Barlowe defines "holding costs" as those costs that arise between the time of the developer's first outlay of capital and labor and the time when he can liquidate his investment.¹ Two principal types of holding costs are (1) allowances for interest payments on an investment, and (2) allowances for taxes that must be paid during the development and normal sales period. Each additional day of delay between initial outlay and final liquidation, for whatever reason, will increase developers' costs and their need to increase land prices to consumers in order to maintain what developers consider to be an acceptable level of

¹Barlowe, 1972.

Costs of Raw Land and Improvements

Raw land costs (affected by existing improvements, location, competition between uses, and willingness of owners to sell)

Costs of improvements (utilities, roads, recreation facilities, etc.)

Factors Directly Related to the National Economy

Inflation rate

Lending or interest rate on borrowed money

Disposable income level

Costs of Complying with Local Governments' Ordinances and Regulations

Zoning restrictions

Building codes

Health and sanitary codes

Costs of Complying with State Governments' Laws and Regulations

Platting and subdivision regulations (administered by the state in conjunction with local governments in Michigan)

Environmental regulations and restrictions

Land sales regulations

Costs of Complying with the Federal Government's Laws and Regulations

Environmental regulations and permit requirements

Land sales regulations

Costs of Holding and Marketing Developed Land

Property taxes on unsold lots or parcels

Interest payments on borrowed money

Advertising and promotional costs

Sales commissions and office overhead

Suitability of a Land Parcel for a Particular Type of Use

Size

Soils

Shape

Vegetation

Topography

Drainage

FIGURE 1. FACTORS AFFECTING COSTS OF LAND DEVELOPMENT

profit.

Government at all three levels plays several roles in the recreation land market which are centered around taxation, regulation and protection of rights. Property taxes affect developers' holding costs, the market value of land, and consumers' abilities to purchase land from developers. Legal action controlling the transfer of land among uses can regulate the supply of land for particular types of uses. The major legal mechanism that controls the supply of land for various uses is local zoning which exists in most urban areas and in some rural areas. In general, the objective of these regulations is to prevent the indiscriminate transfer of land uses in a manner that will have strong negative effects on the uses of adjacent lands. Controlling shifts in use reduces the potential supply of land for any particular zoned use.¹ However, many recreational subdivisions are not affected by zoning and other local land use controls, since they lie in unregulated rural areas.

Other government regulations designed to protect the health, safety, welfare and morals of a community or state, which are "police power" regulations that include health and sanitary codes and consumer protection programs such as land sales regulations, can affect land development costs. Time delays in approving licenses and permits may add significant holding costs to a land development project. For

¹Huemoeller et al., p. 4.

example, a recently published nationwide study of regulatory time delays and their influence on the housing industry indicated that the price of a house increases 1% to 2% for each additional month needed to complete a project.¹ Therefore, government plays a key role in shaping developers' opportunities to acquire, develop and market recreation and second home land.

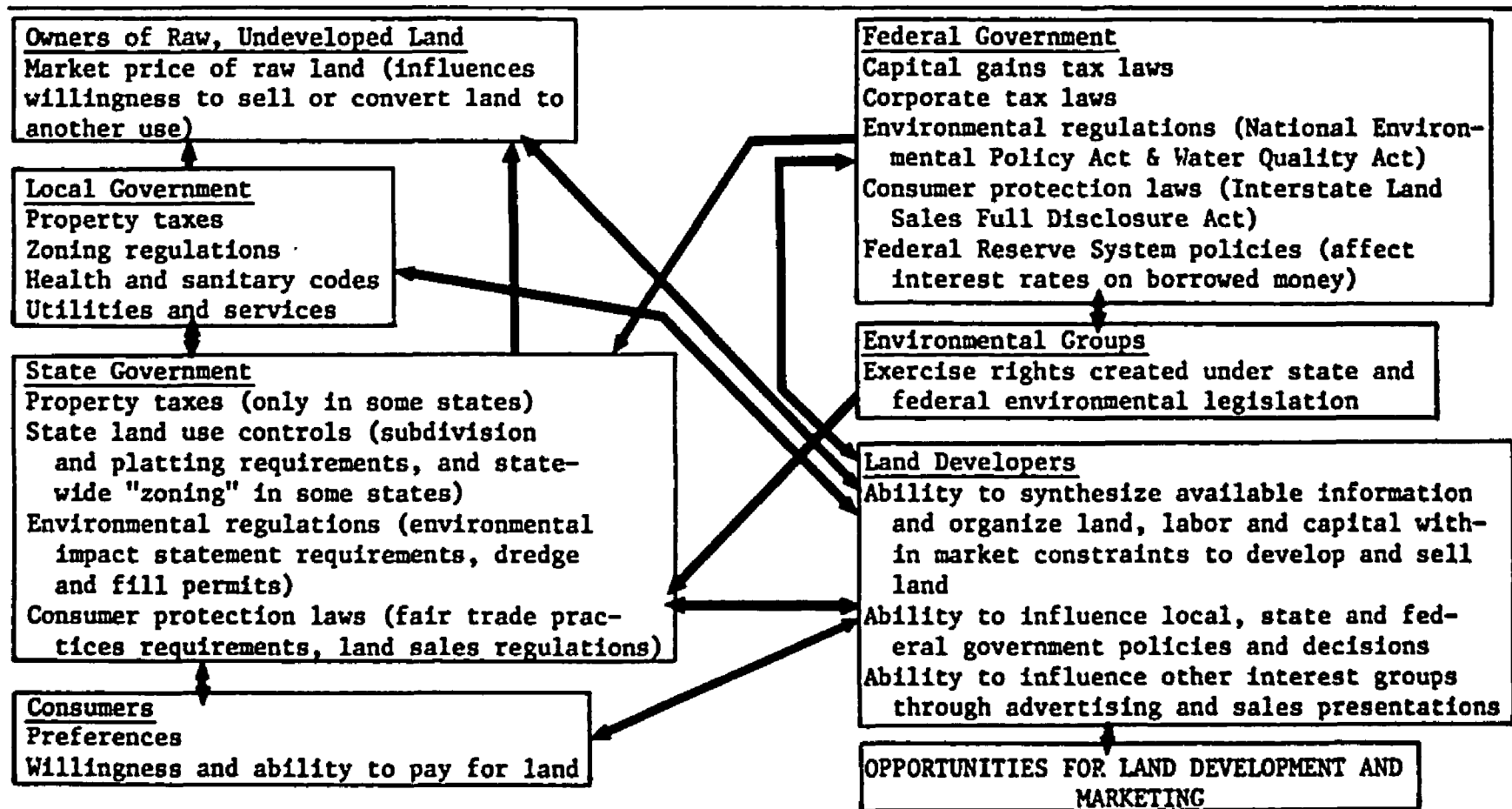
According to a 1976 land use study conducted by Iowa State University, conservation and environmental concerns may affect the supply of land for a particular use. If a parcel of land no longer possesses the characteristics needed in its past use category after complying with conservation or environmental regulations, the effective supply of land for a particular type of use is reduced by a corresponding amount.² Environmentalists, through legislation such as the National Environmental Policy Act of 1969 and the Michigan Environmental Protection Act of 1970, can cause delays in land development projects that "significantly affect the quality of the environment" and involve government permits or guaranteed loans. Delays which result from the preparation of environmental impact statements and approval of related permits will result in increased holding costs and higher land prices for consumers.

¹James Carberry, "Boon or Bottleneck? Home Builders Assert Governmental Rules Raise Prices Needlessly," Wall Street Journal, 10 July 1978.

²Huemoeller et al., p. 4.

Consumers are the ultimate decision makers in the recreational land market. A parcel of land must fit a consumer's expectations and must be priced within his or her willingness and ability to pay. If these basic criteria are not met by land developers within the constraints of the market system already discussed, demand for recreation and second home land will be diminished.

This study was concerned with one government regulation, the Michigan Land Sales Act of 1972, and how it has impacted two interest groups involved in the recreational land market in Michigan - land developers and consumers. The Michigan Land Sales Act of 1972 is viewed as being inextricably interdependent with other government regulations which affect the land market as illustrated in the land market model depicted in Figure 2. Since the act is only one of many variables which affects land developers' opportunities to develop and market land, the land market model shown in Figure 2 provided the basic framework for analyzing the effects of the Michigan Land Sales Act on the profitability of recreation land development relative to the effects of other land market variables. For example, the model served as a useful guide in checking alleged effects of the Michigan Land Sales Act to indicate whether another variable in the market was causing or contributing to the alleged effects. In addition, the model served as a basic guide to formulating recommended changes in the act by



63

(NOTE: Some of the more specialized statutes have been omitted from the lists of variables under local, state, and federal government.)

FIGURE 2. DESCRIPTIVE MODEL OF THE RECREATION LAND MARKET

highlighting possible changes in interactions between interest groups that could serve to implement these recommended changes in the act and regulatory program. Though not a complete model of the recreation land market, the descriptive model shown in Figure 2 served as a basic framework or guide for evaluating the act and formulating recommended changes.

Study Hypotheses

Based on a review of available literature and the descriptive model of the recreation land market in Michigan shown in Figure 2, the following hypotheses concerning the Michigan Land Sales Act of 1972 were formulated and tested in this study:

1. The Michigan Land Sales Act of 1972 and accompanying regulatory program are causing increases in land developers' holding and marketing costs.
2. Monetary costs of complying with the Michigan Land Sales Act of 1972 more negatively impact the profitability of developments of less than 100 lots, units or parcels than the profitability of developments of 100 or more lots, units or parcels.
3. Time delays in complying with the Michigan Land Sales Act of 1972 more negatively impact the profitability of developments of 100 or more lots, units or parcels than the profitability of

developments of less than 100 lots, units or parcels each.

The adoption or rejection of these hypotheses served as a basis for more in-depth analysis and evaluation of specific provisions of the Michigan Land Sales Act and its accompanying regulatory program which are discussed in Chapter 4.

CHAPTER 4

RESEARCH METHODS AND PROCEDURES

This study was directed toward describing and evaluating the role of the Michigan Land Sales Act of 1972 in the recreation land market in Michigan and its specific effects on land developers and consumers. Both primary and secondary data from various sources were used in this description and evaluation.

Description of the Recreation Land Market

The first part of this study consisted of research efforts directed at describing the role of the Michigan Land Sales Act and its accompanying regulatory program in affecting the recreation and second home land market in Michigan. Data on the number and size of subdivisions platted in Michigan by county and year for 1967-1976 which had been filed with the Michigan Department of Treasury Plat Office pursuant to the Michigan Subdivision Control Act of 1967 was used to give a general indication of land subdivision trends in Michigan over a ten year time period. Information on the number, size and location of subdivisions registered with the Michigan Department of Licensing and Regulation, Land Sales Division, pursuant to the Michigan Land Sales Act of 1972 was used to characterize the scope

and size of recreation and second home land subdivisions in relation to all land subdivisions in the state.

The number and size of the subdivisions (in terms of number of lots) were measured in the ratio scale, while location was measured in the nominal scale. For example, each county in the State of Michigan was assigned a location code based on whether it is located in the Upper Peninsula, Northern Lower Peninsula, or Southern Lower Peninsula and was used in data analysis. See Table 2 for a list of the counties included in each location region.

For the purpose of analyzing the relative importance of various groups of policies that affect recreation and second home land development, six types or classes of land market variables were identified and defined. These include:

1. costs of raw land and improvements;
2. factors directly related to the economy (such as the inflation rate, interest rate on borrowed money, unemployment level, disposable income level, etc.);
3. costs (in terms of time and money) of complying with local governments' ordinances and regulations;
4. costs (in terms of time and money) of complying with state governments' laws and regulations;
5. costs (in terms of time and money) of complying with the federal government's laws and regulations; and,

TABLE 2
LOCATION REGIONS FOR MICHIGAN COUNTIES

County Name	Region ¹	County Name	Region
Alger	U. P.	Isoco	N.L.P.
Baraga	U. P.	Isabella	N.L.P.
Chippewa	U. P.	Kalkaska	N.L.P.
Delta	U. P.	Lake	N.L.P.
Dickinson	U. P.	Leelanau	N.L.P.
Gogebic	U. P.	Manistee	N.L.P.
Houghton	U. P.	Mason	N.L.P.
Iron	U. P.	Mecosta	N.L.P.
Keweenaw	U. P.	Midland	N.L.P.
Luce	U. P.	Missaukee	N.L.P.
Mackinac	U. P.	Montmorency	N.L.P.
Marquette	U. P.	Newaygo	N.L.P.
Menominee	U. P.	Oceana	N.L.P.
Ontonagon	U. P.	Ogemaw	N.L.P.
Schoolcraft	U. P.	Osceola	N.L.P.
Alcona	N.L.P.	Oscoda	N.L.P.
Alpena	N.L.P.	Otsego	N.L.P.
Antrim	N.L.P.	Presque Isle	N.L.P.
Arenac	N.L.P.	Roscommon	N.L.P.
Bay	N.L.P.	Wexford	N.L.P.
Benzie	N.L.P.	Allegan	S.L.P.
Charlevoix	N.L.P.	Barry	S.L.P.
Cheboygan	N.L.P.	Berrien	S.L.P.
Clare	N.L.P.	Branch	S.L.P.
Crawford	N.L.P.	Calhoun	S.L.P.
Emmet	N.L.P.	Cass	S.L.P.
Gladwin	N.L.P.	Clinton	S.L.P.
Grand Traverse	N.L.P.	Eaton	S.L.P.

TABLE 2 (cont'd.)

County Name	Region	County Name	Region
Genesee	S.L.P.	Montcalm	S.L.P.
Gratiot	S.L.P.	Muskegon	S.L.P.
Hillsdale	S.L.P.	Oakland	S.L.P.
Huron	S.L.P.	Ottawa	S.L.P.
Ingham	S.L.P.	Saginaw	S.L.P.
Ionia	S.L.P.	Sanilac	S.L.P.
Jackson	S.L.P.	Shiawassee	S.L.P.
Kalamazoo	S.L.P.	St. Clair	S.L.P.
Kent	S.L.P.	St. Joseph	S.L.P.
Lapeer	S.L.P.	Tuscola	S.L.P.
Lewanee	S.L.P.	Van Buren	S.L.P.
Livingston	S.L.P.	Washtenaw	S.L.P.
Macomb	S.L.P.	Wayne	S.L.P.
Monroe	S.L.P.		

¹Regions were abbreviated as U. P. for Upper Peninsula, N. L. P. for Northern Lower Peninsula, and S. L. P. for Southern Lower Peninsula.

6. costs of holding and marketing developed land.¹

Since government regulations, and in particular state land sales regulations, were the major concern of this policy study, several individual variables within the three classes covering local, state and federal laws and regulations were also identified and defined for use in assessing the relative importance of state land sales regulations (see the "land development and marketing questionnaire in Appendix C).

In order to get a general idea of how the Michigan Land Sales Act has affected land developers' opportunities for recreation and second home land development in relation to other land market variables, two types of pretest questionnaires concerning the land market were designed and mailed to a random sample of land developers registered under the Interstate Land Sales Full Disclosure Act of 1968 in Florida, Arizona, Illinois, and Minnesota. These pretest questionnaires provided valuable information on instrument design and variable definition which was used in designing the "land development and marketing" questionnaire that was sent to developers registered under the Michigan Land Sales Act of 1972. Even though both types of pretest questionnaires contained the same variables, one questionnaire contained sections of paired comparisons between individual variables within three groups, while the other pretest questionnaire consisted of a straight rank ordering

¹These six classes of land market variables are referred to throughout the remainder of this study.

of individual variables within each group.

The first section of both the "paired comparisons" and the "rank-order" pretest questionnaires requested that each respondent rank the six types or classes of land market variables based on the perceived relative effects of each type or class on the profitability of his or her land development and marketing activities. Where a class of variables was perceived to have no negative effect on land development and marketing, respondents were asked to place a "0" in the blank beside the appropriate class and to rank only the negative classes.¹

The second, third and fourth sections of the "paired comparisons" questionnaire consisted of paired comparisons between individual variables within three classes of variables. When using paired comparisons, each variable must be paired with every other variable in order to generate an average ranking. Thus, there were $N(N-1)/2$ paired comparisons, where N equals the number of variables being compared or considered. To keep the number of paired comparisons to a reasonable number (from a developer's viewpoint), the incomplete block design for paired comparisons was chosen for the "paired comparisons" pretest questionnaire on the

¹See the introduction to the "land development and marketing" questionnaire in Appendix C.

²Louis Cohen, "Use of Paired-Comparison Analysis to Increase Statistical Power of Ranked Data," Journal of Marketing Research IV (August 1967), p. 309.

second, third and fourth sections. This type of design required that comparisons be made only between individual variables within each class of variables which greatly reduced the total number of comparisons. For each paired comparison, respondents were asked to indicate which variable more negatively affected the profitability of his or her land development and marketing activities. In addition, respondents were requested to make comments on variables that were included in the questionnaire and/or any that were not presented but judged to be important to the study by developers.

In choosing the incomplete block design for paired comparisons in the "paired comparisons" pretest questionnaire, it was assumed that each variable affecting the land developers' opportunities and profits had a unique position relative to the other variables included in each class. It was also assumed that land developers would be capable of accurately evaluating the relative importance of each land market variable which affects their opportunities for land development based on their professional experiences in the land development and sales industry (refer to the model in Figure 2). Interactive effects between variables probably exist, but did not need to be measured for the purpose of the first part of this study, since only a general idea of the relative importance of each variable was needed.

The second, third and fourth sections of the "rank-order" pretest questionnaire consisted of rankings of

individual variables within three individual classes of variables. With the rank-order approach to comparing variables, it was assumed that each variable had a unique position relative to the other variables included in each class. It was also assumed that land developers would be capable of evaluating the relative importance of each land market variable which affects their land development and marketing activities. As with the paired comparisons approach, interactive effects between individual variables were not measured by the rank-order approach.

Rank-orderings and paired comparisons yield an ordinal level of measurement. The ordinal measurement scale was chosen for the first part of this study because legislators and regulatory agency personnel connected with the Michigan Land Sales Act and other legislation affecting land use need to know the relative importance or rank of each variable that affects the recreation and second home land market as a whole in order to consider and possibly set priorities for review and evaluation of legislation which affects the land market. Both the "rank-order" and "paired comparisons" pretest questionnaires provided data from which was generated an average ranking for each land market variable.

A list of land developers with subdivisions registered under the Interstate Land Sales Full Disclosure Act of 1968 in the states of Florida, Arizona, Illinois, and Minnesota

was purchased from the U. S. Department of Housing and Urban Development, Office of Interstate Land Sales Registration, and was used as the sampling frame for both the "rank-order" and the "paired comparisons" pretest questionnaires. A random sample of 244 developers from these four states was selected from the list, and each developer was mailed a copy of the "paired comparisons" pretest questionnaire. The number of developers included in the sample from each state was based on a proportionate percentage of the total number of registrations from each state so that the percentage of the total sample of 244 developers was approximately proportionate to each state's number of registrations. The same random sampling procedure was followed in selecting a total sample of 50 developers from the four states for pretesting the "rank-order" questionnaire.

Each developer that was selected in one of the two samples was mailed a copy of the appropriate questionnaire, a cover letter from the researcher and his academic adviser explaining the importance of the study, a letter of endorsement from Gary Terry, Executive Vice-President of the American Land Development Association, and a stamped, self-addressed return envelope. Since each questionnaire had a code number corresponding to each developer's name and address written in the upper right corner of the first page, nonrespondents were easily identified for purposes of followup mailings.

The mail questionnaire was chosen as the survey instrument to obtain data on land market variables in this study for the following reasons:

1. The cost is relatively low in terms of both time and money.
2. The mail questionnaire permits geographic flexibility, particularly with a dispersed study population. The population of land developers registered under the Michigan Land Sales Act consists of out of state as well as in-state developers.
3. The questionnaire can reach the widely dispersed population of developers simultaneously without the attendant problems of interviewer access or the possible distortions or time lag.

The mail questionnaire on the land market variables obtained the needed information with minimum time and monetary costs to both the researcher and the land developers.

Two followup mailings were sent to pretest nonrespondents in an effort to boost response rates to the two pretest questionnaires. The first followup mailing consisted of a reminder letter which stressed the need for the study and urged developers to respond to the questionnaire at their earliest convenience. The second followup consisted of another reminder letter, another copy of the questionnaire, and another stamped, self-addressed return envelope. The response rate for the "paired comparisons"

pretest questionnaire was 33%, while the response rate for the "rank-order" pretest questionnaire was 41%.

Responses to the two pretest questionnaires made by developers in the four pretest states were used to revise individual variables and classes of variables which were presented in the "land development and marketing" questionnaire that was mailed to land developers registered under the Michigan Land Sales Act of 1972. Based on the comments and response rates to the two pretest questionnaires, the straight rank-order questionnaire was selected for use in surveying Michigan developers. The pretests revealed that the straight rank-order questionnaire was less confusing than the paired comparisons, and produced the same type of information (i.e., the average rankings of variables).

The following criteria regarding question wording were used to evaluate the variables as defined on the "rank-order" pretest questionnaire:

1. Was a variable misinterpreted or misunderstood by pretest respondents (i.e., was it readable based on responses and comments)?
2. Were alternative choices adequately defined (based on comments and inconsistencies in individual responses made on the pretest)?
3. Were there unstated or hidden assumptions or implications in the description of the variables which caused them to fail to elicit responses?

4. Was the wording unclear or objectionable to the respondents (based on comments made in the pretest questionnaire comments section)?

An evaluation of the "rank-order" pretest questionnaire using these criteria revealed that the instructions for ranking the variables were somewhat unclear to some of the respondents. The instructions were revised on the "rank-order" questionnaire that was mailed to land developers registered under the Michigan Land Sales Act.

Since the entire population of land developers registered under the Michigan Land Sales Act numbers only 206, a decision was made to conduct a census by sending a copy of the mail questionnaire to the entire study population. The following data and information on each developer and land development registered under the Michigan Land Sales Act was obtained from the land sales registration files of the Michigan Department of Licensing and Regulation, Land Sales Division, and was recorded on file cards which served as a mailing list as well as a ready source of background information needed in analyzing the effects of the act on developers:

1. name and location of the land development;
2. name and mailing address of the land developer;
3. name and address of the sales broker (if different from the developer);
4. size of the land development in terms of number

of lots;

5. date of original registration, annual renewals, and consolidations (if any); and,
6. consumer complaints and hearings involving the developer and development.

Some developers have more than one development, as indicated by the information contained in the registration files. These developments are often dispersed as to size and/or geographic location, and land market variables may affect each of these developments in different ways. Since there are only a few Michigan developments with more than 300 lots in them, developers with more than one registered land development received only one questionnaire and were requested in the questionnaire introduction to answer it for their largest land development. This resulted in a greater number of responses for larger developments which was needed to stratify responses on the basis of development size.

Each developer and his or her largest land development registered under the Michigan Land Sales Act were assigned an identification code number which was recorded on the file card for the developer and in the study code book. Each developer received a questionnaire with his or her code number recorded in the upper right corner of the first page of the questionnaire. This code number permitted easy and accurate identification of nonrespondents and reduced

the expense and effort required in carrying out followup mailings. Thus, the code number was important to the study in that it provided a means of reducing nonresponse bias through followup mailings and through permitting the researcher to readily identify individual nonrespondents. Developers were assured in the questionnaire introduction and the cover letter that their individual responses would be held in strict confidence by the researcher.

Each developer registered under the Michigan Land Sales Act was mailed a "rank-order" questionnaire along with a letter from the researcher and his academic adviser detailing the need for the study and its importance to land developers; copies of letters of endorsement from Gary Terry, Executive Vice-President of the American Land Development Association, and Governor William Milliken of Michigan; and, a stamped, self-addressed return envelope. Since low response rates were a problem with the first mailing, one followup mailing, which consisted of a letter from the researcher and his academic adviser stressing the importance of the study, another copy of the questionnaire without a code number (an anonymous questionnaire), and another stamped, self-addressed return envelope were sent to all nonrespondents twenty-five days after the original mailing. The final overall response rate for the "land development and marketing" questionnaire mailed to land developers registered under the Michigan Land Sales Act

was 46.1% (95 respondents) which is acceptable for this type of survey research.¹

The rank-order "land development and marketing" questionnaire was designed so that the rank number for each variable could be coded in the right margin of each questionnaire. Each coded response was then read directly from the questionnaire and keypunched on standard eighty column computer cards for analysis. A separate computer card was used for each returned questionnaire and contained the following coded information:

1. developer identification number;
2. location code for the land development;
3. total number of lots in the development; and,
4. the rank number assigned to each variable.

The Statistical Package for the Social Sciences (SPSS) subprogram "FREQUENCIES" was used to compute the mean or average response for each class of land market variables and for each individual variable included in the "land development and marketing" questionnaire. The mean or average response for each variable yielded the average rankings for each variable within a particular groups.

SPSS subprogram "CROSSTABS" was used to check for any statistically significant relationship between development size and location. To run "CROSSTABS," the location

¹See Earl R. Babbie, Survey Research Methods (Belmont, California: Wadsworth Publishing Company, Inc., 1973.).

of developments was first classified as being in the Upper Peninsula, Northern Lower Peninsula, Southern Lower Peninsula, or out of state; development size was classified as (1) less than 50 lots, (2) 50-99 lots, (3) 100-199 lots, (4) 200-499 lots, and (5) 500 or more lots. The alpha level was set at .1 and the chi square statistic was used to indicate whether a statistically significant relationship existed between location and development size.

The data on location and development size was recoded in the following manner and SPSS subprogram "CROSSTABS" was again used to check for any relationship between these two variables:

1. Location was recoded to indicate whether a development was located in-state or out of state, while the coding for development size was not changed. The chi square statistic was checked for significance at the .1 alpha level.
2. Location was recoded as in-state or out of state, and development size was recoded as (a) less than 100 lots or (b) 100 or more lots. The chi square statistic was checked for significance at the .1 alpha level.
3. Development size was again recoded as (a) less than 50 lots, (b) 50-99 lots, (c) 100-199 lots, (d) 200-499 lots, and (e) 500 or more lots, while location was recoded to omit out of state developments from the computations. Location for

Michigan developments was recoded as Upper Peninsula, Northern Lower Peninsula, or Southern Lower Peninsula. This computation was intended to detect whether any significant relationship between developments of different sizes and locations in Michigan existed. The chi square statistic was checked for significance at the .1 alpha level.

Each ranked class of variables and each individually ranked variable included in the "land development and marketing" questionnaire that was sent to developers registered under the Michigan Land Sales Act was run as the dependent variable with development size as the independent variable in a one-way analysis of variance. SPSS subprogram "ONEWAY" was used to compute the one-way analysis of variance between development size and each land market variable. In addition, subprogram "ONEWAY" enabled the researcher to run a t-test or "a priori contrast"¹ between subgroups broken out on the basis of development size. Development size (the independent variable) was broken into five subgroups: (1) under 50 lots; (2) 50-99 lots; (3) 100-199 lots; (4) 200-499 lots; and (5) 500 or more lots. The following "a priori contrasts" or t-tests were run between responses to each dependent variable by developers in the subgroups to detect statistically

¹An "a priori contrast" is a t-test which is a statistical test to determine if there are significant differences between the means or averages of two groups.

significant differences in responses on the basis of development size at the .1 alpha level:

1. Responses by developers that had developments of under 50 lots against responses by developers that had developments of 50-99 lots;
2. Responses by developers that had developments of under 50 lots against responses by developers that had developments of 100-199 lots;
3. Responses by developers that had developments of under 50 lots against responses by developers that had developments of 200-499 lots;
4. Responses by developers that had developments of under 50 lots against responses by developers that had developments of 500 lots or more;
5. Responses by developers that had developments of 50-99 lots against responses by developers that had developments of 100-199 lots;
6. Responses by developers that had developments of 50-99 lots against responses by developers that had developments of 200-499 lots;
7. Responses by developers that had developments of 50-99 lots against responses by developers that had developments of 500 or more lots;
8. Responses by developers that had developments of 100-199 lots against responses by developers that had developments of 200-499 lots;

9. Responses by developers that had developments of 100-199 lots against responses by developers that had developments of 500 or more lots;
10. Responses by developers that had developments of 200-499 lots against responses by developers that had developments of 500 or more lots;
11. Responses by developers that had developments of under 100 lots against responses by developers that had developments of 100-199 lots;
12. Responses by developers that had developments of under 100 lots against responses by developers that had developments of 200-499 lots;
13. Responses by developers that had developments of under 100 lots against responses by developers that had developments of 500 or more lots;
14. Responses by developers that had developments of under 100 lots against responses by developers that had developments of 100-499 lots;
15. Responses by developers that had developments of under 100 lots against responses by developers that had developments of 100 or more lots;
16. Responses by developers that had developments of under 50 lots against responses by developers that had developments of 50-199 lots;
17. Responses by developers that had developments of under 50 lots against responses by developers

- that had developments of 200 or more lots;
18. Responses by developers that had developments of 50-99 lots against responses by developers that had developments of 200 or more lots;
 19. Responses by developers that had developments of 50-99 lots against responses by developers that had developments of 100-499 lots;
 20. Responses by developers that had developments of 100-199 lots against responses by developers that had developments of 200 or more lots.

For a discussion of the findings, see Chapter 5.

In a separate set of computer runs, each ranked class of variables and each individually ranked variable included in the "land development and marketing" questionnaire was run as the dependent variable with development location as the independent variable in a one-way analysis of variance using SPSS subprogram "ONEWAY." In addition, subprogram "ONEWAY" was again used to run "a priori contrasts" or t-tests between subgroups broken out on the basis of location. Developers were broken into four subgroups on the basis of the following development locations: (1) Upper Peninsula; (2) Northern Lower Peninsula; (3) Southern Lower Peninsula; and, (4) out of state. The following "a priori contrasts" or t-tests were run between responses made by the four subgroups to detect statistically significant differences in responses to each variable on the

basis of development location at the .1 alpha level:

1. Responses by developers with developments located in the Upper Peninsula against responses by developers with developments located in the Northern Lower Peninsula;
2. Responses by developers with developments located in the Upper Peninsula against responses by developers with developments located in the Southern Lower Peninsula;
3. Responses by developers with developments located in the Upper Peninsula against responses by developers with developments located out of state;
4. Responses by developers with developments located in the Northern Lower Peninsula against responses by developers with developments located in the Southern Lower Peninsula;
5. Responses by developers with developments located in the Northern Lower Peninsula against responses by developers with developments located out of state;
6. Responses by developers with developments located in the Southern Lower Peninsula against responses by developers with developments located out of state;
7. Responses by developers with developments located in the Upper Peninsula and Northern Lower

Peninsula against responses by developers with developments located in the Southern Lower Peninsula;

8. Responses by developers with developments located in the Upper Peninsula and Northern Lower Peninsula against responses by developers with developments located out of state;
9. Responses by developers with developments located in the Upper Peninsula against responses by developers with developments located in the Northern Lower Peninsula and Southern Lower Peninsula;
10. Responses by developers with developments located in the Upper Peninsula against responses by developers with developments located in the Southern Lower Peninsula and out of state;
11. Responses by developers with developments located in the Northern Lower Peninsula against responses by developers with developments located in the Southern Lower Peninsula and out of state;
12. Responses by developers with developments located in the Upper Peninsula and Northern Lower Peninsula against responses by developers with developments located in the Southern Lower Peninsula and out of state;
13. Responses by developers with developments located in the Upper Peninsula and out of state against

responses by developers with developments located in the Northern Lower Peninsula and Southern Lower Peninsula.

For a discussion of the findings, see Chapter 5.

The importance of state land sales regulations relative to other land market variables was determined through the analyses performed on the data from the "land development and marketing" questionnaire. In addition, developers' comments made in the comments section of the questionnaire helped to identify specific problem areas with the Michigan Land Sales Act. These comments were helpful in formulating a detailed strategy for analyzing and evaluating the effects of the Michigan Land Sales Act on land developers.

Description and Evaluation of the Michigan Land Sales Act of 1972

A detailed description and evaluation of the Michigan Land Sales Act and its specific effects on consumers and land developers was completed using both primary and secondary data. This description and evaluation consisted of four parts:

1. An in-depth review of all consumer complaints that were referred to the Michigan Attorney General by the Michigan Department of Licensing and Regulation up through June 30, 1977, and all consumer complaints that were resolved by the Michigan Department of Licensing and Regulation, Land

Sales Division, during the period from July 1, 1975 through June 30, 1977. Officials in the Attorney General's Office and the Department of Licensing and Regulation were asked to explain information contained in the consumer complaint files which was unclear to the researcher.

2. Ten (10) property reports for developments registered under the Michigan Land Sales Act were randomly selected from the registration files of the Department of Licensing and Regulation. A readability analysis of each property report was conducted to determine the ease of comprehension or understanding of the information presented.
3. A "land sales regulations" questionnaire was formulated by utilizing information obtained from consumer complaints, interviews with state land sales administrative personnel and land developers, and comments received on the "land development and marketing" questionnaire from land developers. This "land sales regulations" questionnaire was designed to obtain information from land developers that was needed to describe and evaluate the effects of the Michigan Land Sales Act on recreation land development.
4. Proposed amendments to the Michigan Land Sales Act and/or administrative rules made by land developers, consumer groups, state legislators,

and administrative agency officials were reviewed along with supporting documentation to identify problem areas that were not brought out in the consumer complaints or the "land sales regulations" questionnaire.

A detailed discussion of the procedures employed in each of the above parts of the study follows.

Review of Consumer Complaints

Effects of the Michigan Land Sales Act on consumers were identified and evaluated using secondary data in the form of consumer complaints filed with the Michigan Department of Licensing and Regulation and the Michigan Attorney General's Office. A total of 401 complaints were received between October 1, 1974 and June 13, 1978. These together with all related information were filed in the Department of Licensing and Regulation, Land Sales Division. Approximately 120 of the 401 complaints required action by the Attorney General's Office. All complaints that were closed were available to the researcher as public information and revealed details about the provisions of the act that failed to protect consumers from fraud and deceptive sales practices, as well as provided clues regarding new provisions which are needed but presently lacking. Statistical tests were inapplicable to this data because of the small number of cases for each type of complaint and court case, and the difficulty which was encountered when attempting to define

separate categories for different types of consumer complaints and court cases. However, an in-depth review of this data provided valuable information about different types of consumer impacts and problems created by the act and accompanying regulatory program.

Ideally, consumers should have been surveyed regarding their awareness of the Michigan Land Sales Act and how it can be used to protect them from fraud and deception when buying undeveloped, subdivided lots. However, there is no known available list of consumers that have purchased land which is registered under the act. This is largely due to the following:

1. Many undeveloped lots are purchased through land contracts. Some consumers do not register their land contracts with the county clerks' offices for one or more reasons (i.e., some do not want their purchase to be made public; it has not been a common practice to register land contracts in Michigan; and, some do not want the sale price of their property made available to tax assessors).
2. Land developers and brokers may have a list of land purchasers, but may not release such a list. For example, a researcher in a 1977 Texas recreational second home study requested a mailing list of purchasers from 200 land developers; only

16 developers responded.¹ Such a small number of consumers from which to sample could yield biased study results.

In order to evaluate the effects of the act on consumers, the following criteria were used in reviewing and analyzing consumer complaints:

1. The nature or type of complaint (i.e., whether a complaint stated that a developer failed to deliver a deed, engaged in false or deceptive sales practices, failed to fulfill sales promises, etc.).
2. Evidence presented by all parties through correspondence and during hearings and/or court proceedings where hearings or court proceedings were held.
3. Final disposition or resolution of the complaint.

Special attention was given to identifying "legal loopholes" in the act and administrative rules. The findings and recommendations from the review of consumer complaints is contained in Chapter 5 and Chapter 6.

Readability Analysis of Michigan Land Sales Property Reports

Readability is used to indicate the ease of comprehension or understanding due to a style of writing. The level of readability can be determined for written material by

¹Bart Eleveld, Recreational Second Homes in Texas: A Survey of Developers and Owners (College Station, Texas: Texas Real Estate Research Center, Texas A & M University, 1977), p. 4.

using a readability formula which is a method of measurement intended as a predictive tool that provides quantitative, objective estimates of the style difficulty of writing. Formulas are the most commonly used method of predicting readability and are generally accurate to within one grade level of a "true" readability rating.¹ Based on a review of thirty-one readability formulas, four were selected for use in analyzing the readability of Michigan land sales property reports.²

Ten property reports were randomly selected from the registration files of the Michigan Department of Licensing and Regulation, Land Sales Division, for use in readability sampling. The lengths of the reports ranged from eight to twenty-five pages, and the contents generally followed the same format and style outlined by the "Land Sales Division Guidelines for the Preparation of Property Reports."

In order to insure greater accuracy of readability scores, samples from the property reports were constructed so that:

1. the samples measured would represent, with maximum accuracy, the entire piece of writing from which they were taken through random selection;

¹George R. Klare, The Measurement of Readability (Ames, Iowa: Iowa State University Press, 1963), pp. 21-22.

²See Appendix D for a more detailed discussion of the methods used in selecting and applying the readability formulas to the land sales property reports.

2. four analyses of the same material were made using the four selected readability formulas so that formula scores would, as nearly as possible, predict readability of the property reports.

After analyzing the readability of the ten Michigan property reports, the average readability scores for the reports was compared to data on the educational levels of Michigan residents compiled by the U. S. Bureau of the Census to determine, in general, how many Michigan consumers can actually read and understand the information contained in the reports. Findings on property report readability are discussed in Chapter 5.

Design, Administration, and Analysis of
the "Land Sales Regulations" Questionnaire

Primary data for use in evaluating the effects of the Michigan Land Sales Act on land developers and recreation and second home land developments was obtained through a second mail questionnaire on "land sales regulations." Since the Michigan Land Sales Act and the Minnesota Subdivided Land Sales Practices Act have almost identical provisions concerning every aspect of state land sales regulation, Minnesota was selected as the pretest state for the "land sales regulations" questionnaire.

The pretest version of the "land sales regulations" questionnaire was formulated from comments made on the "land development and marketing" questionnaire, information

obtained from consumer complaints and hearings, interviews with nine Michigan land developers, and interviews with administrative personnel in the Land Sales Division of the Michigan Department of Licensing and Regulation. Due to the geographic dispersion of the land developers, a decision was made to mail the pretest questionnaire to the land developers in Minnesota instead of conducting personal or telephone interviews, both of which would have been quite expensive and time consuming.

The Minnesota Department of Commerce, which administers the Minnesota Subdivided Land Sales Practices Act, was contacted by mail and by telephone in an attempt to obtain a mailing list for the twenty-seven land developers currently registered under the Minnesota act. However, such a list could only be compiled from the registration files by a person requesting such information. Therefore, a list of all Minnesota developers registered under the Interstate Land Sales Full Disclosure Act of 1968 was used to obtain the names and mailing addresses of Minnesota land developers.

All fifty-three of the Minnesota developers registered under the federal land sales act received a copy of the pretest version of the "land sales regulations" questionnaire along with a personally addressed letter from the researcher and his academic adviser explaining the need for and objectives of the questionnaire, a copy of a letter of endorsement for the study from Gary Terry, Executive Vice-President

of the American Land Development Association, and a stamped, self-addressed return envelope. All questionnaires were mailed with first class postage to reduce mailing time. Each developer was assigned a code number which was recorded beside the developer's name on the mailing list and in the upper right corner of the first page of the pretest questionnaire. The code number permitted easy identification of nonrespondents for the purpose of followup mailings.

A followup mailing which consisted of another letter from the researcher and his academic adviser stressing the need for the information requested on the questionnaire, another copy of the pretest questionnaire, and another stamped, self-addressed return envelope were sent to each nonrespondent eighteen days after the original mailing. After six weeks from the original mailing, a response rate of only 20.8% (11 returned questionnaires) had been achieved even with one followup mailing. This is well below the 40% minimum response rate that is considered acceptable for survey research.¹

Based on the comments made by the eleven Minnesota developers who responded to the "land sales regulations" pretest mail questionnaire and suggestions about the questionnaire made by five Michigan land developers during personal interviews, it was decided to revise the mail questionnaire into a narrative format for use during

¹See Babbie, 1973.

personal and telephone interviews with land developers. Since (1) personal and telephone interviews are quite expensive, and (2) the effects of the Michigan Land Sales Act on different developers should not vary greatly due to the uniform nature of the regulations, the completion of the "land sales regulations" questionnaire through personal or telephone interviews by ten percent of the developers registered under the act was set as the minimum acceptable response rate.

The oral interview approach to administering the "land sales regulations" questionnaire enabled the researcher to better explain or clarify questions for developers, and to probe for more in-depth responses to specific questions. It also prevented respondents from skipping questions, which was a problem with the mailed pretest version of the "land sales regulations" questionnaire. Both descriptive and normative questions of the open and closed type were included in the questionnaire.¹

The population of land developers registered under the Michigan Land Sales Act, which consisted of 181 in-state and 25 out of state developers, was divided into two strata: (1) developers with developments of under 100 lots; and, (2) developers with developments of 100 or more lots. Twelve developers from each strata were randomly selected

¹See the "land sales regulations" questionnaire in Appendix F.

for inclusion in the initial sample to be interviewed. The researcher attempted to contact all of the developers included in the initial sample by telephone to ask if: (1) they would be willing to participate in the study by answering the questionnaire; and, where they were willing to participate, (2) whether they preferred a personal or a telephone interview.

Of the twenty-four developers selected in the initial sample, nine could not be reached by telephone. Thus, the names of nine additional developers were randomly selected from the two population strata for inclusion in the sample. The telephone contact and re-selection procedure was repeated until twenty-four developers with developments registered under the Michigan Land Sales Act had been contacted.

All of the twenty-four developers that were contacted agreed to participate in the study by answering the questionnaire, and only one of the twenty-four specifically requested a personal interview instead of a telephone interview with the researcher for the purpose of answering questions about the Michigan Land Sales Act. However, three other land developers with offices near Michigan State University were also interviewed in person. All twenty-four interviews were completed by the researcher within a two week period in an attempt to minimize the effects of (1) time lag and (2) bias caused by possible contact concerning the questionnaire and its contents between land

developers that had been interviewed and those that were members of the sample who had not been contacted or interviewed at the time. Each interview (both personal and telephone) for administering the questionnaire lasted approximately one hour.

Data from the interviews was hand tabulated and analyzed to determine:

1. if a majority of the land developers felt that land sales regulations were needed to protect both consumers and developers, and if so whether they felt that state government, federal government, or both state and federal government should administer the regulations;
2. how many had subdivisions registered under both the Interstate Land Sales Full Disclosure Act and the Michigan Land Sales Act;
3. the average direct out-of-pocket monetary costs incurred in complying with the Michigan act and the federal act, as well as a breakdown of those costs on the basis of type;
4. the average time delays that were incurred in complying with the Michigan act and the federal act;
5. the types of financial security that developers had been required to post under the Michigan act for promised improvements to subdivisions or

developments;

6. how many developers were offering improvements or amenities to consumers, as well as the types of amenities being offered; and,
7. the types of uses permitted in the recreation and second home subdivisions or developments.¹

See Chapter 5 for a detailed discussion of the findings from the questionnaire data.

Review and Evaluation of Proposed Amendments

From the time the Michigan Land Sales Act was first passed in 1972 up to the present, consumer groups, land developers and their professional organizations, state legislators, and officials in the Michigan Department of Licensing and Regulation have proposed a wide variety of amendments to the act and administrative rules. Copies of most of these proposed amendments and their supporting information were obtained from the officials and/or files of the Michigan Attorney General's Office, the Michigan Department of Licensing and Regulation, the Michigan Association of Realtors, and the Michigan Land Association. This secondary information was reviewed and evaluated in light of the data and information obtained from consumer complaints, the readability analysis of the ten sample property reports,

¹Each question used to collect data from the land developers is contained in the questionnaire in Appendix E.

and the "land sales regulations" questionnaire.

The criteria used to review and evaluate each proposed amendment included:

1. the extent of the problem to be alleviated by the proposed amendment (i.e., did the problem consist of only a few isolated cases or was it common or recurring as evidenced by available information);
2. probable positive and negative effects of the proposed amendment on consumer groups and land developers (based on available information); and,
3. the likelihood of the problem being solved by the proposed amendment (as evidenced by available information).

Findings from this review and evaluation (see Chapter 5), together with data and information from the "land sales regulations" questionnaire, consumer complaints, and the property report readability analysis, served as the basis for the conclusions and recommendations contained in Chapter 6.

CHAPTER 5

FINDINGS

Characteristics of the Recreation Land Market in Michigan

Land Subdivision Trends

During the ten year period from January 1, 1967 to December 31, 1976, a total of 6,388 subdivisions with a total of 248,527 lots or parcels have been platted and filed with the Michigan Department of Treasury Plat Office pursuant to the Michigan Subdivision Control Act of 1967.¹ The number of subdivisions platted in a single year ranged from a high of 870 in 1967 to a low of 370 in 1975. The number of lots platted each year ranged from a high of 30,452 in 1972 to a low of 11,364 in 1975 (see Table 3).

Of the three regions in the State of Michigan - Upper Peninsula, Northern Lower Peninsula, and Southern Lower Peninsula - the Upper Peninsula is the only region that has experienced a steady growth in its relative share of platted subdivisions and lots. The number of subdivisions platted by year in the Upper Peninsula increased from 19 in 1967 (2.2% of the state total for that year) to 45 in 1976 (9.4% of the state total for that year), while the number

¹This data was compiled from the Plat Memo Record in the Michigan Department of Treasury Plat Office by the researcher.

TABLE 3
NUMBER OF SUBDIVISIONS AND LOTS PLATTED
IN THE STATE OF MICHIGAN - 1967-1976

Year	Number of Subdivisions	Number of Lots	Mean Subdivision Size
1967	870	29,637	35 lots
1968	787	29,907	38 lots
1969	640	27,270	43 lots
1970	626	30,007	48 lots
1971	561	26,730	48 lots
1972	756	30,452	40 lots
1973	753	28,338	38 lots
1974	544	20,220	37 lots
1975	370	11,364	31 lots
1976	<u>481</u>	<u>14,602</u>	30 lots
TOTAL FOR THE 10 YEAR PERIOD	6,388	248,527	
OVERALL MEAN	629	24,856	39 lots

SOURCE: Michigan Department of Treasury, Plat Office,
Plat Memo Record.

NOTE: Data on the number of subdividers or land
developers operating in Michigan was not available.

of lots platted by year ranged from 549 in 1967 (1.8% of the state total for that year) to 1,064 in 1976 (7.3% of the state total for that year) with a high for the ten year period of 1,233 in 1973 (see Table 4). This data indicates that there may be a trend toward more buying and selling of subdivided land in Michigan's Upper Peninsula either for primary or secondary home sites or for speculation.

The rate of land subdivision in Michigan's Northern Lower Peninsula has drastically declined in recent years. Subdivisions platted by year decreased from 304 in 1967 to 102 in 1975, and experienced only a slight increase up to 117 in 1976. The number of lots platted peaked at 17,337 in 1970 and then declined to a ten year low of 2,742 in 1975. The Northern Lower Peninsula's relative share of the state's platted subdivisions continued to decline from 1970 through 1976 (see Table 5). This decline may be partly explained by the "energy crisis" and recession of late 1973 and 1974 which could have caused potential long-distance commuters who would have in the past purchased a primary or second home site in the Northern Lower Peninsula instead to decide not to purchase a lot or building site due to the uncertainty of the fuel situation, high interest rates, tight mortgage money, and inflation. This decline may also have in part been due to increased

TABLE 4

STATISTICS ON SUBDIVISIONS PLATTED IN
MICHIGAN'S UPPER PENINSULA

Year	Number of Subdivisions	% of State Total	Number of Lots	% of State Total
1967	19	2.2%	549	1.8%
1968	26	3.3%	740	2.5%
1969	18	2.8%	540	2.0%
1970	17	2.7%	711	2.4%
1971	26	4.6%	633	2.4%
1972	27	3.6%	662	2.2%
1973	48	6.4%	1233	4.4%
1974	39	7.2%	1183	5.9%
1975	28	7.6%	702	6.2%
1976	<u>45</u>	9.4%	<u>1064</u>	7.3%
TOTAL FOR THE 10 YEAR PERIOD	293		8,017	
OVERALL MEAN	29	5.0%	802	3.7%

SOURCE: Michigan Department of Treasury, Plat Office,
Plat Memo Record.

TABLE 5
STATISTICS ON SUBDIVISIONS PLATTED IN
MICHIGAN'S NORTHERN LOWER PENINSULA

Year	Number of Subdivisions	% of State Total	Number of Lots	% of State Total
1967	304	34.9%	11,907	40.2%
1968	278	35.3%	10,775	36.0%
1969	204	31.9%	11,300	41.4%
1970	297	47.4%	17,337	57.8%
1971	228	40.6%	13,784	51.6%
1972	286	37.8%	12,853	42.2%
1973	248	32.9%	10,491	37.0%
1974	171	31.4%	5,404	26.7%
1975	102	27.6%	2,742	24.1%
1976	<u>117</u>	24.3%	<u>3,269</u>	22.4%
TOTAL FOR THE 10 YEAR PERIOD			99,862	
OVERALL MEAN	224	34.4%	9,986	37.9%

SOURCE: Michigan Department of Treasury, Plat Office,
Plat Memo Record.

lot prices indirectly caused by the increased number of more stringent government regulations on land development and marketing, particularly subdivided recreation and second home land.¹

The number of subdivisions platted in the Southern Lower Peninsula steadily declined from 547 in 1967 to a ten year low of 240 in 1975 with a significant increase back up to 319 in 1976. Platted lots reached a ten year high of 18,392 in 1968 and a low of 7,920 in 1975. However, the Southern Lower Peninsula's relative share of platted subdivisions and lots steadily increased from 1970 through 1976 (see Table 6). If the real price of energy continues to increase in the near future, this trend may continue due to more families deciding to live closer to their places of employment in the urban centers that are located in the Southern Lower Peninsula. Another "energy crisis" would most likely lead to an even further decline in land development in the northern portion of Michigan due to commuting distances and costs.

Overall, the rate of land subdivision in Michigan has declined over the past ten years. However, statistics for 1976 indicate that a slight recovery or increase in land development is taking place. Many factors led to this recent decline, one of which was the "energy crisis" of

¹A discussion of some of these regulations and their effects on land development is included later in this section.

TABLE 6
STATISTICS ON SUBDIVISIONS PLATTED IN
MICHIGAN'S SOUTHERN LOWER PENINSULA

Year	Number of Subdivisions	% of State Total	Number of Lots	% of State Total
1967	547	62.9%	17,181	58.0%
1968	483	61.4%	18,392	61.5%
1969	418	65.3%	15,430	56.6%
1970	312	49.8%	11,959	39.9%
1971	307	54.7%	12,313	46.1%
1972	443	58.6%	16,937	55.6%
1973	457	60.7%	16,614	58.6%
1974	334	61.4%	13,633	67.4%
1975	240	64.9%	7,920	69.7%
1976	<u>319</u>	66.3%	<u>10,269</u>	70.3%
TOTAL FOR THE 10 YEAR PERIOD	3,860		140,648	
OVERALL MEAN	386	60.6%	14,065	58.4%

SOURCE: Michigan Department of Treasury, Plat Office,
Plat Memo Record.

1973-1974. However, recreation and second home land development activities in Michigan have also been negatively impacted by a number of relatively recent government regulations, one of which is the Michigan Land Sales Act of 1972. The role of this act in the recreation and second home land market is discussed in the remainder of this chapter.

Land Development Registration Under
the Michigan Land Sales Act of 1972

As of December 31, 1977, a total of 258 in-state and out of state land developments with 103,797 lots had been registered under the Michigan Land Sales Act by 210 land developers. In addition, 55 consolidations, or new subdivisions, with 8,316 lots had been added to existing developments that were registered under the act.¹

Of the 258 land developments registered and the 210 developers having registered developments, 211 developments (or 81.8%) and 181 developers (or 86.2%) were located in Michigan. However, of the 112,113 lots registered under the act, only 41,245 lots (or 36.8%) were located in Michigan while the remaining 70,868 were located in seven other states and one foreign country (see Table 7 and Table 8 for more detailed statistics on registered developments and developers).

¹This information was compiled from the "land sales registration" files of the Michigan Department of Licensing and Regulation, Land Sales Division.

TABLE 7

DATA ON IN-STATE AND OUT OF STATE LAND DEVELOPMENTS
REGISTERED UNDER THE MICHIGAN LAND SALES ACT OF 1972

<u>Year</u>	<u>Original Registrations</u>		<u>Consolidations</u>	
	Number of Developments	Number of Lots	Number of Subdivisions	Number of Lots
<u>In-State</u>				
1973	53 ^a	21,775	0	0
1974	69 ^a	7,098	8	1,014
1975	28	2,226	5	366
1976	34	3,694	8	1,250
1977	<u>27</u>	<u>2,415</u>	<u>16</u>	<u>1,407</u>
Subtotal	211	37,208	37	4,037
<u>Out of State</u>				
1973	12 ^a	24,098	0	0
1974	19 ^a	33,329	6	2,432
1975	4	4,245	3	836
1976	3	1,653	5	459
1977	<u>9</u>	<u>3,264</u>	<u>4</u>	<u>552</u>
Subtotal	47	66,589	18	4,279
GRAND TOTAL	258	103,797	55	8,316

110

SOURCE: Michigan Department of Licensing and Regulation, Land Sales Division, Land Sales Registration Files for the Michigan Land Sales Act of 1972.

^aThese large numbers are due to registrations of existing developments.

TABLE 8

**LOCATION OF OUT OF STATE DEVELOPERS AND
DEVELOPMENTS CURRENTLY REGISTERED UNDER THE
MICHIGAN LAND SALES ACT OF 1972**

State or Country Where Located	Number of Developments	Number of Developers
Arizona	4	4
Arkansas	1	1
Colorado	5	3
Florida	30	15
New Mexico	3	2
North Carolina	1	1
South Carolina	1	1
The Bahama Islands	2	2
TOTAL	47	29

SOURCE: Michigan Department of Licensing and Regulation, Land Sales Division, Michigan Land Sales Act Registration Files.

As of December 31, 1977, 162 (or 89.5%) of the 181 Michigan land developers having registered developments under the Michigan Land Sales Act still had current registrations. The remaining nineteen had either sold and deeded all the lots in their developments, had their registrations terminated for violations of the act, or received an exemption from the act for their developments as a result of a 1974 amendment which raised the minimum development size required to register from 10 to 25 lots. Only 2 (or 6.9%) of the out of state developers had all of their registrations terminated either by their own requests or because of violations. It is also important to note that applications for registration on one Michigan development and seven out of state developments were rejected by the Michigan Department of Licensing and Regulation due to failures by the developers to clear up deficiencies in the registration applications and/or the property reports.

Of the 211 Michigan developments registered under the Michigan Land Sales Act between October 1, 1973 and December 31, 1977, 147 (or 69.7%) were under 100 lots in size. In contrast, only one (or 2.1%) of the registered out of state developments was under 100 lots (see Table 9). Based on this data, it was concluded that out of state developments registered under the act are, on the average, significantly larger than Michigan recreation and second home

TABLE 9

**IN-STATE AND OUT OF STATE LAND DEVELOPMENTS REGISTERED UNDER
THE MICHIGAN LAND SALES ACT OF 1972 BY YEAR AND SIZE**

Year	Development Size					Total
	Under 50 Lots (%)	50-99 Lots (%)	100-199 Lots (%)	200-499 Lots (%)	500 or More Lots (%)	
<u>In-State</u>						
1973	20 (37.7%)	12 (22.6%)	5 (9.4%)	8 (15.1%)	8 (15.1%)	53
1974	21 (30.4%)	29 (42.0%)	12 (17.4%)	5 (7.2%)	2 (2.9%)	69
1975	11 (39.3%)	11 (39.3%)	4 (14.3%)	2 (7.1%)	0 (0.0%)	28
1976	8 (23.5%)	15 (44.1%)	8 (23.5%)	2 (5.9%)	1 (2.9%)	34
1977	<u>13 (48.1%)</u>	<u>7 (25.9%)</u>	<u>5 (18.5%)</u>	<u>1 (3.7%)</u>	<u>1 (3.7%)</u>	<u>27</u>
Subtotal	73 (34.6%)	74 (35.1%)	34 (16.1%)	18 (8.5%)	12 (5.7%)	211
<u>Out of State</u>						
1973	0 (0.0%)	0 (0.0%)	2 (16.7%)	4 (33.3%)	6 (50.0%)	12
1974	0 (0.0%)	0 (0.0%)	3 (15.8%)	7 (36.8%)	9 (47.4%)	19
1975	0 (0.0%)	0 (0.0%)	0 (0.0%)	3 (75.0%)	1 (25.0%)	4
1976	0 (0.0%)	0 (0.0%)	0 (0.0%)	1 (33.3%)	2 (66.7%)	3
1977	<u>1 (11.1%)</u>	<u>0 (0.0%)</u>	<u>3 (33.3%)</u>	<u>3 (33.3%)</u>	<u>2 (22.2%)</u>	<u>9</u>
Subtotal	1 (2.1%)	0 (0.0%)	8 (17.0%)	18 (38.3%)	20 (42.6%)	47
OVERALL TOTAL ^a	74 (28.7%)	74 (28.7%)	42 (16.3%)	36 (14.0%)	32 (12.4%)	258

SOURCE: Michigan Department of Licensing and Regulation, Land Sales Division, Michigan Land Sales Act Registration Files.

^aDoes not include data for consolidations.

developments that have been registered. There appear to be larger economies to scale for recreation and second home land developments in Florida and Arizona than have been present in Michigan's land market. This is supported by the fact that only one Michigan development ever registered under the act - Lakes of the North with 8,518 lots - contained more than 5,000 lots.¹ In contrast, Florida has developments of 10,435 lots and 20,142 lots, both of which are still registered under the Michigan act. The two largest Michigan developments with current registrations contain 2,259 lots and 2,254 lots.²

Based on the comparison of land sales registration data for in-state versus out of state land developments, it appears that the recreation and second home land market is not as large or extensive for Michigan developers as it is for developers in Florida and Arizona. This may be due to several land market variables, including the Michigan Land Sales Act, which are subsequently discussed.

Analysis of Data from the Land Development and Marketing Questionnaire

A copy of the "land development and marketing" questionnaire was mailed to each of the 206 Michigan and out of

¹The registration on this development was terminated by the Michigan Department of Licensing and Regulation, Land Sales Division, in 1975.

²Consolidations or subdivisions added to these developments after the initial registrations are included in these figures.

state land developers who had registered developments under the Michigan Land Sales Act of 1972 and could be contacted by mail. Of the 206 questionnaires mailed, 91 (44.2%) were completed and returned to the researcher (a copy of the questionnaire is contained in Appendix 3). The returned questionnaires tended to be quite representative of developments of 50-99 lots and 100-199 lots, but "under-represented" developments of less than 50 lots and "over-represented" developments of 100-499 lots and 500 lots or more (see Table 10). This may have been largely due to two factors:

1. Developers were instructed to complete the questionnaire for their largest land development registered under the Michigan Land Sales Act. Six of the Michigan developers that received questionnaires had more than one development registered under the act, at least one of which was less than fifty lots in size. In addition, two Michigan developers and three out of state developers had more than one development registered under the act, at least one of which was 50-199 lots in size and another of which was 200 or more lots in size. However, this does not explain all of the difference in representativeness.
2. A more logical reason for the difference may be that fewer small developers felt they could

TABLE 10

COMPARISON BETWEEN SIZES OF ALL DEVELOPMENTS
REGISTERED UNDER THE MICHIGAN LAND SALES ACT
AND SIZES OF REGISTERED DEVELOPMENTS FOR WHICH
QUESTIONNAIRES WERE COMPLETED

Designation	Development Size				
	Under 50 Lots	50-99 Lots	100-199 Lots	200-499 Lots	500 or More
All Developments Registered	87 31.1%	76 27.1%	45 16.1%	32 11.4%	40 14.3%
Developments for Which Question- naires Were Com- pleted	11 12.1%	27 29.7%	15 16.5%	15 16.5%	23 25.3%

accurately rank and comment on land market variables, while larger developers have had extensive experience in land development and tend to be more knowledgeable regarding the relative effects of various land market variables on their land development and marketing activities. Thus, fewer small developers may have responded due to a lack of knowledge about the land market, while more large developers responded due to their knowledge and interest in the market.

Analysis of Development Size and Location

Development size (the dependent variable) was run against location of developments (the independent variable)

using the Statistical Package for the Social Sciences subprogram "CROSSTABS" to determine whether a statistically significant relationship existed between development size and location for developers that responded to the "land development and marketing" questionnaire. Development size was divided into developments with:

1. under 50 lots;
2. 50-99 lots;
3. 100-199 lots;
4. 200-499 lots; and,
5. 500 or more lots.

Development location was classified as:

1. in Michigan's Upper Peninsula;
2. in Michigan's Northern Lower Peninsula;
3. in Michigan's Southern Lower Peninsula; or,
4. out of state.

The raw chi square for the data equaled 40.50576 with 12 degrees of freedom (see Table 11). Significance equaled .0001, which led to the conclusion that there was a statistically significant relationship between development size and location at the .1 alpha level.

When development size was recoded to "under 100 lots" or "100 or more lots," the raw chi square equaled 14.97262 with 3 degrees of freedom. Significance equaled .0018, which led to the acceptance of the hypothesis that a statistically significant relationship at the .1 alpha level does

TABLE 11

RESULTS OF STATISTICAL TESTS FOR SIGNIFICANT RELATIONSHIPS BETWEEN LOCATION
AND DEVELOPMENT SIZE USING SPSS SUBPROGRAM "CROSSTABS"

Development Size		Upper Peninsula Developments	Northern Lower Peninsula Developments	Southern Lower Peninsula Developments	Out of State	Row Total	118
Under 50 Lots	Count	2	4	5	0	11	
	Row %	18.2%	36.4%	45.5%	0.0%	--	
	Column %	28.6%	9.8%	17.9%	0.0%	--	
	Total %	2.2%	4.4%	5.5%	0.0%	12.1%	
50-99 Lots	Count	2	19	6	0	27	
	Row %	7.4%	70.4%	22.2%	0.0%	--	
	Column %	28.6%	46.3%	21.4%	0.0%	--	
	Total %	2.2%	20.9%	6.6%	0.0%	29.7%	
100-199 Lots	Count	2	4	8	1	15	
	Row %	13.3%	26.7%	53.3%	6.7%	--	
	Column %	28.6%	9.8%	28.6%	6.7%	--	
	Total %	2.2%	4.4%	8.8%	1.1%	16.5%	
200-499 Lots	Count	1	7	5	2	15	
	Row %	6.7%	46.7%	33.3%	13.3%	--	
	Column %	14.3%	17.1%	17.9%	13.3%	--	
	Total %	1.1%	7.7%	5.5%	2.2%	16.5%	

TABLE 11 (cont'd.)

Development Size		Upper Peninsula Developments	Northern Lower Peninsula Developments	Southern Lower Peninsula Developments	Out of State	Row Total
500 or More Lots	Count	0	7	4	12	23
	Row %	0.0%	30.4%	17.4%	52.2%	--
	Column %	0.0%	17.1%	14.3%	80.0%	--
	Total %	0.0%	7.7%	4.4%	13.2%	25.3%
Column Total		7 7.7%	41 45.1%	28 30.8%	15 16.5%	91 100.0%
RAW CHI SQUARE = 40.50576 with 12 degrees of freedom						
Significance = .0001						

exist between development size and location.

To further check the relationship between development size and location, development size was recoded to "under 100 lots," or "100 or more lots," while location was recoded to "in-state" or "out of state." The corrected chi square from the "CROSSTABS" analysis of the data was 10.90355 with 1 degree of freedom. Significance equaled .001, which still led to the adoption of the hypothesis that a significant relationship between the two variables does exist (at the .1 alpha level).

A final "CROSSTABS" analysis was run to check for a significant relationship between development size and location for the three regions in Michigan, as well as to compute how much of the variability in location and development size was accounted for by the out of state developments through eliminating data for these developments from the "CROSSTABS" run. The raw chi square equaled 9.70047 with 8 degrees of freedom (see Table 12). Significance equaled .2867, which led to the conclusion that there is not a statistically significant relationship between development size and location for the developments located in the three regions of Michigan. However, the small number of cases from Michigan's Upper Peninsula (only seven) may partly account for the fact that a significant relationship was not found.

TABLE 12

RESULTS OF STATISTICAL TESTS FOR SIGNIFICANT RELATIONSHIPS BETWEEN LOCATION
AND DEVELOPMENT SIZE USING SPSS SUBPROGRAM "CROSSTABS" - IN-STATE DEVELOPMENTS ONLY

Development Size		Upper Peninsula Developments	Northern Lower Peninsula Developments	Southern Lower Peninsula Developments	Row Total
Under 50 Lots	Count	2	4	5	11
	Row %	18.2%	36.4%	45.5%	—
	Column %	28.6%	9.8%	17.9%	—
	Total %	2.6%	5.3%	6.6%	14.5%
50-99 Lots	Count	2	19	6	27
	Row %	7.4%	70.4%	22.2%	—
	Column %	28.6%	46.3%	21.4%	—
	Total %	2.6%	25.0%	7.9%	35.5%
100-199 Lots	Count	2	4	8	14
	Row %	14.3%	28.6%	57.1%	—
	Column %	28.6%	9.8%	28.6%	—
	Total %	2.6%	5.3%	10.5%	18.4%
200-499 Lots	Count	1	7	5	13
	Row %	7.7%	53.8%	38.5%	—
	Column %	14.3%	17.1%	17.9%	—
	Total %	1.3%	9.2%	6.6%	17.1%

121

TABLE 12 (cont'd.)

Development Size		Upper Peninsula Developments	Northern Lower Peninsula Developments	Southern Lower Peninsula Developments	Row Total
500 or More Lots	Count	0	7	4	11
	Row %	0.0%	63.6%	36.4%	--
	Column %	0.0%	17.1%	14.3%	--
	Total %	0.0%	9.2%	5.3%	14.5%
Column Total		7	41	28	76
		9.2%	53.9%	36.8%	100.0%
RAW CHI SQUARE = 9.70047 with 8 degrees of freedom					
Significance = .2867					

The elimination of data for out of state developments in the final "CROSSTABS" run revealed the fact that the out of state developments accounted for most of the variability between location and development size in the first three "CROSSTABS" analyses. This led to the conclusion that a statistically significant relationship between location and development size does exist for in-state versus out of state land developments. However, this significant relationship does not exist between developments in the three regions within Michigan. A close examination of the data on development size revealed that out of state land developments registered under the Michigan Land Sales Act are, on the average, larger than Michigan developments which are registered under the act as pointed out earlier in this chapter. This is quite logical in view of the costs of advertising and marketing subdivided land in Michigan which may be located in Florida, Arizona or another state. In addition, there are apparently larger economies to scale which exist in some states such as Florida, Arizona and Texas due to environmental, political and/or other reasons.

Relative Rankings for Land Market Variables

The Statistical Package for the Social Sciences sub-program "FREQUENCIES" enabled the researcher to compute an average rank or score for each of the six classes of

land market variables and for each individual variable within three classes. The average score for each class and individual variable was then compared to the score for every other class of variables or individual variable within a class to obtain the relative rankings.

Of the six classes of variables included on the "land development and marketing" questionnaire, "costs of complying with state governments' laws and regulations" was ranked as the class of land market variables having the most negative effect on the land development and marketing activities of the developers who responded. Eighty-eight (96.7%) of the ninety-one respondents ranked this class of variables as having a negative effect on their land development and marketing activities, while only three ranked it as having "no negative effect" (see Table 13).

"Costs of complying with the federal government's laws and regulations" was the class of variables that was ranked as having the second most negative effect on land development and marketing. Seventy-five (82.4%) of the ninety-one respondents ranked this class of variables as having a negative effect.¹

"Costs of complying with state governments' laws and regulations" was broken into six individual variables on the questionnaire which were ranked by the land developers

¹See Table 13 for the rankings of the other four classes of land market variables.

who participated in the survey. "Time delays in complying with state land sales regulations" had a mean score of 1.862 which gave it the number one ranking as being the individual variable within the class having the most negative effect on land development and marketing. Eighty (87.9%) of the ninety-one respondents ranked this variable as having negative effects on their land development and marketing activities (see Table 13).

With sixty-seven "negative effect" rankings and a mean score of 2.537, "time delays in complying with platting and subdivision regulations" was ranked second within the class of variables designated as "costs of complying with state governments' laws and regulations." Ranked third within the class was "monetary costs complying with state land sales regulations" with sixty-seven "negative effect" rankings and a mean score of 2.612.

"Time delays in complying with federal land sales regulations," with sixty-five (71.4%) negative rankings and a mean score of 1.615, ranked as the individual variable having the most negative effect on land development and marketing within the class of variables designated as "costs of complying with the federal government's laws and regulations." With fifty-six (61.5%) negative rankings and a mean score of 1.804, "monetary costs of complying with federal land sales regulations" ranked second (see Table 13).

TABLE 13

AVERAGE RANKINGS OF LAND MARKET VARIABLES ON THE
"LAND DEVELOPMENT AND MARKETING" QUESTIONNAIRE

Variable	Number of "No Negative Effect" Rankings (%)	Number of "Negative Effect" Rankings (%)	Mean Score	Rank within Class	
<u>General Classes of Variables</u>					
Costs of complying with state governments' laws and regulations	3 (3.3%)	88 (96.7%)	2.023	1	126
Costs of complying with the federal government's laws and regulations	16 (17.6%)	75 (82.4%)	2.533	2	
Costs of complying with local governments' ordinances and regulations	21 (23.1%)	70 (76.9%)	2.900	3	
Costs of holding and marketing developed land	21 (23.1%)	70 (76.9%)	3.086	4	
Costs of raw land and improvements	33 (36.3%)	58 (63.7%)	3.172	5	
Factors directly related to the economy	37 (40.7%)	54 (59.3%)	3.611	6	

TABLE 13 (cont'd.)

Variable	Number of "No Negative Effect" Rankings (%)	Number of "Negative Effect" Rankings (%)	Mean Score	Rank within Class
<u>Costs of Complying With State Governments' Laws and Regulations</u>				
Time delays in complying with state land sales regulations	11 (12.2%)	80 (87.9%)	1.862	1
Time delays in complying with platting and subdivision reg- ulations	24 (26.4%)	67 (73.6%)	2.537	2
Monetary costs of complying with state land sales reg- ulations	24 (26.4%)	67 (73.6%)	2.612	3
Monetary costs of complying with platting and subdivi- sion regulations	32 (35.2%)	59 (64.8%)	2.847	4
Time delays in complying with state environmental regula- tions	34 (37.4%)	57 (62.6%)	3.140	5
Monetary costs of complying with state environmental regulations	42 (46.2%)	49 (53.8%)	3.449	6

TABLE 13 (cont'd.)

Variable	Number of "No Negative Effect" Rankings (%)	Number of "Negative Effect" Rankings (%)	Mean Score	Rank within Class
<u>Costs of Complying with the Federal Government's Laws and Regulations</u>				
Time delays in complying with federal land sales regula- tions	26 (28.6%)	65 (71.4%)	1.615	1
Monetary costs of complying with federal land sales reg- ulations	35 (38.5%)	56 (61.5%)	1.804	2
Time delays in complying with federal environmental regula- tions	43 (47.3%)	48 (52.7%)	2.271	3
Monetary costs of complying with federal environmental regulations	54 (59.3%)	37 (40.7%)	2.892	4
<u>Costs of Complying with Local Governments' Ordinances and Regulations</u>				
Time delays incurred when com- plying with health and sanitary codes	21 (23.1%)	70 (76.9%)	1.614	1

TABLE 13 (cont'd.)

Variable	Number of "No Negative Effect" Rankings (%)	Number of "Negative Effect" Rankings (%)	Mean Score	Rank within Class
Local zoning restrictions on land use	48 (52.7%)	43 (47.3%)	1.791	2
Monetary costs incurred when complying with health and sanitary codes	27 (29.7%)	64 (70.3%)	1.797	3

These rankings led to the conclusion that time delays in complying with state land sales regulations have the most negative effect of the variables included in the questionnaire in the opinion of the developers who responded by ranking the land market variables. This conclusion was further supported by the comments of developers which were made on the "land development and marketing" questionnaire regarding the variables which were included. In addition, time delays in complying with federal land sales regulations appear to be a significant problem for many developers, particularly those with developments of 50 or more lots which is the minimum development size that falls under the Interstate Land Sales Full Disclosure Act. Of the ninety-one developers who responded to the questionnaire, twenty-six (28.6%) commented that duplication of effort and overlap in jurisdiction or authority between state and federal governments in the area of land sales regulation tended to further aggravate the problem of time delays in registrations and sales. Thus, the variable rankings and comments on the "land development and marketing" questionnaire tend to indicate that land developers who are required to comply with both state and federal land sales regulations have even greater problems with time delays in land development and marketing than do smaller developers who are exempt from federal regulations because of the size of their developments.

Results of Questionnaire Data Analysis

The Statistical Package for the Social Sciences sub-program "ONEWAY" was used to run an analysis of variance between development size and each class of land market variables and each individual variable included in the "land development and marketing" questionnaire.¹ An analysis of variance was also run between development location and each class of variables and each individual variable using sub-program "ONEWAY." In each run, the land market variables were designated as dependent variables while development size and location were designated as independent variables.

An analysis of variance between development size and the rankings of the six classes of land market variables by developers was run with development size coded into five subgroups: less than 50 lots; 50-99 lots; 100-199 lots; 200-499 lots; and, 500 or more lots. Only one statistically significant relationship between development size and the six classes of land market variables was found. With an F-probability of .0625, the developers' individual rankings for "costs of complying with the federal government's laws and regulations" were strongly related to the sizes of their particular developments (see Table 14). However, when development size was recoded as "less than 100 lots" or "100 or more lots" and another analysis of variance was run for each of the six classes

¹See Appendix C for a copy of the questionnaire which includes all of the variables.

TABLE 14

RESULTS OF THE ANALYSES OF VARIANCE BETWEEN THE SIX CLASSES
LAND MARKET VARIABLES AND DEVELOPMENT SIZE

Class of Variables	F-Probability with Development Size as the Independent Variable	Significant at the .1 Alpha Level
<u>Development Size Coded as under 50 lots, 50-99 lots, 100-199 lots, 200-499 lots, and 500 or more lots</u>		
Costs of Raw Land and Improvements	.7360	No
Factors Directly Related to the Economy	.9550	No
Costs of Complying with Local Governments' Ordinances and Regulations	.1292	No
Costs of Complying with State Governments' Laws and Regulations	.2464	No
Costs of Complying with the Federal Government's Laws and Regulations	.0625	Yes
Costs of Holding and Marketing Developed Land	.9236	No
<u>Development Size Coded as Under 100 Lots or 100 or More Lots</u>		
Costs of Raw Land and Improvements	.5231	No
Factors Directly Related to the Economy	.8038	No

TABLE 14 (cont'd.)

Class of Variables	F-Probability with Development Size as the Independent Variable	Significant at the .1 Alpha Level
Costs of Complying with Local Governments' Ordinances and Regulations	.0781	Yes
Costs of Complying with State Governments' Laws and Regulations	.0416	Yes
Costs of Complying with the Federal Government's Laws and Regulations	.4364	No
Costs of Holding and Marketing Developed Land	.7968	No

of variables, a significant relationship between development size and individual developers' responses were found for "costs of complying with local governments' ordinances and regulations" and "costs of complying with state governments' laws and regulations," while no relationship was found to exist for "costs of complying with the federal government's laws and regulations" (see Table 14).

By using subprogram "ONEWAY," twenty "a priori contrasts" or t-tests were run between responses or rankings by various combinations of the development size subgroups for each of the six classes of land market variables.¹ These revealed that significant differences in variable rankings existed between some of the development size subgroups for three classes of variables:

1. For "costs of complying with local governments ordinances and regulations," statistically significant differences between responses by developers with developments of less than 100 lots and those with 100 or more lots were found. In addition, significant differences in responses by developers with developments of 100-199 lots and those with 200 or more lots were also found.
2. For "costs of complying with state governments' laws and regulations," statistically significant

¹See pages 83-85 in Chapter 4 for a detailed description of each "a priori contrast" that was run.

differences were found between responses or rankings for developments of less than 100 lots and those with 100 or more lots. This further confirms the findings from the second analysis of variance performed on the data for this variable, which was discussed above.

3. For "costs of complying with the federal government's laws and regulations," significant differences between responses for (a) developments of less than 50 lots, and those with 50-99 lots and 500 or more lots, and (b) developments of 50-99 lots and those with 100-499 lots were found.¹

These statistical tests strongly indicate that government regulations affect developers with developments of less than 100 lots significantly different than developers with developments of 100 or more lots.

The analyses of variance between each individual land market variable included in the "land development and marketing" questionnaire and developments size, which was coded into the five subgroups previously discussed, revealed that statistically significant relationships exist between development size and the rankings for two variables:

1. "monetary costs of complying with state land sales regulations;" and,

¹See Table 15 for the t-probabilities of the statistically significant "a priori contrasts."

TABLE 15
SIGNIFICANT "A PRIORI CONTRASTS" BETWEEN RESPONSES
BY DEVELOPMENT SIZE SUBGROUPS FOR THE SIX
CLASSES OF LAND MARKET VARIABLES

Class of Variables	"A Priori Contrasts" Significant at the .1 Alpha Level	t-Probability ¹	
Cost of Complying with Local Governments' Ordinances and Regulations by Development Size	a. less than 50 lots against 100-199 lots	.058	136
	b. 50-99 lots against 100-199 lots	.023	
	c. 100-199 lots against 200-499 lots	.045	
	d. less than 100 lots against 100-199 lots	.018	
	e. 100-199 lots against 200 or more lots	.084	
Costs of Complying with State Governments' Laws and Regulations by Development Size	a. less than 50 lots against 100-199 lots	.083	
	b. less than 50 lots against 200-499 lots	.088	
	c. less than 100 lots against 100-199 lots	.059	
	d. less than 100 lots against 200-499 lots	.062	
	e. less than 100 lots against 100-499 lots	.021	
	f. less than 100 lots against 200 or more lots	.069	
	g. less than 50 lots against 100-499 lots	.053	
	h. 50-99 lots against 100-499 lots	.059	

TABLE 15 (cont'd.)

Class of Variables	"A Priori Contrasts" Significant at the .1 Alpha Level	t-Probability ¹
Costs of Complying with the Federal Government's Laws and Regulations by Development Size	a. less than 50 lots against 50-99 lots	.025
	b. less than 50 lots against 500 or more lots	.038
	c. 50-99 lots against 100-199 lots	.073
	d. 50-99 lots against 200-499 lots	.075
	e. 50-99 lots against 100-499 lots	.030

¹The t-probability from the pooled variance estimate was used to determine significance.

2. "monetary costs of complying with federal land sales regulations" (see Table 16).

When development size was recoded as "under 100 lots" or "100 or more lots," the analyses of variance between the rankings for individual variables by development size subgroups again indicated statistically significant relationships between development size and (a) "monetary costs of complying with state land sales regulations," and (b) "monetary costs of complying with federal land sales regulations." In addition, a significant relationship was found between development size and "local zoning restrictions on land use."

When the twenty "a priori contrasts" or t-tests were run for each individual variable included in the questionnaire, the following statistically significant relationships were found:

1. For "monetary costs of complying with platting and subdivision regulations," the responses or rankings by developers with developments of less than 100 lots were significantly different from rankings by developers with developments of 100 or more lots. This supports the results from the analyses of variance that were run between development size and this variable.
2. For "time delays in complying with platting and subdivision regulations," rankings by developers with developments of less than 50 lots were

TABLE 16

RESULTS OF THE ANALYSES OF VARIANCE BETWEEN THE
INDIVIDUAL LAND MARKET VARIABLES AND DEVELOPMENT SIZE

Variable	F-Probability with Development Size as the Independent Variable	Significant at the .1 Alpha Level
<u>Development Size Coded as under 50 lots, 50-99 lots, 100-199 lots, 200-499 lots, and 500 or more lots</u>		
Monetary costs of complying with platting and subdivision regulations	.0620	Yes
Time delays in complying with state land sales regulations	.8478	No
Time delays in complying with platting and subdivision regulations	.2712	No
Monetary costs of complying with state environmental regulations	.1396	No
Time delays in complying with state environmental regulations	.2074	No
Monetary costs of complying with state land sales regulations	.3494	No

TABLE 16 (cont'd.)

Variable	F-Probability with Development Size as the Independent Variable	Significant at the .1 Alpha Level
Monetary costs of complying with federal environmental regulations	.5445	No
Monetary costs of complying with federal land sales regulations	.0839	Yes
Time delays in complying with federal environmental regulations	.4030	No
Time delays in complying with federal land sales regulations	.2656	No
Local zoning restrictions on land use	.3384	No
Time delays incurred when complying with health and sanitary codes	.9195	No
Monetary costs incurred when complying with health and sanitary codes	.9714	No
<u>Development Size Coded as under 100 lots or 100 or more lots</u>		
Monetary costs of complying with platting and subdivision regulations	.0056	Yes

TABLE 16 (cont'd.)

Variable	F-Probability with Development Size as the Independent Variable	Significant at the .1 Alpha Level
Time delays in complying with state land sales regulations	.6248	No
Time delays in complying with plat- ting and subdivision regulations	.4226	No
Monetary costs of complying with state environmental regulations	.5930	No
Time delays in complying with state environmental regulations	.8602	No
Monetary costs of complying with state land sales regulations	.2424	No
Monetary costs of complying with federal environmental regulations	.6974	No
Monetary costs of complying with fed- eral land sales regulations	.2288	No
Time delays in complying with federal environmental regulations	.0744	Yes
Time delays in complying with federal land sales regulations	.4621	No

TABLE 16 (cont'd.)

Variable	F-Probability with Development Size as the Independent Variable	Significant at the .1 Alpha Level
Local zoning restrictions on land use	.0822	Yes
Time delays incurred when complying with health and sanitary codes	.9422	No
Monetary costs incurred when com- plying with health and sanitary codes	.6528	No

significantly different from rankings by developers with developments of 500 or more lots.

3. For "monetary costs of complying with state environmental regulations," rankings by developers with developments of less than 500 lots were significantly different from rankings by developers with developments of 500 or more lots.
4. For "time delays in complying with state environmental regulations," rankings by developers with developments of less than 50 lots were significantly different from rankings by developers with developments of 50 or more lots.
5. For "monetary costs of complying with state land sales regulations," rankings by developers with developments of less than 50 lots were significantly different from rankings by developers with developments of 50-199 lots. In addition, rankings by developers with developments of 100-199 lots were significantly different from rankings by developers with developments of 200 or more lots.
6. For "monetary costs of complying with federal land sales regulations," rankings by developers with developments of less than 50 lots were significantly different from rankings by developers with developments of 50 or more lots. This difference is most likely due to the fact that

developments of less 50 lots are exempt from the federal land sales regulations. In addition, rankings by developers with developments of 50-99 lots were significantly different from rankings by developers with developments of 100-199 lots.

7. For "time delays in complying with federal environmental regulations," rankings by developers with developments of 50-99 lots were significantly different from rankings by developers with developments of 200 or more lots.
8. For "time delays in complying with federal land sales regulations," rankings by developers with developments of less than 50 lots were significantly different from rankings by developers with developments of 50-99 lots, which is probably due to the fact that developments of less than 50 lots are exempt from the federal land sales regulations. In addition, rankings by developers with developments of 50-99 lots were significantly different from rankings by developers with developments of 200-499 lots.
9. For "local zoning restrictions on land use," rankings by developers with developments of 50-99 lots were significantly different from rankings by developers with developments of 100 or more lots.¹

¹See Table 17 for the t-probabilities of the statistically significant "a priori contrasts."

TABLE 17
SIGNIFICANT "A PRIORI CONTRASTS" BETWEEN RESPONSES BY
DEVELOPMENT SIZE SUBGROUPS FOR THE INDIVIDUAL
LAND MARKET VARIABLES

Variables	"A Priori Contrasts" Significant at the .1 Alpha Level	t-Probability ¹
Monetary costs of complying with platting and subdivision regula- tions by Development Size	a. less than 50 lots against 100-199 lots	.018
	b. less than 50 lots against 200-499 lots	.049
	c. less than 50 lots against 500 or more lots	.018
	d. 50-99 lots against 100-199 lots	.093
	e. 50-99 lots against 500 or more lots	.097
	f. less than 100 lots against 100-199 lots	.021
	g. less than 100 lots against 200-499 lots	.068
	h. less than 100 lots against 500 or more lots	.021
	i. less than 100 lots against 100-499 lots	.011
	j. less than 100 lots against 200 or more lots	.011
	k. less than 50 lots against 100-499 lots	.014
	l. less than 50 lots against 200 or more lots	.014
	m. 50-99 lots against 200 or more lots	.085
	n. 50-99 lots against 100-499 lots	.080
Time delays in complying with platting and subdivision regula- tions by Development Size	a. 50-99 lots against 500 or more lots	.048

TABLE 17 (cont'd.)

Variables	"A Priori Contrasts" Significant at the .1 Alpha Level	t-Probability ¹
Monetary costs of complying with state environmental regulations by Development Size	a. less than 50 lots against 500 or more lots b. 100-199 lots against 500 or more lots c. 200-499 lots against 500 or more lots d. less than 100 lots against 500 or more lots	.033 .062 .064 .041
Time delays in complying with state environmental regulations by Devel- opment Size	a. less than 50 lots against 50-99 lots b. less than 50 lots against 100-199 lots c. less than 50 lots against 500 or more lots d. less than 50 lots against 100-499 lots e. less than 50 lots against 200 or more lots	.027 .045 .065 .068 .090
Monetary costs of complying with state land sales regulations by Development Size	a. less than 50 lots against 50-99 lots b. 100-199 lots against 200 or more lots c. less than 50 lots against 100-199 lots	.043 .095 .060
Monetary costs of complying with federal land sales regulations by Development Size	a. less than 50 lots against 50-99 lots b. less than 50 lots against 200-499 lots c. less than 50 lots against 500 or more lots d. 50-99 lots against 100-199 lots e. less than 50 lots against 100-499 lots f. less than 50 lots against 200 or more lots	.019 .049 .100 .064 .082 .061
Time delays in complying with federal environmental regulations by Development Size	a. 50-99 lots against 200-499 lots b. 50-99 lots against 200 or more lots	.066 .059

TABLE 17 (cont'd.)

Variables	"A Priori Contrasts" Significant at the .1 Alpha Level	t-Probability ¹
Time delays in complying with federal land sales regulations by Development Size	a. less than 50 lots against 50-99 lots	.100
	b. 50-99 lots against 200-499 lots	.076
Local zoning restrictions on land use by Development Size	a. 50-99 lots against 200-499 lots	.042
	b. 50-99 lots against 200 or more lots	.057
	c. 50-99 lots against 100-499 lots	.057

¹The t-probability from the pooled variance estimate was used to determine significance.

From the results of the "a priori contrasts" or t-tests between the responses or rankings given by the development size subgroups to the classes of variables and individual variables included on the "land development and marketing" questionnaire, it was concluded that some of the variables affect smaller developers differently than larger developers. In particular, monetary costs of complying with state land sales regulations more negatively affect the profitability of land developments with under 50 lots than those over 50 lots in size, which was evidenced by the results from the t-tests on the developers' rankings as well as a detailed review of the rankings on each questionnaire. However, the analysis of the developers' responses or rankings for the variable defined as "time delays in complying with state land sales regulations" failed to reveal any significant differences in responses by developers with developments in each of the five size subgroups. Thus, it appears that small developers are concerned about the negative effects of time delays and out-of-pocket monetary costs created by state land sales regulations, while developers with developments of 50 or more lots are largely concerned with the negative effects or costs created by time delays.

An analysis of variance between development location and the rankings for the six classes of land market variables using the Statistical Package for the Social Sciences subprogram "ONEWAY" was run with development location, the

independent variable, coded into four subgroups: Upper Peninsula; Northern Lower Peninsula; Southern Lower Peninsula; and, out of state. Only one statistically significant relationship between development location and the rankings for the six classes of land market variables was found. With an F-probability of .0690, the developers' individual rankings for "costs of complying with state governments' laws and regulations" were strongly related to the locations of their land developments (see Table 18).

When development location was recoded as "in-state" or "out of state" and another analysis of variance was run for each of the six classes of variables, significant differences between individual developers' responses were found for "costs of complying with state governments' laws and regulations" and "costs of complying with local governments' ordinances and regulations" (see Table 18).

Twenty "a priori contrasts" or t-tests were run between rankings by various combinations of the development location subgroups for each of the six classes of land market variables.¹ These revealed that significant differences in variable rankings existed between some development location subgroups for two classes of variables:

1. For "costs of complying with local governments' ordinances and regulation," rankings by developers

¹See pages 86-88 in Chapter 4 for a detailed description of each "a priori contrast" that was run.

TABLE 18

RESULTS OF THE ANALYSES OF VARIANCE BETWEEN THE SIX
CLASSES OF LAND MARKET VARIABLES AND DEVELOPMENT LOCATION

Class of Variables	F-Probability with Development Location as the Independent Variable	Significant at the .1 Alpha Level
<u>Location Coded as Upper Peninsula, Northern Lower Peninsula, Southern Lower Peninsula, and Out of State</u>		
Costs of Raw Land and Improvements	.9326	No
Factors Directly Related to the Economy	.6468	No
Costs of Complying with Local Govern- ments' Ordinances and Regulations	.2778	No
Costs of Complying with State Govern- ments' Laws and Regulations	.0690	Yes
Costs of Complying with the Federal Government's Laws and Regulations	.2458	No
Costs of Holding and Marketing Deve- loped Land	.6350	No
<u>Location Coded as In-State or Out of State</u>		
Costs of Raw Land and Improvements	.6473	No
Factors Directly Related to the Economy	.9530	No

TABLE 18 (cont'd.)

Class of Variables	F-Probability with Development Location as the Independent Variable	Significant at the .1 Alpha Level
Costs of Complying with Local Governments' Ordinances and Regulations	.0848	Yes
Costs of Complying with State Governments' Laws and Regulations	.0507	Yes
Costs of Complying with the Federal Government's Laws and Regulations	.6716	No
Costs of Holding and Marketing Developed Land	.6486	No

with developments located in the Upper Peninsula and Northern Lower Peninsula were significantly different from rankings by developers with developments located out of state.

2. For "costs of complying with state governments' laws and regulations," rankings by developers with developments located in the Upper Peninsula were significantly different from rankings by developers with developments located in the Northern Lower Peninsula, the Southern Lower Peninsula, and out of state. Rankings by developers with developments located in the Northern Lower Peninsula were significantly different from rankings by developers with developments located in the Southern Lower Peninsula and out of state, and when the rankings by developers with developments in the Northern Lower Peninsula were grouped with those from the Upper Peninsula a significant difference was found between the rankings by developers in these two location subgroups and the rankings for developments in the Southern Lower Peninsula (see Table 19).

These t-test results strongly indicate that developers from Michigan's Upper Peninsula and Northern Lower Peninsula tend to view the effects of laws and regulations at the local and state level differently than developers with

TABLE 19
SIGNIFICANT "A PRIORI CONTRASTS" BETWEEN RESPONSES BY
DEVELOPMENT LOCATION SUBGROUPS FOR THE SIX
CLASSES OF LAND MARKET VARIABLES

Class of Variables	"A Priori Contrasts" Significant at the .1 Alpha Level	t-Probability ¹	
Costs of Complying with Local Governments' Ordinances and Regulations by Development Location	Upper Peninsula against Out of State	.050	153
	Upper Peninsula and Northern Lower Peninsula against Out of State	.097	
Costs of Complying with State Governments' Laws and Regulations by Development Location	Upper Peninsula against Northern Lower Peninsula	.058	
	Upper Peninsula against Southern Lower Peninsula	.010	
	Upper Peninsula against Out of State	.001	
	Northern Lower Peninsula against Out of State	.041	
	Upper Peninsula and Northern Lower Peninsula against Out of State	.005	
	Upper Peninsula against Northern Lower Peninsula and Southern Lower Peninsula	.010	
	Upper Peninsula against Southern Lower Peninsula and Out of State	.001	

TABLE 19 (cont'd.)

Class of Variables	"A Priori Contrasts" Significant at the .1 Alpha Level	t-Probability ¹
Costs of Complying with State Governments' Laws and Regulations by Development Location	Northern Lower Peninsula against Southern Lower Peninsula and Out of State	.045
	Upper Peninsula and Northern Lower Peninsula against Southern Lower Peninsula and Out of State	.001

¹The t-probability from the pooled variance estimate was used to determine significance.

developments located in the Southern Lower Peninsula and out of state.

The analyses of variance between each individual land market variable included in the "land development and marketing" questionnaire and development location, which was coded into the four subgroups previously discussed, revealed that no statistically significant relationships existed between development location and the rankings for the thirteen variables included in the questionnaire (see Table 20). Even when development location was recoded as "in-state" or "out of state," the results of the analyses of variance indicated that no statistically significant relationships existed between development location and any of the rankings for the individual variables (see Table 20).

When the thirteen "a priori contrasts" or t-tests were run for each individual land market variable included in the questionnaire, only two statistically significant relationships were found:

1. For "time delays in complying with state land sales regulations," the rankings by developers with developments in Michigan's Upper Peninsula were significantly different from the rankings by developers with developments located out of state.
2. For "monetary costs of complying with state environmental regulations," the rankings by

TABLE 20

RESULTS OF THE ANALYSES OF VARIANCE BETWEEN THE INDIVIDUAL
LAND MARKET VARIABLES AND DEVELOPMENT LOCATION

Variable	F-Probability with Development Location as the Independent Variable	Significant at the .1 Alpha Level	
<u>Location Coded as Upper Peninsula, Northern Lower Peninsula, Southern Lower Peninsula, and Out of State</u>			
Monetary costs of complying with platting and subdivision regula- tions	.4519	No	156
Time delays in complying with state land sales regulations	.7605	No	
Time delays in complying with platting and subdivision regulations	.4212	No	
Monetary costs of complying with state environmental regulations	.4679	No	
Time delays in complying with state environmental regulations	.5964	No	
Monetary costs of complying with state land sales regulations	.9286	No	
Monetary costs of complying with federal environmental regulations	.4488	No	

TABLE 20 (cont'd.)

Variable	F-Probability with Development Location as the Independent Variable	Significant at the .1 Alpha Level
Monetary costs of complying with federal land sales regulations	.5525	No
Time delays in complying with federal environmental regulations	.5684	No
Time delays in complying with federal land sales regulations	.4103	No
Local zoning restrictions on land use	.7115	No
Time delays incurred when complying with health and sanitary codes	.7880	No
Monetary costs incurred when complying with health and sanitary codes	.7585	No
<u>Location Coded as In-State or Out of State</u>		
Monetary costs of complying with platting and subdivision regulations	.4467	No
Time delays in complying with state land sales regulations	.8348	No
Time delays in complying with platting and subdivision regulations	.1518	No

TABLE 20 (cont'd.)

Variable	F-Probability with Development Location as the Independent Variable	Significant at the .1 Alpha Level
Monetary costs of complying with state environmental regulations	.1781	No
Time delays in complying with state environmental regulations	.4676	No
Monetary costs of complying with state land sales regulations	.6026	No
Monetary costs of complying with federal environmental regulations	.2704	No
Monetary costs of complying with federal land sales regulations	.2317	No
Time delays in complying with federal environmental regulations	.2621	No
Time delays in complying with federal land sales regulations	.8377	No
Local zoning restrictions on land use	.2686	No
Time delays incurred when complying with health and sanitary codes	.6524	No
Monetary costs incurred when complying with health and sanitary codes	.9321	No

developers with developments located in Michigan's Upper Peninsula were significantly different from the rankings by developers with developments located out of state (see Table 21).

The results of the analyses of variance and t-tests run on the six classes of land market variables with development location as the independent variable show significant differences in the ways developers with developments in the Upper Peninsula and Northern Lower Peninsula view the effects of state and local laws and regulations when compared to the views of developers with developments in the Southern Lower Peninsula and out of state. However, these statistical tests failed to reveal any significant differences between the responses of these four development location subgroups for any of the individual land market variables that were defined within the state or local government classes of variables. Thus, one or more individual variables at the state and local level which were not included in the "land development and marketing" questionnaire may account for the differences in responses to these two classes of land market variables (i.e., "costs of complying with state governments' laws and regulations," and "costs of complying with local governments' ordinances and regulations").

TABLE 21

SIGNIFICANT "A PRIORI CONTRASTS" BETWEEN RESPONSES BY DEVELOPMENT
LOCATION SUBGROUPS FOR THE INDIVIDUAL LAND MARKET VARIABLES

Variables	"A Priori Contrasts" Significant at the .1 Alpha Level	t-Probability ¹
Time delays in complying with platting and subdivision regu- lations	Northern Lower Peninsula against Out of State	.100
Monetary costs of complying with state environmental regu- lations	Upper Peninsula against Out of State	.092

¹The t-probability from the pooled variance estimate was used to determine significance.

Effects of the Michigan Land Sales Act of
1972 on Developers and Consumers

Impact of Consumer Complaints
and Their Resolution Through
Administrative and Legal Means

Complaints Resolved by the
Michigan Department of
Licensing and Regulation

During the period from July 1, 1975 through June 30, 1976, the Michigan Department of Licensing and Regulation, Land Sales Division, processed 106 complaints filed by department personnel or individual consumers pursuant to the provisions of the Michigan Land Sales Act of 1972.¹ Of these 106 complaints, 49 (46.2%) were against land developers who were allegedly advertising and/or selling unregistered lots in Michigan, three of which were resolved by purchasers receiving refunds on lots purchased. The second most numerous category of complaints was failure of registered developers to file annual renewal reports and pay fees, while 19 other complaints involved various problems with or discrepancies in developers' filings.

Another 26 consumer complaints involved alleged false advertising, failure to deliver a deed, or similar violations that directly affected individual consumers (see Table 22). However, 8 (31%) of these 26 complaints were unfounded or did not involve violations of the act. Thus,

¹See Table 22 for a list of complaints and how they were resolved during this period.

TABLE 22

DATA ON CONSUMER COMPLAINTS AGAINST DEVELOPERS UNDER THE
MICHIGAN LAND SALES ACT OF 1972 FOR JULY 1, 1975-JUNE 30, 1976

Type of Complaint	Number	% of Total for Year	Disposition or Resolution of the Complaint	Number	% of Total for This Type of Complaint
1. Advertising and/or selling in Michigan without being registered	49	46.2%	a. Voluntary assurance of compliance	19	38.8%
			b. No apparent violation based on the evidence	15	30.6%
			c. No violation - no long- er operating in Mich- igan	13	26.5%
			d. Alleged violation and complaint resolved be- tween developer and complainant	1	2.0%
			e. Cease and desist order issued against the developer	1	2.0%
2. False advertising	1	0.9%	a. No apparent violation of the act	1	100.0%
3. Failure to correct defi- ciencies in a filing for a development	1	0.9%	a. Cease and desist order issued against the developer	1	100.0%

TABLE 22 (cont'd.)

Type of Complaint	Number	% of Total for Year	Disposition or Resolution of the Complaint	Number	% of Total for This Type of Complaint
4. Failure to report material changes in the development filing within 30 days	4	3.8%	a. Voluntary compliance	1	25.0%
			b. Cease and desist order	2	50.0%
			c. No violation	1	25.0%
5. Failure to file annual renewal reports and pay fees	7	6.6%	a. All lots sold and deeded: renewal not required - no violation	1	14.3%
			b. Voluntary compliance before hearing	2	28.6%
			c. Voluntary compliance after hearing	3	42.9%
			d. Cease and desist order	1	14.3%
6. Failure by developer to award free prizes promised to prospective purchasers	3	2.8%	a. No violation	1	33.3%
			b. Prizes awarded - voluntary compliance	1	33.3%
			c. Resolved between developer and the individual filing the complaint	1	33.3%
7. Sales contracts not in recordable form	4	3.8%	a. "Consent order of dismissal"	2	50.0%
			b. No violation - complaint unfounded	2	50.0%

TABLE 22 (cont'd.)

Type of Complaint	Number	% of Total for Year	Disposition or Resolution of the Complaint	Number	% of Total for This Type of Complaint
8. Failure to pay property taxes	3	2.8%	a. "Consent order of dismissal"	3	100.0%
9. Failure to deliver purchaser a warranty deed	4	3.8%	a. Deed delivered - voluntary compliance	2	50.0%
			b. Refund privilege given purchaser by developer - voluntary compliance	1	25.0%
			c. Failure of complainant to further correspond with the Land Sales Division (dropped)	1	25.0%
10. Failure to honor 5 day right of rescission	5	4.7%	a. Resolved between developer and complainant	3	60.0%
			b. Failure of complainant to further correspond with the Land Sales Division (dropped)	1	20.0%
			c. No violation - rescission given	1	20.0%

TABLE 22 (cont'd.)

Type of Complaint	Number	% of Total for Year	Disposition or Resolution of the Complaint	Number	% of Total for This Type of Complaint
11. Alleged misrepresentation of property rights at the time of sale	6	5.7%	a. Resolved to the satisfaction of the purchaser by the Land Sales Division	2	33.3%
			b. Consent order of dismissal	1	16.7%
			c. Failure of complainant to further correspond with the Land Sales Division	3	50.0%
12. Failure to deliver property reports to prospective purchasers	2	1.9%	a. Voluntary compliance with a "cease and desist" order	2	100.0%
13. Failure to complete promised improvements	2	1.9%	a. Resolved between developer and complainant	2	100.0%
14. Lots alleged to be unbuildable	1	0.9%	a. No violation - lots found to be buildable	1	100.0%
15. Discrepancy in annual assessment payments	1	0.9%	a. No violation	1	100.0%
16. Failure to live up to sales agreement	1	0.9%	a. Resolved between complainant and the developer	1	100.0%

TABLE 22 (cont'd.)

Type of Complaint	Number	% of Total for Year	Disposition or Resolution of the Complaint	Number	% of Total for This Type of Complaint
17. Developer using other names than those included in the registration	1	0.9%	a. "Consent Order of Dismissal"	1	100.0%
18. Failure by developer to refund a temporary refundable membership to complainant	1	0.9%	a. Refund given - voluntary compliance	1	100.0%
19. Disagreement between purchaser and developer regarding transfer of equity from lot originally purchased to another lot	1	0.9%	a. Resolved between complainant (purchaser) and developer	1	100.0%
20. Alleged high-pressure sales techniques used by developer or authorized representative	1	0.9%	a. No violation	1	100.0%
21. Sales contract lost by developer	1	0.9%	a. Purchaser given refund - voluntary compliance	1	100.0%

TABLE 22 (cont'd.)

Type of Complaint	Number	% of Total for Year	Disposition or Resolution of the Complaint	Number	% of Total for This Type of Complaint
22. Invitation to bid on land at public sale	1	0.9%	a. No violation of the Land Sales Act	1	100.0%
23. Complaint by develop- er on a rejection of application for regis- tration by the Land Sales Division	1	0.9%	a. Development registered after a hearing with the Land Sales Division	1	100.0%
24. Unclassified	5	4.7%			
- Complaint based on secondary information (2)					
- Complaint outside the jurisdiction of the Department of Licens- ing and Regulation (1)					
- Inquiries by consumers as to their rights under the Land Sales Act (2)					
TOTAL COMPLAINTS	106	99.5% ^a			

^aTotal does not equal 100.0% due to roundoff error.

21 (3 of which involved sale of unregistered lots) or 19.8% of the 106 complaints were actual violations of the act which affected individual consumers. All of these were resolved to the satisfaction of the consumers either through action taken by the Department of Licensing and Regulation or by the developers involved after initial notification regarding the complaint by the Land Sales Division. In the resolution of several of these 21 complaints, the Land Sales Division acted as an informal mediator or formal arbiter between the developers and the complaining consumers to successfully resolve the complaints.

Of the 106 complaints filed against developers during the period from July 1, 1975 through June 30, 1976, 39 (36.8%) were found not to involve violations of the act, while another five were unclassified because they were either referred to another agency or did not materialize after a preliminary investigation (see Table 23). Even though only 21 of the remaining 62 complaints involved violations of the act that seriously affected individual consumers, action by the Land Sales Division on complaints that involved the advertising or sale of unregistered lots or discrepancies in developers' filings may have prevented additional consumer problems.

From July 1, 1976 through June 10, 1977, another 106 complaints were processed by the Department of Licensing and Regulation, Land Sales Division, pursuant to the

TABLE 23

**DISPOSITION OR RESOLUTION OF CONSUMER COMPLAINTS FILED
WITH THE MICHIGAN DEPARTMENT OF LICENSING AND REGULATION,
LAND SALES DIVISION - JULY 1, 1975-JUNE 30, 1976**

Type of Disposition or Resolution	Number	Percent of Total
No violation of the act	39	36.8%
Cease and desist orders issued	5	4.7%
Voluntary compliance or assurance of compliance given by developer	33	31.1%
Resolved between complainant and developer	9	8.5%
Failure of complainant to further correspond	5	4.7%
Consent order of dismissal	7	6.6%
Resolved for the purchaser by the Land Sales Division	2	1.9%
Resolved between the developer and the Land Sales Division	1	0.9%
Unclassified (most were referred to other agencies or dropped)	5	4.7%
TOTAL	106	99.9%^a

SOURCE: Michigan Department of Licensing and Regulation, Land Sales Division, Consumer Complaint Files for the Michigan Land Sales Act of 1972.

^aDoes not total 100.0% due to roundoff error.

provisions of the Michigan Land Sales Act.¹ Of these 106 complaints, 54 (50.9%) were against land developers who were allegedly selling and/or advertising unregistered lots in Michigan. The second largest category consisted of thirteen complaints which involved alleged failures by developers to deliver purchasers their warranty deeds. Four complaints of this type were filed during the one year period prior to July 1, 1976 (see Table 22).

Of the 106 complaints filed between July 1, 1976 and June 30, 1977, 39 involved alleged violations of the act which affected individual consumers. However, only 25 (64.1%) were valid complaints that were within the jurisdiction of the Department of Licensing and Regulation, Land Sales Division, under the provisions of the Michigan Land Sales Act. All of these 25 complaints were resolved to the satisfaction of the complaining consumers either through formal action taken by the Land Sales Division or by the developers involved after initial notification regarding the complaint.

Sixty-two complaints involved failures by developers to register lots being advertised or sold, failure to file annual renewal reports and pay fees, or discrepancies in filings. These complaints were resolved between developers and personnel in the Land Sales Division with little direct

¹See Table 24 for a list of complaints and how they were resolved during this period.

TABLE 24

DATA ON CONSUMER COMPLAINTS AGAINST DEVELOPERS UNDER THE
MICHIGAN LAND SALES ACT OF 1972 FOR JULY 1, 1976-JUNE 30, 1977

Type of Complaint	Number	% of Total for Year	Disposition or Resolution of the Complaint	Number	% of Total for This Type of Complaint
1. Advertising and/or selling in Michigan without being registered	54	50.9%	a. Voluntary assurance of compliance	13	24.1%
			b. No apparent violation based on the evidence	26	48.1%
			c. No violation - no long- er operating in Mich- igan	1	1.9%
			d. Alleged violation and complaint resolved be- tween developer and complainant	2	3.7%
			e. Development exempt from the Land Sales Act	6	11.1%
			f. Lack of jurisdiction by Land Sales Division - sale or advertising prior to the effective date of the act	5	9.3%
			g. Right of rescission given to purchasers	1	1.9%
2. False advertising	3	2.8%	a. No apparent violation of the act	1	33.3%

TABLE 24 (cont'd.)

Type of Complaint	Number	% of Total for Year	Disposition or Resolution of the Complaints	Number	% of Total for This Type of Complaint
			b. Resolved between the developer and the Land Sales Division	2	66.7%
3. Use of advertising that had not been approved by the Land Sales Division	1	0.9%	a. No violation	1	100.0%
4. Failure to file annual renewal reports and pay fees	3	2.8%	a. Voluntary compliance by developer	2	66.7%
			b. Cease and desist order issued	1	33.3%
5. Sales contracts not in recordable form	1	0.9%	a. No violation - complaint unfounded	1	100.0%
6. Failure to pay property taxes	1	0.9%	a. No violation - payment of taxes was purchaser's responsibility	1	100.0%
7. Failure to deliver pur- chaser a warranty deed	13	12.3%	a. Deed delivered	5	38.5%
			b. Refund privilege given to purchaser by developer	2	15.4%
			c. No further correspondence from complainant (dropped)	3	23.1%
			d. No jurisdiction - sale of lots prior to the act	2	15.4%

TABLE 24 (cont'd.)

Type of Complaint	Number	% of Total for Year	Disposition or Resolution of the Complaint	Number	% of Total for This Type of Complaint
			e. Title insurance policy purchased by developer	1	7.7%
8. Failure to honor 5 day right of rescission	7	6.6%	a. Resolved between develop- er and complainant	4	57.1%
			b. Failure of complainant to further correspond with the Land Sales Division	2	28.6%
			c. No jurisdiction - sale of lots prior to the act	1	14.3%
9. Alleged misrepresenta- tion of property rights at the time of sale	4	3.8%	a. Refund given to purchaser	1	25.0%
			b. Resolved to complainant's satisfaction by developer	2	50.0%
			c. Failure of complainant to further correspond with the Land Sales Division	1	25.0%
10. Failure to deliver prop- erty reports to prospec- tive purchasers	1	0.9%	a. Voluntary compliance with cease and desist order	1	100.0%
11. Failure to complete promised improvements	3	2.8%	a. Resolved between develop- er and complainant	1	33.3%
			b. Refund given to complain- ant by developer	1	33.3%

TABLE 24 (cont'd.)

Type of Complaint	Number	% of Total for Year	Disposition or Resolution of the Complaint	Number	% of Total for This Type of Complaint
			c. Failure of complainant to further correspond with the Land Sales Division	1	33.3%
12. Lots alleged to be unbuildable	4	3.8%	a. No violation - lots found to be buildable	2	50.0%
			b. Lots exempt from the Land Sales Act	1	25.0%
			c. Resolved to complainant's satisfaction by developer	1	25.0%
13. Failure to live up to sales agreement	1	0.9%	a. Resolved between complainant and developer	1	100.0%
14. Failure by developer to refund a temporary, refundable membership to complainant	1	0.9%	a. Refund given	1	100.0%
15. Construction defects on a condominium unit	1	0.9%	a. Complaint withdrawn	1	100.0%
16. Lot owner unable to obtain electrical service	1	0.9%	a. Electrical service obtained	1	100.0%

TABLE 24 (cont'd.)

Type of Complaint	Number	% of Total for Year	Disposition or Resolution of the Complaint	Number	% of Total for This Type of Complaint
17. Improper roads in a sub- division constructed by a developer	1	0.9%	a. Purchasers given refund	1	100.0%
18. Default on a purchase con- tract by a developer	1	0.9%	a. Refund offered to pur- chaser	1	100.0%
19. Unclassified - Complaint outside the jurisdiction of the De- partment of Licensing and Regulation (3) - Inquiries by consumers regarding their rights under the Land Sales Act (2)	5	4.7%			
TOTAL COMPLAINTS	106	97.7% ^a			

^aTotal does not equal 100.0% due to roundoff error.

consumer input or involvement.

Forty-one (38.7%) of the 106 complaints filed against developers during the period from July 1, 1976 through June 30, 1977, were found not to involve violations of the act, while another five were unclassified because they were either inquiries by consumers and not complaints or were referred to another agency with legal jurisdiction in the matter (see Table 25). Even though 25 of the complaints involved violations of the Michigan Land Sales Act that adversely affected individual consumers, actions by the Land Sales Division on complaints that involved discrepancies in developers' filings and the advertising or sale of unregistered lots may have prevented additional consumer problems.

Even though the number of valid consumer complaints was small during the period from July 1, 1975 through June 30, 1977, the Land Sales Division of the Michigan Department of Licensing and Regulation played a key role in screening land sales registration materials and advertising to prevent consumer abuses. In addition, the Land Sales Division was successful in resolving valid complaints for consumers. Overall, this agency has been quite successful in protecting consumers through enforcing various provisions of the Michigan Land Sales Act and administrative rules.

TABLE 25

**DISPOSITION OR RESOLUTION OF CONSUMER COMPLAINTS FILED
WITH THE MICHIGAN DEPARTMENT OF LICENSING AND REGULATION,
LAND SALES DIVISION - JULY 1, 1976-JUNE 30, 1977**

Type of Disposition or Resolution	Number	Percent of Total
No violation of the act	41	38.7%
Cease and desist orders issued	2	1.9%
Voluntary compliance or as- surance of compliance given by developer	20	18.9%
Resolved between complainant and developer	11	10.4%
Failure of complainant to further correspond	7	6.6%
Resolved for the purchaser by the Land Sales Division	9	8.5%
Resolved between the developer and the Land Sales Division	4	3.8%
Lack of jurisdiction by the Land Sales Division	7	6.6%
Unclassified (most were just consumer inquiries or were referred to other agencies)	5	4.7%
TOTAL	106	100.1%^a

SOURCE: Michigan Department of Licensing and Regula-
tion, Land Sales Division, Consumer Complaint Files for the
Michigan Land Sales Act of 1972.

^a Does not total 100.0% due to roundoff error.

Complaints Referred to the Michigan Attorney General's Office

From October 1, 1973 through June 30, 1977, the Michigan Attorney General's Office assisted the Michigan Department of Licensing and Regulation, Land Sales Division, in resolving 83 complaints against land developers pursuant to the Michigan Land Sales Act. These complaints usually involved refusals by developers to comply with various provisions of the act after they had been notified by the Land Sales Division regarding alleged violations.

Thirty-five of the 83 complaints were against developers who were advertising and/or selling unregistered lands in Michigan. In each case, the developer either registered his or her land development or ceased operations in Michigan. Consumers who had purchased lots from these developers were given an unconditional right to rescind their purchase contract and to receive a full refund of all monies paid to the developers. An additional 7 complaints resulted from developers failing to file their annual renewal reports and to pay the renewal fees (see Table 26).

Nineteen (22.9%) of the complaints involved violations by developers which had direct, adverse effects on individual consumers. All but one of the remaining 64 complaints involved actions by the Michigan Department of Licensing and Regulation, Land Sales Division, and the Michigan Attorney General's Office to force developers to comply with the filing and renewal requirements of the Michigan Land Sales

TABLE 26

**COMPLAINTS REFERRED TO THE MICHIGAN ATTORNEY
GENERAL'S OFFICE - OCTOBER 1, 1973-JUNE 30, 1977**

Type of Complaint	Number	Percent of Total
Advertising and/or selling in Michigan without being registered	35	42.2%
Changes in the instrument of conveyance (property deed) which did not comply with Rule 41 of the Michigan Land Sales Act General Rules	9	10.8%
False advertising and/or deceptive sales presentations	7	8.4%
Failure to file annual reports and pay fees	7	8.4%
Failure to deliver property reports to prospective purchasers	3	3.6%
Failure to honor 5-day right of rescission	3	3.6%
Failure to correct deficiencies in a filing for a development	3	3.6%
Failure to pay property taxes resulting in a blanket encumbrance on all lots in the registered development	3	3.6%
Developer filed bankruptcy proceedings - sales suspended	1	1.2%
Developer sold a consumer one lot, then attempted to switch him or her to another lot	2	2.4%

TABLE 26 (cont'd.)

Type of Complaint	Number	Percent of Total
Failure to pay the Land Sales Division an on-site property inspection fee	1	1.2%
Mortgage amended by developer resulting in a blanket encumbrance on all lots in the registered development	2	2.4%
Failure to complete promised improvements	1	1.2%
Disputes between the Land Sales Division and developers regarding exemptions from the act	5	6.0%
Dispute between developer and county road commissioners over construction of roads in a development that was being deplatted (developer won the suit)	1	1.2%
TOTAL	83	99.8% ^a

SOURCE: Michigan Attorney General's Office, Consumer Protection Files - Complaints Under the Michigan Land Sales Act of 1972, October 1, 1973-June 30, 1977.

^aDoes not total 100.0% due to roundoff error.

Act, thus preventing or reducing the possibility for subsequent consumer abuses.

Seventy-nine of the 83 complaints referred to the Michigan Attorney General's Office were resolved in favor of consumers or the Department of Licensing and Regulation, Land Sales Division. However, one of the remaining four complaints involved the sale of unregistered Colorado lands to Michigan residents without violating the act. Section 4(g) of the act provides that ". . . this act does not apply to offers or dispositions of an interest in land: . . . Pursuant to court order." Under this provision, lots in a Colorado development were exempt from the act and were being marketed in Michigan pursuant to a court order issued by a federal district court in California. The only consumer protection granted in this type of situation is that stemming from subsequent actions by the court which issued the order.

Overall, the Michigan Attorney General's Office and the Michigan Department of Licensing and Regulation, Land Sales Division, have been very successful in using the Michigan Land Sales Act to protect consumers. However, the "sale of lands pursuant to court order" exemption is a legal "loophole" in the act which could lead to an increase in consumer abuses for which there is no practical means of seeking legal recourse from the standpoint of most consumers with limited financial resources.

Results of the Readability Analysis of Property Reports

The education level of potential land buyers is important in assessing the probable consumer benefits of the property reports prepared by land developers pursuant to the Michigan Land Sales Act of 1972. According to the 1970 U. S. Census, the mean number of years of education completed by Michigan residents is eleven (11). Ninety percent have at least seven years of education, while seventy-six percent have at least nine years (see Table 27).

Readability levels for samples taken from the eight property reports and analyzed with the four readability formulas ranged from ten (10) to twenty (20) years (see Table 28). The average readability level for the ten reports was found to be 14 years with the Flesch "Reading Ease" formula, 16 years with the Farr-Jenkins-Paterson formula, 14 years with the Gunning "Fog Index" formula, and 15 years with the Powers, Sumner and Kearl formula. Maximum variability between scores on individual reports was six (6) years, which occurred on one report between the Gunning "Fog Index" formula and the Powers, Sumner and Kearl formula. Average variability was about two (2) years overall for the ten property reports.

The ten property reports that were sampled are readable by only nine to twelve percent of the Michigan residents over fourteen years of age based on the average readability scores computed and education levels given for Michigan in

TABLE 27
EDUCATION LEVELS OF MICHIGAN RESIDENTS
14 YEARS OLD AND OLDER - 1970

Years Completed	Percent of Total	Cumulative Percentages
None	1.031%	1.031%
1 & 2	.446%	1.477%
3 & 4	1.551%	3.028%
5 & 6	3.331%	6.359%
7	4.163%	10.522%
8	13.058%	23.580%
9	8.302%	31.882%
10	9.901%	41.783%
11	8.247%	50.030%
12	31.611%	81.641%
13	4.582%	86.223%
14	4.408%	90.631%
15	2.047%	92.678%
16	4.381%	97.059%
17 or more	3.301%	100.000%
MEDIAN = 12 years		
MEAN = 11 years		

SOURCE: Bureau of the Census, 1970 Census of the Population, Detailed Characteristics - Michigan (Washington, D. C.: U. S. Department of Commerce), p. 24-706.

TABLE 28
READING LEVELS FOR LAND SALES PROPERTY REPORTS SAMPLED

PROPERTY REPORT	READING LEVEL (IN YEARS OF EDUCATION)			
	Flesch "Reading Ease" Formula	Farr-Jenkins-Paterson Formula	Powers, Sumner, & Kears Formula	Gunning "Fog Index"
Birchwood Farms Estate	14	14	13	14
Canadian Lakes Develop.	14	14	14	14
North Port Addition	14	14	13	13
Pueblo West Estates	17	17	14	20
Richland Acres	12	14	13	12
Valley View, Shanty Creek	14	14	14	15
Wabeek Manor Subdivision	16	17	14	17
West Port No. 3 & 4	10	12	13	11
Rainbow Lake	15	15	14	16
Rotunda Springs	15	16	15	15
AVERAGE	14	16	14	15

the 1970 U. S. Census. The lowest education level for any property report sampled was ten years, which was indicated by one formula for one report. Even a ten year education level is only readable by sixty-nine percent of the Michigan population over the age of 14 years.

The introduction to the property reports, which was written by the Land Sales Division and is identical for each report, was sampled separately using the four readability formulas. The following results were obtained:

1. Flesch "Reading Ease" formula - 16 years;
2. Far-Jenkins-Paterson formula - 16 years;
3. Gunning "Fog Index" formula - 18 years;
4. Powers, Sumner and Kearl Formula - 13 years;
5. Average - 15.75 or 16 years.

The introduction to the property reports was rewritten to obtain a lower average reading level which is more in line with the average educational level of Michigan residents.¹ Care was taken to avoid changing the meaning of the material, which is an important consideration in revising any public information containing legal material to obtain lower readability levels.

The original property report introduction had an average reading comprehension level of 15.75 or 16 years of education. After revision, the level was calculated to be

¹See Appendix D for a copy of the original and revised introduction to the property reports.

13 years, which is a significant reduction (see Table 29). The total number of words was reduced from 183 to 167 (or about 9%), and the number of polysyllable words was reduced from 53 to 34 (or about 36%). Both of these reductions should permit the reader to complete the reading of the introduction more rapidly and with less mental fatigue.

Effects of Land Sales Regulations
on Developers and the Land
Development Industry

Developers' Views of Land
Sales Regulations

Twenty-three of the twenty-four land developers who were contacted for interviews regarding the effects of state and federal land sales regulations were able to supply the researcher with answers to all of the questions on the "land sales regulations" questionnaire. Sixteen respondents (70%) agreed with the following statement:

Full disclosure of the material facts about subdivisions with undeveloped lots being offered for sale to members of the general public is¹ needed to protect the developer and the buyer.¹

Thirteen of these respondents said that state government should administer the full disclosure land sales requirements because the federal government is too far removed from the land sales problems in the different states and state government is therefore in a better position to deal with these problems in a more effective manner. Two

¹A copy of the "land sales regulations" questionnaire is contained in Appendix E.

TABLE 29
READING LEVEL FOR THE ORIGINAL AND
REVISED PROPERTY REPORT INTRODUCTION

Formula	Original Score	Revised Score	Reduction
Flesch "Reading Ease"	33.23 (16 years)	50.87 (12 years)	4 years
Farr-Jenkins-Paterson	34.86 (16 years)	48.18 (13 years)	3 years
Gunning "Fog Index"	18.24 (18 years)	13.70 (14 years)	4 years
Powers, Sumner & Kears	13.33 (13 years)	10.40 (10 years)	3 years
AVERAGE	15.75 (16 years)	13.25 (13 years)	3.5 years (4 years)

respondents stated that the federal government should administer these full disclosure requirements because (a) there is less bureaucratic "red tape" with the existing federal land sales program, and (b) federal regulations will assure national uniformity for all developers without placing some developers in a more competitive position than others as do differences in these regulatory programs administered by the various states. One respondent said that full disclosure requirements should be administered at both the state and federal level because some problems can be addressed more effectively at the federal level while others can be handled at the state level. However, this developer did state that duplication and overlap between state and federal land sales regulatory programs should be eliminated to the greatest extent possible since they add to land marketing costs without offering additional consumer protection.

Three of the seven developers who disagreed with the statement regarding the "need for land sales full disclosure programs" stated that existing state and federal land sales regulatory programs had penalized developers through increasing monetary costs and time delays in land sales without creating significant benefits for consumers or developers. They stated that consumers pay for these programs through higher land prices and higher taxes, yet the need for and effectiveness of these programs have been minimal because the few dishonest land developers that violate land

sales regulations are seldom caught due to little or no field monitoring by regulatory agency personnel. Thus, these three developers contended that existing regulatory programs have penalized honest developers by increasing their development and marketing costs without penalizing the dishonest developers.

The remaining four developers who disagreed with the statement on the "need for land sales full disclosure programs" contended that existing state and federal laws on fraud and false advertising could have been used to protect consumers. They contended that state and federal land sales regulatory programs have added to the growth of government bureaucracy without substantially improving consumer protection.

Costs of State and Federal Land Sales Registrations

Sixteen (70%) of the twenty-three developers that were interviewed had developments registered under both the Interstate Land Sales Full Disclosure Act of 1968 and the Michigan Land Sales Act of 1972. Two of the remaining seven had applied for and received exemptions from the federal act for their land developments that were registered under the Michigan Land Sales Act. The smallest development for which a questionnaire was answered contained 28 lots, while the largest was a consolidated development with 20 subdivisions and 3,800 lots. The average development

size for the developments addressed on the questionnaire was 484 lots, which is larger than the average development registered under the Michigan Land Sales Act. Even though eleven developers with developments of less than 100 lots in size were interviewed, a majority of the questionnaire data (52%) came from developers with developments of 100 or more lots.

Of the sixteen developers who had developments registered under both the state and federal land sales acts, none were permitted to use their federal registrations as a partial filing in the State of Michigan even though Paragraph 565.820, Section 20(b) of the Michigan Land Sales Act states that:

The department [of Licensing and Regulation] shall investigate every subdivision offered for disposition in this state and may: . . . Accept registrations filed in other jurisdictions to establish uniform filing procedures and forms, uniform property reports, advertising standards, rules and common administrative practices. If a statement of record has been filed with and the property report accepted by the federal office of interstate land sales, the department may accept a copy of that statement of record and property report as part of the disclosure requirements under this act and accept an addendum to the statement of record and property report which shall satisfy the additional requirements of this act. (Public Act Number 286 of 1972, Paragraph 565,820, Section 10(b))

All sixteen developers stated that officials in the Department of Licensing and Regulation, Land Sales Division, refused to accept their federal registrations as part of their state registration filings because "the state and

federal land sales acts are two separate acts and should be administered as such." Thus, it appears that officials in the Land Sales Division are using their administrative discretion to require separate state filings which create added expenses for developers through duplication of effort and indirectly increase lot prices to consumers through increasing developers' marketing time delays and monetary costs for consultants and attorneys needed to prepare the filings.

Initial filing fees under the Michigan Land Sales Act are \$250.00 per development plus \$1.00 per lot. Total filing fees ranged from \$278.00 for a development with 28 lots, a cost of \$10.00 per lot, to \$6,250.00¹ for a consolidated development with 3,800 lots, which was a cost of \$1.64 per lot. Thus, there are economies to scale associated with the state's registration fee structure, even though these are not very significant in the opinion of the developers that were interviewed.

Time delays in preparing, submitting, and getting state land sales registration materials approved were of great concern to all twenty-three of the land developers interviewed. A total of twenty-eight land development registrations had been completed by the twenty-three developers

¹This figure includes additional filing fees for each of eleven consolidations. Each consolidation costs \$200.00 plus \$1.00 per lot. Thus, the total fees for this development were \$250.00 for the initial registration, \$2,200.00 for the eleven consolidations, and \$3,800 for the 3,800 lots.

during the period from October 1, 1973 through May 31, 1978. The shortest registration period was six weeks for a development with 1,980 lots, while the longest was three years for a development with 80 lots.¹ The average registration took six to eight months from the time the initial registration preparation was begun by the developer until final approval was given by Land Sales Division officials. Eight of the developers pointed out that registrations completed during the past two years did not take as long as those completed between 1973 and 1976 because developers, consultants, and Land Sales Division personnel have greatly increased their knowledge about the provisions of the state land sales act and how to prepare filings with fewer discrepancies and accompanying time delays.

In addition to filing fees paid to the Department of Licensing and Regulation, Land Sales Division, land developers incur other direct expenses in complying with the Michigan Land Sales Act in the form of salaries for staff personnel or fees for independent attorneys and consultants who prepare registration materials. The average estimated preparation costs for a registration based on the twenty-eight land developments registered by the twenty-three developers that answered the "land sales regulations"

¹Important to note is that many lengthy delays in completing registrations (i.e., those longer than eight or nine months) are a result of discrepancies in filing materials which are not promptly corrected by the developers filing for registration.

questionnaire was \$8,143 for 484 lots, or \$16.82 per lot. The highest cost per lot was an estimated \$135.00 per lot for a development with 59 lots and total preparation costs of about \$8,000, while the lowest was an estimated \$6.00 per lot for a development with 500 lots and total preparation costs of \$3,000.

Nine of the developers were able to prepare much of the registration information with only minimal help from independent consultants and attorneys. This significantly reduced their "out-of-pocket" expenses for registration, but reduced the time they had to spend in other administrative and sales activities.

As evidenced by the data on state land sales registration costs, there are definite economies to scale associated with compliance procedures. In particular, the cost per lot in preparing a registration for a large development (i.e., one which contains 500 or more lots) is about eight to ten times smaller than registration preparation costs for a development with less than 100 lots on the average. This means that a large developer may only have to charge the consumer \$12 to \$15 more per lot to cover registration preparation costs while a developer with less than 100 lots in his development may have to charge the consumer \$100 to \$150 per lot to cover registration preparation costs. Thus, the act does place smaller developers at a competitive disadvantage with large developers.

In addition to increases in lot prices which result from the costs of registration preparation and filing fees, time delays in registering developments generate significant costs for land developers in the form of interest charges, property taxes, additional sales commissions and overhead expenses. By the time a development is made ready for registration under the Michigan Land Sales Act, a developer has an average of \$2,500 invested in each lot in the form of money paid for the raw land, engineering studies, construction of roads, power lines and drainage facilities, and planning and construction of recreation facilities and man made amenities such as lakes.¹ With 1978 interest rates at 9.5%, which is low for money borrowed on investments such as recreation and second home developments, and local property taxes at a minimum of \$2.00 per \$100.00 valuation based on 50% of the assessed fair market value, which usually at least doubles once the land is platted, a six month time delay in registering under the Michigan Land Sales Act will cost developers a minimum of about \$120.00 in interest charges and \$25.00 for local property taxes on each lot. The developer can only recover these costs by increasing the price of each lot, which in turn generates another set of expenses for the consumer in

¹This was derived by averaging development costs per lot quoted by eleven developers during interviews concerning the "land development and marketing" questionnaire.

the form of added profits for the developer and added sales commissions. For each dollar invested by a developer, the consumer can expect to pay about two dollars to cover the developer's profits and his sales expenses which range from 40-50% of the retail price of the lot when sold through a contract sales agreement with a real estate marketing firm. Thus, the minimum \$145 paid by a developer for taxes and interest charges during a six month registration period will result in a consumer paying an additional \$290.00 for a lot.

Based on the cost estimates derived from the data obtained on the "land sales regulations" questionnaire, developers are paying from about \$229.00 per lot in large developments (i.e., those with more than 500 lots) to \$374.00 per lot in small developments (i.e., those with less than 100 lots) as a result of registration requirements under the Michigan Land Sales Act.¹ As a result of these increased costs to developers, consumers are paying about double these amounts, or about \$458.00 to \$748.00 per lot for protection under the Michigan act. Seven of the eleven small developers interviewed stated that they could not offer any recreation amenities or improvements in their developments because of the high front end costs created by financial assurance requirements under the act

¹These are conservative estimates. Costs may be higher in many areas, depending on the local tax rate, interest rate on development loans, and marketing agreements.

and costs of complying with the registration provisions. The economies to scale created by the act together with the fact that most small developers cannot offer amenities have placed small developers at a competitive disadvantage with large developers. However, six of the large developers interviewed for the questionnaire stated that they would not offer any amenities in new developments because of the high front end costs and low return on their investment.

Additional time delays and expenses have been created for developers who comply with both the Michigan Land Sales Act and the Interstate Land Sales Full Disclosure Act. For the sixteen questionnaire respondents who had land developments registered under the federal act, the average time delay between the beginning of initial registration preparation and final registration approval by the Office of Interstate Land Sales Registration was 9 months. The shortest delay was 3 months for a development with 157 lots while the longest was 3 years for a development with 80 lots.

Consultants' and attorneys' fees for preparing federal land sales registrations ranged from \$1,500 for a development with 172 lots¹ to \$34,000 for a development with 619 lots. The average cost per lot for sixteen developments was \$22.29 per lot. This out-of-pocket expense together with an average cost of \$247.00 per lot resulting from interest charges, property taxes, and added overhead

¹Much of the preparation for registration was completed by the developer without assistance from paid consultants.

(based on a per lot development cost of \$2,500) which accrue during the average 9 month registration period adds about \$259.00 to the developer's investment in each lot registered under the federal land sales act. This amount is approximately doubled to cover profits and additional sales commissions.

Based on these estimates of developers' expenses created by the Michigan Land Sales Act and the Interstate Land Sales Full Disclosure Act, consumers are on the average paying an estimated minimum of \$1,266 per lot for land sales consumer protection in developments of 50-100 lots that are registered under both the state and federal acts, while those buying lots in developments with 500 or more lots are paying about \$976.00 per lot for state and federal land sales consumer protection. These estimates will be somewhat lower for developments that are registered under both acts simultaneously, since interest rates and taxes will be reduced because of the shorter combined registration period.

State Advertising Approval

Twenty-two of the twenty-three land developers interviewed for the "land sales regulations" questionnaire had submitted land sales advertising material to the Michigan Department of Licensing and Regulation, Land Sales Division, for approval. Only one developer stated that he did not use advertising to promote the sale of his property.

Developers stated that on the average a period of 10-14 days is used by the Land Sales Division to approve advertising which is sent to them through the mail. However, advertising that is submitted to officials in the Land Sales Division by the developer in person often receives one day approval. None of the developers viewed advertising approval as having a significantly negative effect on their land marketing activities.

Annual Renewal Reports Under the Michigan Land Sales Act

Once each year after the first year of registration every developer must submit an "annual renewal report" to the Land Sales Division for each registered development that contains lots that have not been deeded to purchasers. Fees are \$100.00 for each renewal plus \$.25 for each lot that has not been deeded. The renewal report must update any material changes in the original registration, such as the number of lots that have been sold and the number that have been deeded.

The developers interviewed for the "land sales regulations" questionnaire did not object to filing one renewal report each year for each registered development until all lots were sold and improvements completed. In addition, they did not express much concern over the costs of preparing an annual renewal report, which was an average of \$387.00 for the 94 renewal reports which had been filed by

the 23 developers. However, they did object to the following aspects of annual renewal:

1. Where a developer has a development registered which contains one or more consolidations, that developer must file one annual renewal report for each consolidation in addition to the renewal report for the original filing. Thus, a developer with five consolidations for one development must file six annual renewal reports each year. This creates considerable duplication of effort and unnecessary expense according to the developers interviewed. The developers contended that only one annual renewal report should be required for each development, since information on consolidations can be included in one report each year instead of in a separate report for each consolidation.
2. Where lots are sold on a fifteen or twenty year land contract, as many of them are in Michigan, a developer must renew his or her registration every year until all the lots in his or her registered development have been deeded to the purchasers. Therefore, a development cannot be de-registered until all lots are deeded, even if deeds are placed in escrow with an escrow agent. The developers contended that the Michigan Land Sales Act

should be amended to permit developers to de-register their developments after all promised improvements have been completed and all deeds to undeeded lots sold on a land contract have been placed in escrow free of all encumbrances with an escrow agent that is acceptable to the Department of Licensing and Regulation, Land Sales Division. This would eliminate the need for and expense created by annual renewals that must be filed for a development after all promised improvements have been completed and all lots have been sold.

Posting of Financial Security

Only six of the twenty-three developers interviewed had developments registered under the Michigan Land Sales Act which had been subject to a "blanket encumbrance."¹ Five of the six developers were required to furnish the Land Sales Division surety bonds to protect the purchasers of lots in their developments as provided in Paragraph 565.816, Section 16(c) of the act. The other developer

¹A "blanket encumbrance" is defined in Paragraph 565.802, Section 2(c) of the Michigan Land Sales Act as "a trust deed or mortgage or mechanics lien or any other lien or financial encumbrance, securing or evidencing money debt and affecting lands to be subdivided or affecting more than 1 lot, parcel, unit, or interest of subdivided land; or an agreement affecting more than 1 lot, parcel, unit, or interest by which the developer holds the subdivision under an option, contract to purchase, or trust agreement, except a lien or other encumbrance arising as a result of the imposition of a tax assessment by a public authority so long as no portion thereof is past due."

furnished the Land Sales Division a subordination agreement as provided in Paragraph 565.816, Section 16(d) of the act.

None of the twenty-three developers objected to posting financial security with the Land Sales Division for blanket encumbrances on their developments. They felt that this requirement is needed to protect land purchasers and should be strictly enforced.

Impacts of Regulations on Amenities or Improvements

Fifteen of the twenty-three land developers interviewed stated that they offered recreation amenities (such as parks, lakes, and greenbelts) and/or recreation facilities (such as golf courses, clubhouses, swimming pools, and tennis courts) in their land developments. However, eleven of the fifteen stated that their development projects were begun prior to the financial "crunch" of 1973-1974 and that any new land developments they might begin in the near future would not include recreation amenities or facilities because of the high costs and low investment returns associated with these types of improvements. Part of these high costs have been created by Part 7, Rule 131 of the Michigan Department of Licensing and Regulation, Division of Land Sales, General Rules¹ which requires a developer to post acceptable financial security for all incomplete improvements with a public authority which is

¹See Appendix B for a copy of these rules.

acceptable to the Land Sales Division. This prevents a developer from acquiring the capital needed to complete promised improvements through the sale of lots unless he uses some of his working capital as financial security. Even though the requirement does increase development costs for those developers who do not have the working capital to complete all planned improvements prior to beginning lot sales, it does protect consumers from under capitalization by land developers through requiring developers to financially assure purchasers that all promised improvements will be completed even in cases where a developer files bankruptcy proceedings (which sometimes results from under capitalization).

Locations and Uses Permitted in the Land Developments

Of the twenty-eight land developments for which data was obtained on the "land sales regulations" questionnaire, seventeen (60.7%) were located in Michigan's Northern Lower Peninsula, seven (25.0%) were located in the Southern Lower Peninsula, three (10.7%) were located in the Upper Peninsula, and one (3.6%) was located outside the State of Michigan. Single-family residential uses were permitted in twenty-seven developments, while the remaining development was developed exclusively for mobile homes. In addition, multi-family use areas¹ were included in three of the

¹Multi-family uses include duplexes, condominiums and apartments.

developments while one development contained an area designated for commercial uses. However, most of the lots offered for sale or that have been sold in the twenty-eight developments are for single-family, detached homes.

Review of Proposed Amendments to the
Michigan Land Sales Act and Its Accom-
panying Regulatory Program¹

While reviewing materials contained in the land sales regulations files of the Michigan Attorney General's Office, the Michigan Department of Licensing and Regulation, the Michigan Association of Realtors, and the Michigan Land Association, two proposed amendments to the Michigan Land Sales Act, seven proposed changes in the administrative rules, and three proposed changes in the Land Sales Division's administrative procedures were identified. In addition, a problem with Michigan's real estate licensing law which affects developers registered under the Michigan Land Sales Act was identified and reviewed.

Amendments to the Act

Inclusion of greater than 10
acre parcels under the act

Under Paragraph 565.804, Section 4(b) of the Michigan Land Sales Act, lands which are divided into fewer than 25

¹This section contains a review and discussion of amendments that have been proposed by various interest groups affected by the act.

parcels, regardless of size, are exempt from the provisions of the act. In addition, lands divided into parcels of more than 10 acres each are by definition exempt from the Michigan Subdivision Control Act of 1967 (Public Act Number 288 of 1967).¹ Thus, lands that are divided into less than 25 parcels of more than 10 acres each are not covered by the Michigan Land Sales Act nor the Michigan Subdivision Control Act.

According to an unclassified document dated November 9, 1971, and bearing the title "Offerings and Sales of Wild Land Acreages in Ten-Acre and Larger Parcels in the Upper Peninsula" which was found in the land sales regulations files of the Michigan Association of Realtors, eighteen large tracts of land were being subdivided into parcels of more than ten acres each in Michigan's Upper Peninsula and being sold to members of the public. The largest development of this type consisted of an estimated eight to ten thousand acres. In addition, a similar Michigan Department of Natural Resources "in-house" document dated December 14,

¹Paragraph 560.102, Section 102(d) of Public Act 288 of 1967, the Michigan Subdivision Control Act, defines "subdivide" or "subdivision" as "the partitioning or dividing of a parcel or tract of land by the proprietor thereof or by his heirs, executors, administrators, legal representatives, successors or assigns for the purpose of sale, or lease of more than one year, or of building development, where the act of division creates 5 or more parcels of land, each of which is 10 acres or less in area; or 5 or more parcels of land each of which is 10 acres or less in area are created by successive divisions within a period of 10 years."

1971 and entitled "Data and Documentation on Northern Rural Land Subdivision Activity in Unplatted and Platted Areas" was obtained from these same files. This document indicated that owners or agents of 22 developments with a total of 87,300 acres in Michigan's Upper Peninsula had been selling unplatted land parcels of more than 10 acres each to the public. In addition, this same document identified 80 developments with a total of 79,200 acres in Michigan's Northern Lower Peninsula in which unplatted land parcels of more than 10 acres each were being sold to the public.

According to Horace Bradshaw (1977), Assistant Director of the Land Sales Division of the Michigan Department of Licensing and Regulation, the exemption of developments with less than 25 parcels of more than 10 acres each from the Michigan Land Sales Act was an oversight that occurred when the act was amended in 1973. The 1973 amendment increased the minimum size of land subdivisions falling under the act from those containing 10 or more lots or parcels to those containing 25 or more lots or parcels.¹ An amendment which would include developments with 10-24 lots or parcels of more than 10 acres each under the Michigan Land Sales Act has been discussed on several occasions by Land Sales Division officials and members of the Land Sales Advisory

¹See Michigan's Public Act Number 184 of 1973, Section 4(b).

Board.¹ Support for such an amendment centers around the fact that land developers can circumvent both the Michigan Subdivision Control Act and the Michigan Land Sales Act by dividing their land into less than 25 parcels of more than 10 acres each with little threat of recourse for any consumer abuses which they might commit. Opponents to such an amendment content that there is no evidence to support the argument that consumer abuses committed by developers of this type are occurring or will occur in Michigan. This is a valid point, since the most current data was compiled by the Michigan Department of Natural Resources in December 1971.

Repeal of "court ordered
sale" exemptions

Another proposed amendment to the act consists of a repeal of Paragraph 565.804, Section 4(g) which exempts from the requirements of the act any offers or dispositions of an interest in land pursuant to court order.² According to Land Sales Division officials, this provision permits

¹This advisory board, which consists of land developers, Department of Licensing and Regulation officials, and a consumer representative (an attorney at law), was created in early 1978 by the Department of Licensing and Regulation to review the state land sales regulation program and to propose needed changes. The board was commissioned for six months and held its first monthly meeting in Lansing on April 20, 1978.

²See Appendix A for a copy of the Michigan Land Sales Act.

lands which would normally fall under the Michigan Land Sales Act to be sold in Michigan free from the requirements of the act if they are being sold pursuant to a court order. A consumer's only recourse against abuses by the party selling such property is through the court which issued the order under which the lands are sold. This could be both costly and time-consuming for the consumer, particularly in cases where the lands are located in other states. Thus, Land Sales Advisory Board members argue that such lands should not be exempt from the Michigan Land Sales Act.¹

Amendments to the Administrative Rules

Exemption of small subdivisions offering natural amenities

Based on documents contained in the land sales regulations files of the Michigan Association of Realtors, an "amenity" in the real estate and land development industries has traditionally stood to mean a man made structure such as tennis courts, golf courses, club houses, ski slopes, or other similar improvements. However, the

¹Even though only one problem with the sale of lands exempt due to court ordered sale has occurred to date, the problem could become more widespread if parent corporations of land development firms decide to use bankruptcy sales as a means of circumventing the act. Under these circumstances, consumers are afforded little protection from land sales abuses since these lands are exempted from the provisions of the act.

Michigan Department of Licensing and Regulation, Land Sales Division, has interpreted the meaning of "amenity" as also including unimproved parks, greenbelts and other natural areas that are included in subdivisions which fall under Paragraph 565.804, Section 4(k).¹ Therefore, any subdivision with 25-49 lots in which unimproved parks, greenbelts, or natural lakes are offered for use or as commonly owned areas to lot purchasers is not exempt from the Michigan Land Sales Act according to interpretations by Land Sales Division officials. Proponents of the ammendment contend that amenities should be defined in the rules as man made improvements and not unimproved natural areas. Land Sales Division officials do not seem to have a clear stand on the issue.

Administrative exemption procedure

Several land developers and Land Sales Advisory Board members have corresponded with officials in the Michigan Attorney General's Office, the Michigan Department of Licensing and Regulation, the Michigan Land Association, and the Michigan Association of Realtors concerning the need for the promulgation of an administrative rule in which would be outlined a procedure that developers could use to apply for exemptions from the Michigan Land Sales Act if

¹See Appendix A for a copy of the Michigan Land Sales Act.

they meet the criteria outlined in Paragraph 565.804, Section 4, and/or Paragraph 565.805, Section 5, of the act. Proponents of this rule say that developers who have developments that fit the exemption criteria in the act need to be sure of their exempt status before lots are sold. This would prevent the problem which could occur when a developer believes that he is exempt from the act and sells several lots, then is later informed by state officials that his or her development is not exempt and that all lot buyers must be given an unconditional right of rescission with a full refund if that right is exercised.

Supporters of an exemption procedure contend that such a procedure should require an abbreviated filing to be made with the Land Sales Division by a developer which would contain the material facts that would be needed by the Land Sales Division to make a decision regarding the exemption. If the subdivision was found to be exempt based on the facts presented, the Land Sales Division could issue an administrative exemption. The exemption application and related materials could be kept on file by the Land Sales Division to provide a ready reference concerning the basis of the exemption so that attempts by developers to evade the act through falsifying information or making material changes in their developments at later times that would in effect make their developments subject to registration under the act could be dealt with through administrative and/or legal

actions to revoke the exemption and force registration of their lands under the act.

Opponents of the "exemption procedure" rule change argue that exemptions could provide a defense for developers holding administrative exemptions on their developments against legal actions by consumers regarding land sales abuses. As the administrative rules are presently being applied, a developer who is selling unregistered lands must bear the burden of proof when a question arises as to whether his lands are exempt from the act. With an exemption procedure, this burden of proof would shift to the Michigan Department of Licensing and Regulation once it granted an administrative exemption on a land development. Opponents of the "exemption procedure" contend that this rule, if promulgated, may lead to more attempts by developers to evade the act by obtaining an exemption and then making material changes in their developments. Since the burden of proof would be upon the Land Sales Division in such cases, the costs of enforcing the act upon these developers through court action or other legal means would be quite expensive in terms of time and money.

Acceptance of amended federal filings

Several members of the Michigan Land Association and individual developers contend that officials in the Land Sales Division are ignoring Paragraph 565.820, Section

20(b) of the Michigan Land Sales Act which gives the division the authority to accept registrations and property reports that have been accepted for developments by the Federal Office of Interstate Land Sales Registration as a partial filing for those same developments under the Michigan act. They contend that an administrative rule is needed to outline procedures for amending federal filings which could then be used as filings under the Michigan act, thus eliminating unnecessary effort, expenses, and time delays presently incurred by developers with developments that must be registered under both the state and federal land sales acts. Officials in the Michigan Department of Licensing and Regulation have not specifically outlined how this procedure could be implemented not whether they favor or oppose such a procedure. However, this procedure would definitely benefit developers and consumers by lowering land development and marketing costs created by duplication of effort in complying with the state and federal regulations.

Procedure for de-registration

Several members of the Land Sales Advisory Board have informally proposed a new administrative rule to outline procedures for de-registration of developments where all lots have been sold and all promised improvements have been completed. Proponents of this rule say that deeds

for lots sold on land contracts could be placed in escrow free of all encumbrances with an escrow agent approved by the Land Sales Division to assure purchasers that they will receive warranty deeds when all payments have been made on their land contracts. This rule would relieve developers of having to file annual renewal reports and pay renewal fees until every lot in a development is actually deeded to the purchaser. Department of Licensing and Regulation officials have not taken a clear stand on this proposed rule.

Annual renewal report requirements

Several developers and members of the Land Sales Advisory Board have proposed that only one annual renewal report should be required by the Land Sales Division for each registered land development, instead of officials continuing to require a renewal report for each initial registration and each consolidation. In addition, they contend that this new requirement should be clearly stated in the form of an administrative rule. They argue that all material changes which have been made in the status of a development each year could easily be included in one annual renewal report, thus reducing the expense and effort that developers with consolidated developments incur when renewing their land development registrations. Officials in the Department of Licensing and Regulation have not taken a firm stand for or against this proposed rule.

Publication of registration forms

Several developers and land sales registration consultants favor the promulgation of an administrative rule to require the Land Sales Division to publish all land sales registration forms in the state land sales administrative rules, as does the Federal Office of Interstate Land Sales Registration with federal land sales registration forms. This would in effect require an administrative rule change by the Land Sales Division for any alterations to registration forms, thus preventing registration form changes by Land Sales Division officials without any notice to registered developers or developers and consultants who are in the process of preparing forms for land development registrations. Officials in the Department of Licensing and Regulation have not formally taken a stand with regard to this proposal.

Revision of property report format

Several members of the Land Sales Advisory Board contend that land sales property reports are too lengthy, are difficult to read, and are not utilized by most consumers. They argue that requirements for the content of property reports and the basic format outlined in the administrative rules and Land Sales Division guidelines should be revised to shorten and simplify property reports as much as

possible. This would enable more consumers to read and use the information in the reports to make more informed land purchase decisions.

Proponents of the "property report content" rule change contend that Land Sales Division officials should begin revisions in property report requirements by outlining the basic types of information that an "average" consumer needs to know when making a purchase decision. These criteria could serve as guides to preparing detailed revisions in property report content requirements. Land Sales Division officials seem to favor this proposed change though no specific criteria regarding property report changes have been outlined.

Changes in Administrative Procedures

Registration procedures

Some developers and members of the Land Sales Advisory Board propose that registration forms and administrative procedures be "streamlined" to reduce time delays in completing registration materials and receiving approval from the Land Sales Division. However, specific proposals for this change in administrative procedures were not outlined. One general proposal is that some of the state registration forms could be designed so that they would closely follow federal land sales registration forms, thus simplifying the

preparation of dual state and federal registrations. Department of Licensing and Regulation officials have stated that they favor shortening the registration process to the greatest extent possible. However, specific steps that could be taken to shorten the process have not been developed nor implemented.

Dissemination of rule changes
and new registration forms

Several members of the Land Sales Advisory Board and some developers contend that the Land Sales Division should develop a standard procedure for disseminating administrative rule changes and new registration policies and forms to registered developers and land sales registration consultants. This would keep developers and consultants informed of changes on a continuing basis so that registration plans could be more effectively carried out as part of the development planning stage. For example, a new standard procedure for disseminating administrative changes would enable a developer to receive changes while he or she is preparing registration materials so that these changes can be readily incorporated. This would largely eliminate the problem that could occur when a developer completes all registration materials over a three or four month period on forms supplied at the beginning of this period by the Land Sales Division only to find upon submitting these materials to the Land Sales Division that some of his information has

been prepared on obsolete forms and must be resubmitted on new forms. A situation of this type could clearly add to a developer's registration expenses and time delays. A standard procedure for disseminating new information from the Land Sales Division could help to eliminate this problem.

Enforcement of the act

Several Michigan developers that have registered developments under the Michigan Land Sales Act contend that there are some Michigan developers who are selling unregistered lands which should be registered under the Michigan Lands Sales Act. The developers making these allegations have stated that Land Sales Division officials have not been very effective in identifying these alleged violators of the act except where a consumer complaint has been filed against unregistered developers. Developers with registered lands further contend that they cannot effectively compete with developers that are selling unregistered lands in violation of the act because they must pass land sales registration expenses on to their buyers, whereas the unregistered developers have not incurred any registration expenses. Some of the registered developers have proposed that the Land Sales Division should begin a weekend field investigation and enforcement program during the warmer months of the year, since most land sales and accompanying consumer abuses occur during weekends.

Land Sales Division officials have responded to allegations that some Michigan developers are violating the act through selling unregistered lands which are not exempt by outlining a tentative procedure to more easily identify violators. Under this proposed procedure, officials in the Michigan Department of Treasury Plat Office would send the Land Sales Division the owner's name, address and related information for each newly approved subdivision plat with 25 or more lots. The Land Sales Division could then use this information to contact the owner or owners and to get them to complete an affidavit furnished by the Land Sales Division requiring information on the intended disposition of the lots in the subdivision. This information would then be used by Land Sales Division officials to determine if the subdivision falls under the requirements of the Michigan Land Sales Act. However, a weekend enforcement program has not been formally discussed by Land Sales Division officials.

Enforcement of Michigan's Real Estate Licensing Law

A number of Michigan land developers have complained during the past several years that some licensed sales personnel have made false promises to purchasers of land registered under the Michigan Land Sales Act which are allegedly unknown to the developer at the time of sale. Some of these promises surface after the sale in the form of

consumer complaints. They contend that the developer is usually held responsible for these false promises and that the sales person who made the promises is not penalized by state administrative agencies. Most of the developers that have identified this problem recommend stricter enforcement of the state's real estate licensing law to reduce consumer abuses by land sales personnel. Stricter enforcement of the licensing law would require close cooperation between the Real Estate Division (which administers the licensing law) and the Land Sales Division, both of which are located in the Michigan Department of Licensing and Regulation.

CHAPTER 6

CONCLUSIONS AND RECOMMENDATIONS

This policy analysis of the Michigan Land Sales Act of 1972 and its accompanying regulatory program revealed several positive effects of the act and program on land developers and consumers while also revealing a number of problems. The interviews with twenty-three land developers for the "land sales regulations" questionnaire together with a review of consumer complaints and proposed changes in the land sales program made by legislators, developers, consumer groups and Land Sales Division personnel were very useful in formulating recommended changes in the act and accompanying regulatory program. These recommended changes together with a discussion on the applicability of the research methodology used in this study to future studies on land sales regulatory programs and several suggested areas for future research are presented in this chapter.

Suggested Changes in the Michigan Land Sales Act and Regulatory Program

Based on the analysis of consumer complaints and the disposition or resolution of these that was presented in Chapter 5, the researcher concluded that the Michigan Land Sales Act and its accompanying regulatory program that is administered by the Michigan Department of Licensing and

Regulation, Land Sales Division, overall have been quite effective in protecting consumers of recreation and second home land in Michigan from widespread abuses by unscrupulous members of the land development and marketing industry. However, four existing problem areas that either affect consumers presently or could have an effect on them in the future could probably be reduced or eliminated by the following recommended changes in the act and regulatory program:

1. Paragraph 565.804, Section 4(b) of the Michigan Land Sales Act presently exempts lands which are divided into fewer than 25 parcels. Lands which are divided into greater than 10 acre parcels are exempt from the Subdivision Control Act of 1967. Thus, lands which are divided into less than 25 parcels of more than 10 acres each are exempt from both the Michigan Land Sales Act and the Michigan Subdivision Control Act. Consumers purchasing this type of property have virtually no assurance that they will be protected from land sales abuses. Data compiled by the Michigan Department of Natural Resources in 1971 indicated that the practice of creating developments of less than 25 parcels of more than 10 acres each was increasing in the northern portion of Michigan. Though the current extent of this problem is not known, land developments of this type are clearly exempt from the two state acts which were designed to protect consumers

of undeveloped subdivided land. Therefore, the Michigan Land Sales Act of 1972 should be amended to include land developments with less than 25 parcels of more than 10 acres each within its requirements to protect consumers of this type of land from possible abuses by developers and sales personnel.

2. Paragraph 565.804, Section 4(g) of the Michigan Land Sales Act exempts any offers or dispositions of an interest in land pursuant to court order. Since a consumer's only recourse against abuses by the party selling such property is through the court which issued the order under which the lands are being sold, Section 4(g) of the act should be repealed, thus bringing these lands under the requirements of the act and giving consumers a less expensive means of recovery when abuses by sellers of this type of property occur as well as offering a means of reducing or preventing sales abuses.
3. Use of the required format and content requirements for property reports by developers has led to the compilation of land sales property reports that can neither be read nor understood by most Michigan residents. Based on the readability analysis of ten of these reports as part of this study, the researcher concluded that land sales property reports

have had a very limited impact on consumers. Thus, the Michigan Department of Licensing and Regulation, Land Sales Division, should revise the guidelines and format for preparing property reports in order to make them more readable. This should result in consumers receiving a shorter, simpler, and more readable property report from which they can read and understand the information which they need to make an intelligent land purchase decision. Revisions should be started by the department making a clear determination of what the "average" consumer needs to know when buying land. This needed information should then be presented in the property reports in as simple a manner as possible. Any legal terminology which is included in reports should be footnoted by a definition of the terminology which is written in laymen's terms.

4. More field work and investigation should be made part of the Land Sales Division's regulatory program. Particular emphasis should be placed on weekend field work during the warmer months of the year when most recreation and second home land sales occur. Field visits to land developments during this period should be more effective in preventing land sales abuses which may go unreported as well as be useful in identifying developments

which fall under the Michigan Land Sales Act that have not been registered.

The regulatory program for the Michigan Land Sales Act, as presently being administered, is creating a number of problems for land developers which indirectly affect consumers. Most of these problems could be largely eliminated by the implementation of the following recommendations by the Michigan Department of Licensing and Regulation, Land Sales Division:

1. An amenity should be interpreted by the department as a man made improvement or an unimproved natural area which can be commonly used by property owners in a development, as is now being done. However, developments with 25-49 lots in which no amenities are offered are now exempt from the act by Paragraph 565.804, Section 4(k). Developments of this size which offer a natural amenity, such as an unimproved park area or greenbelt, that has been deeded to a local or state unit of government and has been accepted by that unit of government should also be exempt from the act. This would give property owners access to and use of these areas while relieving developers with developments of this size of the responsibility and expense of complying with the act. The practice of developers dedicating unimproved natural areas to governmental units

as a means of obtaining an exemption from the act would not require an act amendment or a rule change; it would only require Land Sales Division officials to accept this practice as a valid way for developers to offer amenities in a practical sense without being legally required to register under the act. However, developers who offered man made amenities or natural amenities which were not deeded to and accepted by a governmental unit would still be required to register under the act with this arrangement.

2. The Department of Licensing and Regulation, Land Sales Division, should promulgate a set of rules to outline procedures that developers who are qualified for an exemption could follow to obtain an exemption from the act. This would protect these developers from changes in the interpretation of the act where administrative officials would later hold that formerly exempt developments would not in fact be exempt and would be found to be in violation of the act. However, the practice of granting a written exemption should be accompanied by a program of strict enforcement which would include heavy penalties for developers who falsified information on an exemption application to obtain an exemption and for developers who made material

changes in their developments which would make them subject to the requirements of the act without reporting those changes and applying for registration. Such an enforcement program should serve to discourage developers from using the exemption procedure as a means of evading the act.

3. Department of Licensing and Regulation officials should make a determined effort to work with federal officials in the Office of Interstate Land Sales Registration in designing registration forms and property report formats for the state and federal act which would reduce a developer's effort in preparing dual state and federal registrations to the greatest extent possible. In addition, the state should prepare guidelines for amending federal filings and property reports for submission for state registration. The elimination of effort and expense through the revision of forms and the acceptance of amended federal filings by the state should be beneficial to developers and consumers through reducing time delays and monetary expenses which increase land prices.
4. The Department of Licensing and Regulation, Land Sales Division should promulgate a set of rules and guidelines for use by developers in de-registering developments in which all improvements have been

completed and all lots have been sold and deeded to purchasers or the deeds to which have been placed in escrow free of all encumbrances with an escrow agent that is acceptable to the Land Sales Division. Escrow agreements for deeds should contain a stipulation that the developer (owner) of these lots cannot under any condition place encumbrances on lots for which deeds have been placed in escrow for de-registration purposes after the de-registration process has been completed, even though the developer may still be the legal owner of the lots that are being sold on land contracts up to the time the land contracts are fulfilled. The escrow arrangement should permit developers to de-register, thus avoiding the expenses created by annual renewals after a development is completed and all lots are sold, while protecting consumers who are paying for lots on land contracts. Therefore, such an arrangement should be beneficial to consumers and developers.

5. The Land Sales Division should discontinue the practice of requiring an annual renewal report for the initial registration of a development and a report for each consolidation. Instead, developers should only be required to file one annual renewal report for each development. This one annual report

should be designed and required to contain all changes that occur each year for the original registration and all consolidations. This should reduce developers' expenses created by complying with the act, and should benefit consumers by reducing lot prices.

6. The Department of Licensing and Regulation, Land Sales Division should be required to publish all registration forms and guidelines in the administrative rules to prevent changes in these forms and guidelines without proper notice to developers having to comply with the act. In addition, new amendments to the act and rule changes should be mailed to all registered developers and to land sales registration consultants with whom the division has contact from time to time concerning registrations. These changes should be sent within a reasonable length of time which would probably be two to three weeks to allow for printing and mailing of the material.
7. Land Sales Division officials should make a concerted effort to reduce processing times for registrations to the greatest extent possible. All deficiencies in filings should be outlined by officials as soon after the filings are received as possible. Developers should be contacted by

department officials by telephone to go over these deficiencies and to suggest possible ways to correct them. The telephone call could be followed by a letter in which the details of the deficiencies could be discussed. This procedure would enable developers to begin working on deficiencies while waiting for the letter from the division, thus reducing the time required to correct deficiencies and receive registration approval.

These recommended changes in the Michigan Land Sales Act and accompanying regulatory program involve several tradeoffs which will affect developers and consumers. The inclusion of lands divided into less than 25 lots of more than 10 acres each and lands being sold pursuant to court order under the act will create additional development and marketing time delays and out-of-pocket monetary expenses for developers who subdivide and market these types of land. However, the inclusion of these lands under the act will protect consumers from fraud and deception when purchasing this property and will assure purchasers that all promised improvements to the property will be completed and that a clear title to the property will be conveyed to them when they comply with all the terms of the purchase agreement. The consumer protection benefits of these changes should outweigh the costs to consumers in the form of increased lot prices, and should not unduly burden

developers of these types of land since they can generally pass costs on to consumers through price adjustments. De-registration procedures, administrative exemptions, stronger enforcement programs, and the "streamlining" of the registration and annual renewal procedures should lower developers time delays and out-of pocket costs which should be passed on to consumers through lower lot prices, and should not jeopardize the effectiveness of consumer protection provisions. Therefore, the overall benefits of these changes to developers and consumers should outweigh their costs.

Application of the Research Approach and
Methods Used in This Study to the Analysis
of Other Land Sales Regulatory Programs

The first step that should be taken by a researcher in conducting an analysis of a land sales regulatory program after conducting a literature search is to contact administrative agency personnel and arrange to review consumer complaints. In addition, consumers should be surveyed where a mailing list of those who have purchased regulated property can be obtained. The researcher should then contact developers to probe for problems which they have encountered in their land development and marketing activities as a result of the land sales regulatory program being studied.

Information gathered in the first step can then be used to clearly define problem areas and to research possible solutions. Each tentative solution should be presented to administrative agency personnel, consumer representatives,

and land developers who have lands affected by the regulatory program to obtain positive and negative feedback on the various aspects of the solution.

Once feedback has been obtained from members of the various interest groups that are involved with a land sales regulatory program, the objectives of the regulatory program as defined in the legislation creating the program should be used as a guide to formulating proposed solutions to problems. Researchers conducting this type of research should keep in mind that problems which are created by a land sales regulatory program for some members of an interest group may be significantly different from problems created for other members of the same group. For example, land developers with developments of less than 100 lots were more concerned with the direct monetary costs of complying with the Michigan Land Sales Act than were developers with developments of 100 or more lots. Research efforts should be designed to identify and define these differences in problems to the greatest extent possible and should evaluate possible solutions for these problems.

Some specific problems which were encountered in conducting this study may be of interest to persons conducting future research in the area of land sales regulations. These include the following:

1. The response rate to questionnaires mailed to land developers in this study was very low for

the first set of mailings. Followup mailings did help to increase response rates to an acceptable level, but were quite expensive. Ideally, developers and sales personnel should be surveyed during the off season when developers are not extremely busy as they usually are during the selling season. If the information needed on a questionnaire can be obtained by using an anonymous questionnaire, response rates should be higher since many developers do not want their responses identified with them personally. Ideally, the researcher should administer questionnaires through personal interviews since developers are able to become better acquainted with the researcher and his objectives and credibility. This should result in higher questionnaire response rates. However, the time limits and budget for a study may not permit personal interviews, so telephone interviews may be an acceptable alternative to administering questionnaires in many cases. In some instances, mail questionnaires may work well where the researcher has established his credibility and a strong working relationship with officials in a professional organization that represents the industry or with key leading members of the industry. These key people can be asked to legitimize the

researcher's study by contacting other members of the organization or industry to inform them of the study and their support for it. This can help increase response rates by encouraging the members of the industry to participate in the study when contacted by the researcher.

2. Where detailed questions are being presented to respondents, particularly those of a confidential nature, the researcher should always assure respondents that information which they give will be held in strict confidence. Confidentiality will protect the respondent and should encourage him or her to answer questions presented by the researcher.
3. All questions and research instruments should be pretested on members of the interest groups to be studied in connection with land sales regulations. This helps the researcher identify problems with question wording and instrument design so that they can be corrected or altered in a manner that will result in needed information being obtained. Where populations similar to those being studied can be found, as was the case with Minnesota developers who were registered under the Minnesota Subdivided Land Sales Practices Act being similar to developers registered under the Michigan Land Sales Act due to the great similarities between the two acts,

some members of these populations can often serve as respondents to pretests of survey instruments, particularly where the researcher is dealing with a small study population and would like to conduct a complete census of that population for his study. However, the researcher should be careful to make sure that the pretest population is in fact a reasonable representative of the study population. In addition, it may be difficult to get pretest respondents to participate in the study due to the fact that the results of the study may not benefit these respondents. Thus, pretests conducted on substitute populations may have lower response rates than instruments administered to members of the study population.

Suggested Areas for Additional Research

While conducting the analysis of the Michigan Land Sales Act of 1972 and its accompanying program, several areas for additional research in the areas of land development, marketing, and regulation were identified. These include the following:

1. Based on the findings of this study, small land developers (those with developments of less than 100 lots) seem to be at a competitive disadvantage with large land developers. Research to develop

a marketing segmentation strategy for various size land developments could provide information needed by small developers in developing their lands to be marketed to certain segments of the consuming public with which they might have a more competitive advantage than large developers.

2. The Interstate Land Sales Full Disclosure Act of 1968 has caused many problems for land developers with developments with more than 50 lots (based on information obtained through the "land development and marketing" questionnaire in this study). An analysis of this federal act and its accompanying regulatory program is needed to describe these problems and to recommend possible solutions. If the results of such a study were implemented by the Office of Interstate Land Sales Registration, they could help reduce developers' time delays and expenses in registering under this act, as well as benefit consumers through better protection from land sales abuses and lower lot prices.
3. Research to identify the socio-economic characteristics of consumers of recreation and second home land is needed for land marketing purposes and for designing better consumer protection programs. For example, socio-economic characteristics of these consumers would provide regulatory agency

personnel with information needed to design property report formats and data requirements. Developers could also use this information in designing their land marketing strategies. Related to this is a need for research to identify the types of information that consumers actually need from property reports in making land purchase decisions. This would benefit consumers by ultimately improving property reports and would aid administrative agency personnel in protecting consumers since consumers would probably have less misunderstandings with developers which end up as consumer complaints that must be resolved by the agency.

4. Land development in Michigan has drastically declined in recent years because of a number of factors, many of which have not been identified and described. Research to identify and describe these factors and their effects together with ways that developers and/or government can reduce their negative effects would benefit consumers and developers in Michigan.
5. A descriptive study to outline the steps that a developer must go through to comply with all government regulations at the state and federal level might be particularly useful to small land developers who are not familiar with all the government

regulations. If a small land developer is able to learn more about compliance requirements, more land might be made available for purchase by the consuming public.

Summary

The Michigan Land Sales Act of 1972 has suitably protected Michigan consumers from land sales abuses. However, it has also negatively impacted developers largely through the regulatory program. These impacts should be alleviated by the administrative agency to the greatest extent possible.

The Michigan Land Sales Act is not the only government regulatory program that is negatively impacting the development industry. Other state and federal regulatory programs which affect land development and marketing should be researched in the future if government executives and legislators wish to provide consumers with more opportunities to purchase land and developers with more opportunities to develop and market land.

Some of the recommendations made in this study may not be implemented, particularly the proposed amendments to the act, because of a fear of possible "legislative overkill" which is held by some developers and consumer groups. Some political compromise will be needed, but state officials should carefully balance the interests of developers and consumers to avoid unduly burdening one group to the benefit of the other.

APPENDIX A
MICHIGAN LAND SALES ACT

APPENDIX A

MICHIGAN LAND SALES ACT

P.A. 1972, No. 286, Effective October 1, 1973

AN ACT to regulate the disposition of lots, parcels, units or interests in lands within real estate subdivision; to require registration; to protect the purchaser from unfair and deceptive trade practices; to provide for the filing of bonds and performance assurances; to regulate advertising, promotions and sales contracts; to provide for the payment of fees; and to provide penalties.

The People of the State of Michigan enact:

565.801 Short Title

Sec. 1. This act shall be known and may be cited as the "land sales act".

565.802 Definitions

Sec. 2. As used in this act:

(a) "Advertising" means the publication or causing to be published of all material which has been prepared for public distribution by any means of communication. The term does not include stockholder communications such as annual reports and interim financial reports, proxy materials, registration statements, securities, prospectuses, applications for listing securities on stock exchanges, and the like; prospectuses, property reports, offering statements, or other documents required to be delivered to prospective purchaser by an agency of another state or the federal government; all communications addressed to and relating to the account of persons who have previously executed a contract for the purchase of the developer's lands, except where directed to the sale of additional lands.

(b) "Agent" means any person who represents, or acts for or on behalf of, a developer in disposing of subdivided lands or lots in a subdivision, and includes a real estate broker as defined in Act No. 306 of the Public Acts of 1919, as amended, being sections 451.201 to 451.219 of the Michigan Compiled Laws, but does not include an attorney at

law whose representation of another person consists solely of rendering legal services.

(c) "Blanket encumbrance" means a trust deed or mortgage or mechanics lien or any other lien or financial encumbrance, securing or evidencing money debt and affecting lands to be subdivided or affecting more than 1 lot, parcel, unit, or interest of subdivided land; or an agreement affecting more than 1 lot, parcel, unit, or interest by which the developer holds the subdivision under an option, contract to purchase, or trust agreement, except a lien or other encumbrance arising as a result of the imposition of a tax assessment by a public authority so long as no portion thereof is past due.

(d) "Contiguous land" means any additional subdivided land adjacent to or adjoining the subdivided land included in any earlier subdivision for which a certificate of registration has been issued and which is offered under the same common subdivision name and the same common promotional plan of advertising and disposition.

(e) "Department" means the department of licensing and regulation.

(f) "Developer" means a person, or his agent, who, directly or indirectly, offers subdivided land for disposition, or who advertises subdivided land for disposition.

(g) "Director" means the director of the department of licensing and regulation or any person designated by him to act in his place.

(h) "Disposition" means a sale, lease, option, assignment, award by lottery or as a prize, or any offer or solicitation of an offer to do any of the foregoing concerning a subdivision or any part of a subdivision.

(i) "Notice" means a communication by mail from the department. Notice to developers shall be deemed complete when mailed certified return receipt requested to the developer's address currently on file with the department.

(j) "Offer" means every inducement, solicitation, or encouragement of a person to acquire a lot, unit, parcel, or interest in subdivided land.

(k) "Option" means, and is limited to, an offer to sell or to purchase respecting which a consideration of not more than 15% of the total purchase price is exchanged to guarantee that the offer will not be withdrawn or revoked for an agreed period of time.

(l) "Person" means an individual, corporation, government or governmental division or agency, business trust, estate, trust, partnership, unincorporated association, 2 or more of any of the foregoing having a joint or common interest, or any other legal or commercial entity.

(m) "Purchaser" means a person who acquires or attempts to acquire or succeeds to an interest in land.

(n) "Subdivision" and "subdivided land" means any land, wherever located, improved or unimproved, which is divided or proposed to be divided for the purpose of disposition into 25 or more lots, parcels, units, or interests, and includes any portion thereof. Subdivided lands include land located outside this state which is promoted by mail, telephone calls, solicitation, or advertisements within or directed into this state. The terms include any land, whether contiguous or not, if 25 or more lots, parcels, units, or interests are offered as a part of a common promotional plan of advertising and sale where subdivided land is offered for disposition by a single developer or a group of developers acting in concert. If the land is contiguous or is known, designated, or advertised as a common unit or by a common name the land shall be presumed, without regard to the number of lots covered by each individual offering, as being offered for disposition as part of a common promotional plan.

565.803 Subdivisions, Disposition of Lots, Parcels, Units, or Interests

Sec. 3. The disposition of lots, parcels, units or interests in land from subdivisions is subject to regulation and control pursuant to this act which is to be administered by the department.

565.804 Offers and Dispositions of Interests in Land, Inapplicability

Sec. 4. Unless the method of disposition is adopted for the purpose of evasion of this act, as the procedure for application for and approval of exemption is determined by rules of the department, this act does not apply to offers or dispositions of an interest in land:

(a) By a purchaser of subdivided lands for his own account in a single or isolated transaction.

(b) If fewer than 25 separate lots, parcels, units, or interests in subdivided lands are offered or to be

offered after September 30, 1973.

(c) On which lot, parcel or unit there is a commercial or industrial building, shopping center, dwelling unit, or apartment, or as to which there is a legal obligation on the part of the seller or his assignee or agent to construct such a building within 2 years from date of sale, lease, option, assignment, award by lottery, or as a prize.

(d) For cemetery lots or interests.

(e) A subdivision as to which the plan of sale is to dispose to 10 or fewer persons.

(f) To any person who acquires such lots for the purpose of engaging in and does engage in, or who is engaged in the business of constructing residential, commercial, or industrial buildings for the purpose of resale; or constructing commercial or industrial buildings for his own use; or the lease of such lots to persons engaged in such business.

(g) Pursuant to court order.

(h) Securities currently registered or securities transactions exempted by order of the corporation and securities bureau of the department of commerce.

(i) By a person electing to make offers or dispositions under any 2 or more different exemptions.

(j) A campground developed pursuant to Act No. 171 of the Public Acts of 1970, being sections 325.651 to 325.665 of the Michigan Compiled Laws or a mobile home park developed pursuant to Act No. 243 of the Public Acts of 1959, as amended, being sections 125.1001 to 125.1097 of the Michigan Compiled Laws.

(k) In a subdivision which has fewer than 50 lots, parcels, units or interests and which has been fully recorded under Act No. 288 of the Public Acts of 1967, as amended, being sections 560.010 through 560.293 of the Michigan Compiled Laws, in the office of the registrar of deeds and in which no amenities are promised or advertised. Nothing in this subsection shall limit the application of section 27 to a developer or agent of a developer.

565.805 Excluded Dispositions

Sec. 5. Unless the method of disposition is adopted for the purpose of evasion of this act, as the procedure for application for and approval of exemption is determined by rules of the department, the provisions of this act do not apply to:

(a) Offers or dispositions of evidences of indebtedness secured by a mortgage or deed of trust of real estate.

(b) Offers or dispositions of securities or units of interest issued by a real estate investment trust regulated under any state or federal statute.

(c) Offers or dispositions of any interest in oil, gas, or other minerals or any royalty interest therein if the offers or dispositions of such interest are regulated as securities by the United States or by an agency of this state.

(d) Condominiums located in Michigan and regulated by the corporation and securities bureau of the department of commerce.

(e) Offers or dispositions of an interest in lands by a Michigan state agency, city, village, township, county, or any other governmental unit, or United States governmental unit, body or subdivision.

565.806 Registration; Property Reports; Unfair Acts; Voidability of Contracts; Rescission; Form of Contract; Third Parties

Sec. 6. Unless the subdivided lands or the transaction is exempt by this act:

(a) A person may not offer or dispose of any interest in subdivided lands located in this state nor offer or dispose in this state of any interest in subdivided lands located without this state prior to the time the subdivided lands are registered in accordance with this act.

(b) A person may not dispose of any interest in subdivided lands unless a current property report is delivered to the purchaser and the purchaser is afforded a reasonable opportunity to examine the property report prior to the disposition.

(c) A person may not engage in any unfair or deceptive act or practice in the conduct of and disposition of subdivided lands. Disposition of subdivided lands by option on an option or by assignment of less than the total options held by the seller, is presumed to be an unfair and deceptive practice. Disposition by instrument purporting to be an option is presumed unfair and deceptive if the stated consideration for the purported option exceeds 15% of the purchase price of the subdivided land or if the option does not separately state the purchase price.

(d) Any contract or agreement for the disposition of a lot, parcel, unit or interest in a subdivision covered by this act, where the property report has not been given to the purchaser in advance of the time of his signing, is voidable at the discretion of the purchaser. In addition, the purchaser has an unconditional right to rescind any contract, agreement or other evidence of indebtedness between the purchaser and the developer, or revoke any offer within 5 days from the date the purchaser actually receives a legible copy of the signed contract, agreement, or other evidence of indebtedness or offer and the property report as provided in this act. Predating of a document does not defeat the time in which the right to rescind may be exercised. The burden of proof the document was not predated is upon the developer. An act of the developer in assigning or pledging a contract or agreement shall not waive the purchaser's right to void or rescind the contract or agreement as provided by this subsection. Each contract or agreement shall be prominently labeled and captioned that it is a document taken in connection with a sale or other disposition of lands under this act.

Each contract or agreement for the disposition of a lot, parcel, unit, or interest in a subdivision shall prominently contain upon its face the following notice printed in at least 8 point type which shall be at least 4 point bold type larger than the body of the document stating:

NOTICE TO PURCHASER

YOU ARE ENTITLED TO CANCEL THIS AGREEMENT AT ANY TIME IF YOU HAVE NOT RECEIVED THE PROPERTY REPORT IN ADVANCE OF YOUR SIGNING OF THIS AGREEMENT. IN ADDITION, YOU ARE ENTITLED TO CANCEL THIS AGREEMENT FOR ANY REASON WITHIN 5 DAYS FROM THE DAY YOU ACTUALLY RECEIVE A LEGIBLE COPY OF THIS DOCUMENT.

The contract or agreement shall contain sufficient space upon its face in immediate conjunction with the above notice for the signature of each person obligated under the instrument acknowledging that the person has read the

notice. A third party who is unrelated to the developer may, in connection with the purchase of, or the making of a loan secured by such contracts or agreements, rely on a document furnished by the developer, and signed by a purchaser acknowledging receipt of a property report in advance of signing a contract or agreement.

Rescission occurs when the purchaser gives written notice to the developer at the address stated in the contract or agreement. Notice of rescission if given by mail is effective when it is deposited in a mailbox properly addressed and postage prepaid. A notice of rescission given by the purchaser need not take a particular form and is sufficient if it indicates by any form of written expression the intention of the purchaser not to be bound by the contract or agreement.

(e) No act of a purchaser shall be effective to waive the right to rescind as provided in this section. However, the right of rescission terminates 5 years after the date the purchaser signs the contract or agreement.

565.807 Application, Filing, Forms, Execution, Contents; Registration Fee, Payment

Sec. 7. Before subdivided lands are offered for disposition, the developer shall file with the department an application upon forms to be supplied by the department. A registration fee shall accompany the application. The application may be filed before a plat has been recorded as provided for in section 172 of Act No. 288 of the Public Acts of 1967, being section 560.172 of the Michigan Compiled Laws, provided the plat has received final approval of the preliminary plat under section 120, as amended, of that act. The application shall be filed as prescribed by the department's rules. The application shall be signed by an authorized agent of the applicant and include, but is not limited to, the following documents and information:

(a) An irrevocable appointment of the department to receive service of any lawful process in any civil proceeding arising under this act against the developer or his agent.

(b) The applicant's name and address, and the forms, date, and jurisdiction of the organization; and the address of each of its resident agents, officers, and directors in the state; the name, address, and principal occupation for the past 5 years of every director and officer and each owner of 10% or more of the shares of the applicant and any person occupying a similar status or performing similar

functions; the extent and nature of his interest in the applicant and the subdivided lands as of a specified date within 30 days of the filing of the application.

(c) A legal description of, based on a survey by a professional land surveyor, and a statement of the total area included in the subdivision, and a statement of the topography thereof, together with a map showing the division proposed or made, the dimensions of the lots, parcels, units, or interests and the relation of the subdivided lands to existing streets, roads, and other off-site improvements.

(d) The states or jurisdictions in which an application for registration or similar document has been filed and any order, judgment, or decree entered in connection with the subdivided lands by the regulatory authorities in each jurisdiction or by any court.

(e) A statement, in a form acceptable to the department, of the condition of the title to the land comprising the subdivision, including all encumbrances and deed restrictions and covenants applicable thereto with data as to recording.

(f) Copies of the instruments by which the interest in the subdivided lands was acquired or proof of marketable title to subdivided lands.

(g) Copies of instruments which will be delivered to a purchaser to evidence his interest in the subdivided lands and of the contracts and other agreements which a purchaser will be required to agree to or sign, together with the range of selling prices, rents, or leases at which it is proposed to dispose of the lots, units, parcels, or interests in the subdivisions.

(h) Copies of instruments creating, altering, or removing easements, restrictions, or other encumbrances affecting the subdivided lands.

(i) A statement of the present condition of access to the subdivision, the availability of sewage disposal facilities and other public utilities, including water, electricity, gas, and telephone facilities, in the subdivision, the proximity in miles of the subdivision to nearby municipalities and the nature of any improvements to be installed and by whom they are to be installed and paid for and an estimated schedule for completion, together with a statement as to the provisions for improvement maintenance.

(j) A statement of the current zoning and any existing tax and existing or proposed special assessments which affect the subdivided lands.

(k) If there is a blanket encumbrance against any subdivision or portion thereof, a description of the encumbrance and a statement of the consequences for an individual purchaser of a failure by the persons bound to fulfill obligations under the instrument creating the encumbrance and the steps, if any, taken to protect the purchaser in such eventuality.

(l) A narrative description of the promotional plan for the disposition of the subdivided lands together with copies of all advertising material which has been prepared for public distribution by any means of communication.

(m) Such financial statements of the developer as the department may require.

(n) The proposed property report.

(o) A statement that the developer has or has not been subject to any injunction or administrative order entered within the past 10 years restraining a false or misleading promotional plan involving land dispositions.

(p) Such other information and such other documents and certifications as the department may require as being reasonably necessary or appropriate for the protection of purchasers.

565.808 Property Report, Form, Contents

Sec. 8. The property report shall disclose fully and accurately the physical characteristics of the subdivided lands offered and shall make known to prospective purchasers all unusual and material conditions relating to noise, health, safety, and welfare which affect the subdivision and are known to the developer. The proposed property report submitted to the department shall be in a form prescribed by its rules and shall include the following:

(a) The name and principal address of the developer.

(b) A general description of the subdivided lands stating the total number of lots, parcels, units, or interests in the offering.

(c) The significant terms of any encumbrances, easements, liens, and restrictions, including the current zoning classification and the name and address of the governmental office where a complete current copy of the zoning ordinances may be inspected, affecting the subdivided lands and each lot, unit, parcel, or interest and a statement of all existing taxes and existing or proposed special assessments which affect the subdivided lands.

(d) A statement of the use for which the property is offered.

(e) Information concerning existing or proposed improvements, including streets, water supply levels, drainage control systems, irrigation systems, sewage disposal systems, and customary utilities and the estimated cost, date of completion and responsibility for construction and maintenance of existing and proposed improvements which are referred to in connection with the offering or disposition of any lot, unit, parcel, or interest in subdivided lands.

(f) Such additional information as may be required by the department to assure full and fair disclosure to prospective purchasers.

565.809 Prohibited Uses of Property Reports

Sec. 9. The property report shall not be used for any promotional purposes. A person may not advertise or represent that the department approved or recommends the subdivided lands or disposition thereof. A portion of the property report may not be underscored, italicized or printed in larger or heavier or different color type than the remainder of the statement unless the department requires it.

565.810 Alteration or Amendment of Proposed Property Reports, Approval, Incorporation in Reports; Advertising and Disposition Pending Approval

Sec. 10. The department may require the developer to alter or amend the proposed property report in order to assure full and fair disclosure to prospective purchasers and a change in the substance of the promotional plan or plan of disposition or development of the subdivision may not be made after registration without prior written approval of the department nor without approval of appropriate amendment of the property report. A property report is not current unless all amendments are incorporated. The

department may allow, in writing, continued advertising and disposition pending approval of amendment.

565.811 Consolidation of Subsequent Registrations with Prior Registrations, Same Promotional Plan, Amendment of Property Report; Effect of Failure to Timely Reject Consolidation of Registration

Sec. 11. If the developer registers additional subdivided lands to be offered for sale, he may consolidate the subsequent registration with any earlier registration under this act offering subdivided lands for sale under the same promotional plan, and the property report shall be amended to include the additional lands so registered. The consolidation of registration of additional subdivided lands shall be deemed registered after 30 days unless a rejection is entered issuing a specific statement of the deficiencies within 30 days thereof or a delay agreed upon.

565.812 Material Changes in Information Contained in Application for Registration, Reporting

Sec. 12. The developer shall report immediately any material changes in the information contained in the application for registration.

565.813 Conditions for Registration, Enumeration, Examination to Determine Compliance with Conditions

Sec. 13. Upon receipt of an application for registration in proper form, the department shall initiate an examination to determine compliance with the following conditions for registration:

(a) The developer can convey or cause to be conveyed the interest in subdivided lands offered for disposition if the purchaser complies with the terms of the offer and when appropriate, that release clauses, conveyances in trust or other safeguards have been provided.

(b) There is reasonable assurance that all proposed improvements will be completed as represented.

(c) The advertising material and the general promotional plan are not false or misleading and comply with department rules and afford full and fair disclosure.

(d) The developer has not, or if a corporation, its officers, directors and principals have not, been convicted

of a crime involving lands dispositions or any aspect of land sales business in this state, the United States or any other state or foreign country within the past 10 years.

(e) The property report requirements of this act have been satisfied.

565.814 Notice of Filing of Application for Registration; Orders of Registration or Rejection; Amendments of Applications; Certificates of Registration; Property Reports

Issuance of Notice; Time for Entry of Orders; Failure to Timely Reject, Effect; Filing Dates of Amendments to Applications

Sec. 14. (1) Upon receipt of the application for registration in proper form, the department shall issue a notice of filing to the applicant. Within 60 days from the date of the notice of filing, the department shall enter an order registering the subdivided lands or rejecting the registration with notice of specific deficiencies therein. If an order of rejection is not entered within 60 days from the date of notice of filing, the land shall be deemed registered unless the applicant has consented in writing to a delay. If any amendment to the application for registration is filed prior to the time when the land shall be deemed registered, the application shall be deemed to have been filed when the amendment was filed except that an amendment filed with the consent of the department or filed pursuant to an order of the department shall be treated as being filed as of the date of the filing of the original application for registration.

Issuance of Certificate of Registration and Approval of Form of Property Report, Grounds

(2) If the department affirmatively determines, upon inquiry and examination, that the requirements of this act and the rules promulgated pursuant to the act have been met, it shall issue a certificate of registration registering the subdivided lands and approve the form of the property report.

Correction of Application for Registration; Rejection of Registration

(3) If the department determines upon inquiry and examination that any of the requirements of this act or the rules promulgated pursuant to this act have not been met, it shall notify the applicant that the application for registration must be corrected in the particulars specified within 15 days from receipt of notice unless extended in writing by the department. If the requirements are not met within the time allowed, the department may enter an order rejecting the registration which shall include the findings of fact upon which the order is based.

Changes, Amendments to Certificates of Registration, Suspension of Certificate of Registration; Reports of Material Changes; Registration of Amendments

(4) If at any time subsequent to the issuance of the certificate of registration, a change occurs affecting any material fact required to be contained in the application, the developer shall file an amendment thereto within 30 days. Upon receipt of any amendment or report of material change, if the department determines such action to be necessary or appropriate in the public interest or for the protection of purchasers, it may suspend the certificate of registration until such time as the amendment shall be deemed registered. The amendment shall be deemed to be registered after 30 days unless a rejection is entered or a delay agreed upon.

Untrue Statements or Omissions in Applications, Suspension of Registration After Notice and Opportunity for Hearing; Cessation of Suspension

(5) If it appears to the department at any time that an application, for which there has been issued a certificate of registration, includes any untrue statement of a material fact or omits to state any material fact required by this act or necessary to make the statements not misleading or deceptive, after notice and after an opportunity for hearing at a time fixed by the department within 20 days after the notice, the department may issue an order suspending the registration. When the application has been amended in accordance with the order, the department shall so declare and thereupon the order shall cease to be effective.

**Compliance with Subdivision
Control Act, Necessity**

(6) The department shall not issue a certificate of registration if it is determined that the offering is for a subdivision of land until the developer complies with the provisions of Act No. 288 of the Public Acts of 1967, as amended, being sections 560.101 to 560.293 of the Compiled Laws of 1948, if the director determines that the subdivision is required to conform to that act.

565.815 Developers' Reports, Form, Contents, Time of Filing; Renewals of Certificates of Registration

Sec. 15. (1) Within 30 days after each annual anniversary date of an order registering subdivided lands, the developer shall file a report in the form prescribed by the rules of the department. The report shall reflect any material changes in information contained in the original application for registration.

(2) The department may permit the filing of annual reports within 30 days after the annual anniversary date of the consolidated registration in lieu of the annual anniversary date of the original registration.

(3) A certificate of registration which has not been revoked or is not suspended shall be renewed annually upon compliance with this act.

565.816 Conditions for Sales of Units or Interests within Subdivision Subject to Blanket Encumbrance

Sec. 16. The developer shall not sell lots, units, parcels, or interests within a subdivision subject to a blanket encumbrance unless 1 of the following conditions or the equivalent as determined by rules promulgated by the department is met:

(a) All sums paid or advanced by purchasers are placed in an escrow or other depository acceptable to the director until the fee title contracted for is delivered to the purchaser by deed together with complete release from all financial encumbrances; or the developer or the purchaser default and fail to perform under their contract of disposition and there is a final determination by a court of competent jurisdiction or the director as to the disbursement of such moneys or they be voluntarily returned to the contract purchaser.

(b) The fee title to the subdivision is placed in trust under an agreement or trust acceptable to the department until a proper release from each blanket encumbrance including all taxes is obtained and title contracted for is delivered to such purchaser.

(c) A bond, cash, certified check, or irrevocable bank letter of credit issued by a bank authorized to do business in the state is furnished the department in the name of the state for the benefit and protection of purchasers of the lots, units, parcels, or interest, in such amount and subject to terms as approved by the department. The bond shall be executed by a surety company authorized to do business in the state and which has given consent to be sued in this state. The bond or agreement accompanying the cash, certified check, or irrevocable bank letter of credit shall provide for the return of moneys paid or advanced by any purchaser, on account of purchase of any lot, unit, parcel, or interest if the title contracted for is not delivered and a full release from each blanket encumbrance is not obtained. If it is determined that the purchaser by reason of default or otherwise, is not entitled to the return of the moneys, or any portion thereof, then the bond, cash, certified check, or irrevocable bank letter of credit may be released by the department in the amount of moneys to which the purchaser of a lot, unit, parcel, or interest is not entitled.

(d) The blanket encumbrance shall contain provisions evidencing the subordination of the lieu of the blanket encumbrance to the rights of those persons purchasing from the developer or evidencing that the developer is able to secure releases from the blanket encumbrance with respect to the property.

565.817 Advertising Material, Submission for Approval, Orders, Failure to Timely Reject; Filing of Amendments to Applications for Approval of Advertising

Sec. 17. (1) All advertising material not accompanying the original application shall be submitted to the department for approval prior to its use in the state.

(2) Within 15 days from the date of receipt of the proposed advertising, the department shall enter an order approving or rejecting the advertising. If an order of rejection is not entered within 15 days from the date of receipt, the advertising shall be deemed approved unless the applicant has consented in writing to a delay. If any amendment to the application for approval of advertising is filed prior to the time when the land shall be deemed

approved, the application shall be deemed to have been filed when the amendment was filed except that an amendment filed with the consent of the department, or filed pursuant to an order of the department, shall be treated as being filed as of the date of the filing of the original application.

565.818 Material Used to Induce Prospective Purchasers to Visit the Subdivision, Contents; Developer's Participation in Campaign, Disclosure, Assurances that Obligations Can Be Met

Sec. 18. The director may require that any material used by a developer or his agent to induce prospective purchasers to visit the subdivided land contain certain additional pertinent information. The information may include but is not limited to, terms and conditions of the offers and the nature and extent of the developer's participation in the campaign. The director may require reasonable assurances that such obligation incurred by a developer or its agents can be met.

565.819 Rules, Promulgation, Contents

Sec. 19. The department shall promulgate rules in accordance with and subject to Act No. 306 of the Public Acts of 1969, as amended, being sections 24.201 to 24.315 of the Compiled Laws of 1948. The rules shall include but need not be limited to:

(a) Provisions for advertising standards to assure full and fair disclosure.

(b) Provisions for escrow or trust or trust agreement or other means reasonably to assure that all improvements referred to in the application for registration and advertising will be completed and that purchasers will receive the interest in land contracted for and full and fair disclosure in the property report informing the purchaser.

(c) Provisions for operating procedures.

(d) Provisions requiring instruments to be executed in recordable form.

(e) Provisions relating to apportionment of taxes.

(f) Other rules necessary and proper to accomplish the purpose of this act.

565.820 Investigations of Subdivisions, Necessity, Extent, Form, Expenses, Waiver

Sec. 20. The department shall investigate every subdivision offered for disposition in this state and may:

(a) Rely upon any relevant information concerning subdivided lands obtained from the federal housing administration, the United States veterans administration or any other federal agency having comparable duties in relation to subdivision of real estate.

(b) Accept registrations filed in other states or with the federal government and cooperate with similar agencies in other jurisdictions to establish uniform filing procedures and forms, uniform property reports, advertising standards, rules and common administrative practices. If a statement of record has been filed with and the property report accepted by the federal office of interstate land sales, and department may accept a copy of that statement of record and property report as part of the disclosure requirements under this act and accept an addendum to the statement of record and property report which shall satisfy the additional requirements of this act.

(c) Require the applicant to submit reports prepared by registered or licensed engineers as to any hazard to which any subdivision offered for disposition is subject in the opinion of the department, or any other factor which affects the utility of lots, units, parcels or interests within the subdivision and require evidence of compliance to remove or minimize all hazards stated by competent engineering reports.

(d) Make an on site inspection of each subdivision prior to its registration and periodic on site inspections thereafter. The developer shall defray all actual and necessary expenses incurred by the inspector in the course of of the inspection.

(e) Require the developer to deposit with the department the expenses to be incurred in any inspection or re-inspection, in advance, based upon an estimate by the department of the expenses likely to be incurred.

(f) Where an on site inspection of any subdivision has been made under this act, an inspection of a subsequent application for registration of contiguous land may be waived and an inspection thereof shall be made at the time of the next succeeding on site inspection.

565.821 Contracts for Disposition of Subdivided Land, Contents

Sec. 21. Every contract for disposition of subdivided land shall state clearly the legal description of the lot, unit, parcel or interest disposed of and shall contain disclosures as required by the federal truth in lending act, Public Law 90-321, and the rules promulgated thereunder.

565.822 Penalty for Failure to Pay Registration and Inspection Fees, Amount, Grounds for Imposition, Collection; Suspension or Revocation of Registration, Unpaid Fees

Sec. 22. Any developer who fails to pay when due, after written notice by the department, the registration and inspection fees provided in this act and continues to dispose of or offers to dispose of subdivided lands, is liable civilly in an action brought by the attorney general on behalf of the department for a penalty in an amount equal to treble the unpaid fees. The department may suspend or revoke a registration for which any application or inspection fee provided in this act is unpaid, after written notice by the department.

565.823 Investigations, Authorization, Extent, Purpose, Statements, Oaths, Subpoenas, Proceedings

Sec. 23. (1) The department may:

(a) Make necessary public or private investigations within or outside of this state to determine whether any person has violated or is about to violate this act or any rule or order hereunder or to aid in the enforcement of this act or in the prescribing of rules and forms hereunder.

(b) Require or permit any person to file a statement in writing, under oath or otherwise as the department determines, as to all the facts and circumstances concerning the matter to be investigated.

(2) For the purpose of any investigation or proceeding under this act, the department or any officer designated by rule may administer oaths or affirmations, and upon its own motion or upon request of any party may subpoena witnesses, compel their attendance, take evidence, and require the production of any matter which is relevant to the investigation, including the existence, description, nature, custody, condition and location of any books, documents or other tangible things and the identity and

location of persons having knowledge of relevant facts, or any other matter reasonably calculated to lead to the discovery of material evidence.

(3) Upon failure to obey a subpoena or to answer questions propounded by the investigating officer and upon reasonable notice to all persons affected thereby, the department may apply to the circuit court of Ingham County for an order compelling compliance.

(4) Except as otherwise provided in this act, all proceedings under this act shall be in accordance with Act No. 306 of the Public Acts of 1969, as amended.

565.824 Cease and Desist Orders and Orders to Take Affirmative Action, Grounds for Issuance; Temporary Cease and Desist Orders, Notice, Hearing

Sec. 24. (1) The department may issue an order requiring a person to cease and desist from the unlawful act and to take such affirmative action as in the judgment of the department will carry out the purposes of this act, if it determines, after notice and hearing, that a person has done any of the following:

(a) Violated any provision of this act.

(b) Directly or through an agent or employee knowingly engaged in any false, deceptive or misleading advertising, promotional or sales methods to offer or dispose of an interest in subdivided lands.

(c) Made any substantial change in the plan of disposition and development of the subdivided lands subsequent to the order of registration without obtaining prior written approval from the department.

(d) Disposed of any subdivided lands which have not been registered with the department.

(e) Violated any lawful order or rule of the department.

(2) If the department makes a finding of fact in writing that the public interest will be irreparably harmed by delay in issuing an order, it may issue a temporary cease and desist order. Prior to issuing the temporary cease and desist order, the department whenever possible by telephone or otherwise shall give notice of the proposal to issue a temporary cease and desist order to the person. Every temporary cease and desist order shall include in

its terms a provision that upon request a hearing will be held within 30 days to determine whether or not it becomes permanent.

565.825 Revocation of Registration, Notice, Hearing, Grounds; Findings of Fact, Necessity, Statement of Underlying Facts; Cease and Desist Order as Alternative

Sec. 25. (1) A registration may be revoked after notice and hearing upon a written finding of fact that the developer has done any of the following:

- (a) Failed to comply with the terms of a cease and desist order.
- (b) Been convicted in any court subsequent to the filing of the application for registration of a crime involving fraud, deception, false pretenses, misrepresentation, false advertising or dishonest dealing in real estate transactions.
- (c) Disposed of, concealed or diverted any funds or assets of any person so as to defeat the rights of subdivision purchasers.
- (d) Failed faithfully to perform any stipulation or agreement made with the department as an inducement to grant any registration, to reinstate any registration or to approve any promotional plan or property report.
- (e) Made intentional misrepresentations or concealed material facts in an application for registration.

(2) Findings of fact, if set forth in statutory language, shall be accompanied by a concise and explicit statement of the underlying facts supporting the findings.

(3) If the department finds after notice and hearing that the developer is guilty of a violation for which revocation could be ordered, it may issue a cease and desist order instead.

565.826 Injunctions, Grounds; Receivers; Conservators; Bonds

Sec. 26. If it appears that a person has engaged or is about to engage in an act or practice constituting a violation of this act or a rule or order hereunder, the department, with or without prior administrative proceedings,

may bring an action in circuit court of Ingham County to enjoin the acts or practices and to enforce compliance with this act or any rule or order hereunder. Upon proper showing, injunctive relief or temporary restraining orders shall be granted and a receiver or conservator may be appointed. The department is not required to post a bond in any court proceedings.

565.827 Offenses, Enumeration, Penalties

Sec. 27. Every developer or agent of a developer who authorizes, directs, or aids in the publication, advertisement, distribution, or circulation of a false statement or misrepresentation, made with knowledge of its falsity, concerning a subdivision offered for disposition or who knowingly fails to comply with the terms of a final cease and desist order and every person with knowledge that an advertisement, pamphlet, prospectus, or letter concerning a subdivision contains any written statement that is false or fraudulent, who issues, circulates, publishes, or distributes the same or causes the same to be issued, circulated, published, or distributed or who knowingly fails to comply with the terms of a final cease and desist order, is guilty of a felony and may be fined not more than \$25,000.00, or imprisoned not more than 10 years, or both. Each violation constitutes a separate offense.

565.828 Other Violation, Penalties

Sec. 28. Any violation of this act other than as provided in section 27 is a misdemeanor and every violator may be fined not more than \$2,000.00 or imprisoned for not more than 90 days, or both, for each offense.

565.829 Service of Process, Methods, Nonresidents

Sec. 29. (1) In addition to the methods of service provided for in any other provision of law, service may be made by delivering a copy of the process to the office of the department if the plaintiff, which may be the department in a proceeding instituted by it, does both of the following:

(a) Sends a copy of the process and of the pleading by registered mail to the defendant or respondent at his last known address.

(b) Files its affidavit of compliance with this section in the case on or before the return day of the process

or within such time as the court allows.

(2) If any person, including any nonresident of this state, engages in conduct prohibited by this act, or any rule or order and has not filed a consent to service of process and personal jurisdiction over him cannot otherwise be obtained in this state, the conduct authorizes the department to receive service of process in any noncriminal proceeding against him or his successor which grows out of the conduct and which is brought under this act or any rule or order hereunder, with the same force and validity as if served on him personally. Notice shall be given as provided in subsection (1).

565.830 Registration Fee, Time for Payment, Amount; Annual
Renewal Fee; Inspection Expenses, Payment

Sec. 30. (1) Except as provided in subsection (2), a registration fee shall be paid with the application for registration and shall be set by rule which shall provide a basic fee of \$250.00, plus an additional fee of not more than \$50.00 for each 50 lots, units, parcels or interests included in the offering.

(2) A registration fee shall be paid with the filing of an application for registration consolidating additional lots with a prior registration and shall be set by rule which shall provide a basic fee of \$200.00, plus an additional fee of not more than \$50.00 for each 50 lots, units, parcels or interests included in the offering.

(3) A fee shall not be charged for amendments to the property report as a result of amendments to the initial filing, unless the department determines the amendments are made for the purpose of avoiding the payment of a fee, in which event the amendment may be treated as an application for registration consolidating additional lots with a prior registration.

(4) A fee not to exceed \$25.00 shall be paid with each submission of advertising for approval.

(5) In addition to the payment of inspection expenses as provided in section 10, an annual renewal fee set by rule shall be paid.

565.831 Deceptive Acts or False Statements and Omissions, Liability to Purchaser; Joint and Several Liability; Contribution; Tender of Reconveyance, Time; Limitation of Actions

Sec. 31. (1) A person who disposes of subdivided lands in violation of section 6 or who, in disposing of subdivided lands engages in a deceptive act or practice, makes an untrue statement of a material fact or omits a material fact required to be stated in a registration statement or property report or necessary to make the statements made not misleading, is liable as provided in this section to the purchaser unless in the case of an untruth or omission it is proved that the purchaser did not rely on the untruth or omission.

(2) In addition to any other remedies, the purchaser under subsection (1) may recover the consideration paid for the lot, parcel, unit, or interest in subdivided lands together with interest at the rate of 6% per year from the date of payment, property taxes paid, costs and reasonable attorneys' fees, less the amount of any income received from the subdivided lands, upon tender of appropriate instruments of reconveyance. If the purchaser no longer owns the lot, parcel, unit, or interest in subdivided lands, he may recover the amount that would be recoverable upon a tender of a reconveyance, less the value of the land when disposed of and less interest at the rate of 6% per year on that amount from the date of disposition.

(3) Every person who directly or indirectly controls a subdivider liable under subsection (1), every general partner, officer, or director of a subdivider, every person occupying a similar status or performing a similar function, every employee of the subdivider who materially aids in the disposition and every agent who materially aids in the disposition is also liable jointly and severally with and to the same extent as the subdivider, unless the person otherwise liable sustains the burden of proof that he did not know and in the exercise of reasonable care could not have known of the existence of the facts by reason of which the liability is alleged to exist. There is a right to contribution as in cases of contract among persons so liable.

(4) Every person whose occupation gives authority to a statement which with his consent has been used in an application for registration or property report, if he is not otherwise associated with the subdivision and development plan in a material way, is liable only for false statements and omissions in his statement and only if it is proved he knew or reasonably should have known of the existence of the true facts by reason of which the liability is alleged

to exist. However, if the person is a registered professional licensed by this state whose statement was part of his representation of another person in rendering professional services, liability hereunder shall not exceed that resulting from a duty to exercise a reasonable degree of care and skill ordinarily possessed and exercised by members of that profession similarly situated.

(5) A tender of reconveyance may be made at any time before the entry of judgment.

(6) An action shall not be commenced pursuant to this section later than 3 years from the time performance of all promises, statements, or representations contained in any registration statement, property report, purchase agreement, contract, option, or other evidence of a disposition of subdivided lands is to be completed. Where the cause of action arises out of any deceptive act or practice or the omission to state a material fact, the action shall be commenced no later than 3 years from the date the person discovers or should have reasonably discovered the deceit or omission. An action shall not be commenced by a purchaser more than 6 years after the sale or lease to the purchaser.

565.832 Subdivided Lands Within State, Subdivider's Principal Office in State, or Offer or Disposition of Subdivided Lands Made in the State, Applicability of Act, Jurisdiction of Circuit Courts

Sec. 32. Dispositions of subdivided lands are subject to this act and the circuit courts of this state have jurisdiction in claims or causes of action arising under this act, in the following cases:

(a) The subdivided lands offered for disposition are located in this state.

(b) The subdivider's principal office is located in this state.

(c) Any offer or disposition of subdivided lands is made in this state, whether or not the offeror or offeree is then present in this state, if the offer originates within this state or is directed by the offeror to a person or place in this state and received by the person or at the place to which it is directed.

565.833 Repealed by P.A. 1973, No. 184, § 2, Imd. Eff.
Jan. 3, 1974

This section, added by P.A. 1972, No. 286, § 33, contained a saving clause applicable to preexisting registration and allowed 90 days for the effecting of the consolidation of prior registrations.

565.834 Condominiums

Sec. 34. No portion of this act shall have any effect on or take precedence over the application and enforcement within the state of Act No. 229 of the Public Acts of 1963, as amended, being sections 559.1 to 559.31 of the Compiled Laws of 1948.

565.835 Effective Date

Sec. 35. The provisions of this act shall take effect October 1, 1973, except that section 19 shall take effect April 1, 1973 and the department shall make available such rules, and all necessary forms and instructions for and may accept and process applications for registration, applications for approval of exemption, applications for approval of advertising and applications for consolidation of registrations and may make examinations, investigations, and conduct inquiries incident to such applications prior to October 1, 1973 so that persons regulated by the act can be in compliance therewith on October 1, 1973.

APPENDIX B

**MICHIGAN DEPARTMENT OF LICENSING AND REGULATION
DIVISION OF LAND SALES
GENERAL RULES**

APPENDIX B

MICHIGAN DEPARTMENT OF LICENSING AND REGULATION DIVISION OF LAND SALES GENERAL RULES

PART I. GENERAL PROVISIONS

R 338.3201. Definitions A.

Rule 1. (1) The terms and definitions used in the act have the same meaning given therein when used in these rules.

(2) "Act" means Act No. 286 of the Public Acts of 1972, as amended, being sections 565.801 to 565.835 of the Michigan Compiled Laws.

(3) "Advertising material" means the pamphlet, circular, form letter, fact sheet, sign, radio, television, telephone presentation, newspaper or magazine advertisement, or other sales literature or advertising communication addressed to or intended for distribution to prospective subscribers or purchasers, not otherwise excepted under section 2(a) of the act, and includes radio and television scripts. Multiple listing books and other publications, the distribution of which is restricted to real estate brokers and salesmen licensed by the State of Michigan and their employees shall not be considered "advertising" within the meaning of the act or these rules.

(4) "Advertising submission" means a single piece of advertising material, as defined in rule 1(3).

(5) A common promotional plan shall not include a multiple listing service or real estate brokers offering unrelated properties in their regular course of business, unless such plan is adopted for the purpose of evasion of the act.

R 338.3202. Definitions L to S.

Rule 2. (1) "Interest in land" includes a certificate of participation in, interest in, share, membership in a corporation, profit or non-profit, whose purpose is to develop or make available real property and improvements

thereto for recreational, vacation or second home site unless such interest, certificate of participation, share or membership is registered and in compliance with 1964 PA 265, as amended, being sections 451.501 to 451.818 of the Michigan Compiled Laws, unless such interest, certificate of participation, share or membership plan is adopted for the purpose of evasion of this act.

(2) "Person authorized to appear to represent a developer" means a person who is an employee of a developer, the developer, this agent, or an attorney at law who files an appearance on behalf of a developer.

(3) "Subdivision" and "Subdivided lands" includes condominium projects consisting of 10 or more units and any portion thereof not included within the terms of Act 229 of the Public Acts of 1963, as amended, being sections 559.1 to 559.31 of the Compiled Laws of 1948.

R 338.3204. Documents.

Rule 4. (1) A document to be filed with the department shall be typewritten or in legible handwriting on 1 side of the paper only. One copy of each exhibit or document shall be submitted, unless the director requires more than 1 copy. A document shall be reduced or folded to a size not to exceed 8½ by 13 inches. All papers filed pursuant to these rules shall become part of the department's records.

(2) The use of verified photographs as part of documentation is permitted, except that the photographs shall not be permitted in lieu of proper legal descriptions of real property or other required written documents.

(3) The use of verified copies of original documents is permitted.

(4) An affidavit or affirmation as prescribed in the department forms shall be executed for each of the following documents: statement of record; partial statement of record; consolidation registration; registration amendment; annual registration renewal; application for advertising approval; partner, officer, director or principal disclosure; consent to service to process; and broker's application.

R 338.3206. Fees.

Rule 6. The following fees shall accompany documents submitted for filing:

(a) Registration fee - \$250.00 plus \$1.00 for each lot, unit, parcel or interest included in the application.

(b) Consolidation registration fee - \$200.00 plus \$1.00 for each additional lot, unit, parcel or interest added to the original application.

(c) Annual registration renewal fee - \$100.00 plus \$0.25 for each lot, unit, parcel or interest included in the application.

(d) Advertising submission fee - \$15.00 for each submission, which was not submitted with an original registration or a consolidation, except that a fee for a classified ad of 2 column inches or less shall be \$0.25.

R 338.3208. Address of Director.

Rule 8. The official address of the director for delivery and receipt of all mail, telegrams, information, filings, registration, fees, and other material required by the act or these rules is:

Director of Land Sales Division
Michigan Department of Licensing and
Regulation
1008 South Washington Avenue
Lansing, Michigan 48926

R 338.3218. Modification of Rules.

Rule 18. The director, in order to achieve the purpose intended by the act, may add to, waive, modify or otherwise condition, or change any requirement created by these rules in case of particular factual circumstances.

R 338.3219. Recission of Emergency Rules.

Rule 19. The emergency rules promulgated by the Department of Licensing and Regulation, Division of Land Sales and filed with the Secretary of State on April 26, 1973, are rescinded.

R 338.3220. Amendment to Comply with Rules.

Rule 20. (1) An application for registration for which a notice of filing has not been issued by the effective date of these rules, shall be amended to comply with these rules.

(2) Registrations in effect on the effective date of these rules shall be amended upon a consolidation registration or the annual renewal, whichever comes first.

PART 2. EXEMPTIONS FROM THE ACT

R 338.3221. Statutory Exemptions.

Rule 21. Except as otherwise provided by rules promulgated by the department as authorized by the act, the act shall not apply to offers or dispositions of interests in land specified in sections 4 and 5 of the act unless the method of disposition is adopted for the purpose of evading the act.

PART 3. REGISTRATION OF NON-EXEMPT SUBDIVIDED LANDS

R 338.3231. Statements of Record of Property Reports; Contents and Filing.

Rule 31. (1) A developer shall apply for a registration of non-exempt subdivided land by means of a statement of record and property report in accordance with the act and this part.

(2) A statement of record shall be made on the form supplied by the department. A property report shall be in the form prescribed by the department. They shall be fully executed.

(3) A statement of record and property report shall include, but not be limited to, the information required by sections 6 to 10 of the act. The property report shall include on its face the following language in 12 point bold capital type:

"THE DEVELOPER DOES NOT DISCRIMINATE ON THE BASIS OF RACE, COLOR, RELIGION, SEX, OR NATIONAL ORIGIN IN

THE OFFER TO SELL, SALE, FINANCING, OR OTHER DISPOSITION OF LAND INCLUDING THE MAKING AVAILABLE OF ALL IMPROVEMENTS, OR OTHER AMENITIES OF THIS SUBDIVISION."

(4) A statement of record and a property report shall be filed with the director by personal delivery at, or certified mail to, the address set forth in rule 8.

(5) The registration fee shall accompany a statement of record and property report, and shall be paid by check or money order, payable to the "State of Michigan."

R 338.3232. Statements and Reports; Effective Dates.

Rule 32. (1) The property report shall be considered a part of the statement of record for the purpose of determining the effective date and suspension of the effective date.

(2) The effective date of the statement of record shall be no later than 60 days after the date of notice of filing which shall be issued to an applicant within 10 days of receipt of the application by the department unless:

(a) The applicant has consented in writing to a delay.

(b) The department has entered an order of rejection with notice of specific deficiencies therein.

(c) If any amendment to the statement of record is filed before the time of the registration, the statement of record shall be considered to have been filed when the amendment was filed, unless the amendment is filed with the consent of or pursuant to order of the department. In such case, the amendment shall be considered as filed as of the original notice of filing date.

R 338.3233. Statements; Rejection.

Rule 33. (1) A notice of deficiency and order of rejection with respect to a statement of record or an amendment may be issued by the director within 45 days after the date of notice of filing, if before its effective date the director has reasonable grounds to believe that the statement of record or amendment is on its face incomplete or inaccurate.

(2) An order of rejection with respect to a statement of record may be issued to an applicant if it appears to

the director that the developer has attempted or made intentional misrepresentations, or concealed or omitted material facts in the statement, or has attempted to evade or has evaded the provisions of the act, or has made misleading or deceptive statements. A developer may correct the particulars specified in an order of rejection within 15 days after receipt of the order unless otherwise extended by the department.

R 338.3234. Statements and Reports; Amendment, Suspension and Consolidation.

Rule 34. (1) An amendment to an effective statement of record shall be filed within 30 days after a change which affects a material fact. If the department considers it necessary or appropriate in the public interest or for the protection of purchasers, it may suspend the certificate of registration until the amendment is considered registered and an intent to reject is entered or a delay agreed upon.

(2) If a developer registers additional subdivided lands to be offered for sale, he may consolidate the subsequent registration with any earlier registration offering subdivided lands for sale under the same promotional plan and the property report shall be amended to include the additional lands so registered. The consolidation of registration of additional subdivided lands shall be considered registered after 30 days unless an intent to reject is entered with a specific statement of deficiencies within 30 days thereof or a delay is agreed upon.

(3) If, in connection with lots previously offered for sale and covered by an effective statement of record, the developer intends to offer additional lots as part of a common promotional plan, either a new or a consolidated statement shall be filed. The developer shall answer specifically each question in the statement and submit a new property report. The developer shall not incorporate by reference answers to questions in the previous filing. Supporting documentation may be incorporated by reference where it applies to both the original filing and to the additional lots to be offered. In all other respects, the consolidated statement shall conform to the requirements of an initial statement filed in accordance with these rules.

R 338.3235. Registration Under Other Law.

Rule 35. (1) A registration of a subdivision in effect under any other act of this state shall remain in full force and effect, except that within 30 days after the effective compliance date of the act in section 35, the developer shall comply with the additional requirements of the act.

(2) If a statement of record has been filed with and accepted by the Office of Interstate Land Sales Registration, Department of Housing and Urban Development, U.S. Government, the department may accept a copy of same as part of the disclosure requirements under the act if the material is accompanied by a statement under oath by the developer, certifying that the copies are copies of all documents upon which the federal statement of record was based and stating the effective date of the federal filing. An addendum form prescribed by the department shall be fully executed and submitted to the department in addition to the certified federal statement of record.

R 338.3236. Investigations and Certificates of Registration.

Rule 36. (1) After receipt of a properly executed statement of record, the department shall examine and investigate the matters therein in accordance with sections 13 and 20 of the act.

(2) After inquiry and examination, the department shall issue a certificate of registration if the requirements of the act and these rules are met. The department shall also approve the form of the property report.

R 338.3238. Annual Reports.

Rule 38. A developer shall file an annual report in the form prescribed by the department within 30 days after each annual anniversary date of an order registering subdivided lands. The report, as a minimum, shall reflect any material changes in information contained in the original statement of record and property report. An annual report of a consolidated registration is permitted within 30 days after the annual anniversary date of the consolidated registration. Payment of the fee required by rule 6 shall accompany the annual report.

PART 4. PROTECTION OF PURCHASERS

R338.3241. Unfair Acts and Practices; Documents.

Rule 41. (1) It is unfair for a person to use a contract, agreement, deed, option or other evidence of disposition of lands under the act which contains provisions whereby a purchaser or prospective purchaser agrees, without his written consent thereto in a separate document or by conspicuous type in any such instrument:

(a) To waive a right afforded by the act; the Interstate Land Sales Full Disclosure Act (82 Stat. 590; 15 USC 1701 et. seq.); and the Consumer Credit Protection Act commonly known as the Federal Truth in Lending Act, and any rules or regulations promulgated thereunder.

(b) To assume all risk of loss to the property without title passing to the purchaser or actual possession being in the purchaser.

(c) To a prior or subsequent sale of the optioned or purchased property.

(d) To waive as against an assignee of the developer, a mortgagee, or subsequent holder, a claim or defense arising out of the transaction that the purchaser would have against the developer.

(e) To forfeit all prior payments upon default.

(f) To acceleration of the unpaid balance of a contract upon default.

(g) To lose possession of the property without notice of and a prior hearing in a court of competent jurisdiction.

(h) To waive a right to redeem the property after default.

(i) That an assignee, mortgagee or subsequent holder of the developer is not obligated to perform as to the purchaser.

(2) It is unfair for a developer, his agents, servants, employees or others acting on his behalf:

(a) To offer to or induce a purchaser to execute a document, paper, or writing without all spaces filled in or inapplicable spaces clearly stricken.

(b) To alter or deface a document, paper, or writing without the knowing, intelligent, and voluntary consent of the parties thereto.

R 338.3242. Unfair Acts and Practices; Discrimination.

Rule 42. It is unfair for a developer, his agents, servants, employees, or others acting on his behalf to discriminate on the basis of race, color, religion, sex, or national origin in an offer to sell, sale, financing, or other disposition of land including making available the use of all improvements, or other amenities of the existing or proposed subdivision.

R 338.3243. Unfair Acts and Practices; General.

Rule 43. (1) It is unfair for a person to use a method of rebate of interest, or finance charge which requires or results in a purchaser paying a greater amount of interest or finance charge upon prepayment than he would have paid if he had financed for that shorter period up to the time of prepayment.

Example: Use of "Rule of 78's" of "sum of the digits" methods.

(2) It is unfair for a developer, his agents, servants, employees, or others acting on his behalf:

(a) To make a promise with no present intent to perform it.

(b) To fail to reveal to the purchaser or prospective purchaser all terms, conditions, notices, and amounts of any contract, agreement, option, deed, property report, or other evidence of the purchaser's indebtedness.

(c) To substitute another lot, unit, parcel, or interest in land for that purchased or optioned without the knowing, intelligent, and voluntary consent thereto by the purchaser.

(3) It is unfair for a developer to fail to afford to a purchaser all rights, privileges, or advantages that are represented or implied are available to a purchaser as the result of the purchase.

R 338.3251. Deceptive Acts and Practices.

Rule 51. The methods, acts, and practices listed in rules 52 to 59 are deceptive, and a developer, his agents, servants, employees, or others acting on his behalf shall not engage in them.

R 338.3252. Deception; Approvals and Memberships.

Rule 52. (1) Representing that the developer, his agents, servants, employees, or others acting on his behalf, have sponsorship, approval or certification they do not have.

(2) Representing that land has been inspected by the department and/or received approval whether in fact it has or has not.

(3) Representing the necessity, desirability, or the advantage to a prospective purchaser of dealing with a developer, by a false connection with or endorsement by the government, nationally known organization, or membership in a professional association.

R 338.3253. Deception; Availability of Land and Utilities.

Rule 53. (1) Representing the availability of land without clearly and conspicuously disclosing in immediate conjunction therewith any limitation on availability, location, or quantity.

(2) Using the developer's personnel to repeatedly announce that lots are being sold when in fact this is not the case or to make false repetitive announcements of the same lot being sold.

(3) Representing a utility service as "available" or some similar representation, unless such utility service is installed in the subdivision and ready for use, or use is assured under financial arrangements made for installation, and such arrangements are disclosed.

R 338.3254. Deception; Access to Subdivisions.

Rule 54. (1) Representing or implying that a subdivision is restricted to owners, purchasers or their families by means of guards or private roads or facilities, the use and enjoyment of which require special identification, unless this is true.

(2) Representing that a prospective purchaser has to pay a refundable or non-refundable temporary membership fee in order to visit, tour, or inspect a subdivision for the reasons that such is restricted to members only when in fact such offer is made systematically and on a regular basis to all persons solicited for purchase.

R 338.3255. Deception; Visits and Free Goods and Services.

Rule 55. (1) Failing to reveal in an offer to induce a person to visit, inspect, or tour a subdivision all terms, conditions or prerequisites that have to be met by any person.

(2) Offering or representing that goods or services are "free" without clearly or conspicuously disclosing in immediate conjunction with the offer or representation all terms, conditions, or prerequisites to the receipt, retention, or use of the goods or services.

R 338.3256. Deception; Price, Value and Credit.

Rule 56. (1) Representing or implying that a prospective purchaser has to act quickly to purchase land at a savings since the price thereof is about to increase unless in fact a decision has been made to increase the price and that the increase does take effect.

(2) Representing that the price of land to a prospective purchaser is a discount or reduction from a regular price unless in fact the represented regular price was the customary and regularly sold-at price for a reasonable prior period of time.

(3) Representing or suggesting that the price of land is a savings when compared to other prices sold at by competitors of the developer unless such other land with the higher price has the same characteristics, attributes and qualities of the offered or advertised land and such compared-to prices are not fictitious.

Example: "Lake front lots this week \$5,000. Compare at \$8,000."

(4) Failing to reveal the cost of the land to the developer where it is represented the purchaser is making an investment, which will increase in value due to the sole efforts of the developer.

(5) Representing that a purchaser is making an investment in real estate which will increase in value as the result of the effort of the developer unless this is true.

(6) Offering or representing that credit availability is easy when in fact it is not.

(7) Offering or representing that credit terms are easy when in fact they are not.

(8) Misrepresenting or causing others to misrepresent the interest rate or finance charge as other than it actually is.

R 338.3257. Deception; Repurchases, Refunds, Consideration for Referrals.

Rule 57. (1) Representing to a purchaser or prospective purchaser that the developer will buy back, resell, list, or otherwise dispose of purchased property unless, in fact, this is true.

(2) Representing or inducing a purchaser or prospective purchaser to buy land or execute a contract, agreement, option for a consideration, or other evidence of indebtedness on the basis that if the purchaser is not satisfied a refund will be made, unless this is true.

(3) Representing or promising a commission, bonus, discount, reward, over-ride, or prize for referring other purchasers to the developer, where such promise or representation is similarly made to those referred.

R 338.3258. Deception; Promotion Schemes, Documents.

Rule 58. (1) Representing that a developer, salesman, agent, servant, employee, or other acting on behalf of a developer is conducting a survey, contest, poll, or other similar inquiry, when in fact it is a systematic marketing approach in an effort to sell property.

(2) Representing to a prospective purchaser that he or she is specially selected, when in fact they are not.

(3) Obtaining a prospective purchaser's signature to a contract, agreement, option, or other evidence of indebtedness by representing it is only a reservation, receipt, or temporary membership certificate.

(4) Failing to clearly and conspicuously inform a purchaser that a contract, promissory note, or other evidence of indebtedness could be assigned.

R 338.3259. Deception; Miscellaneous.

Rule 59. (1) Misrepresenting the necessity, desirability, or advantage to a prospective purchaser of dealing with a developer, by misrepresenting a developer's alleged advantages of size.

(2) Offering or representing to sell or lease lots, units, parcels, or interests in land which in truth the developer does not intend or want to sell or lease.

(3) Knowingly making a statement or illustration which creates a false impression of the kind, quality, nature, and value of the land offered when later, the purchaser may be routinely switched from the advertised land to other land.

(4) Failing to clearly and conspicuously disclose the use to which contiguous land has been put where the disclosure is material to the use of the lot or subdivision in light of the positive representations made.

(5) Engaging in any other method, act, or practice which has the capacity or tendency to deceive.

PART 5. ADVERTISING AND SALES PROMOTIONS

R 338.3261. Effect of Standards.

Rule 61. Precise rules to determine that material is misleading, or that a plan of sale or development lacks adequate safeguards and assurances to prospective purchasers, cannot be made which will be applicable in all situations. Without an intent to limit its consideration or determination to the general standards set forth in these rules and without an attempt to compel any particular form or method of advertising, promotion, development, or sale of subdivided lands, the standards in rules 62 to 70 are guides for a person preparing to file advertising material and for department personnel. These standards are not considered to be all-inclusive for the department in evaluating advertising to determine whether it is false, deceptive, or misleading and fails to make full and fair disclosure within the intent of the act and these rules.

R 338.3262. General Standards.

Rule 62. (1) Claims and representations contained in advertising shall be accurate and provable.

(2) Advertising shall not misrepresent facts or create misleading impressions.

(3) Advertising shall not contain a statement which, though true, implies an untruth.

(4) Advertising shall not make a derogatory or unfair reference to competitive developments, subdivisions, or properties.

(5) Advertising shall not reprint published material unless information contained in the reprint is representative, truthful, relevant, and pertinent to the property being offered.

(6) Advertising shall not contain a statement, photograph, or sketch portraying the use to which land can be put unless the land can be put to such use without unreasonable cost.

(7) Advertising shall not contain an asterisk or any other reference symbol as a means of contradicting or substantially changing a previously made statement or as a means of obscuring a material fact.

(8) Advertising shall not use a name or trade style which implies that the advertiser is a non-profit research organization or public bureau or group, when such is not true. Advertising of such an organization is prohibited when the true nature of the plan of sale or ownership is misrepresented or concealed.

(9) Maps, plats or representations shall clearly indicate the estimated date that development will be completed. If completion dates are over a period of years, then a series of shadings, outlines, or coding may be used to indicate estimated dates of completion.

R 338.3263. Distances.

Rule 63. (1) Where a community is referred to, advertising shall state the location of the subdivision and the mileage from the approximate geographical center of the subdivision in road miles to the approximate downtown or geographical center of the community.

(2) Where an amenity or improvement is referred to, advertising shall disclose with reasonable specificity, the location of such amenity or improvement in relation to the size and location of the subdivision.

(3) Advertising shall not use such terms as "minutes away", "short distance", "only miles", "near", and terms of similar import to indicate distance, unless the actual distance in road miles is used in conjunction with the terms.

R 338.3264. Sketches and Pictures.

Rule 64. (1) Advertising shall not contain an artist's sketch to portray a proposed improvement or non-existent scene without an indication that the portrayal is an artist's sketch and that the improvement is proposed or the scene does not exist. An artist's conception of an existing improvement or scene shall be representative and state that the rendering is an artist's conception.

(2) Advertising shall not contain before and after pictures for comparative purposes without the analysis of the pictures.

R 338.3265. Improvements and Facilities.

Rule 65. (1) Advertising of an improvement to a subdivision or any specific part thereof which is not completed shall not be made unless it is stated in unmistakable terms that the improvement is merely proposed or under construction and the estimated date of the promised completion indicated.

(2) Advertising shall not describe land as a homesite or lot if potable water is not available. Advertising shall give reasonable assurance that a septic tank will operate or a sewer system is in existence unless facts to the contrary are included in each advertisement pertaining to that property.

(3) Advertising shall not contain a statement, photograph or sketch relating to a facility for recreation, sports, or other convenience not presently in existence, unless it is stated that the facility is not on the land and the distance thereto in miles is given, or that the facility is merely proposed.

(4) Advertising shall not refer to a governmental facility, wherever located, unless money has been budgeted

for actual construction of the facility and is available to the public authority having the responsibility of construction, or an actual disclosure of the existing facts concerning a governmental facility is made.

(5) Advertising shall not refer to a governmental facility under study, unless it is fully disclosed that the facility is merely proposed and under study and no reference is made to the location or route of the facility until such has been decided by the responsible public authority.

R 338.3266. Roads, Streets, Waterways, and Floods.

Rule 66. (1) Advertising which refers to "roads" and "streets" shall make affirmative disclosure as to the nature of the roads and streets, such as paved, gravel or dirt. To be described as improved or paved, a road and a street shall be constructed and surfaced according to county, city, or other acceptable authority specifications, or satisfactory guarantees made for such construction and surfacing.

(2) Advertising shall not refer to property as waterfront unless the property being offered actually fronts on a canal or other body of water.

(3) Advertising which uses the term "canal" shall disclose the approximate width and approximate depth of water in the canal and whether or not it provides access to open water.

(4) Advertising shall disclose if the land or any part of it is regularly flooded or substantially covered by standing water for extended periods of time during the year, unless adequate drainage is assured by bonding or other means acceptable to the department.

R 338.3267. Access and Easements.

Rule 67. (1) Advertising of land which does not have available legal access to the purchaser shall disclose that fact and its effect.

(2) Advertising which refers to legal access shall be accompanied by phraseology to indicate whether the access is usable as a passage for conventional automobiles.

(3) Advertising shall not refer to the existence of a road easement or a road right-of-way unless the easement or right-of-way has been dedicated to the public or to

appropriate property owners and recorded in the public records of the county where the property is located.

(4) Advertising which indicates the size of the tract offered shall indicate the size and kind of all easements to which the property may be subject. If the property is subject to easements which are unusual in size, this fact shall also be noted. Maps, plats, representations, or drawings shall indicate the dimensions of the tract and all easements.

R 338.3268. Consideration, Prices and Values.

Rule 68. (1) Land shall not be advertised as "free" if the prospective purchaser is required to give any consideration therefor. Land shall not be advertised for "closing costs only" when these costs are substantially more than normal, or when additional land has to be purchased at a higher price or to render the land usable.

(2) Advertising which refers to a property exchange privilege shall state clearly any qualification concerning the exchange privilege.

(3) Advertising shall not refer to a pre-development sale at a lower price because the land has not yet been developed unless there is a plan of development, and a subdivision plat has been recorded, or reasonable assurance is available that the plan will be completed.

(4) Advertising shall not indicate a discount on property that appears to effect a price reduction from the advertised price. A discount may be given for quantity purchases, cash, larger payments, or for any reasonable basis. The purpose of this standard is to eliminate the use of fictitious pricing and illusory discounts.

(5) Advertising shall not contain false statements concerning future price increases by the subdivider.

(6) Advertising shall not make predictions of specific or immediate price or value increases of lots, parcels, or units of advertised lands when the subdivider does not have control over such price increases.

(7) Advertising shall not compare land values unless it is clear who is making the comparison and it is relevant and fair.

R 338.3269. Taxes and Assessments.

Rule 69. (1) Advertising containing statements regarding taxes and the amounts thereof shall employ the latest available figures.

(2) Advertising referring to the purchase price of land shall also include any additional compulsory assessment or cost to the prospective purchaser, that are known, or should have reasonably been known, at the time of disposition.

(3) Advertising referring to a promised improvement for which a prospective purchaser will be assessed shall disclose that fact.

R 338.3270. Miscellaneous Standards.

Rule 70. (1) Advertising shall not represent that the land offered for sale may be subdivided or resubdivided unless it includes necessary and relevant information regarding the estimated cost of future subdividing.

(2) Advertising shall not infer or imply that the subdivider will resell or repurchase the land being offered at some future time unless the subdivider has agreed with the department to resell or repurchase land for or on behalf of purchasers and has given reasonable assurances to the department to demonstrate his ability to perform this agreement.

(3) Advertising which refers to oil, gas, or mineral rights shall disclose all pertinent facts pertaining to such rights.

(4) Advertising which refers to gifts, benefits, or vacation certificates shall disclose the terms and conditions of offers therein in conspicuous print.

(5) Advertising may contain the unqualified term "development" only to describe a subdivision, the plat of which has been recorded.

(6) Advertising shall not contain the terms "guarantee or guaranteed refund" unless the refund is unconditional.

(7) A newsletter giving information as to a place, facility or event more than 10 miles distant from land involved, or make a prediction applicable to an area greater than the land involved, as for instance, future population

of an entire state, shall carry a disclaimer as follows:

"Information contained in this newsletter is general to (name of state). Property for sale by (development company) may not be affected at any foreseeable time by any place, facility, event, or prediction described."

(8) Advertising which forecasts a future event or population trend shall be by a qualified person and pertinent to the offering.

R 338.3281. Visitation Programs; General Disclosures.

Rule 81. (1) The terms, conditions, and prerequisites to use and enjoyment of a visitation program shall be disclosed in promotional material, advertising, and on any certificate. This includes, but is not limited to, the developer's participation in the program, the nature of any gift or other benefit, including, but not limited to, what the prospect will actually receive, when he will receive it, the obligation he is under, if any, and the fact, if true, that the participant is to pay his own transportation, food, lodging, or other incidental expenses, and all other conditions or limitations placed on the gift or benefit.

(2) Material for a visitation program, whether written, television script or radio presentation, shall disclose, in immediate conjunction with the offer of a visit to land, the expenses of which will be paid in whole or in part by others, that a person enjoying the visit will be subjected to a sales promotion for land unless, if such is not true, there is a disclosure that a person is not obligated nor required as a term or condition of the use and enjoyment of the visit, to participate in, listen to, or otherwise be subjected to a sales promotion for land and such is in fact honored.

R 338.3282. Visitation Programs; Specific Disclosures.

Rule 82. (1) In the promotion of a visitation plan, the developer or his representative shall clearly identify themselves.

(2) The names of certificate companies with whom the developer has contracted, if any, shall be disclosed.

(3) Promotional material including advertising and certificates shall disclose the identity of hotels, motels,

places of lodging, transportation companies, restaurants, attractions, or other similar establishments which honor, subscribe to, or participate in the visitation plan.

(4) A certificate or other written material evidencing the rights of a donee, beneficiary, or certificate holder shall contain a fixed expiration date for the rights.

R 338.3283. Visitation Programs; Guarantees.

Rule 83. (1) Promotional material for a visitation program, including advertising and certificates, shall disclose the guarantees made by a developer to insure a participant's use and enjoyment of a visit.

(2) A program which uses as a part thereof the granting or giving of a discount coupon or other similar discount program shall disclose in immediate conjunction therewith the guarantees that have been made to insure the participant's use and enjoyment thereof.

R 338.3284. Visitation Programs; Procedures.

Rule 84. (1) A visitation program shall be described as part of the statement of record or described separately as advertising material.

(2) A certificate to be used in a visitation program shall be submitted to the department and shall meet the advertising standards as set forth in this part.

(3) The department shall be advised of a material change, including identity of the certificate companies, hotels or facilities before institution of the material change.

(4) When a participant in a visitation program is obligated to listen or be subjected to a land sales promotion, the developer shall supply, a copy of the property report and forms of agreement as provided in the act.

R 338.3291. Promotional Plans; General Provisions.

Rule 91. The department will not enter an order registering a subdivision and will consider the general promotional plan false and misleading, and the plan of sale or development lacking adequate safeguards and assurances, if:

(a) The fee title holder is not bound by part 6.

(b) The plat or plan of the subdivision by which lots, tracts, or parcels are offered for sale has not been duly recorded in the plat records of the county where the lands are located if required by law, and the streets, roads, alleys, easements, parks, and other public areas shown thereon have not been dedicated to the appropriate private or public authority. Sales maps which are not so recorded may be used if they are not designed to deceive or would not tend to deceive prospective purchasers, state in conspicuous print that they are maps only and not plats, and include additional disclaimers in conspicuous print to prevent misleading purchasers.

(c) The contract or agreement given to a prospective purchaser by the developer upon payment of the first money by the prospective purchaser is not sufficient in form to immediately vest an interest in the land in him and to afford notice to all persons of his interest by recordation thereof.

(d) The developer does not provide adequate safeguards, approved by the department, reasonably assuring contract purchasers who have complete refund privileges for more than 30 days, that if the refund privileges are exercised the developer will be in a position to refund in accordance with his agreement.

R 338.3292. Promotional Plans; Encumbrances on Land and Contracts.

Rule 92. The department will not enter an order registering a subdivision and will consider the general promotional plan false and misleading and the plan of sale or development lacking adequate safeguards and assurances, if:

(a) Title to the subdivision is so encumbered that the lands to be offered cannot be used for any purpose expressly or impliedly represented in the plan of sale and advertising without the removal of the encumbrance, unless adequate safeguards are established to reasonably assure the encumbrance will be removed before the time the subdivider promises to deliver the interest contracted for.

(b) The developer allows a mortgage, lien, or encumbrance to be placed and remain on the subdivision, or a part thereof, other than specific lots upon which improvements are constructed, and other than those in existence at the time of registration of the subdivision, without notifying the department and furnishing adequate safeguards reasonably assuring each purchaser that upon payment of the purchase price provided in the sales agreement, title to the property will be delivered with all promised improvements, if any. The safeguards shall be subject to review

and approval by the department at its discretion.

R 338.3295. Promotional Plans; Group Meetings.

Rule 95. (1) If an advertising or promotional plan includes promotional group meetings, the standards in this rule shall be used as a guide by the director in determining whether or not the nature and manner of conducting the meetings are such as to fully disclose all significant facts concerning the subdivision.

(2) The department shall be notified in writing of the meeting not less than 15 days before its date. Notice shall consist of the date, hour and place of the meeting and the names of the developer and real estate broker involved.

(3) The meeting shall be conducted in a place open to department personnel for inspection and monitoring.

(4) Department personnel as authorized by the director shall have free access to the meeting and sales presentations.

(5) The advertising in the meeting is subject to the standards of advertising contained in these rules.

(6) A false or dummy buyer shall not be used to initiate sales or buying climate or for any other purpose, nor shall it be indicated that lots, parcels, units or interests have been sold, when in fact, they have not been sold.

(7) An oral statement to a prospective purchaser at the meeting shall be completely consistent with written material approved by the department.

(8) A prospective purchaser who expresses a desire or intent to leave the meeting at any time during or after the meeting may not in any manner be impeded from departing, pressured to remain, or denied any benefit promised in exchange for attending the meeting, including any transportation.

R 338.3301. Inferences; Effect.

Rule 101. An inference reasonably to be drawn from advertising or promotional material will be considered to be a positive assertion unless the inference is negated therein in clear and unmistakable terms, or unless adequate safeguards have been provided by the developer to

reasonably guarantee existence of the thing inferred. Advertising and promotional material will be judged on the basis of the positive representation contained therein and the reasonable inferences to be drawn therefrom. Unless the contrary affirmatively appears in advertising or promotional material, the inferences set forth in rules 102 to 104 will be assumed to have been intended.

R 338.3302. Inferences; Homesites and Building Lots.

Rule 102. When homesites or building lots are advertised without qualification the inferences are that:

(a) The lots are usable for such purpose without any further improvement or development by the prospective purchaser.

(b) There is an adequate potable water supply available.

(c) The lands have been approved for installation of septic tanks or that an adequate sewage disposal system is installed.

(d) No further major draining, filling, or sub-surface improvement is necessary to construct dwellings, except for reasonable preparation for construction.

(e) The individual homesites or building lots are accessible by automobile without additional expense to the purchaser over an existing right-of-way.

(f) No other fact or circumstance exists to prohibit use of the lots as homesites or building lots.

R 338.3303. Inferences; Other Lands.

Rule 103. When lands are advertised without qualification as usable for a particular purpose other than homesites or building lots, the inference is that the land is immediately accessible and usable for such purpose by purchasers without the necessity for draining, filling, or other improvement before putting the lands to use for such purpose, except for reasonable preparation for construction, and that no fact or circumstance exists to prohibit use of the lands for such purposes.

R 338.3304. Inferences; Miscellaneous.

Rule 104. (1) When title insurance, abstract, or attorney's opinion is advertised, the inference is that the seller can and will convey fee simple title free and clear of all liens, encumbrances, and defects except those which are disclosed in writing to the prospective purchaser before purchase.

(2) When a recreational facility, improvement, accommodation, or privilege is advertised, the inference is that it is on the land at the present time and available to the purchasers of lots at no additional expense, unless otherwise specified.

(3) When an improvement is advertised, the inference is that it is completed, unless it is advertised as proposed, and sufficient guarantees have been made for its completion.

R 338.3307. Presumptions.

Rule 107. It will be presumed by the director that:

(a) Advertising filed for approval will be that used to offer for sale or to induce persons to acquire an interest in the title to all lands which are described in or referred to in the material or supporting data filed with the department until changes in advertising for this purpose are submitted to and approved by the department.

(b) Advertising published, disseminated or broadcast by or in behalf of an owner or entity owning more than 1 subdivision is being used to offer lands in all subdivisions registered by that owner or entity unless an express limitation is made by that owner or entity to the department or by the department.

(c) Advertising published or disseminated by or on behalf of a sales agent is being used to offer lands in all subdivisions for which the person is a sales agent unless an express limitation is made to or by the department.

R 338.3311. Letters of Transmittal.

Rule 111. Each submission of advertising to the department, either as part of a statement of record or as a subsequent submission, shall be accompanied by a letter of transmittal which gives a brief, written description of each advertisement to assure that all future correspondence

and orders concerning it will clearly identify it. The letter of transmittal shall be signed by the developer or his authorized representative and shall verify that the statements made and the representations contained therein have been reviewed and the advertisement is truthful and correct to the best of his knowledge and belief with regard to the statements contained therein.

R 338.3312. Identification of Material.

Rule 112. (1) Advertising submitted to the department, either with the original statement of record or by subsequent filing, shall be assigned a number so the department or the applicant may refer by the number to a specific piece of advertising. Advertising relating to more than 1 subdivision owned by different persons but being sold through a common sales agent shall be assigned a designated number. However, this designation does not permit filings relating to separate subdivisions or parts of subdivisions without payment of the appropriate fee for each parcel, tract, or subdivision to which it relates.

(2) The developer shall print on advertising material approved for use, the number assigned by the department to that specific piece of material.

R 338.3313. Material with Statements of Record.

Rule 113. (1) Advertising material submitted with a statement of record shall be considered in accordance with part 3.

(2) Advertising material not submitted with a statement of record shall be submitted to the department for approval before its use in this state. This advertising will be approved or rejected by the department within 15 days after its receipt. Where an order of rejection is not entered within that time, the advertising will be deemed approved unless the applicant has consented in writing to a delay. If an amendment to the application for approval of advertising is filed before the time when the land is registered, the application shall be considered filed when the amendment was filed, unless an amendment is filed with the consent of the department or pursuant to its order. In such case, the application shall be treated as filed on the date of filing the original application.

R 338.3314. Determinations and Rejections.

Rule 114. In reviewing any advertising submitted by an applicant, the department shall determine whether it makes a full and fair disclosure or is false and misleading within the intent and meaning of the act and these rules, by examining the form, language, and content of the advertising and supporting data and any other available information to ascertain whether the express and implied representations therein are true and make a full and fair disclosure. If it appears that the representations are not true and do not make a full and fair disclosure as to all subdivided lands to which the filing relates, the department will enter an order of rejection or take such other action as it considers necessary.

R 338.3317. Out of State Advertising.

Rule 117. When advertising approved by the department is disapproved in another state or jurisdiction, the advertising may be changed to meet the requirements of that state or jurisdiction without prior approval by the department if:

(a) The department is immediately notified of the change.

(b) A copy of the advertising as changed is filed with the department within 10 days.

(c) A copy of correspondence from the other state or jurisdiction requiring the change is filed with the department within 10 days.

(d) The changed advertising is used only in the state or jurisdiction where the change was required.

PART 6. MEANS TO ASSURE RECEIPT OF CONTRACTUAL INTERESTS**R 338.3321. Subordination of Blanket Encumbrance Liens.**

Rule 121. A blanket encumbrance shall evidence subordination of its lien to the rights of persons purchasing from the developer and that the developer is able to secure releases from the blanket encumbrance with respect to the property. The provisions shall be acceptable to the department. For purposes of this rule, subordination of the lien is satisfied by a release clause which by its terms

unconditionally provides for the release of contiguous and non-contiguous separate lots, units, or parcels being offered to purchasers, so that the purchaser or lessee of a lot, unit, or parcel shall obtain legal title or other interest contracted for, free and clear of the blanket encumbrance upon compliance with terms and conditions of the purchase or lease from the developer.

R 338.3324. Trust and Escrow Accounts.

Rule 124. If the encumbering instrument does not contain adequate release clauses, the lien, mortgage, or other encumbrance shall be considered objectionable unless adequate reserves are maintained in a trust or escrow account. In determining adequacy of the account, the department will be guided by the facts and circumstances of each individual case, but the account shall comply with the following:

(a) Funds shall be kept and maintained in an account separate and apart from the owner's personal funds.

(b) The account shall be established in a bank or trust company doing business in this state, or another state where the account is required to be maintained there by the laws of that state and approved by the department.

(c) Monthly statements shall be furnished to the department for a new account for the first 6 months, and in the department's discretion, quarterly or semi-annually thereafter.

(d) The trust or escrow agreement shall state that its purpose is to protect the purchaser or prospective purchaser in case of default on a lien, mortgage, or other encumbrance, and shall authorize the department to inspect the records of the trustee relating thereto, and that upon order of the department or a court, the trustee shall release and pay over the funds to the department or a purchaser, or the holder of the blanket encumbrance.

(e) The department, by its director, shall execute an acknowledgment on the face of each agreement. This acknowledgment indicates approval of the form and content of the agreement, but shall not be construed to make the department a party thereto.

R 338.3327. Instruments of Sale.

Rule 127. An instrument evidencing sale or disposition of an interest in a subdivision shall be executed in a recordable form in accordance with the laws of the state where the land is located. An applicant has the burden of an affirmative showing of this compliance.

PART 7. MEANS TO ASSURE COMPLETION OF IMPROVEMENTS**R 338.3331. Improvements for Public Use, Convenience or Necessity.**

Rule 131. A subdivision or a part thereof on which construction of a promised improvement for public use, convenience, or necessity has not been completed, shall not be registered for disposition. However, an incomplete improvement does not constitute an objection if completion of the improvement is assured by substantial completion, an irrevocable bank letter of credit, bond, or similar undertaking posted with a public authority and acceptable to the department, or by adequate reserves established and maintained in a trust or escrow account. In determining adequacy of the account, the department will be guided by the facts and circumstances of each individual case, but the account shall comply with the following:

(a) Funds shall be kept and maintained in an account separate and apart from the owner's personal funds.

(b) The account shall be established in a bank or trust company doing business in this state, or another state where the account is required to be maintained there by the laws of that state and approved by the department.

(c) Monthly statements shall be furnished to the department for a new account for the first 6 months and in the department's discretion, quarterly or semi-annually thereafter.

(d) The trust or escrow agreement shall state that its purpose is to protect the purchaser or prospective purchaser in case the owner fails to complete construction of promised improvements or to satisfy any obligations or liens encumbering the purchaser's title by reason of the construction, and shall authorize the department to inspect the records of the trustee relating thereto.

(e) The department, by its director, shall execute an acknowledgment on the face of each agreement. This acknowledgment indicates approval of the form and content of the agreement, but shall not be construed to make the department a party thereto.

R 338.3332. Improvements Not for Public Convenience, Use or Necessity.

Rule 132. A subdivision or a part thereof on which construction of a promised improvement not for public use, convenience or necessity has not been completed, shall not be registered for disposition to the public. However, the incompleted improvement shall not constitute an objection if completion is assured by:

(a) An adequate plan of development, including financial resources committed to carry out the plan as provided in rule 135, which plan is subject to the department's continuing review and approval.

(b) In case of failure of a developer to establish an adequate plan or to adhere to the plan once established, the department may require establishment of a trust or escrow account.

R 338.3335. Financial Security.

Rule 135. (1) The department may accept surety bonds, escrow accounts, irrevocable bank letters of credit, or any other financial security which it considers adequate in assuring a plan of development has adequate safeguards and assurances. In determining the security required, the department shall examine the status of improvements, the over-all cost of improvements, the terms of purchasers' contracts, the financial condition of the subdivider, and such other data as it considers necessary. The department shall consider whatever financial security has been posted with other governmental authorities in making its determination.

(2) A surety bond will not be approved by the department unless it is on the form provided by the department.

PART 8. TAXES AND ASSESSMENTS**R 338.3341. Developers' Duties.**

Rule 141. (1) In a transaction for the sale of land under the act in which taxes are to be paid by either party, a developer shall:

(a) Certify that there are no taxes, other than current taxes, owing on the property involved at the date of filing the statement of record, a consolidated statement of record, or an amendment to either.

(b) Provide a form of escrow accounting satisfactory to the department in accord with (2) if part of the purchasers' funds paid in or payable by the terms of the instrument disposing of the land is to be used for payment of taxes.

(2) In order that a purchaser will receive the interest in lands contracted for, if the developer apportions real property taxes prospectively and requires a purchaser to pay such taxes in a lump sum or on a periodic basis, the developer shall place in the escrow account 100% of the payments, with which to pay taxes when due.

R 338.3345. Purchasers' Responsibilities.

Rule 145. (1) A purchaser is not responsible for payment of taxes or assessments levied before the effective date of his agreement with the developer or his agent, unless such taxes are prospective in nature, if so, they may be prorated and the instruments evidencing the sale or disposition of an interest in a subdivision shall so state.

(2) A purchaser shall not be assessed a service or collection fee or be required to pay a consideration for the assessment or allocation of taxes on the land involved in the transaction, in excess of that charged by a unit of government.

PART 15. DECLARATORY RULINGS, INVESTIGATIONS, AND HEARINGS**R 338.3451. Declaratory Rulings.**

Rule 251. (1) The department, on request of an interested person, may issue a declaratory ruling as to the

applicability to an actual statement of facts of the act or a rule herein when he submits to the department the following:

(a) A clear and concise statement of the actual statement of facts.

(b) If the interested person desires, a brief or other reference to legal authorities upon which he relies for determination of the applicability of the act or a rule to the statement of facts.

(2) The department, if it determines it will issue a declaratory ruling, shall furnish the person with a statement to that effect and set forth the time in which the department will issue the ruling.

(3) A ruling shall repeat the actual statement of facts, the legal authority on which the department relies for its ruling, if any, and the ruling it makes. A ruling once issued is binding on the department and the department may not retroactively change the ruling, but nothing in this rule shall prohibit the department from prospectively changing in ruling.

R 338.3455. Officers to Administer Oaths and Affirmations.

Rule 255. The following officers of the department are designated to administer oaths and affirmations during any investigation or proceeding under the act:

- (a) Director of the department.
- (b) Director, land sales division.
- (c) Assistant director, land sales division.
- (d) Chief investigator, land sales division.
- (e) Presiding officer of a hearing.

R 338.3456. Officers to Issue Subpoenas and Institute Discovery.

Rule 256. (1) The following officers of the department are designated to subpoena witnesses, issue subpoenas duces tecum, and institute discovery proceedings, in accordance with Michigan general court rules in any investigation or proceeding under the act:

- (a) Director of the department.
- (b) Director, land sales division.
- (c) Assistant director, land sales division.

(2) Nothing in this rule shall be construed to abrogate the authority of a presiding officer prescribed in the administrative procedures act of 1969, as amended.

R 338.3461. Rejections by Department.

Rule 261. (1) The department may reject an application for advertising approval or a statement of record, including a property report, for a subdivision if the developer fails to comply with the act or these rules or the department's requirements thereunder. Before entering an order of rejection, the department shall notify the developer by certified mail of its decision in a notice of intent to reject for deficiencies. This notice shall toll the running of the 60 day period if the developer shall undertake to correct the deficiencies.

(2) The final decision shall be by further order.

(3) An order of rejection shall automatically be entered after 15 days following the date of mailing of the notice of intent to reject unless the developer corrects the deficiencies to the department's satisfaction within that time or the department extends the time to correct to a day certain.

R 338.3463. Hearings; Notices and Conduct.

Rule 263. (1) Parties shall be notified of a hearing by certified mail at their last known address, which shall be sent not less than 20 days before the date of the hearing.

(2) A hearing shall be open to the public and shall be conducted in accordance with the administrative procedures act of 1969, being Act 306 of the Public Acts of 1969, as amended, and sections 24.201 to 24.315 of the Michigan Compiled Laws.

(3) A hearing shall be conducted by a presiding officer who shall be appointed by the director of the land sales division of the department. The decision of such director shall be the final decision.

R 338.3464. Hearings; Appearances, Pleadings.

Rule 264. (1) A party may appear at a hearing in person or by a duly authorized representative or attorney.

(2) If a party fails to appear after proper service of notice, the director of the land sales division, if no adjournment is granted, may proceed with the hearing and make his decision in the absence of such parties.

(3) An adjournment or continuance may be granted by the director of the land sales division or the person he designates for good cause shown by a party to the hearing or on his own motion or after stipulation and agreement between all parties, but a request for adjournment shall be in writing not less than 5 days before the date set for the hearing.

(4) A party may file a written answer to charges or claims made or may present an oral statement at the time of the hearing. Copies of written pleadings and briefs shall be served on the director of the land sales division and all other parties not less than 5 days before the date set for the hearing.

R 338.3465. Hearings; Evidence.

Rule 265. (1) Testimony shall be under oath or affirmation.

(2) A deposition shall be taken only on order of the director of the land sales division upon a showing that it is impracticable or impossible to obtain necessary evidence otherwise. It shall be taken in accordance with provisions for taking depositions in civil cases, as set forth in the Michigan general court rules or other applicable court rules.

R 338.3466. Decisions, Orders, and Rehearings.

Rule 266. (1) Within a reasonable time after completion of a hearing, the director of the land sales division shall send by certified mail to the last known address of the parties the decision and orders which shall include findings of fact and conclusions of law.

(2) A rehearing may be granted by said director upon application in writing by a party to the hearing or upon his own motion in accordance with the administrative procedures act of 1969, as amended. A rehearing shall be

noticed and conducted in the same manner as an original hearing.

APPENDIX C

**LAND DEVELOPMENT AND MARKETING QUESTIONNAIRE
AND RELATED CORRESPONDENCE**

PLEASE NOTE:

Dissertation contains pages with small and indistinct print. Filmed as received.

UNIVERSITY MICROFILMS

[]

LAND DEVELOPMENT AND MARKETING QUESTIONNAIRE

Please consider each of the following general types or classes of factors which may affect the profitability of your land development and marketing activities. Based on your professional experiences in land development and marketing, please rank only the types or classes of factors which negatively affect the profitability of your land development and marketing activities. For example, if only four factors negatively affect your activities, rank only those factors, and place a "0" in the blanks for the two factors which do not have a negative effect. Rank the negative factors by placing a "1" in the blank to the left of the factor which most negatively affects your activities, a "2" beside the next most negative factor, etc. If you have more than one land development in operation at the present time, please answer the questions for your largest development project. (Note: The number at the top of the page will help us identify nonrespondents so that we can send them followup mailings. Your answers on the questionnaire will be held in strict confidence. Please ignore the parantheses in the right margin of each page; we will use the space to code your answers after the questionnaire is returned to us.)

- _____ Costs of raw land and improvements (i.e., utilities, roads, etc.) ()
- _____ Factors directly related to the economy (i.e., inflation rate, lending or interest rate on borrowed money, unemployment, etc.) ()
- _____ Costs (in terms of time and money) of complying with local governments' (municipal, township, and county) ordinances and regulations (i.e., zoning restrictions, building codes, health and sanitary codes) ()
- _____ Costs (in terms of time and money) of complying with state governments' laws and regulations (i.e., platting and subdivision regulations, environmental regulations, land sales regulations) ()
- _____ Costs (in terms of time and money) of complying with the federal government's laws and regulations (i.e., land sales regulations, environmental regulations and permit requirements) ()
- _____ Costs of holding and marketing developed land (i.e., costs, such as property taxes, interest and principal payments on borrowed money, advertising costs, and sales commissions and office overhead that are incurred after the land has been placed on the market) ()

(OVER PLEASE)

How many lots or parcels are contained in your largest land development? ()
 (Please specify in the blank below.)

 In what county and state is your largest land development located? ()
 (Please specify in the blank below.)

()

The following three sections contain individual factors which affect land development and marketing activities. Please rank only those factors which negatively affect the profitability of your land development and marketing activities by placing a "1" in the blank to the left of the most negative factor, a "2" beside the next most negative factor, etc. The factors in each section are to be ranked separately. A "0" should be placed in the blanks for those factors that do not have a negative effect on your land development and marketing activities.

I. Costs of Complying with Local Governments'
Ordinances and Regulations

- _____ Local zoning restrictions on land use ()
 _____ Time delays incurred when complying with health and sanitary codes ()
 _____ Monetary costs incurred when complying with health and sanitary codes ()

II. Costs of Complying with State Governments'
Laws and Regulations

- _____ Monetary costs of complying with platting and subdivision regulations ()
 _____ Time delays in complying with state land sales regulations ()
 _____ Time delays in complying with platting and subdivision regulations ()
 _____ Monetary costs of complying with state environmental regulations ()
 _____ Time delays in complying with state environmental regulations ()
 _____ Monetary costs of complying with state land sales regulations ()

III. Costs of Complying with Federal Laws and Regulations

 Monetary costs of complying with federal environmental regulations ()

 Monetary costs of complying with federal land sales regulations ()

 Time delays in complying with federal environmental regulations ()

 Time delays in complying with federal land sales regulations ()

Comments:

In the space below, please make any comments you desire concerning the classes of land market factors or any individual factors that were included in this questionnaire, or any factors which you think are important that were not included.

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

(Please use the back of this page if needed.)

THANK YOU FOR YOUR TIME AND COOPERATION!

MICHIGAN STATE UNIVERSITY

DEPARTMENT OF PARK AND RECREATION RESOURCES
NATURAL RESOURCES BUILDING

EAST LANSING • MICHIGAN • 48824

May 11, 1978

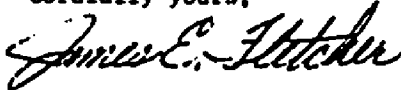
Many land developers across the U.S. are expressing a growing concern over the increasing costs of land acquisition and development, and the dwindling number of sales resulting from high interest rates, inflation, the growing number of governmental restrictions, and a whole array of other social, economic and institutional factors. The Department of Resource Development and the Department of Park and Recreation Resources are conducting a survey of Michigan land developers to identify the relative importance of several factors which we believe affect the profits of the land development industry here in the state. Your knowledge and ideas about these factors are critical to meaningfully evaluating the need for more in-depth land market research.

We would sincerely appreciate your completing the enclosed questionnaire, which consists of a ranking of several major land market factors, at your earliest convenience and returning it to us in the enclosed postage paid envelope.

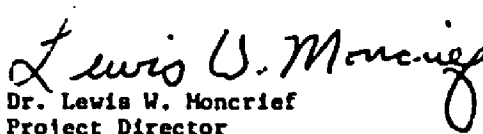
If you have any questions, please feel free to call us collect at 517/353-0823. Your responses will be held in strict confidence. They will be combined with those of other developers and our mailing records will be destroyed to further assure your confidentiality.

Since this study consists of a second part which will attempt to gather more detailed information on one or more of the individual land market factors included on the enclosed questionnaire, we will be asking you to complete only one additional questionnaire which you will receive in the near future. A copy of the survey findings can be obtained from us upon request. Your help in making this survey a success will be greatly appreciated. We look forward to receiving your response in the near future.

Cordially yours,



James E. Fletcher
Project Coordinator



Dr. Lewis W. Moncrief
Project Director

Enclosures

JEF:fp

STATE OF MICHIGAN
OFFICE OF THE GOVERNOR
LANSING

WILLIAM D. MILLIKEN
GOVERNOR

May 3, 1978

Dr. Lewis W. Moncrief, Project Director
Department of Park and Recreation Resources
Michigan State University
East Lansing, Michigan 48824

Dear Dr. Moncrief:

It has been brought to my attention that you are planning to conduct a land market survey in the State of Michigan. I believe that such a survey can have important benefits for Michigan. It is particularly important that we obtain more information about the factors which affect the various sectors of the Michigan economy. By completing and returning your land market questionnaire, land developers can make government decision makers more aware of some of their problems in land development and marketing in Michigan.

I am pleased that you, as a researcher at Michigan State University, are assisting state government in meeting this information need. I trust that Michigan land developers will recognize the need for your survey and its potential benefits by giving their cooperation and assistance. I will look forward to your success and a report of your findings.

Kind personal regards.

Sincerely,

William D. Milliken
Governor

American Land Development Association, 804 Solar Building, 1000 18th Street, N.W., Washington, D.C. 20036 Phone: (202) 659-4582

ALDA Officers

**President and
Chairman of the Board**
J. B. Bain, Jr.
President, Bain and Associates
Houston, TX

Treasurer
C. Randolph Warner, Jr.
President, Fairfield Communities, Inc.
Little Rock, AR

Directors
Harold R. Billings
Vice President and Trust Officer
Bank of California
Los Angeles, CA

Norman B. Conkle
President, Western American
Communities
Tempe, AZ

John A. Cooper, Jr.
President, Cooper Communities, Inc.
Bentonville, AR

Thomas A. Cartanon
President, Waterville Company, Inc.
Waterville Valley, NH

Richard J. Ford
President, Realtek, Inc.
Salem, SC

Jack A. Furman
Executive Vice President
Diamondhead Corporation
New Orleans, LA

Thomas A. Gray
Executive Vice President
Wells Fargo Mortgage Co.
San Francisco, CA

David C. Immer
President, Immire Companies
Sausalito, CA

Jeremiah Nison
Vice President, Klondike, Inc.
Hillsboro, MO

Richard Norman
President, All American Realty
Co., Inc.
Hackensack, NJ

James M. Reed
Vice President Finance
Union Camp Corporation
Wayne, NJ

David R. Syre
President, The Trillium Corporation
Bellingham, WA

Keith Troubridge
President, Captron, Inc.
Sanibel, FL

Ray A. Watt
President, Watt Industries, Inc.
Santa Monica, CA

Executive Vice President
Gary A. Terry
Washington, D.C.



March 29, 1978

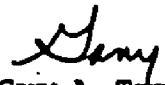
Dear ALDA Member or Friend:

This letter comes to you as an endorsement of the attached industry survey being done by Michigan State University.

While this will not replace our own annual survey, we deem it a welcome and needed, independent means of gathering critical data and opinion which will be beneficial to the entire industry.

Therefore, I urge you to respond fully, thoughtfully and quickly. Your participation will be valued.

Cordially,


Gary A. Terry
Executive Vice President

GAT:pm

MICHIGAN STATE UNIVERSITY

DEPARTMENT OF PARK AND RECREATION RESOURCES
NATURAL RESOURCES BUILDING

EAST LANSING • MICHIGAN • 48824

June 5, 1978

Dear Developer:

We recently mailed you a "land development and marketing" questionnaire which was designed to obtain information on the relative importance of a number of factors that affect the profitability of land development and marketing. This study was approved and endorsed by Gary Terry and the American Land Development Association, and a copy of the endorsement letter was enclosed with the questionnaire.

Due to recent problems with the mail service, you may not have received the questionnaire. In case the questionnaire was lost in the mail or misplaced, we have enclosed another copy for you along with a stamped, self-addressed return envelope.

We would sincerely appreciate your completing and returning the enclosed questionnaire as soon as possible. Your identity will remain anonymous, and your responses will be aggregated with those of other developers for analysis and reporting. We would like to emphasize that your knowledge and comments concerning the factors which affect the land market are critical to our successful evaluation of the need for more in-depth land market research on one or more of the individual factors addressed in the questionnaire. This more detailed research will be designed to investigate problems that are common to you and other land developers, and to formulate and recommend some feasible solutions to those problems.

We would like to point out that this study was not commissioned by the State of Michigan. Funding and authorization for the study were given by the Agricultural Experiment Station at Michigan State University.

We will look forward to receiving the completed questionnaire in the very near future. Your cooperation and assistance will be greatly appreciated.

Cordially yours,

Lewis W. Moncrief
Dr. Lewis W. Moncrief,
Project Director

James E. Fletcher
James E. Fletcher,
Project Coordinator

Enclosures

APPENDIX D

**SELECTION AND APPLICATION OF READABILITY
FORMULAS TO MICHIGAN LAND SALES
PROPERTY REPORTS**

APPENDIX D

SELECTION AND APPLICATION OF READABILITY FORMULAS TO MICHIGAN LAND SALES PROPERTY REPORTS

A writer or researcher who wants to use a readability formula must choose from more than thirty formulas and their variations. The two following characteristics, which are frequently considered by users of formulas, were used in this part of the Michigan Land Sales Act policy study to select four readability formulas for assessing the readability of the land sales property reports:

1. the predictive accuracy of the formula; and,
2. the speed of application.¹

Klare provided information for a critical review of thirty-one readability formulas and their variations.² In addition, a number of journal articles on readability formulas (see reference section) were consulted concerning the applicability and limitations of several of the more commonly used formulas.

According to Klare,³ evidence of readability formula validity comes from three sources which are:

¹George R. Klare, The Measurement of Readability (Ames, Iowa: Iowa State University Press, 1963), pp. 21-22.

²Ibid.

³Ibid.

1. the extent to which a formula can account for the variance (variability) in the original criterion passages on which it was developed;
2. a comparison of the readability scores of several formulas on the same reading material; and,
3. a comparison of formula scores to some outside criterion of readability, such as comprehension scores.

Recent formulas yield a maximum correlation coefficient of around .70 between formula scores and indices of difficulty in criterion passages, thus accounting for about fifty percent of the variance. Formulas are usually accurate to within about one grade level in terms of prediction error.

Studies show that there is high analyst reliability with the Flesch "Reading Ease" formula and the Farr-Jenkins-Paterson formula, which is a simplification of the Flesch formula. These are relatively easy to apply and give acceptable results when a high degree of precision is not required.¹ In addition, these formulas have been used with success in sampling reading levels of adult reading materials.² Since these formulas are easy to use, are accurate to within one grade level, and are two of the more widely

¹Klare, 1963.

²Ralph H. Johnson and Guy L. Bond, "Reading Ease of Commonly Used Tests," The Journal of Applied Psychology 34: 5 (1950), pp. 319-324.

used formulas which have been applied to adult materials, they were selected for use in this study.

The Gunning "Fog Index" formula is also an easy and accurate formula for use on adult reading material. This formula was recalculated for greater accuracy by R. D. Powers, W. A. Sumner, and B. E. Kearl in 1958.¹ As a means of comparing readability results, these two formulas were also selected for use in the readability analysis of the Michigan Land Sales Act property reports.

After selecting the four formulas, ten property reports were randomly selected from the registration files of the Michigan Department of Licensing and Regulation, Land Sales Division, for use in readability sampling. The lengths of the reports ranged from eight to twenty-five pages. The contents of the reports generally followed the same format and style outlined by the "Land Sales Division Guidelines for the Preparation of Property Reports."

In order to insure greater accuracy of readability scores, samples of the property reports were constructed so that:

1. the samples measured would represent, with maximum accuracy, the entire piece of writing from

¹R. D. Powers, W. A. Sumner, and B. E. Kearl, "A Recalculation of Four Adult Readability Formulas," The Journal of Educational Psychology 49: 2 (1958), pp. 99-105.

which they were taken through random selection;

2. four analyses of the same material were made using the four selected readability formulas so that formula scores would, as nearly as possible, predict actual readability.

Sampling offers flexibility in conducting readability studies, since sample size can be increased when:

1. counts of the number of different words or percentage within a given category are made;
2. a high degree of accuracy of measurement is desired; and,

3. application time is not a matter of great concern.¹

Flesch² and Botel³ recommend three to five 100-word samples from different sections of written material. According to Klare, this sample size appears to be generally accurate.⁴

In this study, five 100-word samples were selected from each of the ten property reports. The readability level for each sample was determined using the Flesch "Reading Ease" formula, the Farr-Jenkins-Paterson formula, the Powers, Sumner and Kearl formula, and the Gunning "Fog

¹Klare, p. 5

²Rudolf Flesch, How to Test Readability (New York: Harper & Brothers, 1951).

³Morton Botel, Botel Predicting Readability (Chicago: Follett Publishing Company, 1962).

⁴Klare, 1963.

Index" formula. The procedures for using each of these formulas are discussed below.

1. Flesch "Reading Ease" formula¹

- a. Five samples of 100 words each were taken starting at the beginning of a paragraph with each sample.
- b. The number of sentences was counted in each sample. Passages separated by colons and semicolons were considered separate sentences. If a sample ended before the end of a sentence, the sentence was counted in the total number of sentences only if one half or more of the words in it was included in the sample.
- c. Average sentence length was calculated by dividing the number of sentences into 100 (the number of words in each sample).
- d. The number of syllables was counted in each 100 word sample.
- e. The "reading ease score" was calculated by:
 - (i) multiplying the average sentence length for all the samples of each property report by 1.015;
 - (ii) multiplying the average number of syllables per 100 words in each property

¹Flesch, 1951.

report by .846;

(iii) totaling "i" and "ii," then subtracting the total from 206.835 to obtain the "reading ease score" for each property report.

f. The score was interpreted by using Table 30.

2. Farr-Jenkins-Paterson formula¹

- a. Samples of 100 words each were taken from the material to be analyzed.
- b. The number of one-syllable words per 100 words (nosw) was determined.
- c. The average sentence length in words (sl) was determined.
- d. The "new reading ease index" was calculated by:
 - (i) multiplying "nosw" by 1.599;
 - (ii) multiplying "sl" by 1.015;
 - (iii) subtracting 1.015 "sl" and 31.517 from 1.599 "nosw."
- e. Since this formula is a recalculation of the Flesch formula, the score conversions in Table 30 were used to interpret the reading level of the material as indicated by the index scores.

3. Gunning "Fog Index" formula²

- a. Systematic samples of 100 words each were

¹Klare, 1963.

²Ibid.

TABLE 30
ESTIMATES OF EDUCATION LEVELS FOR
FLESCH "READING EASE" SCORES

Score	Education Level (in years)
90-100	5
80-90	6
70-80	7
60-70	8-9
50-60	10-12
30-50	13-16
0-30	17 or more

SOURCE: Rudolf Flesch, 1951, How to Test Readability
(New York: Harper & Brothers), p. 43.

taken from the property reports.

- b. The number of sentences was divided into the number of words to get average sentence length.
- c. The number of words of three or more syllables (polysyllable words) was counted to get the percentage of hard words in the sample.
- d. The average number of words per sentence was added to the percentage of polysyllable words, then multiplied by .4 to get the reading grade level required for understanding the material.

4. Powers, Sumner and Kears formula¹

- a. Systematic samples of 100 words each were taken from the property reports.
- b. The number of sentences was divided into the number of words to get average sentence length.
- c. The number of single syllable words (monosyllables) per 100 words was counted.
- d. 8.4335 was added to .0923 X sentence length and .0648 X percent of monosyllables to get the reading grade level required for understanding the material.

Since the introduction to each property report was written by the Department of Licensing and Regulation and is

¹Klare, 1963.

identical for each property report, its readability was analyzed separate from the contents of each report. The analysis provided information on the average reading level as well as provided clues regarding difficult passages in the introduction. The analysis served as a guide to revising the property report introduction. Once revisions to lower the reading level had been completed, the introduction was again analyzed for readability. Copies of the original and revised property report introductions are attached. Complete findings on the property report readability analysis are included in Chapter 5.

Original Introduction

NOTICE TO PURCHASERS

YOU ARE ENTITLED TO CANCEL YOUR AGREEMENT AT ANY TIME IF YOU HAVE NOT RECEIVED THIS PROPERTY REPORT BEFORE SIGNING THE AGREEMENT.

YOU ARE ENTITLED TO CANCEL YOUR AGREEMENT FOR ANY REASON WITHIN FIVE (5) DAYS FROM THE DAY YOU ACTUALLY RECEIVE A LEGIBLE COPY OF YOUR AGREEMENT.

MICHIGAN STATE PROPERTY REPORT DISCLAIMER

"THIS PROPERTY REPORT IS FOR INFORMATIONAL PURPOSES ONLY. THE MICHIGAN DEPARTMENT OF LICENSING AND REGULATION HAS NEITHER APPROVED NOR DISAPPROVED THE MERITS OF THIS OFFERING. THE DEVELOPER IS RESPONSIBLE FOR THE ACCURACY AND COMPLETENESS OF STATEMENTS CONTAINED HEREIN."

"THE DEVELOPER DOES NOT DISCRIMINATE ON THE BASIS OF RACE, COLOR, RELIGION, SEX, OR NATIONAL ORIGIN IN THE OFFER TO SELL, SALE, FINANCING, OR OTHER DISPOSITION OF LAND INCLUDING THE MAKING AVAILABLE OF ALL IMPROVEMENTS, OR OTHER AMENITIES OF THIS SUBDIVISION."

PROSPECTIVE PURCHASERS ARE URGED TO VISIT AND INSPECT THE PROPERTY BEFORE ENTERING INTO ANY AGREEMENT TO PURCHASE. THE PURCHASER SHOULD ASCERTAIN FOR HIMSELF THAT THE PROPERTY MEETS HIS PERSONAL REQUIREMENTS AND EXPECTATIONS. MISUNDERSTANDINGS MORE EASILY ARISE AS TO THE DESIRABILITY OF THE PROPERTY WHEN THIS IS NOT DONE.

Revised Introduction**NOTICE TO BUYERS**

YOU MAY CANCEL YOUR AGREEMENT AT ANY TIME IF YOU HAVE NOT RECEIVED THIS REPORT BEFORE SIGNING THE AGREEMENT.

YOU HAVE THE RIGHT TO CANCEL YOUR AGREEMENT FOR ANY REASON WITHIN FIVE (5) DAYS FROM THE DAY YOU RECEIVE A READABLE COPY OF YOUR AGREEMENT.

MICHIGAN STATE PROPERTY REPORT DISCLAIMER

"THIS PROPERTY REPORT IS FOR INFORMATION ONLY. THE MICHIGAN DEPARTMENT OF LICENSING AND REGULATION HAS NOT APPROVED THE MERITS OF THIS OFFERING. THE DEVELOPER IS RESPONSIBLE FOR INSURING THAT THIS REPORT IS COMPLETE AND CORRECT."

"THE DEVELOPER DOES NOT DISCRIMINATE ON THE BASIS OF RACE, COLOR, RELIGION, SEX, OR NATIONAL ORIGIN IN THE OFFER TO SELL, SALE, FINANCING, OR OTHER DISPOSITION OF LAND. THIS INCLUDES THE MAKING AVAILABLE OF ALL IMPROVEMENTS, OR OTHER AMENITIES OF THIS SUBDIVISION."

BUYERS ARE URGED TO VISIT AND INSPECT THE PROPERTY BEFORE AGREEING TO BUY. THE BUYER SHOULD MAKE SURE THE PROPERTY MEETS HIS OR HER NEEDS AND DESIRES. MISUNDERSTANDINGS ABOUT THE PROPERTY MORE EASILY ARISE WHEN THIS IS NOT DONE.

APPENDIX E
QUESTIONNAIRE ON LAND SALES REGULATIONS

QUESTIONNAIRE ON LAND SALES REGULATIONS

Good morning (afternoon) Mr. (Ms.) _____. This is James Fletcher in the Department of Resource Development at Michigan State University in East Lansing. I am conducting a policy analysis of the Michigan Land Sales Act of 1972 with the assistance and advice of Dr. Lewis W. Moncrief. This study is not commissioned nor funded by the State of Michigan. It is supported by an independent research grant from the Michigan Agricultural Experiment Station at Michigan State University.

In our recent survey of Michigan land developers, we found that state land sales regulations were considered by developers to be a major problem in recreation and second home land development. Do you have a few minutes to answer some questions regarding your experiences with the Michigan Land Sales Act?

If yes:

Proceed with the questions.

If no:

Attempt to set up another time to call back or a time for a personal interview.

Based on your professional experience as a land developer and/or subdivider, please answer the following questions.

1. Do you agree or disagree with the following statement?

"Full disclosure of the material facts about subdivisions with undeveloped lots being offered for sale to members of the general public is needed to protect the developer and the buyer."

[] Agree

[] Disagree

If Agree:

- a. Should the full disclosure requirements be administered by:

_____ State government

_____ Federal government

_____ Both state and federal government

- b. Would you explain your reasons for the above choices?

2. Do you have a subdivision currently registered under the Federal Interstate Land Sales Full Disclosure Act of 1968?

☐ Yes

☐ No

If Yes:

How many subdivisions in Michigan?

_____ (specify)

3. Do you have a subdivision currently registered under the Michigan Land Sales Act?

☐ Yes

☐ No

If Yes:

a. How many subdivisions?
_____ (specify)

b. How many lots are contained in each subdivision?

_____ (specify)

4. (If the developer has one or more subdivisions or developments registered under both the Michigan Land Sales Act and the Interstate Land Sales Full Disclosure Act):

Was your federal property report accepted by the Michigan Department of Licensing and Regulation, Land Sales Division, as part of your filing requirements under the Michigan Land Sales Act?

☐ Yes

☐ No

If No:

Could you outline the specific reasons that were given by the director of the Land Sales Division for not accepting the federal property report?

5. Do you recall the amount or amounts that you paid as filing fees for each of your subdivisions that have been registered under the Michigan Land Sales Act?

<u>Number of Lots or Parcels</u>	<u>Total Filing Fee for the Subdivision</u>
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

6. Could you estimate the length of time that elapsed between your initial filing for registration under the Michigan Land Sales Act and your receiving notification from the director of the Land Sales Division that your filing had received final approval? (Obtain this information for each subdivision if possible.)

<u>Size of the Subdivision (in lots or parcels)</u>	<u>Time Delay (in weeks)</u>
_____	_____
_____	_____
_____	_____
_____	_____

7. Could you outline your estimated costs for special consultants and attorneys that were paid to prepare an/or present registration materials for your subdivisions registered under the Michigan Land Sales Act?

<u>Size of the Subdivision (in lots or parcels)</u>	<u>Attorneys' Fees</u>	<u>Consultants' Fees</u>
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____

8. Could you estimate the length of time that elapsed between your initial filing for registration under the Interstate Land Sales Full Disclosure Act and your receiving notification from the Office of Interstate Land Sales Registration that your application had received final approval? (Obtain this information for each subdivision, if possible.)

<u>Size of the Subdivision (in lots or parcels)</u>	<u>Time Delay (in weeks)</u>
_____	_____
_____	_____

9. Could you outline your estimated costs for special consultants and attorneys that were paid for preparation and/or presentation of registration materials for your subdivisions registered under the Interstate Land Sales Full Disclosure Act?

<u>Size of the Subdivision</u> <u>(in lots or parcels)</u>	<u>Attorneys' Fees</u>	<u>Consultants' Fees</u>
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____

10. Have you ever submitted any advertising to the Michigan Department of Licensing and Regulation, Land Sales Division, for approval under the Michigan Land Sales Act?

☐ Yes
☐ No

If Yes:

Was advertising approved?

☐ Yes ☐ No

If no, what reasons were given
by Land Sales Division personnel
for disapproval?

If yes, how long did the Land Sales Division
take to approve your advertising?

_____ (specify in days)

11. Have you incurred any other direct expenses in complying with the requirements of the Michigan Land Sales Act?

☐ Yes
☐ No

If Yes:

What was the type and amount of the expense?

12. Have you incurred any other direct expenses in complying with the Interstate Land Sales Full Disclosure Act?

☐ Yes

☐ No

If Yes:

What was the type and amount of the expense?

13. Have you ever filed for an exemption for a subdivision under the Michigan Land Sales Act of 1972?

☐ Yes

☐ No

If Yes:

How much time elapsed between your submitting the exemption application and the Michigan Department of Licensing and Regulation granting the exemption?

_____ (specify in days)

If No:

What reasons were given by the Michigan Department of Licensing and Regulation for denying the exemption?

14. Have you filed any annual renewal reports for subdivisions registered under the Michigan Land Sales Act?

☐ Yes

☐ No

If Yes:

- a. How many annual renewal reports have you filed?

_____ (specify)

- b. Can you estimate the cost for each renewal and for renewal report preparation?

# of lots renewed	renewal fee	costs of report
_____	_____	_____

15. Have any of your subdivisions been subject to a blanket encumbrance while registered under the Michigan Land Sales Act?

☐ Yes

☐ No

If Yes:

Were you required to post any type of financial security with the Michigan Department of Licensing and Regulation or any financial institution that was acceptable to the director of the Land Sales Division?

☐ Yes

☐ No

If Yes:

Which of the following were you required to post?

☐ Cash

☐ Performance Bonds

☐ Certified Check

☐ Irrevocable Letter of Bank Credit

☐ Corporate Bonds

☐ Other (please specify)

16. Do any of your subdivisions registered under the Michigan Land Sales Act include any planned or existing improvements or amenities?

☐ Yes

☐ No

If Yes:

- a. What types of improvements and/or amenities are offered?

- b. Were you required to post any type of financial security with the Michigan Department of Licensing and Regulation to insure that planned improvements would be completed?

☐ Yes

☐ No

If No:

Could you please outline your reasons for not offering any amenities or improvements?

17. What types of uses are permitted on lots or parcels in your subdivisions registered under the Michigan Land Sales Act?

☐ single-family residential (houses)
☐ multi-family residential (duplexes, apartments or condominiums)
☐ mobile homes
☐ recreation vehicle camping
☐ commercial
☐ industrial
☐ other (specify) _____

18. In what counties and states are your subdivisions which are registered under the Michigan Land Sales Act located?

<u>Size of the Subdivision</u> <u>(in lots or parcels)</u>	<u>County</u>	<u>State</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

19. Do you have any comments regarding any item that was included in this questionnaire, or any item which was not included which you judge to be important to this study?

Mr. (Ms.) _____, I want to sincerely thank you for your time and cooperation. If you would like a copy of the study results when they have been completed, I will be glad to take your mailing address and send you a copy.

LIST OF REFERENCES

LIST OF REFERENCES

- Ackoff, Russell L. Scientific Method: Optimizing Applied Research Decisions. New York: John Wiley & Sons, Inc., 1962.
- American Land Development Association. "ALDA Fact Sheet." Washington, D. C.: American Land Development Association, 1971.
- American Society of Planning Officials. Subdividing Rural America: Impacts of Recreational Lot and Second Home Development. Prepared for the Council on Environmental Quality; Office of Policy Development and Research, Department of Housing and Urban Development; and, Appalachian Regional Commission. Washington, D. C.: Government Printing Office, 1976.
- Babbie, Earl R. Survey Research Methods. Belmont, California: Wadsworth Publishing Company, Inc., 1973.
- Barlowe, Raleigh. Land Resource Economics: The Economics of Real Property. Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1972.
- Bormuth, John R. "New Developments in Readability Research." Readability in 1968. New York: National Council of Teachers of English, 1968.
- Bosselman, Fred, and Callies, David. The Quiet Revolution in Land Use Control. Washington, D. C.: Council on Environmental Quality, 1972.
- Botel, Morton. Botel Predicting Readability. Chicago: Follett Publishing Company, 1962.
- Bradshaw, Horace. Assistant Director, Land Sales Division, Michigan Department of Licensing and Regulation, Lansing, Michigan. Interview, 18 August 1977.
- Brock, Bernard L.; Chesebro, James W.; Cragan, John F.; and Klumpp, James F. Public Policy Decision-Making: Systems Analysis and Comparative Advantages Debate. New York: Harper & Row Publishers, Inc., 1973.

- Bureau of the Census. 1970 Census of Population, Detailed Characteristics, Michigan. Washington, D. C.: U. S. Department of Commerce.
- Carberry, James. "Boon or Bottleneck? Home Builders Assert Governmental Rules Raise Prices Needlessly." Wall Street Journal, 10 July 1978.
- Clark, Edwin H., II. "The Rural Suburb: A Socio-Economic Overview." Man, Leisure and Wildlands: A Complex Interaction. Springfield, Virginia: National Technical Information Service, 1975.
- Cohen, Louis. "Use of Paired-Comparison Analysis to Increase Statistical Power of Ranked Data." Journal of Marketing Research IV (August 1967): 18-39.
- Coleman, E. B. "Experimental Studies of Readability." Readability in 1968. New York: National Council of Teachers of English, 1968.
- Cooper, David. "Bill to Curb State Land Sale Abuse Nears Passage." Detroit Free Press, 2 October 1972, p. B-2.
- Cox, William E., Jr. "Response Patterns to Mail Surveys." Journal of Marketing Research III (November 1966): 392-397.
- Dunnette, Marvin D., and Maloney, Paul W. "Factorial Analysis of the Original and the Simplified Flesch Reading Ease Formulas." The Journal of Applied Psychology 37: 2 (1953): 107-113.
- Eleveld, Bart. Recreational Second Homes in Texas: A Survey of Developers and Owners. College Station, Texas: Texas Real Estate Research Center, Texas A & M University, 1977.
- England, Authur O. "Getting Your Message Across by Plain Talk." The Journal of Applied Psychology 34: 3 (1950): 182-185.
- Erdos, Paul L. Professional Mail Surveys. New York: Mc-Graw-Hill Book Company, 1970.
- Flesch, Rudolf. How to Test Readability. New York: Harper & Brothers, 1951.

- "Florida Developers Fall Out of Favor." Business Week, September 9, 1972, p. 68.
- Hatry, Harry P.; Winnie, Richard E.; and Fisk, Donald M. Practical Program Evaluation for State and Local Government Officials. Washington, D. C.: The Urban Institute, 1973.
- Healy, Robert G. Land Use and the States. Washington, D. C.: Resources for the Future, Inc., 1976.
- Heath, Joel. "Land Sales Abuses." Consumer Bulletin, April 1973, pp. 12-13.
- Huemoeller, William A.; Nicol, Kenneth J.; Heady, Earl O.; and Spaulding, Brent W. Land Use: Ongoing Developments in the North Central Region. Ames, Iowa: Iowa State University, Center for Agricultural and Rural Development, 1976.
- Interstate Land Sales Full Disclosure Act of 1968, Public Law 90-448, Statutes at Large 82 (1968).
- Johnson, Ralph H., and Bond, Guy L. "Reading Ease of Commonly Used Tests." The Journal of Applied Psychology 34: 5 (1950): 319-324.
- Kanoyton, Silverenia Q. Bureau Chief, Michigan Department of Licensing and Regulation, Lansing, Michigan. Interview, 24 August 1977.
- Kanuk, Leslie, and Berenson, Conrad. "Mail Surveys and Response Rates: A Literature Review." Journal of Marketing Research XII (November 1975): 440-453.
- Klare, George R. The Measurement of Readability. Ames, Iowa: Iowa State University Press, 1963.
- Klare, George R. "The Role of Word Frequency in Readability." Readability in 1968. New York: National Council of Teachers of English, 1968.
- Lane, Peter J. Recreational Land Development: The Second Home Bonanza. New York: Practising Law Institute, 1974.
- Lansing, John B., and Morgan, James N. Economic Survey Methods. Ann Arbor, Michigan: Institute for Social Research, University of Michigan, 1971.

- Lewin, Arie Y., and Shakun, Melvin F. Policy Sciences: Methodologies and Cases. New York: Permagon Press, Inc., 1976.
- Michigan Department of Licensing and Regulation. Land Sales Division General Rules. Lansing, Michigan: State of Michigan, July 27, 1973.
- Michigan. Michigan Land Sales Act of 1972, Public Act Number 286 of 1972.
- Michigan. Michigan Subdivision Control Act of 1967, Public Act Number 288 of 1967.
- National Association of Attorneys General. Land and Condominium Sales Regulation. Raleigh, North Carolina: Committee on the Office of Attorney General, 1975.
- Nie, Norman H.; Hull, C. Hadlai; Jenkins, Jean G.; Steinbrenner, Karin; and Bent, Dale H. Statistical Package for the Social Sciences (SPSS). New York: McGraw-Hill Book Company, 1975.
- Oppenheim, A. N. Questionnaire Design and Attitude Measurement. New York: Basic Books, Inc., 1966.
- Paulson, Morton C. The Great Land Hustle. Chicago: Henry Regnery Company, 1972.
- Powers, R. D.; Sumner, W. A.; and Kearl, B. E. "A Recalculation of Four Adult Readability Formulas." The Journal of Educational Psychology 49: 2 (1958): 99-105.
- Ragatz, Richard L. "Future Demand for Recreational Properties." Man, Leisure and Wildlands: A Complex Interaction. Springfield, Virginia: National Technical Information Service, 1975.
- Real Estate Research Corporation. The Costs of Sprawl: Environmental and Economic Costs of Alternative Residential Development Patterns at the Urban Fringe. Prepared for the Council on Environmental Quality; the Office of Policy Development and Research, Department of Housing and Urban Development; and, the Office of Planning and Management, Environmental Protection Agency. Washington, D. C.: U. S. Government Printing Office, 1974.

- Reilly, William K., ed. The Use of Land: A Citizens' Policy Guide to Urban Growth. New York: Thomas Y. Crowell Company, 1973.
- U. S. Department of Housing and Urban Development. 1970
HUD Statistical Yearbook. Washington, D. C:
U. S. Government Printing Office, 1971.
- Weimer, Arthur M., and Hoyt, Homer. Real Estate. New York:
The Roland Press Company, 1966.
- Wolff, Anthony. Unreal Estate. San Francisco, California:
Sierra Club, 1973.
- Yearwood, Richard M. Land Subdivision Regulation: Policy
and Legal Considerations for Urban Planning. New
York: Praeger Publishers, 1971.