

NOTIFICATION REQUIREMENTS IN RESIDENTIAL REAL ESTATE SALES

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GENERAL RULES

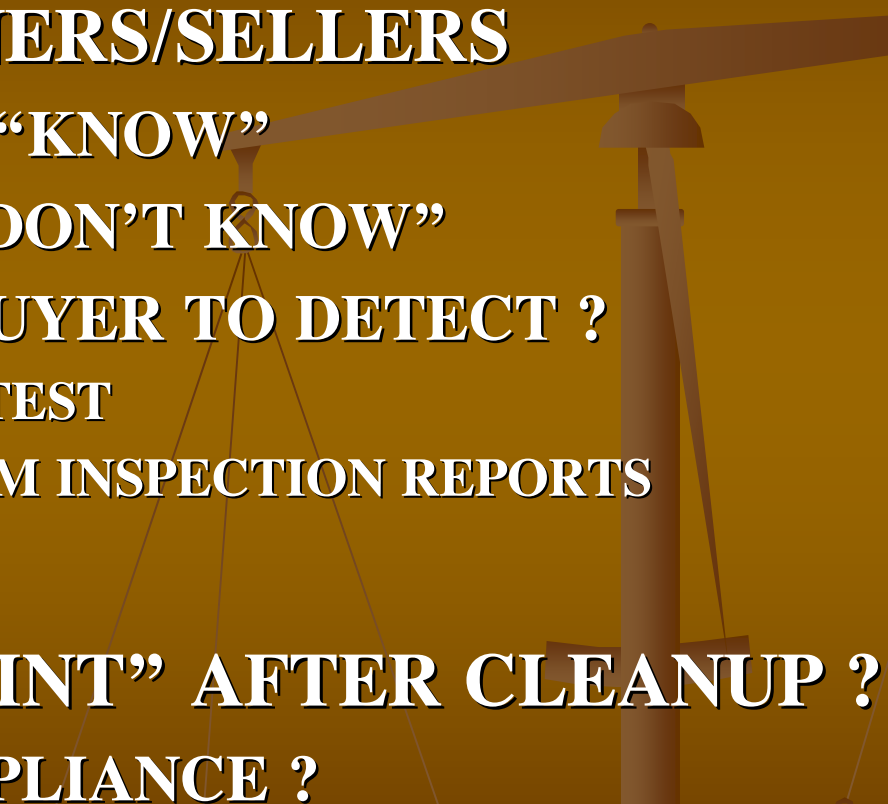
- **FRAUD & MISREPRESENTATION**
 - **MAKE A REPRESENTATION**
 - CAN BE DONE BY SILENCE
 - KNOWING IT TO BE FALSE
 - KNOWING THAT THE BUYER WILL RELY
 - HARM MUST RESULT
 - **REASONABLE RELIANCE**
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TRADITIONAL PRACTICE

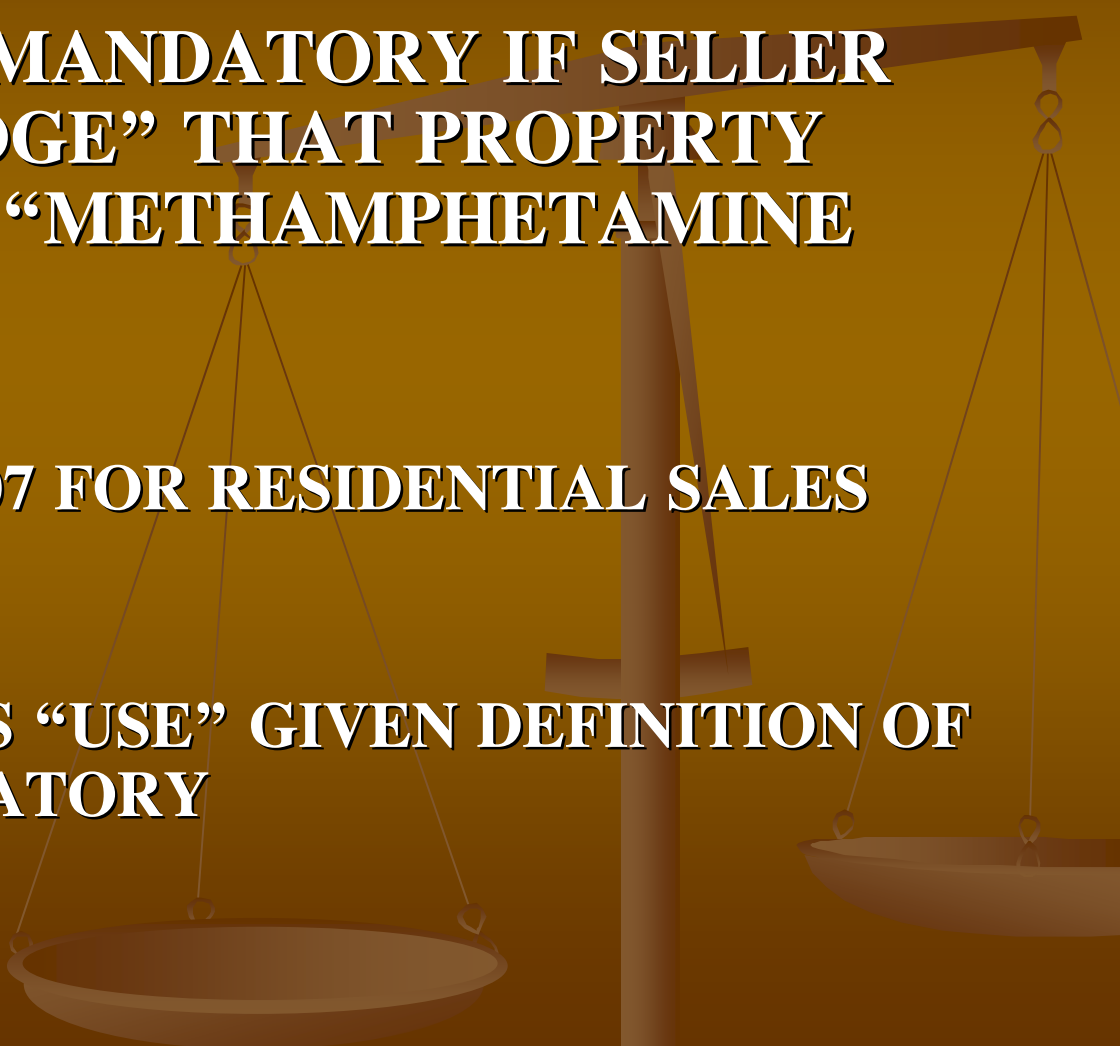
- **STATE APPROVED DISCLOSURE FORM**
 - **NORMALLY CHECK “DON’T KNOW”**
 - **HOME INSPECTION INDUSTRY**
 - **NUMEROUS EXCEPTIONS**
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WHAT'S DIFFERENT ABOUT METH LABS

- **INNOCENT OWNERS/SELLERS**
 - **DON'T REALLY "KNOW"**
 - **OR THAT SAY "DON'T KNOW"**
 - **ABILITY OF A BUYER TO DETECT ?**
 - **EXPENSIVE TO TEST**
 - **EXCLUDED FROM INSPECTION REPORTS**

 - **IS THERE A "TAINT" AFTER CLEANUP ?**
 - **PENALIZE COMPLIANCE ?**
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NEW STATUTORY REQUIREMENTS



- NOTIFICATION MANDATORY IF SELLER HAS “KNOWLEDGE” THAT PROPERTY WAS USED AS A “METHAMPHETAMINE LABORATORY”
 - EFFECTIVE 1/1/07 FOR RESIDENTIAL SALES ONLY
 - LIKELY COVERS “USE” GIVEN DEFINITION OF A DRUG LABORATORY

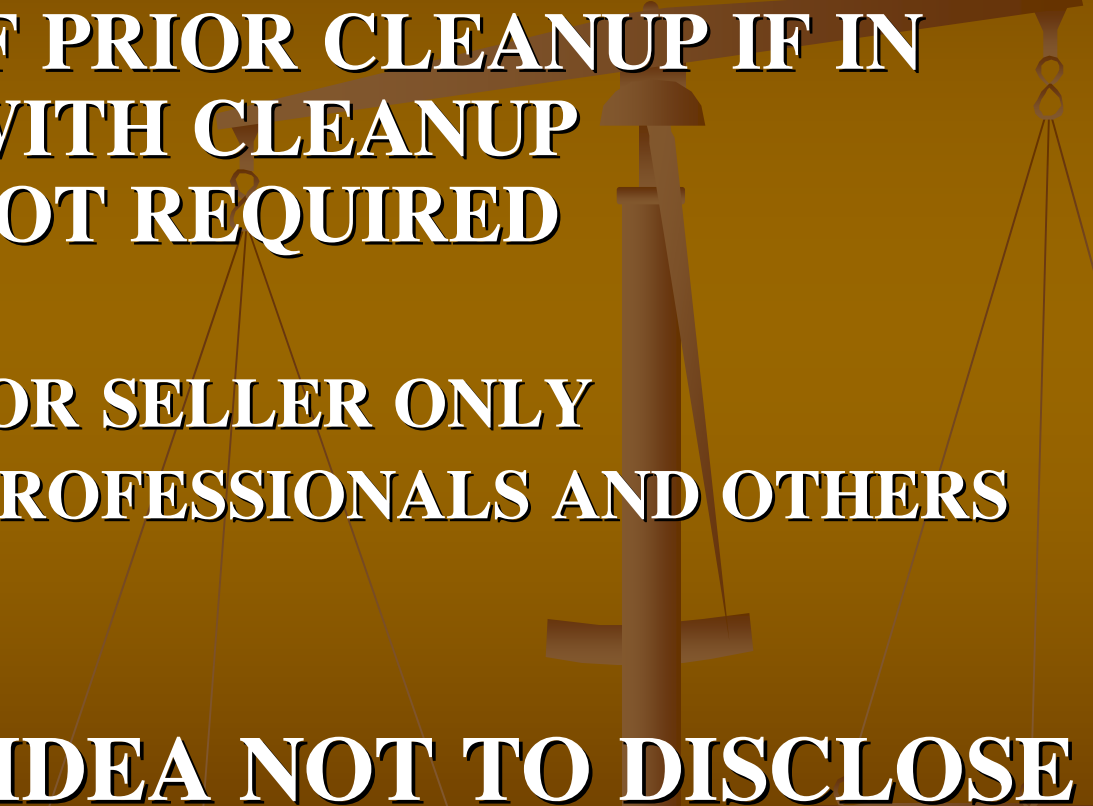
BUYER'S RIGHTS*

* NORMAL INSPECTION PERIOD STILL APPLIES

- BUYER HAS THE RIGHT TO TEST REGARDLESS OF CONTRACT
 - CIH OR IH AND SAMPLING IN ACCORDANCE WITH THE REGULATION
 - NO QUICK/CHEAP TESTS
- RESULTS IN EXCESS OF STATE STANDARD ALLOW CANCELLATION OF CONTRACT
- ALSO TRIGGERS NEED FOR SELLER TO COMPLY WITH THE CLEANUP REGULATION
 - CAN RE-TEST FIRST



EXCEPTION

- **DISCLOSURE OF PRIOR CLEANUP IF IN COMPLIANCE WITH CLEANUP REGULATION NOT REQUIRED**
 - **PROTECTION FOR SELLER ONLY**
 - **REAL ESTATE PROFESSIONALS AND OTHERS ON THE HOOK**
 - **REALLY BAD IDEA NOT TO DISCLOSE**
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NOTIFICATION INSANITY



- **THE EXCEPTION ONLY APPLIES IF THE CLEANUP WAS IN COMPLETE COMPLIANCE**
- **EVEN WITHOUT “KNOWLEDGE” OF METH PRODUCTION NOTIFICATION MAY BE NEEDED**
 - **EXISTING REQUIREMENTS ON DISCLOSURE OF TOXIC AND HAZARDOUS MATERIALS**
- **THERE IS NO LIMITATION ON AMOUNT OF DAMAGES**
- **THREE YEAR STATUTE OF LIMITATIONS**
 - **ODDS ARE THE SELLER WILL FIND OUT AND BE MAD**