



# 2013 Annual Report

## Real Estate Commission

Real Estate Branch  
Professional and Vocational Licensing Division  
Department of Commerce and Consumer Affairs  
State of Hawaii

## **The 2013 Hawaii Real Estate Commission**

**Nikki T. Senter**  
Chair  
Oahu, Public Member

**Stanley M. Kuriyama**  
Vice Chair  
Oahu, Real Estate Broker

**Frances Allison Torre Gendrano**  
Chair, Laws and Rules Review Committee  
Oahu, Real Estate Broker

**Rowena B. Cobb**  
Vice Chair, Laws and Rules Review Committee  
Kauai, Real Estate Broker

**Walter Harvey**  
Chair, Education Review Committee  
Oahu, Real Estate Broker

**Aileen Y. Wada**  
Vice Chair, Education Review Committee  
Oahu, Real Estate Broker

**Scott A. Sherley**  
Chair, Condominium Review Committee  
Hawaii, Real Estate Broker

**Bruce Faulkner**  
Vice Chair, Condominium Review Committee  
Maui, Real Estate Broker

**Scott C. Arakaki**  
Oahu, Public Member

The Purpose of the Commission:

In summary, the purpose of the Commission:

“...the protection of the general public in its real estate transactions.”

“...promote the advancement of education and research in the field of real estate for the benefit of the public and those licensed under the provision of this chapter (467, HRS) and the improvement and more efficient administration of the real estate industry.”

“...promoting education and research in the field of condominium management, condominium registration, and real estate for the benefit of the public and those required to be registered under this chapter (514A and 514B, HRS).”



The Honorable Neil Abercrombie, Governor, State of Hawaii, Members of the Twenty-Seventh State Legislature and Keali'i Lopez, Director, Department of Commerce and Consumer Affairs:

I respectfully present to you the annual report on the status of the Real Estate Commission (Commission) for fiscal year (FY) 2013. The Commission currently oversees 17,183 licensees statewide, of which 12,327 hold active licenses.

This is an 8.5% decrease in total licensees from a year ago. We also oversee approximately 1,668 condominium associations and 29 condominium hotel operators. There were 234 new and conversion project filings as compared to 210 filings in FY 2012. This represents an increase of units within new and conversion condominiums from 5,827 in FY 2012 to 8,464 in FY 2013.

The Real Estate Commission is a nine-member Governor-appointed body comprised of seven industry members, and two public members, who serve four-year terms. The Commission oversees the licensing of real estate salespersons and brokers, including brokerages, and the maintenance and renewal of these licenses every two years. The Commission certifies prelicense education schools and instructors, and is responsible for the development of the prelicensing curriculum for salespersons and brokers. The Commission also registers continuing education providers and certifies continuing education courses, and in the condominium area, registers condominium projects, condominium associations, condominium hotel operators and condominium managing agents. The Commission also provides information, advice, referrals, education and acts as a resource for these unit owners throughout the year on all islands by way of the Commission's Outreach Program.

The Commission administers, as trustee, the real estate recovery fund and publishes and disseminates reports about the fund. There was 1 case filed for payment from the fund during FY 2013. The Commission takes disciplinary action, reviews and approves settlement agreements involving real estate licensees who have been investigated by the Regulated Industries Complaints Office (RICO), and have been found to have violated the real estate licensing laws and rules.

The Commission has three standing committees; the Laws and Rules Review Committee, the Education Review Committee, and the Condominium Review Committee. All are working committees where Commissioners take on leadership roles to work towards accomplishing the Program of Work in those described areas for the fiscal year. Funding for these programs is critical to the Commission in order to achieve the objectives and goals stated in the Program of Work, and to maintain the direction of the Commission as set forth by law.

Frances Gendrano, O'ahu Commissioner, Chair of the Laws and Rules Review Committee, and Vice Chair Rowena Cobb, Kauai Commissioner, have diligently worked to address national and state issues that impact Hawaii. Rulemaking for Hawaii Administrative Rules, Chapter 99 continues its long journey towards adoption.

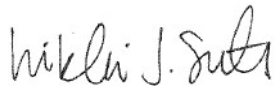
The Education Review Committee under the leadership of Walter Harvey, O'ahu Commissioner, and Vice Chair Aileen Wada, O'ahu Commissioner, worked with the Ad Hoc Committee on Education, made up of industry volunteers, to produce the Commission's 2013-2014 mandatory core course, Part A, which includes "Real Estate-Related Legislation 2013" and "Brokerage Policies and Procedures Manuals". The mandatory continuing education course remains at five hours for the 2013-2014 biennium. The Ad Hoc Committee on Education also made recommendations regarding the topics for the 2013-2014 core course, Part B, and will continue to work with the Education Review Committee to finalize the second part of the mandatory core course with the Commission's core course developer.

Condominium Review Committee Chair, Scott Sherley, Big Island Commissioner, and Vice-Chair Bruce Faulkner, Maui Commissioner, continued the task of rulemaking for Hawaii Revised Statutes, Chapter 514B, the recodified condominium law. This process is still on-going. The committee continues to review the feasibility of providing online condominium registration. Updating HRS, Chapter 53, Fees Relating to Boards and Commissions, was successfully completed for condominium-related fees. The increased fees will allow the Commission to effectively manage the Condominium Education Trust Fund. Legislation also passed this year increasing fees to the Condominium Education Trust Fund to support mediation of disputes as part of the fund's program.

Along with Commissioners Scott Arakaki, O'ahu Public Member, and Vice Chair of the Commission, Stanley Kuriyama, O'ahu broker, the Commission is a hardworking and committed group, seeking to meet the challenges of changing economic times and a constantly evolving real estate industry, as well as embracing current changes that impact today's real estate licensee and consumer. The Commission is grateful to the members of the Ad Hoc Committee on Education, who contribute unselfishly their time and effort, and are committed to improve the real estate industry to maintain professional standards.

With the help and support of the Director of the Department of Commerce and Consumer Affairs (DCCA), Keali'i Lopez, Licensing Administrator Celia Suzuki, the Regulated Industries Complaints Office (RICO), the Department of the Attorney General, Supervising Executive Officer, Neil Fujitani, and the Real Estate Branch staff, the Commission will continue to move forward to improve the quality and competency of its real estate licensees, and their ability to serve consumers.

Respectfully submitted,

A handwritten signature in black ink that reads "Nikki T. Senter". The signature is written in a cursive, flowing style.

Nikki T. Senter Chair

**Real Estate Commission  
Real Estate Branch  
Professional and Vocational Licensing Division  
Department of Commerce and Consumer Affairs  
State of Hawaii**



**Keali'i S. Lopez, Director  
Jo Ann M. Uchida Takeuchi, Deputy Director  
Celia C. Suzuki, Licensing Administrator**

**Real Estate Branch:**

**Neil K. Fujitani, Supervising Executive Officer  
Miles Ino, Executive Officer  
Imelda Roberson, Office Assistant  
Diane Choy Fujimura, Senior Real Estate Specialist  
Amy Endo, Real Estate Specialist  
David Grupen, Real Estate Specialist  
Amy Fujioka, Office Assistant  
Charisa Flores, Office Assistant  
Cynthia Yee, Senior Condominium Specialist  
Benedyne Stone, Condominium Specialist  
Tammy Norton, Secretary  
Jon Gasper, Office Assistant  
Glecy Seminuk, Office Assistant  
Dorothy Aquino, Office Assistant**

**335 Merchant Street, Room 333  
Honolulu, Hawaii 96813  
Telephone: (808) 586-2643  
Web: <http://www.hawaii.gov/hirec>  
Email: [hirec@dcca.hawaii.gov](mailto:hirec@dcca.hawaii.gov)**

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## LAWS AND RULES REVIEW COMMITTEE REPORT

The Laws and Rules Review Committee, for fiscal year 2013, led by Chair Frances Gendrano and Vice Chair Rowena Cobb had another active year with legislation, reactive issues, licensing programs, and recovery fund administration.

**Act 42 – HB 998** – Makes permanent the prohibition of private fees for a future transfer of real property.

**Act 49 – SB 913 SD 1** – Requires a timeshare plan’s disclosure of the financial obligation of the purchaser, to consist of:

- a statement that the purchaser is obligated to pay the initial price in the purchase agreement; and
- a list or description of any additional charges.

Clarifies that a sales or acquisition agent is not required to provide any promotional device or instrument to a prospective purchaser prior to making a sales presentation.

**Act 92 – SB 1070 SD 2 HD 1 CD 1** – Authorizes the Commissioner of Financial Institutions to conduct examinations and investigations and adjust the fees for mortgage servicer licensees to use the Nationwide Mortgage Licensing System.

**Act 135 – SB 1025 HD 3 CD 1** – Updates the Hula Mae Single Family Mortgage Loan Program to allow broader program participation by potential homeowners, add down payment and other cost assistance as a program feature, and make housekeeping and conforming amendments. Effective July 1, 2013.

**Act 161 – SB 1194 SD 2 HD 1 CD 1** – Repeals the additional tax on transient accommodations imposed by Act 61, Session Laws of Hawaii (SLH) 2009. Repeals the daily tax on transient accommodations furnished on a complimentary or gratuitous basis imposed by Act 103, SLH 2011. Makes permanent allocations of the Transient Accommodations Tax revenue to the Convention Center Enterprise Special Fund, the

Tourism Special Fund, and the counties. Makes permanent the Transient Accommodations Tax rate of 9.25 percent. Allocates funds from the Tourism Special Fund for the operation of a Hawaiian Center and the Museum of Hawaiian Music and Dance at the Hawaii Convention Center. Removes allocations to the State Parks Special Fund and the Special Land and Development Fund. Allocates certain excess Transient Accommodations Tax revenues deposited into the general fund for natural resources important to the visitor industry, facilities, and public lands connected with enhancing the visitor experience. Effective July 1, 2013.

**Act 163 – SB 1360 SD 1 HD 1 CD 1** – Makes permanent the General Excise Tax exemptions for condominium common expenses paid by managers, submanagers, and suboperators and for hotel employee expenses paid by hotel operators and timeshare projects. Eliminates the aggregate cap of \$400,000 for taxpayers eligible for the exemptions. Affects tax returns after December 31, 2012.

**Act 168 – SB 1069 SD 2 HD 2 CD 1** – Raises application and renewal fees for individuals and companies that conduct mortgage loan origination activities. Updates licensure and regulatory requirements.

**Act 176 – SB 1077 SD 2 HD 2 CD 1** – Sets forth specific responsibilities of and protections for owner-builders exempted from contractor licensing and other requirements. Amends the fine schedule to be based on the circumstances of each case. Effective July 1, 2013.

**Act 181 – SB 960 SD 1 HD 1 CD 1** – As required in nonjudicial foreclosures, establishes a notice of postponement or cancellation of sale requirement under Part IA, Chapter 667, Hawaii Revised Statutes, relating to judicial foreclosures.



**Act 186 – SB 502 SD 1 HD 1 CD 1** – Establishes a uniform standard for disclosure for condominium projects, cooperative housing corporations, and other community associations. Clarifies the types of documents that are required to be disclosed. Requires the disclosure of documents within 10 days after the title report is received. Allows for the electronic receipt of documents with the buyer’s consent. Effective November 1, 2013.

**Act 187 – SB 505 SD 2 HD 1 CD 1** – Adds support for the mediation of condominium-related disputes as one of the educational purposes supported by the Condominium Education Trust Fund. Beginning with the July 1, 2015 biennium registration, imposes an additional annual Condominium Education Trust Fund fee dedicated to supporting mediation of condominium-related disputes. Specifies the total fee payable into the Condominium Education Trust Fund. Requires the Real Estate Commission to make adjustments to the Condominium Education Trust Fund to ensure adequate funds are available for mediation of condominium-related disputes and any mediation requests are fully accommodated prior to the commencement of the additional annual Condominium Education Trust Fund fee. Effective July 1, 2013.

**ACT 196 – HB 21 HD 1 SD 2 CD 1** – Permits the board of directors of a condominium association to collect a six-month special assessment from a mortgagee or other purchaser of a unit with a recorded lien for delinquent common assessments. Specifies how excess rental income received by a condominium association shall be paid to existing lienholders.

**ACT 197 – HB 25 HD 2 SD 2 CD 1** – Allows a condominium association, as a junior lienholder, to commence or continue a non-judicial foreclosure action on a property subject to a judicial foreclosure, even if the lender has filed for foreclosure. Preserves the right of owner-occupants to require the foreclosing mortgagee

to participate in the dispute resolution process in situations where:

- an association forecloses on residential real property occupied by one or more owner-occupant mortgagors for whom the unit is, and has been, the primary residence for a continuous period of not less than 200 days immediately preceding the date the notice is served; and
- the mortgagee subsequently forecloses its lien on the same property. Effective July 1, 2013.

**Act 206 – SB 328 SD 1 HD 2 CD 1** – Amends the Residential Landlord-Tenant Code to provide for security deposits that include an additional amount to pay for damages caused by any pet animal, other than an assistance animal, allowed to reside in the premises pursuant to the rental agreement. Effective for rental agreements entered into on or after November 1, 2013.

**Act 261 – SB 19 SD 1 HD 2 CD 1** – Exempts landlords and lessors who install renewable energy systems on their property and provide, sell or transmit electricity generated from those renewable energy systems to tenants or lessees on the premises from the definition of “public utility,” under certain conditions.

**Act 266 – SB 1092 SD 1 HD 1 CD 1** – Makes a general fund appropriation of \$50 million for fiscal year 2013-2014 to recapitalize the Hurricane Reserve Trust Fund. Effective July 1, 2013.

**Act 277 – HB 424 HD 1 SD 2 CD 1** – Authorizes the Governor to appoint commissioners of deeds to administer oaths, take acknowledgements, and take proofs of execution outside the United States in connection with the execution of conveyance documents relating to a timeshare interest, any property subject to a timeshare plan, or the operation of a timeshare plan covering any property located within the state. Requires



written notice be provided to consumers. Establishes bonding requirements, penalties and liabilities for commissioners of deeds. Makes appropriations. Effective July 1, 2013, commissioners appointed by July 1, 2014.

**Licensing** – For FY 2013, the total number of licensees decreased to 17,183 as compared to 18,786 in FY 2012. The 1,603 decrease in licensees represents an approximately 8.5% decrease over the previous fiscal year. The number of real estate licensees has always been cyclical, with the all-time high of 26,090 licensees in 1990 and the lowest count in the past 20 years of 13,033 licensees in 1999.

## **FY 2013 PROGRAM OF WORK**

### **Laws and Rules Review Committee**

**Real Estate Recovery Fund** – The Commission administered the statutory requirements, contracts with consultant attorneys, notice of claims, court orders for payouts, dissemination of information, financial responsibilities of the fund, records management, and the development of reports.

The Commission is the trustee of the Real Estate Recovery Fund, which is intended to provide a measure of compensation to consumers injured by the fraud, misrepresentation, or deceit of real estate licensees. One of the primary statutory requirements for obtaining payment from the fund is notifying the Commission of the filing of a court action that may result in payment from the fund.

During FY 2013, the Commission received notification for one claim on the fund. This was a 50% decrease from the FY 2012 notices received (See Chart 1). There was one payment out of the recovery fund for FY 2013. Since its inception in 1967, the recovery fund has paid out over two million dollars (See Chart 2).

### **Real Estate Licensing, Registration & Certification Administration** – The

Commission administered the licensing, registration, and certification requirements, including applications review and updates, policies, procedures, appeals, subpoenas, and requests for records under the Office of Information Practices (OIP), laws, rules, and procedures.

**Condominium Hotel Operator Registration** – Staff administered the licensing, registration, and certification requirements, including applications review, policies, procedures, appeals, subpoenas, and requests for records under OIP. Staff continued the administration of the registration program and with the Licensing Branch since active real estate brokers are exempt from the registration and fidelity bond requirements. This fiscal year the Commission registered 29 Condominium Hotel Operators.

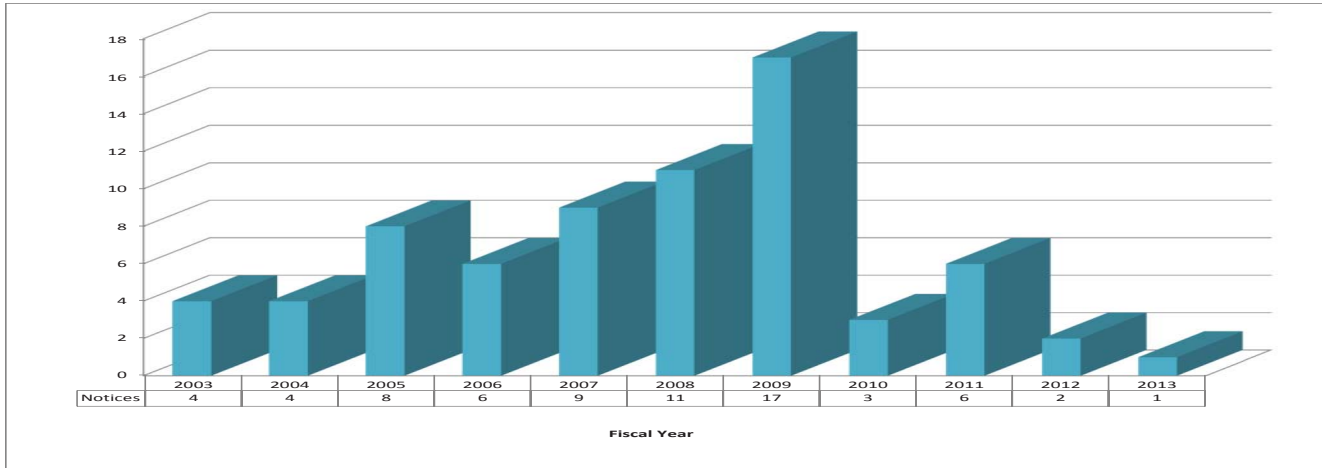
**Advice, Education, and Referral** – Staff responded and provided information to inquiries received via telephone, walk-ins, faxes, written, emails, and through the Commission's website; printed and distributed Commission-developed information; and responded to inquiries from government officials and media.

**Rule Making, Chapter 99** – The Commission studied, evaluated, researched, and developed rule amendments for submission to the formal rule making process. After its return from the Legislative Reference Bureau, the current draft of the rule amendments is with and awaiting its initial review and comments from the Attorney General's office.

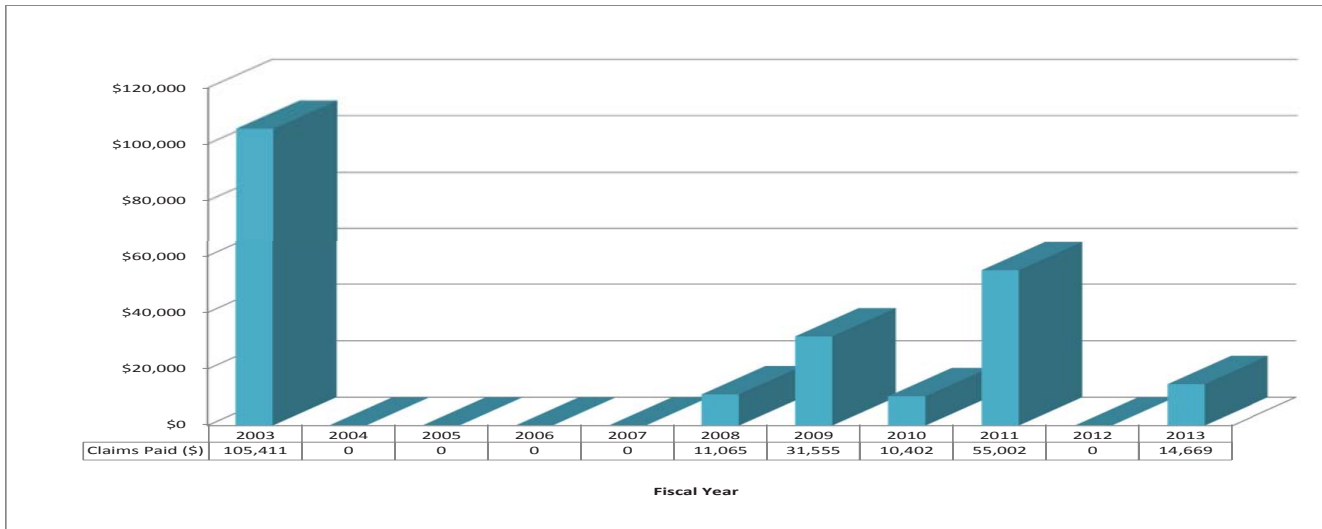
**Meetings** – The Commission, with support from staff, administered the monthly committee meetings, as well as subcommittee and ad hoc committee meetings.

**Licensing Renewals** – Staff continued implementation of the paperless renewal system and has worked closely with the Licensing Branch to ensure its continued success. The online renewal rate for FY 2013 approached a

**CHART 1. Recovery Fund - Notices**



**CHART 2. Recovery Fund - Claims Paid**



93% user rate.

**Legislative and Government Participation –**

The Commission participated in the legislative sessions; provided briefings and acted as a resource to Legislators, government officials, and staff; researched and submitted testimony on bills and resolutions, including oral testimony; and assisted Legislators and government officials in responding to the community.

**Interactive Participation with Organizations –**

The Commission, as well as staff, continued active participation with the Association of Real Estate License Law

Officials (ARELLO), local, Pacific Rim, national, and international organizations and government agencies for the exchange of information and concerns, sharing of educational and research efforts, joint projects of mutual concern, training, etc.

**Legislative Acts and Resolutions –**

The Commission reviewed, reported, and developed summaries on all related Acts and resolutions; implemented requirements of directly-related Acts and resolutions.

**Neighbor Island Outreach –**

The Commission held three Committee meetings at various neighbor island sites (Hilo in September 2012,

Maui in January 2013, and Kauai in June 2013).

**Review of Services and Organization –**

Staff analyzed and initiated steps to improve the services provided; to streamline for effectiveness and efficiency; and amendments to laws, rules, forms, system, staffing, equipment, reorganization, etc. It conducted meetings and exchanges with Licensing Branch personnel.

**Application Processing and Forms –** Staff studied and evaluated the processing of applications, evaluated and amended forms and instructions, and assisted in mainframe computer programming issues. Staff also studied, reported on, and continued researching other electronic/computerized methods to improve application processing.

**ARELLO National Disciplinary Action Data Bank –** Staff continued participation in the ARELLO National Disciplinary Action Data Bank to assist in the background review of applicants and consumer protection efforts in other jurisdictions.

**Case Law Review Program –** The Commission monitored, collected, and reported on case law, disciplinary actions, judgments and decisions on Hawaii court cases, federal court cases, and other States' court cases. The Commission further studied material cases to be considered for the Real Estate Bulletin and the website.

**Rulemaking, Chapter 53, Fees –** The Commission monitored, reviewed, researched, and made recommendations on rule amendments for fees through coordination with the Licensing Administrator.

**Commissioners Education Program –** Staff researched and provided reference materials to Commissioners and conducted periodic workshops for all Commissioners.

**Division and Department Programs –** The Commission coordinated and worked

with Professional and Vocational Licensing Division, the Department of Commerce and Consumer Affairs, and others on programs of mutual concern, through a joint program with the Education Review Committee and the Condominium Review Committee.

**Housing and Urban Development/ARELLO Fair Housing Agreement –**

The Commission administered the terms of the agreement and coordinated any review by Housing and Urban Development officials, participated with ARELLO's Fair Housing Committee, and worked with ARELLO on the terms of the agreement.

**FY 2014 PROGRAM OF WORK**  
**Laws and Rules Review Committee**

- Real Estate Recovery Fund
- Real Estate Licensing, Registration, & Certification Administration
- Condominium Hotel Operator Registration
- Education, and Referral
- Rulemaking, Chapter 99
- Subcommittees
- Meetings
- Licensing Renewal
- Legislative and Government Participation
- Interactive Participation with Organizations
- Legislative Acts and Resolutions
- Neighbor Island Outreach
- Review of Services and Organization
- Application Processing and Forms
- ARELLO National Disciplinary Action Data Bank
- Case Law Review Program
- Rulemaking, Chapter 53, Fees
- Commissioners Education Program
- Division and Department Programs
- Housing and Urban Development/ARELLO Fair Housing Agreement

## ADMINISTRATIVE ACTIONS

**Table 1 - Administrative Actions - FY 2013**

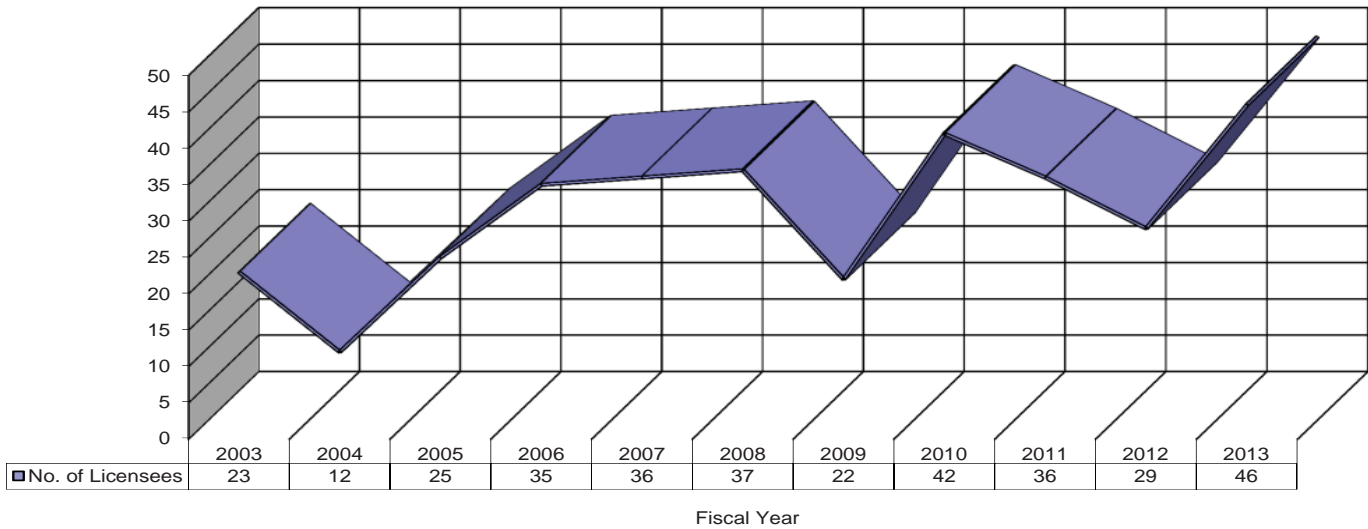
No. of Licensees Disciplined	46
Licenses Revoked	0
Licenses Suspended	9
Licenses Fined	37
Total fines	\$44,500
Licenses Subject to Other Sanctions	0

### Disciplinary Actions

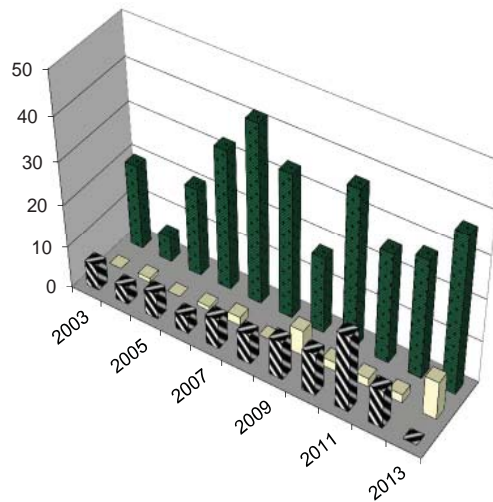
The Commission took disciplinary action against 46 licensees in FY 2013. This was a 58.6% increase over the 29 licensees disciplined in FY 2012. Chart 3 provides historical information on the number of licensees disciplined.

Fines totaling \$44,500 were assessed against 37 of the licensees. Nine licensees had their licenses suspended.

**CHART 3. Disciplinary Actions (FY 2003-2013)**



**CHART 4. Administrative Actions - Sanctions (FY 2003-2013)**



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
■ Licenses Revoked	6	4	6	4	7	7	9	10	18	9	0
□ Licenses Suspended	0	1	0	1	2	0	6	2	2	2	9
■ Licenses Fined	20	6	21	33	42	34	18	37	26	28	37

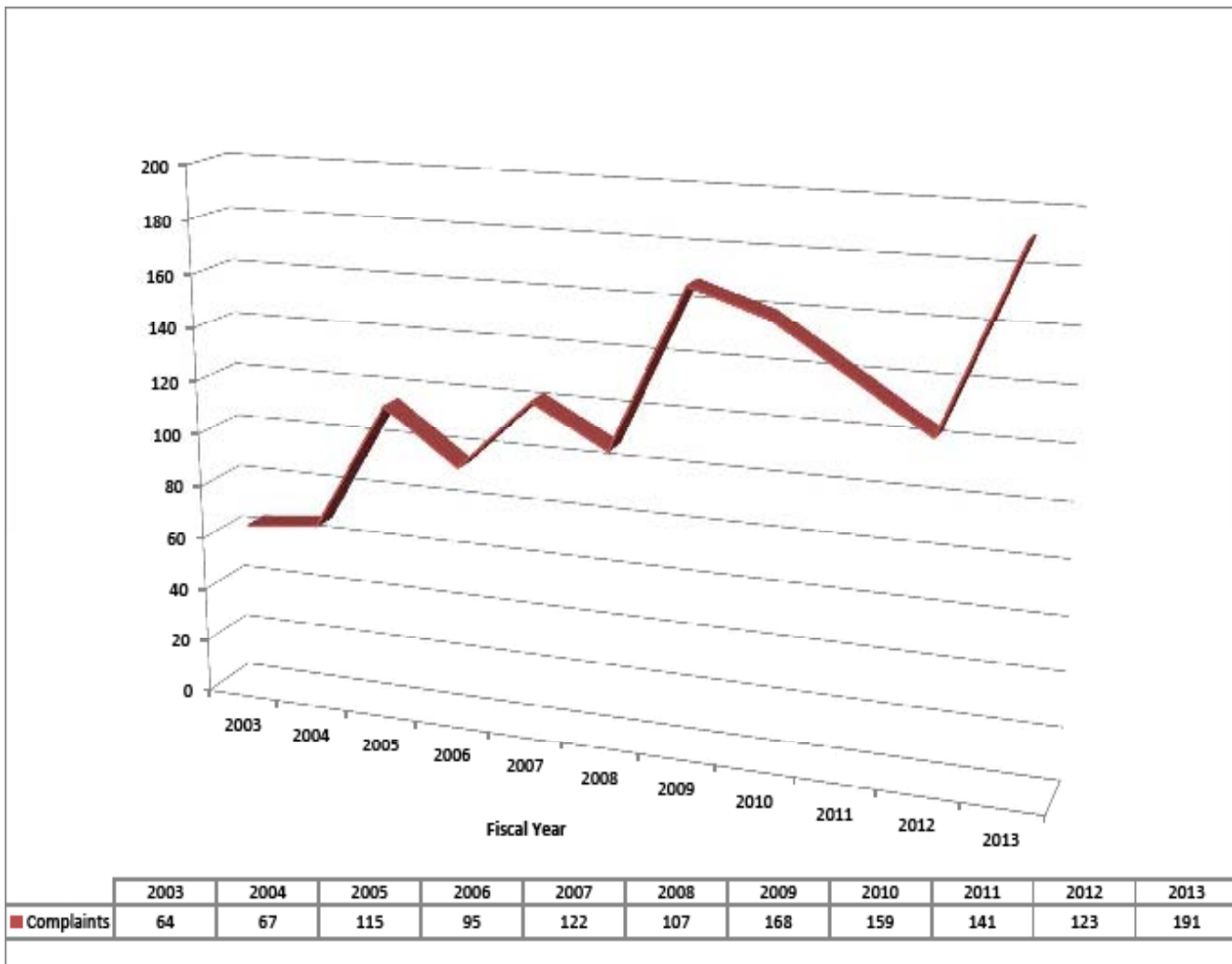
## REGULATED INDUSTRIES COMPLAINTS OFFICE (RICO)

RICO receives, investigates and prosecutes complaints against real estate licensees for violations of laws and rules. Complaints have fluctuated over the past ten years with a 35.6% increase in FY 2013. RICO received 191 real estate complaints in FY 2013, compared to 123 in FY 2012. Refer to Chart 5.

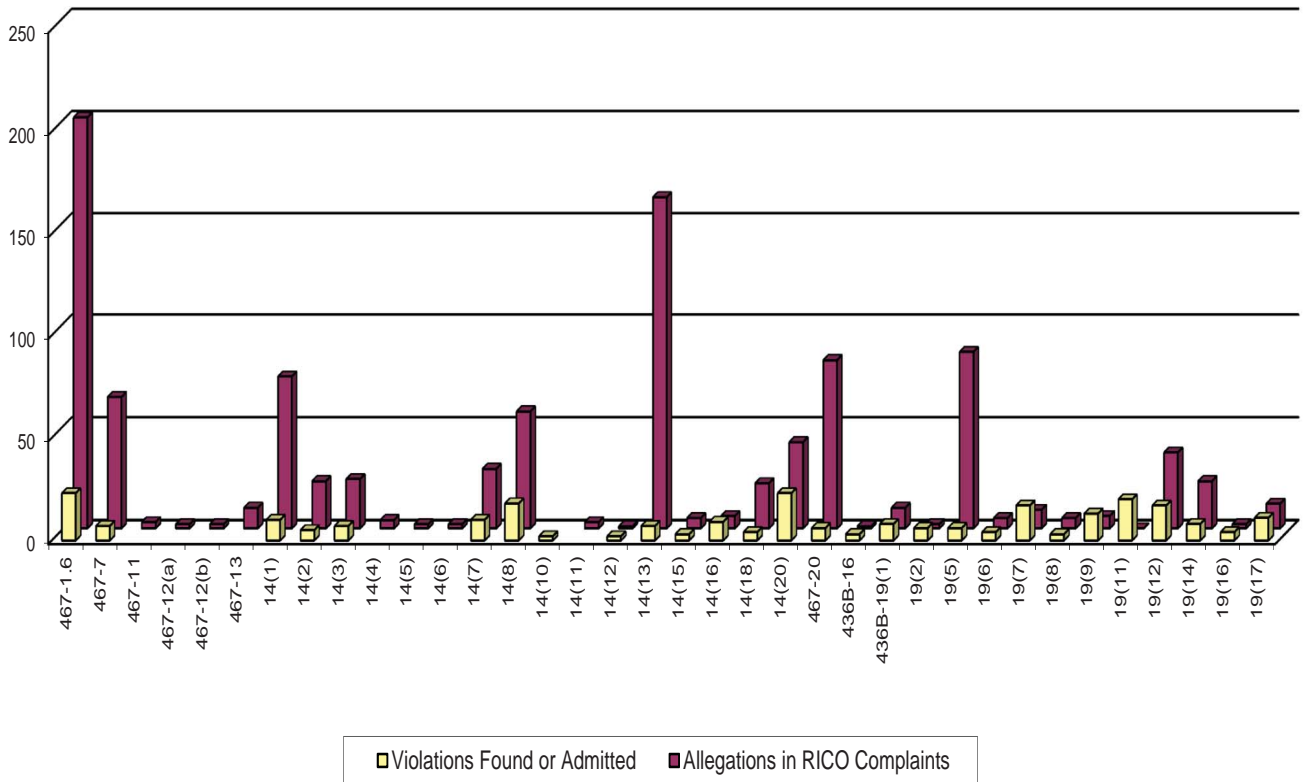
One hundred and thirty two of the complaints are pending, while 59 have been closed. Of the closed complaints, three cases were withdrawn, there were legal actions in four cases, warning letters were issued in six cases, insufficient evidence in eleven cases, four cases were resolved prior to RICO action, and thirty-one cases identified for “Records Only”.

Charts 6 and 7 show the number of cases in which specific provision of the law or rule were violated or alleged to be violated. The allegations are based on RICO complaints. The violations found or admitted show the number of disciplinary action cases in which the licensee(s) admitted or the hearings officer found a violation of a specific rule or law. In disciplinary actions that are concluded by settlement agreement, there often is no admission of violations.

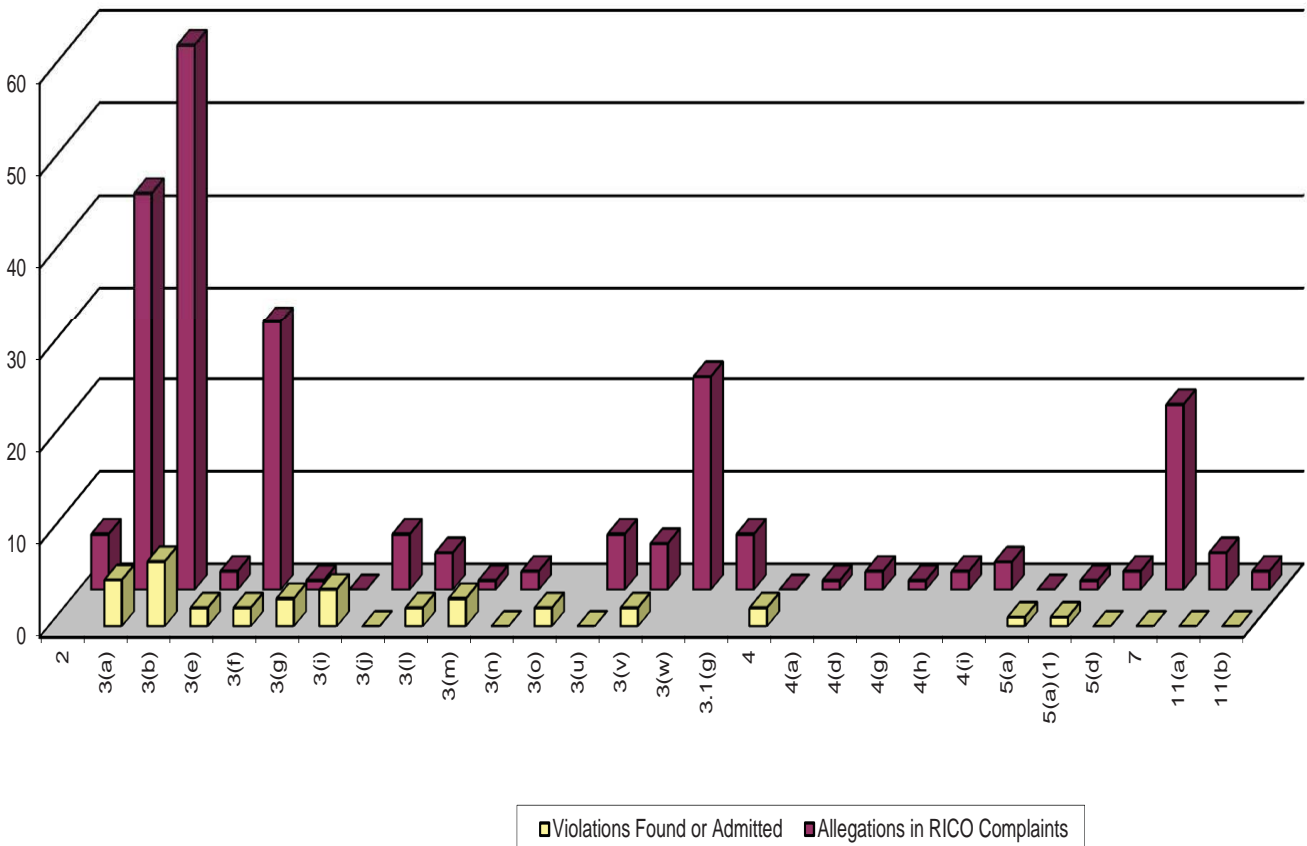
**CHART 5. RICO Complaints (Real Estate FY 2003-2013)**



**Chart 6. Statutory Violations (HRS Ch. 467 and 436B)**



**Chart 7. Rules Violations (Chapter 99, HAR)**





## Statutory Violations (HRS Ch. 467)

- §467-1.6 Principal brokers management, supervision and responsibilities.
- §467-7 Licenses required to act as a real estate broker or salesperson.
- §467-11 Fees; original license and biennial renewals.
- §467-12(a) A licensed real estate broker shall have and maintain a definite place of business in the State, in compliance with this chapter and the rules of the commission, and shall display therein the real estate broker's license and upon request make available any associating real estate salesperson's license.
- §467-12(b) No real estate broker's branch office shall operate without a registration previously obtained under and in compliance with this chapter and the rules of the commission.
- §467-13 Delivery of agreement.
- §467-14(1) Making any misrepresentation concerning any real estate transaction.
- §467-14(2) Making any false promises concerning any real estate transaction of a character likely to mislead another.
- §467-14(3) Pursuing a continued and flagrant course of misrepresentation.
- §467-14(4) Without first having obtained the written consent to do so of both parties involved in any real estate transaction, acting for both the parties in connection with the transaction, or collecting or attempting to collect commissions or other compensation for the licensee's services from both of the parties.
- §467-14(5) When the licensee, being a real estate salesperson, accepts any commission or other compensation for the performance of any of the acts enumerated in the definition set forth in section 467-1 of real estate salesperson from any person other than the real estate salesperson's employer or the real estate broker with whom the real estate salesperson associates or, being a real estate broker or salesperson, compensates one not licensed under this chapter to perform any such act.
- §467-14(6) Salesperson acting or attempts to act as a real estate broker or represents or attempts to represent any real estate broker other than the one employed or associated with.
- §467-14(7) Failing to account for moneys belonging to others.
- §467-14(8) Conduct constituting fraudulent or dishonest dealings.
- §467-14(10) When the licensee, being a corporation, permits any officer or employee of the corporation who does not hold a real estate broker's license to have the direct management of the real estate brokerage business thereof or permits any officer or employee thereof who does not hold a real estate salesperson's license to act as a real estate salesperson therefor.
- §467-14(11) When the licensee, being a real estate salesperson, fails to file with the commission a written statement setting forth the name of the real estate broker by whom the licensee is employed or with whom the licensee is associated.
- §467-14(12) When the licensee fails to obtain on the contract

between the parties to the real estate transaction confirmation of who the real estate broker represents.

- §467-14(13) Violating this chapter, chapters 484, 514A, 514B, 514E, or 515, or section 516-71, or the rules adopted pursuant thereto.
- §467-14(15) Commingling the money or other property of the licensee's principal with the licensee's own.
- §467-14(16) Converting other people's moneys to the licensee's own use.
- §467-14(18) Failing to ascertain and disclose all material facts concerning every property for which the licensee accepts the agency, so that the licensee may fulfill the licensee's obligation to avoid error, misrepresentation, or concealment of material facts; provided that for the purposes of this paragraph, the fact that an occupant has AIDS or AIDS Related Complex (ARC) or has been tested for HIV (human immunodeficiency virus) infection shall not be considered a material fact.
- §467-14(20) Failure to maintain a reputation for or record of competency, honesty, truthfulness, financial integrity, and fair dealing.
- §467-20 False statement.

## Statutory Violations (HRS 436B)

- §436B-16 Notice of judgments, penalties.
- §436B-19(1) Failure to meet or maintain the conditions and requirements necessary to qualify for the granting of a license.
- §436B-19(2) Engaging in false, fraudulent, or deceptive advertising, or making untruthful or improbable statements.
- §436B-19(5) Procuring a license through fraud, misrepresentation, or deceit.
- §436B-19(6) Aiding and abetting an unlicensed person to directly or indirectly perform activities requiring a license.
- §436B-19(7) Professional misconduct, incompetence, gross negligence, or manifest incapacity in the practice of the licensed profession or vocation.
- §436B-19(8) Failure to maintain a record or history of competency, trustworthiness, fair dealing, and financial integrity.
- §436B-19(9) Conduct or practice contrary to recognized standards of ethics for the licensed profession or vocation.
- §436B-19(11) Engaging in business under a past or present license issued pursuant to the licensing laws, in a manner causing injury to one or more members of the public.
- §436B-19(12) Failure to comply, observe, or adhere to any law in a manner such that the licensing authority deems the applicant or holder to be an unfit or improper person to hold a license.
- §436B-19(14) Criminal conviction.
- §436B-19(16) Employing, utilizing, or attempting to employ or utilize at any time any person not licensed under the licensing laws where licensure is required.
- §436B-19(17) Violations of Chapter 467, HRS, or any other rule or order of the licensing authority.



## Rules Violations (Chapter 99, HAR)

- §16-99-2 Definitions.
- §16-99-3(a) Licensee shall fully protect the general public in its real estate transactions.
- §16-99-3(b) Licensee shall protect the public against fraud, misrepresentation, or unethical practices in the real estate field.
- §16-99-3(c) The broker shall keep in special bank accounts, separated from the broker's own funds, moneys coming into the broker's possession in trust for other persons, such as escrow funds, trust funds, clients' moneys, rental deposits, rental receipts, and other like items.
- §16-99-3(f) Licensee shall see that financial obligations and commitments are in writing.
- §16-99-3(g) Licensee shall not acquire property without making the true position known in writing to the owner.
- §16-99-3(i) The brokerage firm shall not submit or advertise property without written authorization, and in any offering the price quoted shall not be other than that agreed upon with the owner as the offering price.
- §16-99-3(j) A licensee shall transmit immediately all written offers in any real estate transaction as defined in section 16-99-3.1 to the listing broker who has a written unexpired exclusive listing contract covering the property. Each written offer, upon receipt by the listing broker, shall be transmitted to the seller immediately. In the event that more than one formal written offer on a specific property is made before the owner has accepted an offer, any other formal written offer presented to the broker, whether by a prospective purchaser or another broker, shall be immediately transmitted to the owner for decision. If an offer or counter offer is rejected, the rejection shall be noted on the offer or counter offer, or in the event of seller's or buyer's neglect or refusal to do so, the broker for the rejecting party shall note the rejection on the offer or counter offer and a copy shall be returned immediately to the originator of the offer or counter offer.
- §16-99-3(l) A licensee shall not place any sign or advertisement indicating a property is for sale, rent, lease, or exchange without the written authorization of the owner or seller and approval of the principal broker or broker in charge.
- §16-99-3(m) There shall be a principal broker or one or more brokers in charge, or both, at the principal place of business, and one or more brokers in charge at a branch office who shall be immediately responsible for the real estate operations conducted at that place of business.
- §16-99-3(n) A brokerage firm shall maintain a principal place of business located in this State at a business address registered with the commission from which the brokerage firm conducts business and where the brokerage firm's books and records are maintained.
- §16-99-3(o) Prior to the time the principal broker or the broker in charge is absent from the principal place of business for more than thirty calendar days, and no other broker in charge is registered with the principal place of business, the principal broker shall submit to the commission a signed, written notification of the absence designating a temporary principal broker or temporary broker in charge, who shall acknowledge the temporary designation by signing the notification. In case of prolonged illness or death where the principal broker or broker in charge is unable to act, another broker shall be designated as the temporary principal broker or broker in charge within thirty days of the illness or death with appropriate notification to the commission. A temporary principal broker or broker in charge arrangement shall not exceed a period of six months, with the right to extend prior to expiration for another six months for good cause and with the approval of the commission.
- §16-99-3(u) The licensee shall not add or modify the terms of a party to a transaction without written consent of all the parties.
- §16-99-3(v) The licensee shall not convert other people's moneys to the licensee's own use.
- §16-99-3(w) Violation of any part of this chapter may be cause for revocation or suspension of license.
- §16-99-3.1(g) A licensee may not be the agent for both the buyer and the seller without obtaining the written consent of both the buyer and the seller. The written consent shall state that the licensee made a full disclosure of the type of representation the licensee will provide and shall briefly describe the type of representation the licensee will provide to the buyer and to the seller. A general statement in the consent signed by the buyer and seller that the licensee represents both buyer and the seller is not sufficient.
- §16-99-4 Client's account; trust funds; properties other than funds.
- §16-99-4(a) Every brokerage firm that does not immediately place all funds entrusted to the brokerage firm in a neutral escrow depository, shall maintain a trust fund account in this State with some bank or recognized depository, which is federally insured, and place all entrusted funds therein. The trust fund account shall designate the principal broker as trustee and all trust fund accounts, including interest bearing accounts, shall provide for payment of the funds upon demand.
- §16-99-4(d) Every brokerage firm shall deposit or place trust funds received into a neutral escrow depository or in a trust fund account with some bank or recognized depository, which is federally insured, by the next business day following their receipts.
- §16-99-4(g) Property of others coming initially into the possession, custody, or control of a salesperson or broker-salesperson, to be held in trust for the benefit of the depositor, and or for the benefit of third persons, shall be received on behalf of the salesperson's or broker-salesperson's principal broker or broker in charge, and shall be delivered immediately by the next business day after receipt to the salesperson's or broker-salesperson's

principal broker or broker in charge, unless the salesperson or broker-salesperson is instructed as to another time in writing by the depositor. The received property shall include but not be limited to: cash or checks as down payments, earnest money deposits, security deposits, and rental income; other checks payable to third persons or trust accounts; and personal property other than cash or checks.

§16-99-4(h) The principal broker or broker in charge shall not commingle client's funds with other moneys.

§16-99-4(i) A salesperson, broker-salesperson, or employee shall not handle trust properties in any way without the express written authorization of the person's principal broker or broker in charge. A principal broker or broker in charge may authorize a salesperson, broker-salesperson, or employee, in writing, to place trust properties on behalf of the brokerage firm anywhere the principal broker or broker in charge could place them, but shall not authorize any other disposition. A principal broker or broker in charge shall be held responsible for any trust properties the principal broker or broker in charge authorizes a salesperson, broker-salesperson, or employee to handle.

§16-99-5(a) Each individual licensee shall file with the commission and shall notify the commission of any change in writing, within ten days of the change, on a form provided by the commission.

§16-99-5(a)(1) Reporting change within ten days of change in the licensee's legal name, residence address, and mailing address.

§16-99-5(d) A principal broker or broker in charge shall release a licensee from employment or association within ten days upon written request. Any individual licensee who changes employing or associating brokerage firm shall notify the commission in writing, on a form provided by the commission, within ten days of the change, or immediately place the individual's license on inactive status.

§16-99-7 The biennial renewal fee and completed renewal application shall be submitted on or before the commission prescribed deadline. Unless renewed, all real estate licenses expire at the end of every even numbered year. When the renewal deadline falls on a non-working day, renewal fees paid by mail shall be considered as paid when due if the envelope bears a postmark of no later than the first working day thereafter. Failure to submit a completed renewal application and failure to pay the renewal fee when due, or if the check is not honored by the bank for whatever reason, shall constitute automatic forfeiture of license. The principal broker shall see to it that all licensees are currently licensed at all times during employment or association.

§16-99-11(a) All real estate advertising and promotional materials shall include the legal name of the brokerage firm or a trade name previously registered by the brokerage firm with the business registration division and with the commission.

§16-99-11(b) No licensee shall advertise "For Sale by Owner," "For Rent by Owner," "For Lease by Owner," or "For Exchange by Owner."

## EDUCATION REVIEW COMMITTEE REPORT

The Education Review Committee, for fiscal year 2013, under the leadership of Chair Walter Harvey and Vice Chair Aileen Wada, continued to address important and varied education issues.

### FY 2013 PROGRAM OF WORK

**Continuing Education Core Course** – The Commission researched and developed its core course on laws and rules updates, and brokerage policies and procedures manuals for the first year of the licensing biennium and provided recommendations on future topics for the core course.

**Salesperson Curriculum and Resources** – The salesperson’s curriculum continued to be offered in both live classroom and independent study/online format.

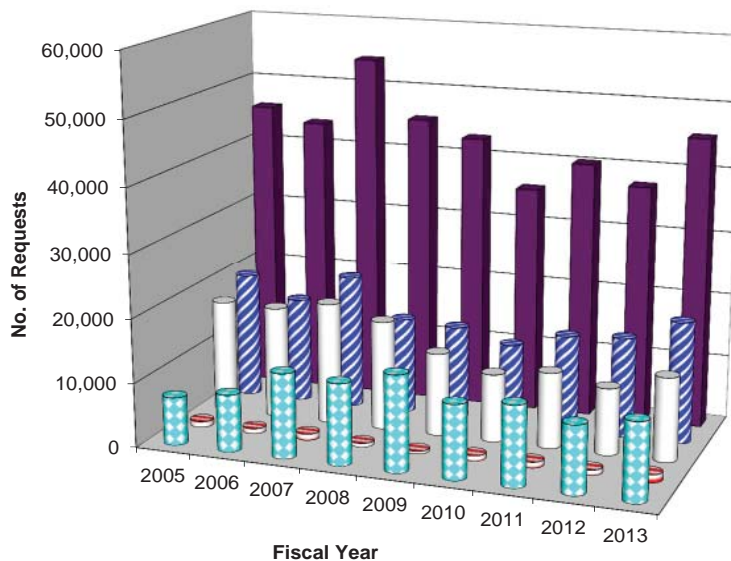
**Broker Curriculum and Resources** – The broker’s curriculum continued to be offered in both live classroom and independent study/online format.

**Advice, Education, and Referral** – Staff continued to provide advice, education,

and referral to applicants, licensees, government officials, consumers, public, organizations, including the research, reproduction of materials and mailings. It developed a distribution system of educational and informational products for each principal broker and broker-in-charge. Staff also published and distributed educational and informational materials and provided educational material through the Commission’s website.

Staff continued to field a high number of telephone, walk-in, written inquiries, faxes, and emails. For real estate, the fiscal year produced 18,922 telephone inquiries; 1,231 walk-in inquiries; 13,038 applications, written inquiries/requests, faxes; and 12,095 emails. See Chart 8.

**CHART 8. Inquiries and Applications (FY 2005-2013)**



	2005	2006	2007	2008	2009	2010	2011	2012	2013
E-mail	7,499	8,886	13,193	12,648	14,950	11,528	12,444	10,545	12,095
Walk-ins	904	807	996	594	436	820	916	816	1,231
Applications / written requests	17,574	17,439	18,985	17,037	12,910	10,596	11,821	10,390	13,038
Telephone calls	19,738	16,478	20,995	14,999	14,576	12,635	14,965	15,518	18,922
Total	45,715	43,610	54,169	45,278	42,872	35,579	40,146	37,269	45,286

**Administration of Prelicense Education Program, Schools and Instructors** – The Commission provided administrative review and an approval process for applications, disseminated information regarding renewals and certification, and provided appropriate records management. It coordinated the instructor’s examination program with its test administrator, PSI, and administered an evaluation system of independent study schools. Staff researched, developed, printed, and distributed the quarterly School Files, a newsletter for educators. This was a joint program with the Continuing Education Program.

**Administration of Examinations** – The Commission administered the real estate licensing examination program, including contract administration with its test administrator, PSI, and provided information regarding the exam process, reviewed amendments to test candidate booklets, evaluated periodic examination reports and kept abreast of daily exams. The Commission, along with PSI, conducted a Test Development Workshop and an Educators Forum October 3-4, 2012.

**Table 2. Real Estate Licensing Examination**

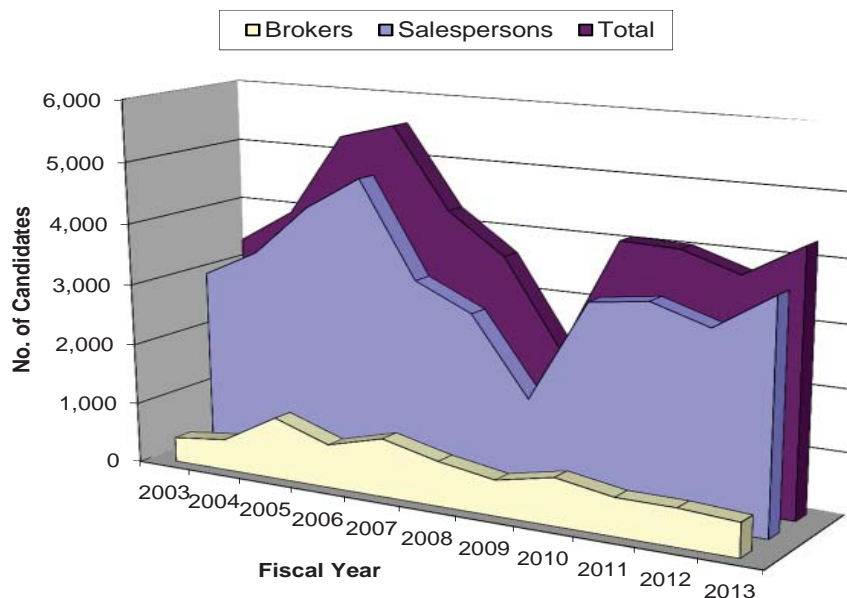
	FY 2012	FY 2013	% Change
Brokers Tested*	614	554	-9.8%
Salespersons Tested*	3118	3720	19.3%
Total Tested	3732	4274	14.5%
Brokers Passed**	293	297	1.4%
Salespersons Passed**	1599	1810	13.2%
Total Passed	1892	2107	11.4%
% Brokers Pass*	47.7%	53.6%	
% Salespersons Pass*	51.3%	48.7%	

\*First time and retakers

\*\*National and/or State Portion

PSI continued offering testing at least five days a week including Saturdays in Honolulu, twice a month on Maui and the Big Island, and once a month on Kauai. As shown in Table 2 and Chart 9, the number of total examination attempts by candidates increased 14.5% from the last fiscal year. Staff periodically monitors the examination administration on each island to assure facilities and procedures comply with PSI and Commission policies.

**CHART 9. Licensing Examination Candidates (FY 2003-2013)**



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Brokers	409	516	1,022	714	957	735	583	777	620	614	554
Salespersons	3,012	3,458	4,283	4,838	3,306	2,884	1,638	3,285	3,410	3,118	3,720
Total	3,421	3,974	5,305	5,552	4,263	3,619	2,221	4,062	4,030	3,732	4,274

There were 192 applications approved for equivalency to the uniform section of the examination to candidates licensed in another state who passed that state's uniform section of the examination. This represents a 28.9% decrease from the last fiscal year's total of 270 approvals.

#### **Administration of Continuing Education (CE) Program, Providers, and Instructors –**

The Commission administered the continuing education program including the registration of providers, certification of courses and provided timely information and records management, as appropriate. Staff updated the Online Real Estate Continuing Education website as needed.

The Commission also published a quarterly newsletter, School Files, exclusively for the real estate education community. It provided schools, instructors, and continuing education providers' information on administrative procedures, changes in licensing laws, and other articles relevant to the delivery of real estate education. As with the Bulletin, School Files was published in print and in electronic format.

#### **Administration of Continuing Education Elective Courses –**

The Commission provided administrative information to elective course providers and licensees, assisted providers in submissions, reviewed submitted applications, reviewed submitted curriculum, made recommendations, and assisted with records management. The Online Real Estate Continuing Education system continues to provide real estate licensees with the ability to view the number of CE hours required and earned for the current licensing period, their CE history, and the ability to search for future CE courses being offered by approved CE providers. Real estate licensees are also able to access and reprint their own course completion certificates for the current and previous biennia, whereas, formerly this was done by the CE providers. Additionally, real estate principal brokers and brokers-in-charge were able to

monitor and view the current CE hours, CE history, and license status of all licensees associated with the brokerage. The system was updated daily.

During the fiscal year, there were 305 newly approved CE courses, a 174.8% increase from the approved 111 CE courses in the previous fiscal year. There were a total of 42 approved CE providers that offered 1,187 classes to 49,079 participants.

#### **Ad Hoc Committee on Education –**

The Commission's Ad Hoc Committee on Education reviewed, recommended, assisted in development, updated, and administered education-related projects and continuing education. There were four Ad Hoc Committee on Education meetings during the fiscal year: August 28, 2012, January 24, 2013, April 18, 2013, and May 23, 2013. The Ad Hoc Committee on Education assisted in the development of the topics for the Commission's 2013-2014 Core Course, Part A.

**Meetings and Symposium –** The Commission, with staff support, planned, coordinated, and conducted monthly Education Review Committee meetings.

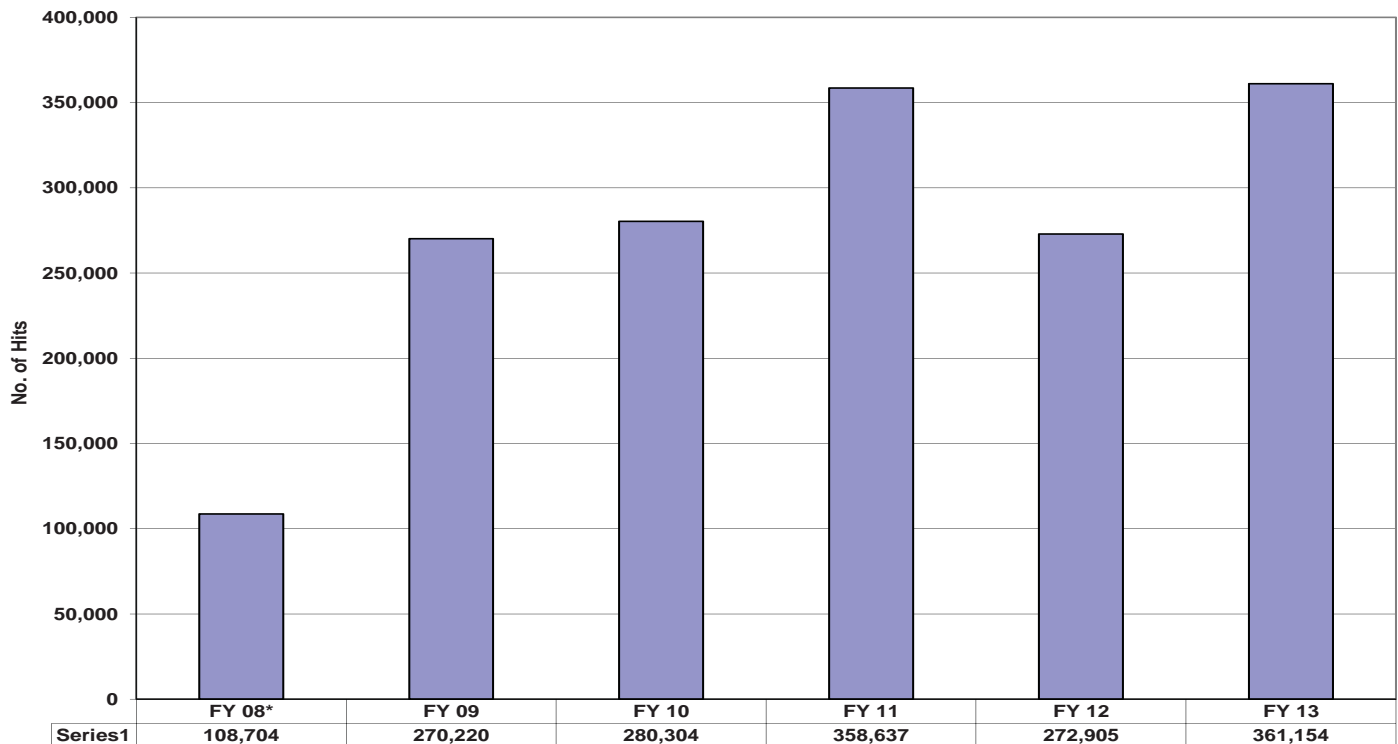
#### **Annual Report and Quarterly Bulletin –**

Staff researched, developed and distributed the Commission's Annual Report. Staff researched, edited, printed, and distributed the quarterly Real Estate Commission Bulletin; and continued contract administration with consultant and procurement code management.

The Commission continued to publish the Hawaii Real Estate Commission Bulletin in a traditional newsletter format that was mailed to all current licensees, legislators, government officials, ARELLO jurisdictions, and other interested parties. It was also available in electronic format on the Commission's website at [www.hawaii.gov/hirec](http://www.hawaii.gov/hirec).



## CHART 10. Website Hits



\*Webstats available for the period of January 11 through June 30, 2008 only

In contrast to the Bulletin, the Commission's Annual Report is primarily an electronic publication. A limited number of printed copies were distributed to the Legislature and to the Governor. Interested licensees and members of the public are able to download and print the report from the Commission's website.

**Real Estate Education Fund** – The Commission maintained and reviewed the budget, finance, and records for the Real Estate Education Fund; prepared quarterly and annual financial statements; prepared annual and biennial budgets; and administered fund investment programs, including contract administration and procurement code management.

**Neighbor Island Outreach** – The Commission held Committee meetings in Hilo on September 12, 2012, on Maui January 9, 2013, and on Kauai June 12, 2013. The meetings, when held, afford neighbor island licensees, government officials, and interested parties an opportunity

to attend and participate in the committee meetings.

### **Interactive Participation with Other Organizations**

– The Commission continued its participation in events sponsored by local and national organizations. On a national level, the Commission continued its active participation with the ARELLO and the Real Estate Educators Association. Participation in local, national and international organizations offers an opportunity to learn about the latest issues, trends, and solutions in the industry, exchange information and concerns, share education and research efforts, joint projects of mutual concern, and training.

**Real Estate Seminars** – The Commission contracted with the Hawaii Association of REALTORS® to provide a statewide seminar during the 2011-2012 biennium. The real estate seminar, "When Geek Meets Greek" was offered on all major islands in October 2012.

**Legislative Participation, Research, and Report** – The Commission researched, participated, and reported on requests by the Legislature, including resolutions, agreements, and issues of mutual concern.

**Evaluation and Education System for CE and Prelicensing Instructors, Courses, Providers, and Schools** – The Commission administered an evaluation system of prelicensing independent study courses and continuing education instructors for the Commission.

**Real Estate Specialists’ Office for the Day** – The Specialists’ Office for the Day provided staff with an opportunity to meet in person with licensees, applicants, prospective licensees, and members of the public. An additional benefit when the sessions are held at the local Boards of REALTORS®’ offices is the opportunity to exchange information with the staff and membership of the local Boards. In conjunction with the Neighbor Island Outreach, the Specialists’ Office for the Day was held on September 12, 2012, in Hilo, Hawaii, on January 9, 2013, in Kahului, Maui, and on June 12, 2013, in Lihue, Kauai.

**Real Estate Speakership Program** – Subject to State government approvals and priorities, the Commission, along with staff, honored requests to provide a speaker, resource person, or be an active participant in functions related to real estate education.

**Prelicensing Education Equivalency Administration** – The Commission administered applications for prelicensing education equivalencies, including consultation with ARELLO.

**Uniform Section Equivalency of Prelicensing Examination** – The Commission administered applications for the equivalency to the uniform part of the exam based on passage of the uniform part of another state’s exam.

**Technology and Website** – Staff administered an in-house network computer system in coordination with Department of Commerce and Consumer Affairs’ Information Systems coordinator. Staff also conducted in-house training, coordinated the purchase of computer hardware and software, and developed database programming.

The Commission’s website, [www.hawaii.gov/hirec](http://www.hawaii.gov/hirec), is available seven days a week, 24 hours each day for information, forms, and applications. The website has received well over 361,154 real estate and condominium related hits. Due to a change in the program adopted by the State Information Systems and Communications Office, some previously collected webstats are no longer available. See Chart 10.

**Records Management** – Staff evaluated, planned, reorganized, and implemented a centralized, consistent, user friendly, computerized glossary of existing and future records and files.

**Information Distribution System** – Staff researched, developed, and implemented a centralized information distribution system for all the education products produced by the Commission. Staff standardized policies and procedures for distribution, purchasing, copyright, specific permission copying or generic permission copying of brochures, reports, and video tapes.

**New Salesperson and New Broker Start-up Kits** – Staff packaged and distributed start-up kits to newly licensed salespersons and brokers.

**Cooperative Education, Research, and Administration Program** – The Commission actively participated in and sponsored cooperative education, research, and administrative programs for those individuals, branches, divisions, department personnel, and the Department of Attorney General that



provided direct or indirect services to the Commission or were part of a real estate-related program.

**Division and Department Programs –**

The Commission coordinated activities and programs of mutual concern with the Professional and Vocational Licensing Division and the Department of Commerce and Consumer Affairs.

**Staff and Commissioners Development –**

Staff developed and trained staff and Commissioners for better administration of the real estate programs. Commissioners, as well as staff, participated in training and educational opportunities provided by the Real Estate Educators Association, ARELLO, Condominium Associations Institute, Council on Licensure, Enforcement and Regulation, and other organizations.

**Real Estate Reference Library –**

The Commission subscribed and purchased real estate reference materials for public review.

## Licensees

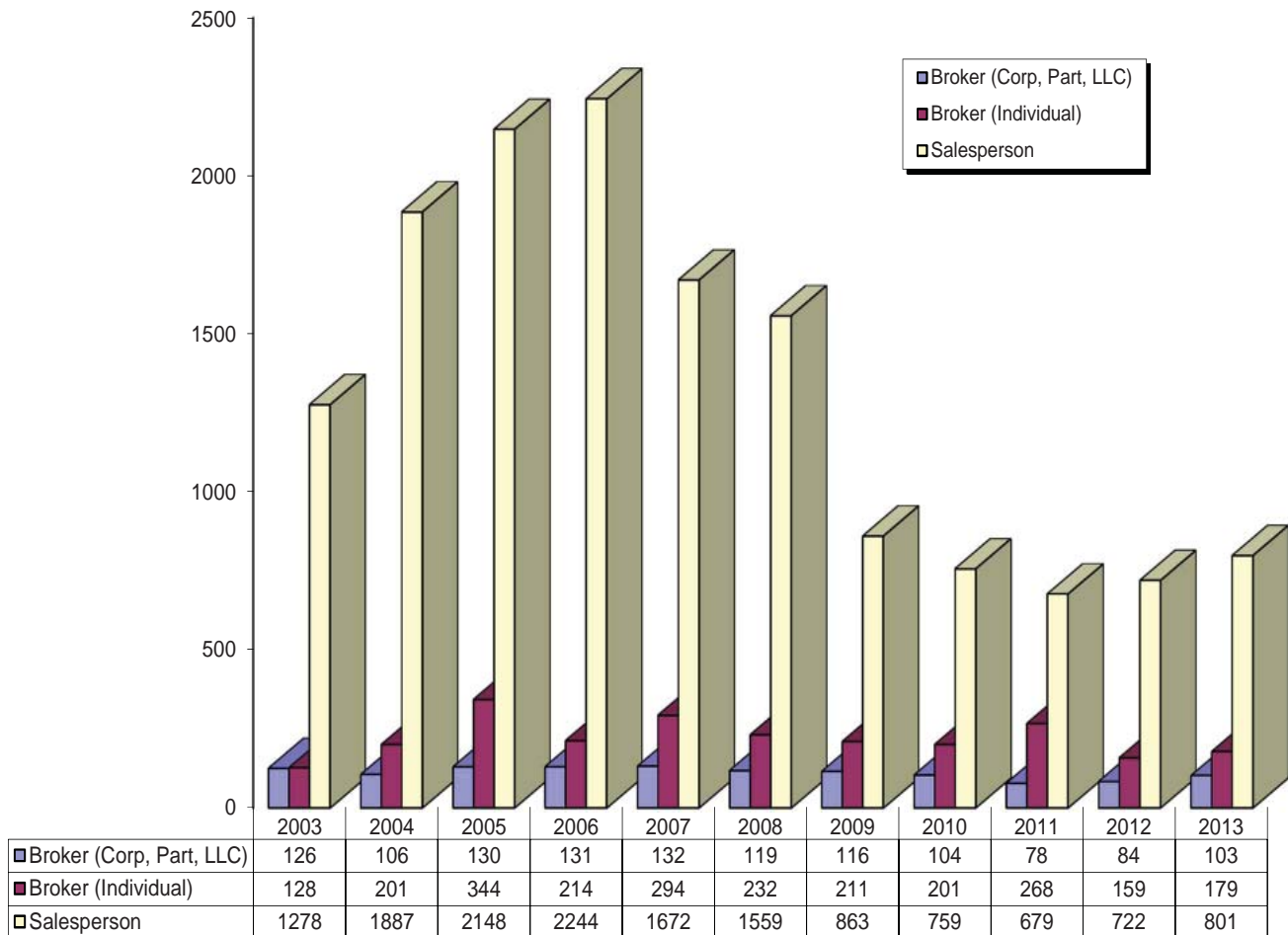
### New Licenses

During FY 2013, 1,083 new licenses were issued. The number of new licenses issued in FY 2013 increased 12.2% over the prior fiscal year. Individual broker licenses increased by 12.6%, new salesperson licenses increased by 10.9%, and new entity licenses increased by 22.6%. Refer to Chart 11.

### Current Licenses

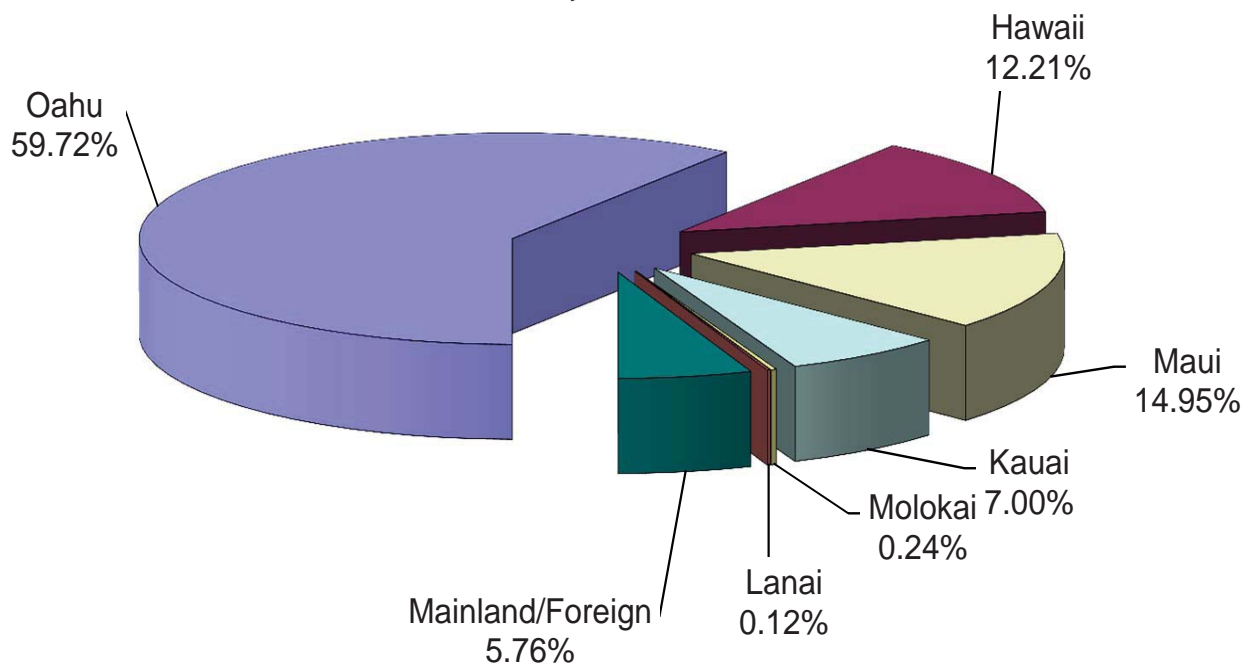
The overall number of current real estate licenses decreased 8.5% by the end of FY 2013. In FY 2013, active licenses decreased 3% over last year, while inactive licenses decreased 20.2%. There was a .6% decrease of active licenses on Maui, a .2% decrease on Kauai, a 3% decrease on Hawaii, a 3.8% decrease on Oahu, a 9.5% decrease on Molokai and a 20% decrease on Lanai. Refer to Table 3, Charts 12 and 13.

**CHART 11. New Real Estate Licenses Issued**



**Table 3. Current Real Estate Licensees - By License Type and Island (July 2013)**

	Oahu	Hawaii	Maui	Kauai	Molokai	Lanai	Other	Total
<b>Active</b>								
Broker	1,925	473	481	223	14	3	56	3,175
Salesperson	4,118	800	1,099	472	16	6	140	6,651
Sole Proprietor	647	116	101	60	4	1	3	932
Corporation, Partnership, LLC	958	248	239	114	4	2	4	1,569
<b>Total Active</b>	<b>7,648</b>	<b>1,637</b>	<b>1,920</b>	<b>869</b>	<b>38</b>	<b>12</b>	<b>203</b>	<b>12,327</b>
<b>Inactive</b>								
Broker	267	56	40	23	0	1	212	599
Salesperson	2,318	399	601	310	4	6	562	4,200
Sole Proprietor	1	0	0	0	0	0	0	1
Corporation, Partnership, LLC	28	6	7	1	0	1	13	56
<b>Total Inactive</b>	<b>2,614</b>	<b>461</b>	<b>648</b>	<b>334</b>	<b>4</b>	<b>8</b>	<b>787</b>	<b>4,856</b>
<b>Active and Inactive</b>								
Broker	2,192	529	521	246	14	4	268	3,774
Salesperson	6,436	1,199	1,700	782	20	12	702	10,851
Sole Proprietor	648	116	101	60	4	1	3	933
Corporation, Partnership, LLC	986	254	246	115	4	3	17	1,625
<b>Total</b>	<b>10,262</b>	<b>2,098</b>	<b>2,568</b>	<b>1,203</b>	<b>42</b>	<b>20</b>	<b>990</b>	<b>17,183</b>

**CHART 12. Real Estate Licensees - By Island**

**CHART 13. Total Real Estate Licensees**

## FY 2014 PROGRAM OF WORK

### Education Review Committee

- Continuing Education Core Course
- Salesperson Curriculum and Resources
- Broker Curriculum and Resources
- Education, and Referral
- Administration of Prelicense Education Program, Schools, and Instructors
- Administration of Examinations
- Administration of Continuing Education Program, Providers, and Instructors
- Administration of Continuing Education Elective Courses
- Ad Hoc Committee on Education
- Meetings and Symposium
- Annual Report and Quarterly Bulletin
- Real Estate Education Fund
- Neighbor Island Outreach
- Interactive Participation with Organizations
- Real Estate Seminars
- Legislative Participation, Research, and Report
- Instructor's Development Workshop
- Evaluation and Education System for Continuing Education and Prelicensing Instructors, Courses, Providers, and Schools
- Real Estate Specialists' Office for the Day
- Real Estate Speakership Program
- Prelicensing Education Equivalency Administration
- Uniform Section Equivalency of Prelicensing Examination
- Technology and Website
- Records Management
- Information Distribution System
- New Salesperson and New Broker Start-up Kits
- Cooperative Education, Research, and Administration Program
- Division and Department Programs
- Staff and Commissioners Development
- Real Estate Reference Library

## CONDOMINIUM REVIEW COMMITTEE REPORT

For fiscal year 2013, under the leadership of Chair Scott Sherley and Vice Chair Bruce Faulkner, the Condominium Review Committee continued with the implementation challenges of Chapter 514B, Hawaii Revised Statutes (HRS). During this same period, the Condominium Review Committee continued with the administration of the original condominium law, Chapter 514A, HRS, as well as other planned programs of work.

The Condominium Review Committee is a Commission standing committee that holds monthly public meetings in which condominium issues are presented, discussed, examined, and considered. It is a working committee that handles “nuts and bolts” issues. Developers, apartment owners, boards of directors, condominium managing agents, attorneys, educators, researchers, government officials, and others with condominium concerns participate at the meetings. The responsibilities of the Condominium Review Committee include: registration of condominium projects by developers; condominium association registrations; and governance, education and research programs, inclusive of the programs funded under the Condominium Education Trust Fund.

Pursuant to § 514B-71, HRS, the law allows the Commission to expend monies from the Condominium Education Trust Fund funds for educational purposes, including financing or promoting:

1. Education and research in the field of condominium management, condominium project registration, and real estate, for the benefit of the public and those required to be registered under this chapter;
2. The improvement and more efficient administration of associations;
3. Expeditious and inexpensive procedures for resolving association disputes; and
4. Support for mediation of condominium related disputes.

The Commission may use any and all moneys in the Condominium Education Trust Fund for purposes consistent with the above. Additionally, the law requires the Commission to submit to the legislature annually: (1) a summary of the programs funded during the prior fiscal year with funds from the Condominium Education Trust Fund; (2) the amount of money in the fund; (3) a copy of the budget for the current fiscal year, including summary information on programs which were funded or are to be funded; (4) a statement of which programs were directed specifically at the education of condominium owners; (5) summary information on programs that were funded or are to be funded and the target audience for each program; and (6) a budget for the current fiscal year that includes a line item reflecting the total amount collected from condominium associations.

## FY 2013 PROGRAM OF WORK

**Condominium Laws and Education** – Concurrently with the administration of Chapter 514A, HRS, the Commission participated in the legislative process to fine-tune Chapter 514B, HRS, effective July 1, 2006, and the continued implementation of this law. With the help of stakeholder organizations and volunteers, the Commission continued the development and refinement of new and amended forms (including web based online fillable forms), instructions, informational sheets, procedures and evaluative processes, curriculum, materials and handouts. With the assistance of stakeholder organizations, the Commission continued with a statewide promotion and delivery of Commission-subsidized seminars.

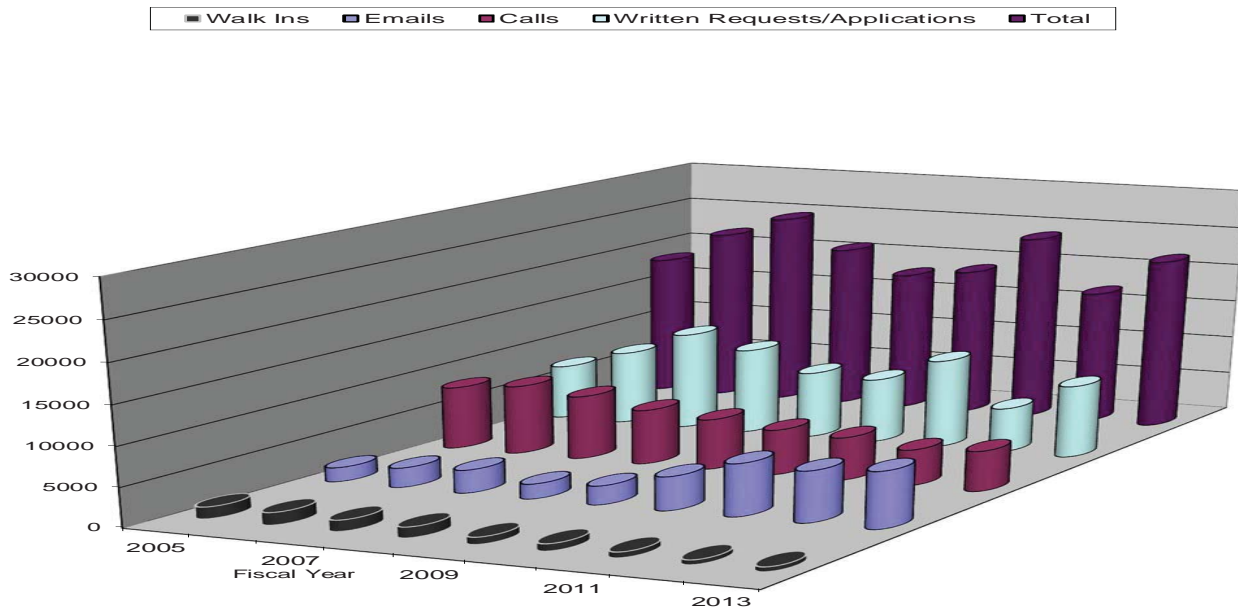
Pursuant to Subchapter 5 of Chapter 201, Title 16, Hawaii Administrative Rules, the Condominium Review Committee issued three informal non-binding interpretations of the provisions of Chapter 514B, HRS,

and made them available to interested parties directly and online at the Commission’s website.

In implementing Chapter 514B, HRS, the Condominium Review Committee looks forward to the continuing support of the condominium governance and development communities, attorneys specializing in condominium law, the Hawaii State Bar Association-Real Property Section, and the real estate industry. To these committed organizations and groups, the Commission extends a big Mahalo.

In addition, with the help of stakeholder organizations and volunteers, the Commission continued to review and amend existing Commission-developed educational materials, new and amended forms, instructions, informational sheets, procedures and evaluative processes and explored delivery of educational seminars on the Commission’s website.

**Chart 14. Condominium Advice, Education, and Referral**



	2005	2006	2007	2008	2009	2010	2011	2012	2013
Walk Ins	1473	1551	1388	1322	874	875	690	560	557
Emails	1812	2487	2940	1890	2394	4295	6648	6469	7149
Calls	8064	8863	8157	7014	6459	5783	5479	4590	5135
Written Requests/Applications	7027	9461	12535	11035	8566	8300	11399	5721	9311
<b>Total</b>	<b>18376</b>	<b>22362</b>	<b>25020</b>	<b>21261</b>	<b>18293</b>	<b>19253</b>	<b>24216</b>	<b>17340</b>	<b>22152</b>

**Advice, Education, and Referral** – The Commission responded and provided information to inquiries from the condominium community, developers, consumers, licensees, government officials, organizations, interested parties and the public, via telephone, walk-ins, faxes, written correspondence, emails, the Condominium Bulletin and through the Commission’s website. See Chart 14.

**Condominium Project and Developer’s Public Reports** – Staff continued the implementation and administration of the condominium project registration program, pursuant to Chapters 514A and 514B, HRS. With the help of stakeholder organizations, volunteers, other governmental agencies, and interested attorneys, the Commission continued its evaluation and development of new processes, records, forms, information documents and rules. Staff continued working with procured consultants to assist with condominium project-related tasks. Developer’s public reports were made available for public viewing and copying to disc via the Commission’s website. The Commission continued to study and research the formulation of a comprehensive evaluation system on the project registration and review process, including the use of evaluation forms by developers and attorneys. Staff continued to research and study a plan for the electronic administration of condominium project files, including the scanning of documents on CDs. The Commission continued its work of procuring and contracting with condominium consultants to assist the Commission with the administration of registering condominiums and issuance of effective dates for developer’s public reports, which reports are mandated for sales of condominium units.

**Hawaii Condominium Bulletin** – The Commission continued the research, development, publication and online posting of a quarterly bulletin for the condominium community.

### **Condominium Apartment Owners on the Commission**

The following members of the Real Estate Commission are condominium owner/occupants:

**Stanley Kuriyama**  
**Walt Harvey**  
**Aileen Wada**

The following members of the Real Estate Commission are condominium owners:

**Rowena Cobb**

During FY 2013, in continuing efforts at conservation, the Commission maintained the online distribution of the Condominium Bulletin. Staff continued the procurement code management and administration of the contract with consultants assisting in the design, layout, and online publication of the Bulletin. During this fiscal year, the Bulletin included timely articles educating and reminding the condominium community about impending legislation requiring all security guards to be registered with the Department of Commerce and Consumer Affairs by July 1, 2013, an analysis of new non-judicial foreclosure law provisions and collections options for condominium associations, and hurricane season preparedness information contributed by the Insurance Division of the Department of Commerce and Consumer Affairs.

**Condominium Mediation and Arbitration Program** – The Commission subsidized mediation programs on four islands and worked with various mediation providers, including the Mediation Center of the Pacific on Oahu to provide educational seminars about alternative dispute resolution and mediation for boards of directors, apartment owners and condominium managing agents. Evaluative



mediation continued to be offered as a program option along with facilitative mediation. Staff collected statistical information for education and Annual Report purposes (See Chart 15). During FY 2013, the Commission renewed contracts with mediation providers for an additional year. Staff updated the Commission mediation brochure to reflect changes in the law and for distribution to the condominium community on the Commission website. During the 2013 legislative session, a bill proposing an increase in Condominium Education Trust Fund fees to be used solely for mediation was passed with the intent of the law being increased funding and support for mediation as a means of condominium dispute resolution.

**Condominium Association**

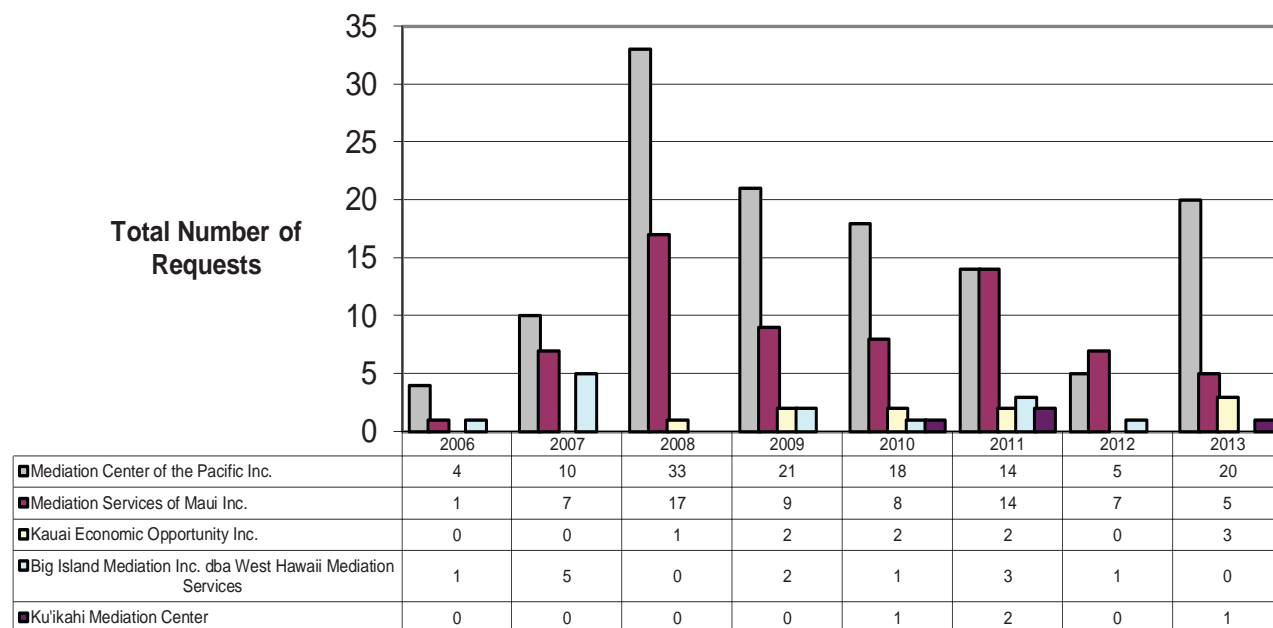
**Registration** – The Commission administered the condominium association registration program, including a review of submitted applications and the assessment of Commission registration policies and proce-

dures. It also considered appeals, subpoenas, and requests for records under Chapter 92F, HRS, and the Office of Information Practices rules and procedures. For FY 2013, the Commission continued its biennial condominium association registration. In FY 2013, there were 1,668 condominium projects registered, representing 158,294 condominium units. In addition, the Commission continued the implementation of an online registration process and made available on the Commission website a list of all association contact information (See Chart 16). The Commission also responded to requests for current lists of pet-friendly, leaseholds, and Neighbor Island and zip-code-specific condominium associations.

**Condominium Seminars and**

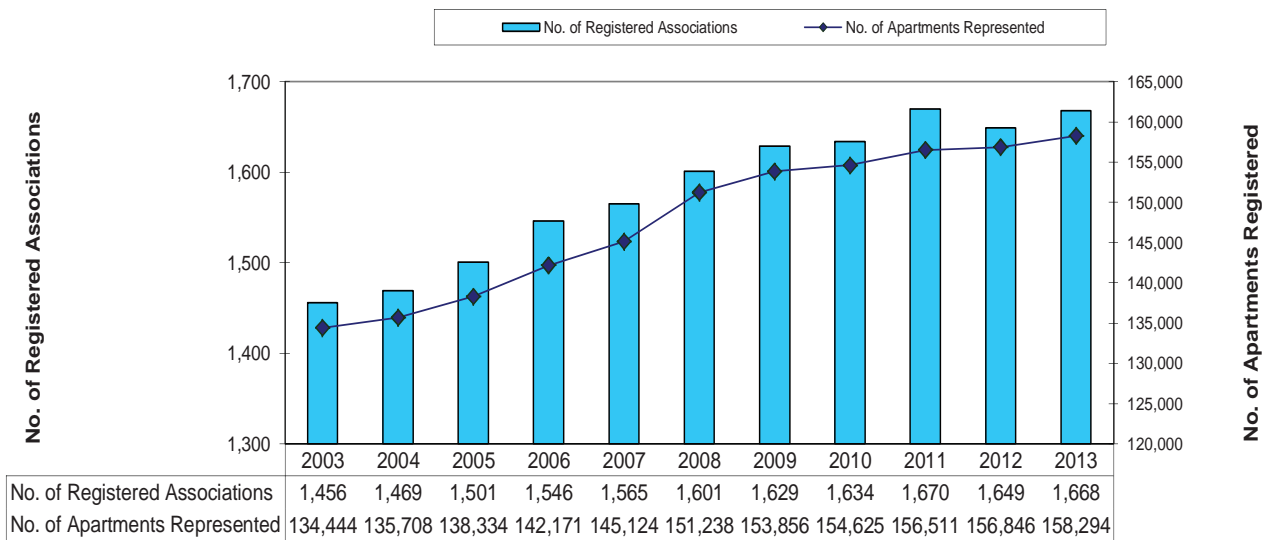
**Symposiums** – The Commission continued to produce seminars for the condominium community utilizing Commission staff, procured providers, and volunteer faculty of representatives from the condominium gov-

**Chart 15. Condominium Governance Mediations**



### Chart 16. Condominium Association Registration

Condominium Association Registration FY 2003 - 2013



ernance, development, and real estate community. The Commission continued to administer Condominium Education Trust Fund subsidies for Commission-approved seminars, including the following for FY 2013:

- August, 2012 – Balancing the Budget, Ways to Save Money and Handle Unexpected Expenses
- September, 2012 – Contracts, Bids and Funding
- February, 2013 – Almost Free Legal Advice
- March, 2013 – Aging Buildings
- April, 2013 – Difficult Owners and Frivolous Lawsuits
- May, 2013 – ABCs

**Ad Hoc Committee on Condominium Education and Research** – The Condominium Review Committee will continue to administer this volunteer group which reviews, recommends and assists in the development, update and administration of condominium education-related projects. The Commission expanded the advisory group’s focus to include recommendations for a Commission

five year educational strategic plan for condominium education.

**Condominium Managing Agents**

**Registration** – Staff reviewed policies and procedures for registration.

**Rulemaking, Chapter 107** – The Commission continued the rulemaking process for HAR, Chapter 107. This fiscal year, at regular monthly meetings, the Commission reviewed preliminary draft rules implementing Chapter 514B, HRS, and welcomed input from stakeholder groups and interested parties.

**Meetings** – The Commission continued to plan, coordinate, and conduct monthly Condominium Review Committee meetings and posts the schedule of meetings and agendas on the Commission’s website. Condominium Review Committee meetings are open to the public and are a means for the condominium consumer to bring issues before the Commission and to become knowledgeable about the issues facing the Condominium Review Committee.



primary residence for a continuous period of not less than two hundred days immediately preceding the date on which the notice is served and the mortgagee subsequently forecloses its lien on the same property.

- **Act 187** – Provides additional support for mediation of condominium related disputes as one of the educational purposes supported by the condominium education trust fund. Beginning with the July 1, 2015 biennium association registration, Act 187 imposes an additional annual condominium education trust fund fee dedicated to supporting mediation of condominium related disputes. Specifies the total fee payable into the condominium education trust fund; requires the real estate commission to make adjustments to the condominium education trust fund to ensure adequate funds are available for mediation of condominium related disputes and any mediation requests are fully accommodated prior to the commencement of the additional annual condominium education trust fund fee.
- **Act 206** – Allows a landlord to get an additional security deposit to pay for damages by a pet animal residing in the premises, providing that no landlord shall require any additional security deposit amount for an assistance animal that is a reasonable accommodation for a tenant with a disability.

The Commission also continued the preparation for printing and distribution of unofficial copies of Chapters 514A and 514B, HRS, and the related administrative rules with current amendments, via its website and hard copies where funds were available.

### **Interactive Participation with**

**Organizations** – The Commission continued active participation with local organizations and government agencies for the exchange of information and concerns, sharing of education and research efforts, and joint projects of mutual concern, training, through attendance, and participation at local meetings, including the Community Associations Institute Hawaii, the Hawaii Council of Community Associations, the Condominium Council of Maui, and the Hawaii State Bar Association. Participation with agencies and organizations included educational programs on Chapter 514B, HRS.

**Neighbor Island Outreach** – The Commission held three Committee meetings on the neighbor islands in FY 2013. Meetings were held in Hilo, Hawaii in September 2012, Maui in January 2013, and Kauaʻi in June 2013. The neighbor island meetings afford neighbor island licensees, government officials, and interested parties the opportunity to attend and participate in the committee meetings.

**Condominium Education Trust Fund** – The Commission continued to administer the Condominium Education Trust Fund for educational purposes during this fiscal year. The Commission prepared, maintained, and reviewed quarterly and annual financial statements, budget and finance records for both educational funds, and administered the funds' investments.

**Consumer Education** – The Commission's consumer education efforts continued to focus on education through sponsored seminars, responding to telephone, email and written inquiries from the public, and maintaining online educational materials on the Commission's website, including the quarterly Condominium Bulletin. Additional educational programs and services are contingent on efforts of the Commission to increase funding

of the Condominium Education Trust Fund.

**Rulemaking, Chapter 53, Fees** – The Commission continued discussing and coordinating these fee recommendations and related amendments with the Department and the Licensing Administrator. This resulted in an increase in condominium registration fees allocated for the Condominium Education Trust Fund.

**Condominium Property Regime Project Workshop and Meetings** – The Commission's 11 condominium consultants continued to assist the Commission in reviewing condominium project registration documents. In November 2012, the Commission conducted its annual informational session for the condominium consultants providing the consultants an opportunity to come together and share their ideas for facilitating the processing of condominium project registration and documents.

**Condominium Specialists' Office for the Day** – In conjunction with the Commission's Neighbor Island Outreach, the Condominium Specialists Office for the Day was held in Hilo, Hawaii in September 2012, Kahului, Maui in January 2013 and Lihue, Kauai in June 2013.

**Condominium Speakership Program** – Subject to State government approvals and priorities, the Commission honors requests to provide a speaker, resource person, or participant in a function related to condominium education, the condominium law and related issues, and condominium project registration. This program allows staff to educate the general public and condominium owners in particular, about the condominium law. In July 2012, condominium specialists attended a KHON Action Line volunteers' meeting to discuss Chapter 514B, HRS, and answer questions from the volunteers about condominium issues.

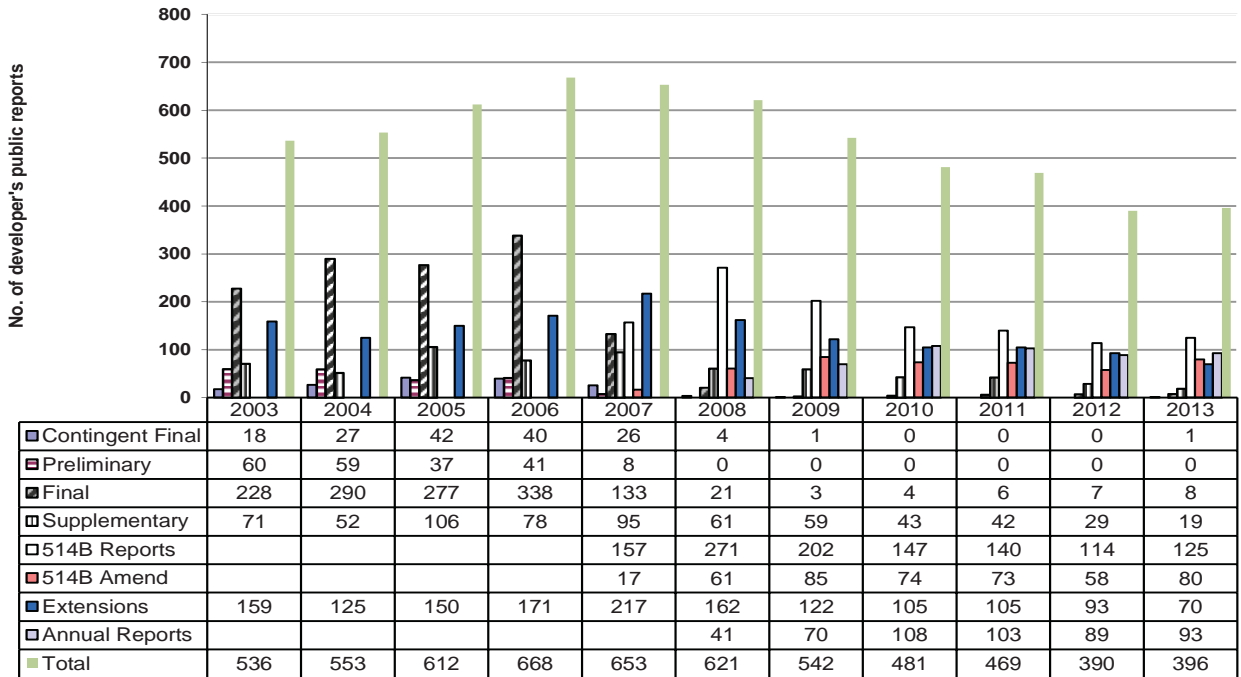
**Technology and Website** – The Commission continued to operate its website for public interaction and education. It maintained and updated the electronic storage of materials providing online access to the public of the developer's public reports, condominium association registration data and other information. Pursuant to Chapter 514B, HRS, the Commission continued to post and make available the new developer's public report form and other related forms form-fillable and downloadable. The forms were evaluated and amended to meet the continuing implementation challenges. The Commission will continue to work towards its long-range goal of providing all condominium information online and to study the feasibility of providing associations with a central depository for all governing documents on the website, including minutes of association meetings.

**Case Law Review Program** – The Commission continued to monitor, collect and report on state and federal law judgments and decisions, administrative decisions, and policies and procedures; report on governance and project development cases; and evaluate cases for inclusion in the Condominium Bulletin.

**Start-up Kit for New Association of Unit Owners and New Condominium Managing Agents** – Commission staff distributed start-up kits to newly registered Association of Unit Owners, which included unofficial copies of Chapters 514A and 514B, HRS, copies of administrative rules for Chapters 514A and 514B, HRS, guides for budget and reserves, boards of directors, condominium owners and past condominium bulletins.

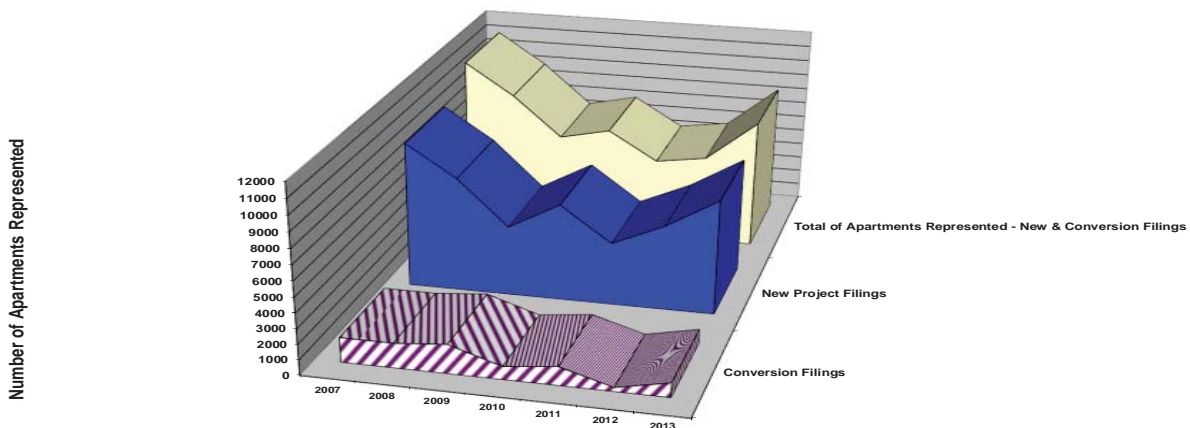
**Records Management** – Commission staff evaluated, planned, reorganized, and implemented a centralized, consistent, user friendly, computerized glossary of existing and future educational materials, records, and developers' public reports and files. Staff

**Chart 18. Developer's Public Reports Effective Dates Issued**



**Chart 19. Number of Condominium Apartments**

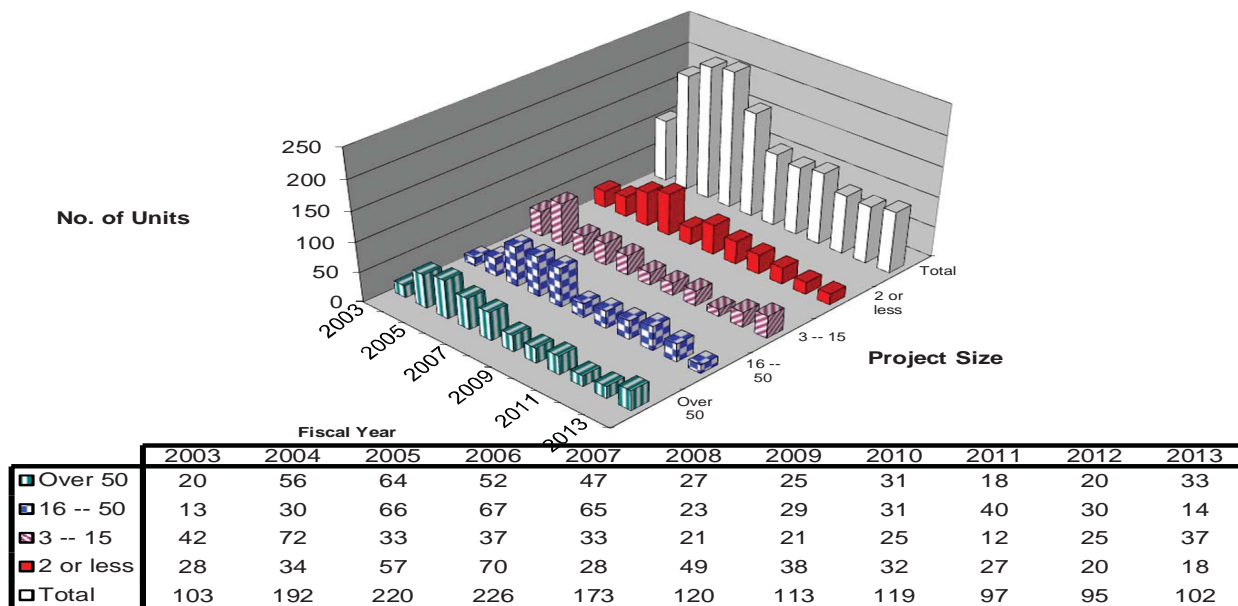
**New and Conversion Project Filings of Developers**



	2007	2008	2009	2010	2011	2012	2013
Conversion Filings	1619	1619	1910	851	1229	262	949
New Project Filings	9538	7509	4594	6359	4118	5565	7515
<b>Total of Apartments Represented - New &amp; Conversion Filings</b>	<b>11157</b>	<b>9128</b>	<b>6504</b>	<b>7210</b>	<b>5347</b>	<b>5827</b>	<b>8464</b>



## Chart 20. New Residential Projects - By Size



### Table 4. Condominium Project Filings

<b>New Projects</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Residential No. of Units Represented	178 6582	146 4249	118 2928	120* 2842	98* 2126	95* 3118	102 5789
Commercial and Other No. of Units Represented	29 2793	37 3208	20 1473	8 3401	12 1916	15 2314	10 1683
Agricultural No. of Units Represented	42 163	41 52	53 193	31 116	31 76	19 133	16 43
<b>Total New Projects</b> <b>Total No. of Units Represented</b>	<b>249</b> <b>9538</b>	<b>224</b> <b>7509</b>	<b>191</b> <b>4594</b>	<b>159</b> <b>6359</b>	<b>141</b> <b>4118</b>	<b>129</b> <b>5565</b>	<b>128</b> <b>7515</b>
<b>Conversions</b>							
Residential No. of Units Represented	157 903	132 664	112 1592	89 618	79 575	64 219	75 553
Commercial and Other No. of Units Represented	8 649	14 894	4 234	4 198	3 535	3 6	10 336
Agricultural No. of Units Represented	45 67	47 61	40 84	20 35	27 119	14 37	21 60
<b>Total Conversion Projects</b> <b>Total No. of Units Represented</b>	<b>210</b> <b>1619</b>	<b>193</b> <b>1619</b>	<b>156</b> <b>1910</b>	<b>113</b> <b>851</b>	<b>109</b> <b>1229</b>	<b>81</b> <b>262</b>	<b>106</b> <b>949</b>
<b>Combined New &amp; Converted Project Filings</b> <b>Combined No. of Units Represented</b>	<b>459</b> <b>11157</b>	<b>417</b> <b>9128</b>	<b>347</b> <b>6504</b>	<b>272</b> <b>7210</b>	<b>250</b> <b>5347</b>	<b>210</b> <b>5827</b>	<b>234</b> <b>8464</b>

\* Total includes one (1) project that was either withdrawn or returned.

Note 1: Numbers and totals may differ from those reported in prior annual reports due in part to the change in the database management software.

Note 2: In mixed use condominium projects, the predominant use is reported. This is done to prevent the multiple counting of a project filing.



also maintained and updated the scanning and electronic storage of records.

**Cooperative Education, Research, and Administrative Program** – The Commission did not receive any requests to participate in, or sponsor any cooperative education research and administrative programs by those persons, branches, divisions, department personnel, and the Office of the Attorney General which provide direct or indirect services to the Commission and its condominium education trust fund and condominium project registration program.

**Division and Department Program** – The Commission continued the coordination of activities and programs of mutual concern with Professional and Vocational Licensing Division, Regulated Industries Complaints Office, and Department of Commerce and Consumer Affairs.

**Staff and Commissioners Development** – Developed materials for training staff and Commissioners to better administer the condominium education and registration programs. Commissioners, as well as staff, participated in training and educational opportunities provided by local organizations.

**Condominium Reference Library** – Staff continued to maintain a catalog of all public reference materials provided to State Libraries (especially in highly concentrated CPR areas) and mediation services offices (neighbor islands included) at the Real Estate Branch office and on the Commission's website.

This fiscal year the following programs, previously summarized, benefited condominium owners and/or were directed at the education of condominium owners:

- Condominium Laws and Education;
- Advice, Education, and Referral;
- Hawaii Condominium Bulletin;
- Condominium Mediation and Arbitration Program;
- Condominium Association Registration;
- Condominium Seminars and Symposium;
- Ad Hoc Committee on Condominium Education and Research;
- Rulemaking, Chapter 107;
- Meetings;
- Government and Legislative Participation and Report;
- Legislative Acts and Resolutions;
- Interactive Participation with Organizations;
- Neighbor Island Outreach;
- Condominium Education Trust Fund;
- Consumer Education;
- Condominium Specialists Office for the Day;
- Technology and Website;
- Start-up Kit for New Association of Unit Owners and New Condominium Managing Agents;
- Cooperative Education, Research, and Administrative Program; and
- Condominium Reference Library

## FY 2014 PROGRAM OF WORK

### **Condominium Laws and Education –**

Concurrently with the administration of Chapter 514A, HRS, the Commission will continue to fine tune and implement Chapter 514B, HRS, including continuing participation in the legislative process. Where condominium education funds are available, the Commission will continue briefings, updates, and presentations to the condominium community and include presentations on the Commission's website, and in the Condominium Bulletin and the Real Estate Bulletin. It will continue the delivery of statewide multifaceted low cost educational programs with the help of stakeholder organizations and volunteers on all islands. In addition, with the help of stakeholder organizations and volunteers, the Commission will continue to review and amend existing Commission-developed educational materials, new and amended forms, instructions, informational sheets, procedures and evaluative processes and explore the delivery of educational seminars via video presentation on the Commission's website.

**Advice, Education, and Referral –** Staff, on behalf of the Commission, will continue to respond and provide information related to inquiries from the condominium community, developers, consumers, licensees, government officials, organizations, interested others and the public, via telephone, walk-ins, faxes, written correspondence, emails, Condominium Bulletin and the Commission's website. Subject to Condominium Education Trust Fund funding, the Commission will study the feasibility of a grant program for board of director participation in Commission-approved education programs and maintain and update the Commission website as necessary. Whenever practical, the Commission will provide a forum to promote self governance for owners and associations.

### **Condominium Project and Developer's Public Reports –**

The Commission will continue to administer two condominium project registration programs (Chapters 514A and 514B, HRS) and the ongoing administration of issuance of effective dates for developer prepared public reports. With the help of stakeholder organizations, volunteers, other governmental agencies and interested attorneys, staff will continue to refine online unalterable form-fillable developer's public report forms and the evaluation and development, where appropriate, of new processes, records, forms, information documents, and rules relating to condominium project registrations. If necessary, the Commission will procure additional condominium consultants to assist with the review of documents and information submitted to the Commission in conjunction with condominium project registrations. Staff will continue to conduct information and orientation sessions for all newly procured consultants in addition to conducting yearly informational meetings for all consultants. The Commission will continue to monitor the consultants' performance of the contracts.

Staff will also continue to make the developer's public reports available for public viewing and copying to disc via the Commission's website and continue to compile information and Commission decisions and make these available to the consuming public, consultants and other interested persons. Staff will continue to respond to subpoenas and requests for viewing condominium project files pursuant to Chapter 92F, HRS. The Commission will continue to study and research a comprehensive evaluation system on the project registration and review process to include considering a plan for electronic administration of the developers' public reports, including the scanning of documents on CDs. The Commission will continue to monitor any legislation relevant to condominium project registration for impact on policies and proce-

dures upon condominium developers and the public report process.

**Hawaii Condominium Bulletin** – The Commission will continue the research, development, and online publication of a quarterly bulletin. Staff will continue to research the possible publication of a “developers’ reference file,” with consultants contributing articles. This includes considering the addition of an ongoing section in the bulletin dedicated to issues relevant to condominium project registration and developer’s issues. Staff will continue the procurement code management and administration of the contract with a consultant assisting in the layout and design of the bulletin.

**Condominium Mediation and Arbitration Program** – The Commission will continue to subsidize and monitor the delivery of mediation programs, including evaluative mediation which may be offered as an option by mediation providers depending on funding availability, and the annual renewal of mediation contracts. Staff will continue to work with the Mediation Center of the Pacific (MCP) and other procured providers to present educational seminars about alternative dispute resolution and mediation to board of directors and apartment owners. Staff will continue to collect information and statistics for educational and Annual Report purposes. The Commission will continue to study the feasibility of Condominium Education Trust Fund funding of arbitration for those parties eligible for mediation. The Commission will continue to work with MCP to update the MCP mediation training instruction manual. Commission staff will prepare for the implementation, beginning with the July 2015 condominium biennial association registration, of Act 187 by working with mediation providers with an increased emphasis on mediation as a condominium dispute resolution tool.

**Condominium Association Registration** – Staff will continue to administer the online registration of condominium associations, including reviewing and updating, as necessary, applications for registration, policies, procedures, and appeals. The Commission will respond to subpoenas and requests for records under OIP. The Commission continues listing all association contact information on the Commission’s website with preprinted lists available upon request. The Commission will continue to research and study the feasibility of compiling a biennial profile of registered associations based on the data fields gathered from the registration information.

**Condominium Seminars and Symposiums** – The Commission will continue to produce seminars for the condominium community through procured contracts with various providers and will continue to procure for additional new providers on relevant topics. It will continue to administer Condominium Education Trust Fund subsidies for Commission-approved seminars where funds are available. Staff proactively seeks additional consultants, especially on the neighbor islands. The Commission will continue the administration of a Condominium Review Committee educational advisory group to provide recommendations and input about the Condominium Review Committee educational programs.

**Ad Hoc Committee on Condominium Education and Research** – The Commission will continue the administration of this group as necessary which reviews and makes recommendations and assists in the development, update and administration of condominium education-related projects. It will continue to develop a roll-over five year strategic Condominium Education Trust Fund education plan and electronic consumers’ brochures for seniors, condominium owners, and real estate brokers.

**Condominium Managing Agents**

**Registration** – The Commission continually administers Condominium Managing Agents registration requirements.

**Rulemaking, Chapter 107** – The Commission will continue to study, evaluate, research, and develop rule amendments for the formal rulemaking process. It will continue to receive recommendations from various groups in the condominium community, community workshop participants, government officials and organizations regarding proposed rules for Chapter 514A, HRS, and Chapter 514B, HRS. This fiscal year the Commission will continue to work towards completion of formal rulemaking for Chapter 514B, HRS, through the presentation of proposed draft rules to the Condominium Review Committee for consideration, recommendations, and approval. Initiation of the formal rulemaking process thereafter to include reviews by the Attorney General, Department of Commerce and Consumer Affairs/Professional and Vocational Licensing Administration, Small Business Regulatory Review Board, Legislative Reference Bureau, Budget and Finance, Department of Business, Economic Development and Tourism, and the Governor.

**Meetings** – The Commission, with support from staff, will continue to plan, coordinate, and conduct monthly Condominium Review Committee meetings. Staff includes the schedule of meetings and agendas on the Commission’s website and will continue to maintain meeting minutes in PDF and searchable format.

**Government and Legislative Participation and Report** – The Commission will continue to research, participate, and report on requests by the Legislature, including resolutions, agreements, and issues of mutual concern. It will also continue to research, develop and distribute the Annual Report to the Legislature on Condominium Education Trust Fund

programs and funds for placement on the Commission’s website.

**Legislative Acts and Resolutions** – The Commission will continue to review, report, and develop summaries on all related Acts and resolutions proposed in the 2014 legislative session and implement requirements of directly related Acts and resolutions. Chapters 514A and 514B, HRS, will continue to be available on the Commission’s website.

**Interactive Participation with**

**Organizations** – The Commission, as well as staff, will continue active participation with local organizations and government agencies for the exchange of information and concerns, sharing of education and research efforts, joint projects of mutual concern, training, etc., through attendance and participation at local meetings, including Community Associations Institute Hawaii, the Hawaii Council of Community Associations, Condominium Council of Maui, and the Hawaii State Bar Association. Participation in national, international, and regional organizations, such as Pacific Rim, Community Associations Institute, ARELLO and Zenkauren (Japan) are also possible in the coming year.

**Neighbor Island Outreach** – The Commission will continue to hold Condominium Review Committee meetings at neighbor island sites in collaboration with the local boards, HAR, condominium organizations, etc.

**Condominium Education Trust Fund**

– The Commission will continue to administer the funds for educationally defined purposes. The Commission prepares, maintains, and reviews quarterly and annual financial statements, budget and finance records for both educational funds, and administers fund investment. The Commission will plan for the use of additional Condominium Education Trust Fund funds pursuant to Act 187 to provide greater financial support to and an in-

creased emphasis on the mediation program.

**Consumer Education** – The Commission will continue to work to develop a consumer education program about initial project sales and resales targeting prospective and new purchasers of condominium units. It is considering a pamphlet or brochure on condominium living and governance in consultation with real estate professionals, condominium board members, condominium unit owners, and developers. This program is administrated as part of a five year condominium strategic education plan which rolls over each year.

**Rulemaking, Chapter 53, and Fees** – The Commission will continue to monitor, review, research, and make recommendations on rule amendments for fees through coordination with the Department and the Licensing Administrator.

**Condominium Property Regime Project Workshop and Meetings** – Staff will continue to conduct annual information sessions and forums for condominium consultants for purposes of orientation and information. Staff also will continue to plan for facilitating forums for representatives of developers, attorneys, condominium consultants, condominium managing agents, and association focus groups regarding the ongoing implementation of Chapters 514A and 514B, HRS.

**Condominium Specialists' Office for the Day** – The Commission will continue the set up of Condominium Specialists' Office for the Day at the Regulated Industries Complaints Office neighbor island offices or other sites to provide the condominium community, developers, government officials, consumer purchasers, and other related professionals advice, education, and referral with advanced publicity, mail outs, and appointments upon request, include training of Regulated Industries Complaints Office investigators.

The Commission will continue to fine tune its Visiting Condominium Specialist pilot program.

**Condominium Speakership Program** – The Commission will continue to honor requests to provide a speaker, resource person, or participate in a function related to condominium education, Chapters 514A and 514B, HRS, condominium governance issues as it relates to Chapters 514A and 514B, HRS, and condominium project registration. For example, in FY 2011, the Commission initiated a speakership program wherein condominium specialists were available to condominium associations to answer questions on the subject of the condominium law.

**Technology and Website** – The Commission will continue to operate its website for public interaction and education. It maintains and updates the electronic storage of materials providing the public online access to the developer's public reports, condominium association registration data and other information. Pursuant to Chapter 514B, HRS, the Commission will continue to post and make the new developer's public report form and other related forms form fillable and downloadable. The forms are evaluated and amended to meet the implementation challenges which surfaced throughout the year. The Commission will continue to consider its long range goal of providing all condominium information available online and studying the feasibility of providing associations a central depository for all governing documents on the website, including minutes of association meetings.

**Case Law Review Program** – The Commission will continue to monitor, and report on state and federal law judgments and decisions, administrative decisions, policies and procedures; report on governance and project development cases; and evaluate cases for inclusion in the Condominium Bulletin.



**Start-up Kit for New Association of Unit Owners and New Condominium Managing Agents** – Staff will continue to distribute start-up kits to newly registered Association of Unit Owners and Condominium Managing Agents, including unofficial copies of Chapters 514A and 514B, HRS, administrative rules, budget and reserves guide, board of directors’ and condominium owners’ guides, and past Condominium Bulletins.

**Records Management** – Staff will continue to evaluate, plan, reorganize, and implement a centralized, consistent, user friendly, computerized glossary of the existing and future educational materials, records, developers’ public reports and files. Maintain and update continued scanning and electronic storage of records including minutes and developer’s public reports.

**Cooperative Education, Research, and Administrative Program** – The Commission will continue to actively participate and sponsor cooperative education, research and administrative programs for those individuals, branches, divisions, department personnel, and the Attorney General’s Office which provide direct or indirect services to the Commission and its condominium education funds and or condominium project registration responsibilities.

**Division and Department Program** – The Commission will continue the coordination of activities and programs of mutual concern with the Professional and Vocational Licensing Division, Regulated Industries Complaints Office, and Department of Commerce and Consumer Affairs. It will coordinate positions on Chapter 436B, HRS, Chapter 467, HRS, with Chapters 514A and 514B, HRS and monitor interaction and effect of other regulatory laws and rules on Chapters 514A and 514B, HRS.

**Staff and Commissioners Development** – Staff will continue to develop and train staff and Commissioners for better administration of the condominium education and registration programs. Staff and Commissioners participate in training and educational opportunities provided by Real Estate Educators Association, ARELLO, Community Associations Institute, Community Association Institute Hawaii, Council on Licensure, Enforcement, and Regulation, and other organizations.

**Condominium Reference Library** – Staff will continue to maintain and update the Commission’s website catalog of all public reference materials and, when available, will continue to provide materials to the State Library System, especially in highly-concentrated condominium property regime areas, mediation provider offices, and at the Real Estate Branch office. Whenever feasible, the Commission will provide information in conjunction with condominium law educational programs. Staff will continue to research and study the cost of updating and maintaining all condominium library reference materials. Staff will also continue to recommend the inclusion of these updates as part of any developed five year strategic educational plan for condominium education.



## Real Estate Education Fund

<b>Fund Balance As of June 30, 2013 (Unaudited)</b>	<b>FY 2013 Expenditures and Encumbrances (Unaudited)</b>
<b>ASSETS</b>	<b>I. Operations</b>
Cash	Personnel \$328,882
In State Treasury \$451,817	Supplies 7,436
Short term cash investments 500,000	Postage 6,158
	Equipment Rentals/Maintenance 1,290
Total Assets 951,817	Machinery and Equipment 9,058
	Total Operations \$352,825
<b>LIABILITIES AND FUND BALANCE</b>	<b>II. Direct Licensee Education</b>
Liabilities	Real Estate Seminars 0
Payables 52,157	Neighbor Islands Outreach 5,982
Fund Balance	Annual Report/Quarterly Bulletin 51,683
Reserve for Encumbrances 113,261	Programs 169,564
Unreserved 786,400	Total Direct Licensee Education 227,229
Balance <u>899,661</u>	
Total Liabilities and Fund Balance \$951,817	<b>III. Indirect Licensee Education</b>
	Interactive Participation w/Orgs. 10,894
	Staff/Commissioners Development 329
	Dues & Subscriptions 2,329
	Total Indirect Licensee Education <u>13,552</u>
	<b>Total Expenditures and Encumbrances <u>\$593,606</u></b>
<b>Revenues and Expenditures For the Year Ending June 30, 2013 (Unaudited)</b>	
Revenues	
Fees \$744,642	
Interest (includes Recovery Fund) 378	
Total Revenues <u>745,020</u>	
Expenditures <u>480,345</u>	
Excess (deficiency) of revenues over expenditures <u>264,675</u>	
Fund Balance	
Beginning of Year 634,986	
End of Year <u><u>\$899,661</u></u>	

## Real Estate Recovery Fund

### Fund Balance As of June 30, 2013 (Unaudited)

### FY 2013 Recovery Fund Payments

ASSETS		Case No.	Licensee(s)	Amount
Cash		09-1-130K	Robert M. Smith	\$14,669
In State Treasury	\$330,682		dba Property Network, LTD	
Short term cash investments	400,000			
Investment securities (cost)				
Total Assets	\$730,682			
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities				
Payables	\$12,240			
Investment income included "In State Treasury" and Paid to Real Estate Education Fund	0			
Total Liabilities	12,240			
Fund Balance				
Reserve for encumbrance	0			
Unreserved	718,442			
Fund Balance	718,442			
Total Liabilities and Fund Balance	\$730,682			

### Revenues and Expenditures For the Year Ending June 30, 2013 (Unaudited)

Revenues	
Fees	\$57,570
Expenditures	
Operations	44,809
Legal Services	35,995
Claims	14,669
Total Expenditures	95,473
Excess (deficiency) of revenues over expenditures	(37,903)
Fund Balance	
Beginning of Year	756,345
End of Year	\$718,443

## Condominium Education Trust Fund

### Fund Balance As of June 30, 2013 (Unaudited)

## ASSETS

Cash	
In State Treasury	\$888,795
Short term cash investments	0
Total Assets	<u>\$888,795</u>

## LIABILITIES AND FUND BALANCE

Liabilities	
Payables	\$20,137
Fund Balance	
Reserve for Encumbrances	8,052
Unreserved	860,606
Fund Balance	<u>868,658</u>
Total Liabilities and Fund Balance	<u><u>\$888,795</u></u>

### FY 2013 Expenditures and Encumbrances (Unaudited)

Personnel	\$297,187
Supplies	0
Postage	3,500
Equipment Rentals/Maintenance	5,011
Education and Research	48,622
Equipment for Office	3,711
Staff/Commissioner Development	0
Resource Materials	0
Dues & Subscriptions	301
Miscellaneous	<u>168</u>
Total Expenditures and Encumbrances	<u><u>\$358,500</u></u>

### Revenues and Expenditures For the Year Ending June 30, 2013 (Unaudited)

Revenues	
Fees - Others	\$97,991
Fees - AOOU Registration	\$733,980
Interest income	48
Total Revenues	<u>832,019</u>
Expenditures	<u>350,448</u>
Excess (deficiency) of revenues over expenditures	481,571
Fund Balance	
Beginning of Year	387,087
End of Year	<u><u>\$868,658</u></u>

### CONDOMINIUM EDUCATION FUND FY 2014 Budget (proposed)

REVENUES	
Application and Renewal Fees	\$533,800
Interest	<u>\$200</u>
<b>Total Revenues</b>	<b>\$534,000</b>
EXPENDITURES	
Personnel	\$433,470
<b>Subtotal</b>	<b>\$433,470</b>
Administrative Expenses*	\$22,750
Condominium Program of Work*	\$184,761
<b>Subtotal</b>	<b>\$207,511</b>
<b>Total Expenditures and Budget Ceiling</b>	<b>\$640,981</b>