



# 2014 Annual Report

## Real Estate Commission

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

## **The 2014 Hawaii Real Estate Commission**

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

**Frances Allison Torre Gendrano**  
Vice Chair

**Scott C. Arakaki**  
Chair, Laws and Rules Committee  
Oahu, Public Member

**Laurie Lee**  
Vice Chair, Laws and Rules Committee  
Honolulu, Real Estate Broker

**Rowena B. Cobb**  
Chair, Education Review Committee  
Kauai, 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

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) 2014. The Commission currently oversees 18,557 licensees statewide, of which 13,030 hold active licenses. This is an 8% increase in total licensees from a year ago. We also oversee approximately 1,591 registered condominium associations and 29 condominium hotel operators. There were 261 new and conversion project filings as compared to 234 filings in FY 2013. This represents an increase of units within new and conversion condominiums from 8,464 in FY 2013 to 6,715 in FY 2014.

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 were 4 cases filed for payment from the fund during FY 2014. 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. The three committees 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 (to January 2014), and Scott Arakaki, Public Member Chair (from January 2014), and Vice Chair Rowena Cobb (to January 2014), Kauai Commissioner, diligently worked to address national and state issues that impact Hawaii. Rulemaking for Hawaii Administrative Rules, Chapter 99 continues its long journey towards adoption, and is nearing completion.

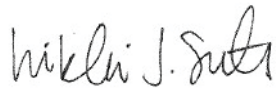
The Education Review Committee under the leadership of Walter Harvey, O'ahu Commissioner (to October 2013), and Rowena Cobb (from October 2013), Kauai Commissioner, and Vice Chair Aileen Wada, O'ahu Commissioner, worked with the Ad Hoc Committee on Education, made up of industry volunteers, to produce the Commission's 2013-2014 mandatory core course, Part B, which includes the topics of "Real Estate-Related Legislation 2014" and "Agency". The mandatory continuing education course remains at five hours for the 2013-2014 biennium, but will increase to eight hours for the next biennium.

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. The creation of a Condominium Blue Ribbon Committee in January 2014, will help facilitate and speed-up the rulemaking process. The committee continues to review the feasibility of providing online condominium registration.

Along with Commissioner Laurie Lee, Broker, O'ahu, 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, appearing to read "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  
Marilyn Antolin, Secretary  
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  
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## LAWS AND RULES REVIEW COMMITTEE REPORT

The Laws and Rules Review Committee, for fiscal year 2014, led by Chair Scott Arakaki and Vice Chair Laurie Lee, had another active year with legislation, reactive issues, licensing programs, and recovery fund administration.

**Act 060 - HB1503 HD1 SD1** - Voids any rental agreement provision that allows for eviction of a tenant who has a valid certificate for the medical use of marijuana unless: (1) the rental agreement allows for eviction for smoking tobacco and the medical marijuana is smoked; or (2) the documents of a condominium property regime or planned community association prohibit the medical use of marijuana. Effective 11/01/2014.

**Act 228 - HB2019 HD2 SD1** - Allows prospective time share purchasers to receive printed or electronic copies of the disclosure statement. Amends developer registration renewal requirements by: permitting the developer to disclose in its renewal application either the total number of time share interests registered for sale in each unit or the total number of points registered for sale in each property; eliminating the requirement that developers provide title insurance and title reports; and eliminating the requirement that developers file a financial statement. (SD1)

**Act 026 - HB2275** - Clarifies definition of “distressed property consultant” and specifies that attorneys must be licensed by, and engaged in the practice of law in the State of Hawaii in order to fall within the class of exceptions to the definition of “distressed property consultant”.

**Act 188 - HB2401 HD2 SD2 CD1** - Consolidates into one section under Chapter 514B, Hawaii Revised Statutes, the documents, records, and information that must be made available to any unit owner and the unit owner’s authorized agents and specifies that these documents, records, and information shall be provided to the unit owner or owner’s authorized agent no later than thirty days after receipt of a unit owner’s or owner’s authorized

agent’s written request.

**Act 189 - HB2482 HD1 SD1** - Clarifies the process for cumulative voting for an election at an association meeting. Amends the definition of “majority” or “majority of the unit owners” and makes corresponding technical amendments associated with this amended definition. Clarifies that directors who are appointed to fill vacancies on a board of directors must stand for election at the next annual meeting or a duly noticed special meeting. Clarifies that the approval of a lease rent collection system and an annual audit of an association’s financial accounts and cash balance may be waived at an association meeting by a vote of a majority of all the unit owners if the association is composed of less than twenty owners. Makes other technical amendments to the State’s condominium law for purposes of clarity and consistency. (SD1)

**Act 004 - HB2585** - Specifies parties other than unit owners who may be served notice by publication and posting of non judicial foreclosure.

**Act 049 - SB2078 SD1** - Clarifies the applicability of section 205-4.6, HRS, relating to private restrictions on agricultural uses and activities, to condominium projects on lands classified as agricultural.

**Act 070 - SB2481 SD1 HD1** - Eliminates requirement that a manager of a time share plan located outside of Hawaii register in Hawaii as a time share plan manager. Requires the disclosure statement for an offering of a time share plan to disclose that the manager of a time share plan located outside of Hawaii is not registered under Hawaii’s time share law. Recognizes that an association of time share owners may be any kind of nonprofit or not-for-profit entity. Makes housekeeping amendments.

**Act 235 - SB2483 SD1 HD1 CD1** - Clarifies that a condominium association may assess

unpaid common fees against any purchaser who purchases a delinquent unit in a foreclosure. Specifies that a condominium board may only fill board vacancies temporarily until a duly noticed election.

**SB2817 - Act 198 SD2 HD1** - Requires a mortgage loan originator company to be open during specified regular business hours to the public and for examination or investigation by the commissioner. Deletes exemptions for individuals facilitating mortgage loans for their family members and family property. Clarifies that a branch manager may not oversee more than one branch office or principal place of business. Excludes certain information included in NMLS from confide.

**Licensing** – For FY 2014, the total number of licensees increased to 18,557 as compared to 17,183 in FY 2013. The 1,374 increase in licensees represents an approximately 8% increase 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 2014 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 2014, the Commission received notification for four (4) claims on the fund. This was a 300% increase from the FY 2013 notices received (See Chart 1). There were no payments out of the recovery fund for FY 2014. 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.

**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.

**Rulemaking, Chapter 99** – The Commission studied, evaluated, researched, and developed rule amendments for submission to the formal rulemaking process. Due to quorum issues with the Small Business Regulatory Review Board, the Commission’s rulemaking process was stalled. However after several unsuccessful



attempts to schedule and reschedule hearings with the SBRRB, the Commission received an approval from SBRRB to continue the rulemaking process without a hearing. The Commission recently received the Governor's approval to hold public hearings on the amendments.

**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 93% user rate and the Commission looks forward to increasing this rate with the upcoming renewals.

**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 two Committee meetings at various neighbor island sites (Kona in October 2013, and Maui in January 2014).

**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, and reorganization. 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.

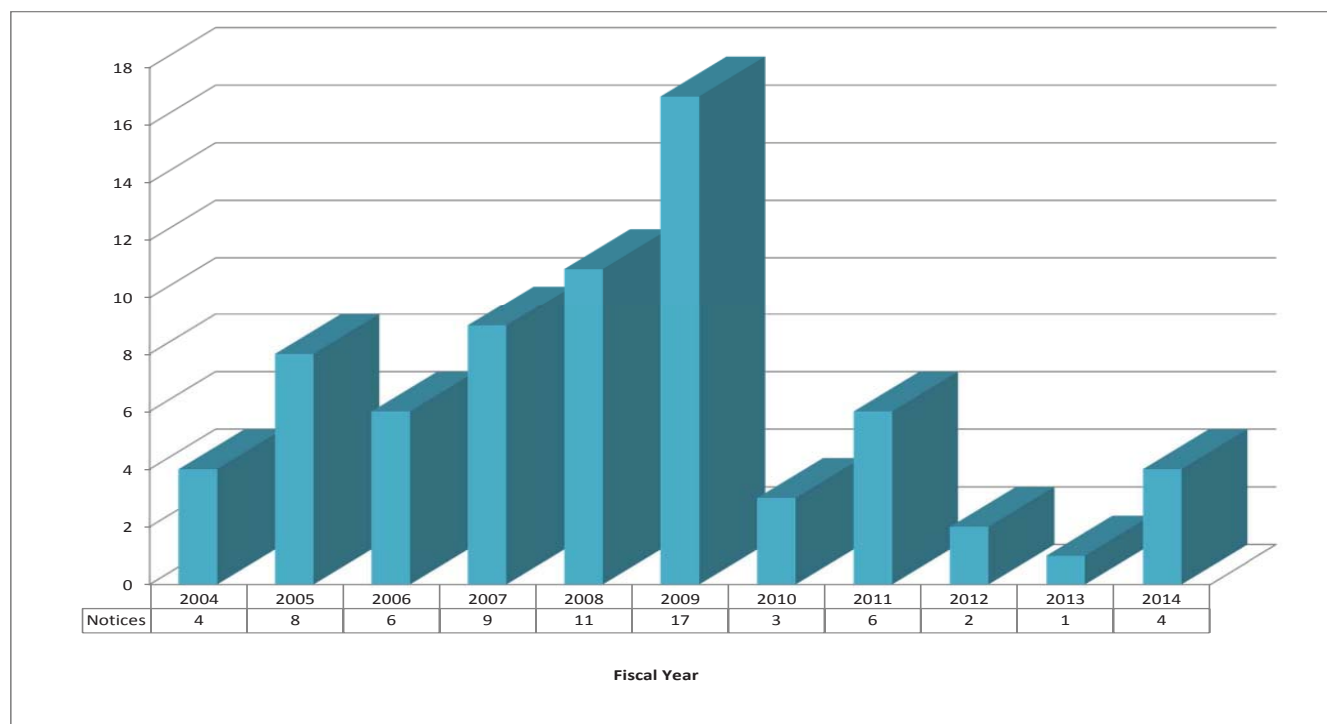
**Commissioners Education Program** – Staff researched and provided reference materials

to Commissioners and conducted periodic workshops for all Commissioners.

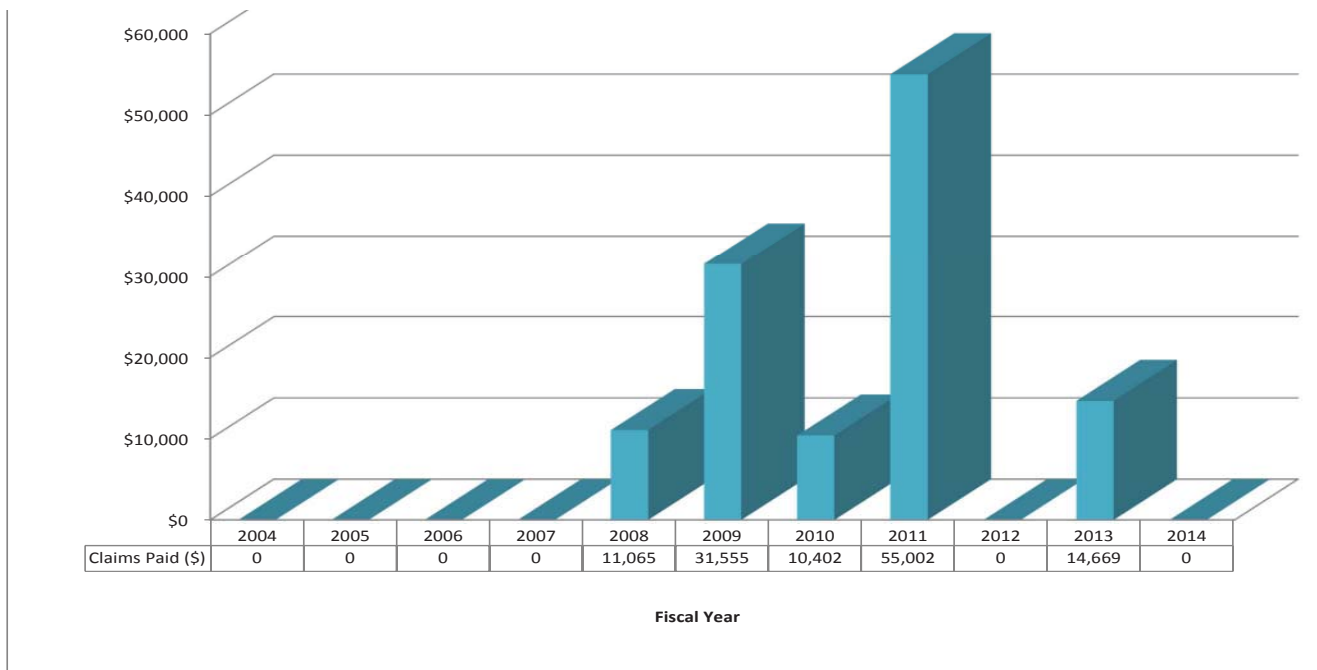
**Housing and Urban Development/ARELLO**

**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.

**CHART 1. Recovery Fund - Notices**



## CHART 2. Recovery Fund - Claims Paid



## FY 2015 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 Renewals
- 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 2014**

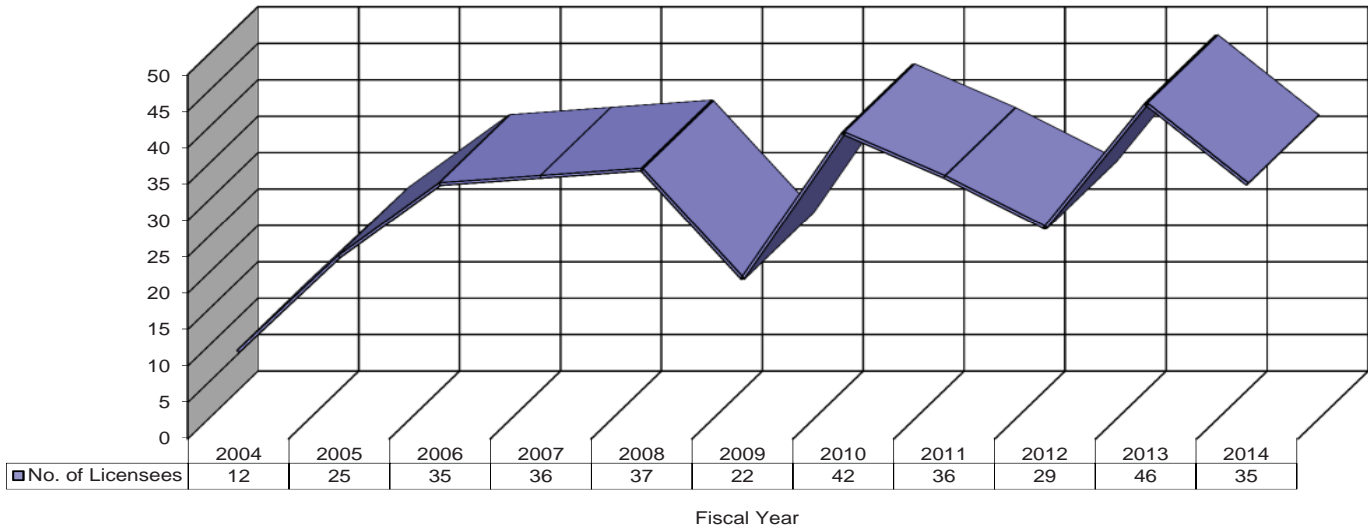
No. of Licensees Disciplined	35
Licenses Revoked	1
Licenses Suspended	0
Licenses Fined	30
Total fines	\$37,400
Licenses Subject to Other Sanctions	0

### Disciplinary Actions

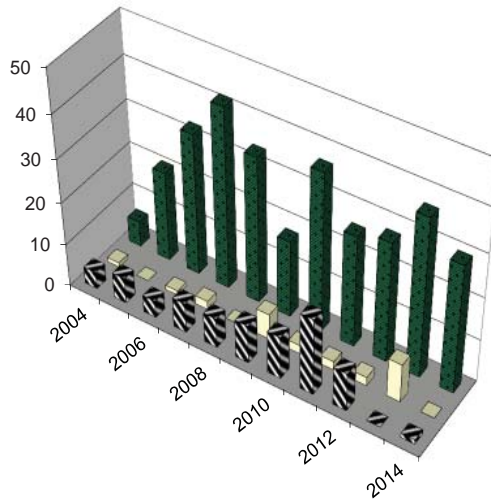
The Commission took disciplinary action against 35 licensees in FY 2014. This was a 23.9% decrease over the 46 licensees disciplined in FY 2013. Chart 3 provides historical information on the number of licensees disciplined.

Fines totaling \$37,400 were assessed against 30 of the licensees. Nine licensees had their licenses suspended.

**CHART 3. Disciplinary Actions**



**CHART 4. Administrative Actions - Sanctions**



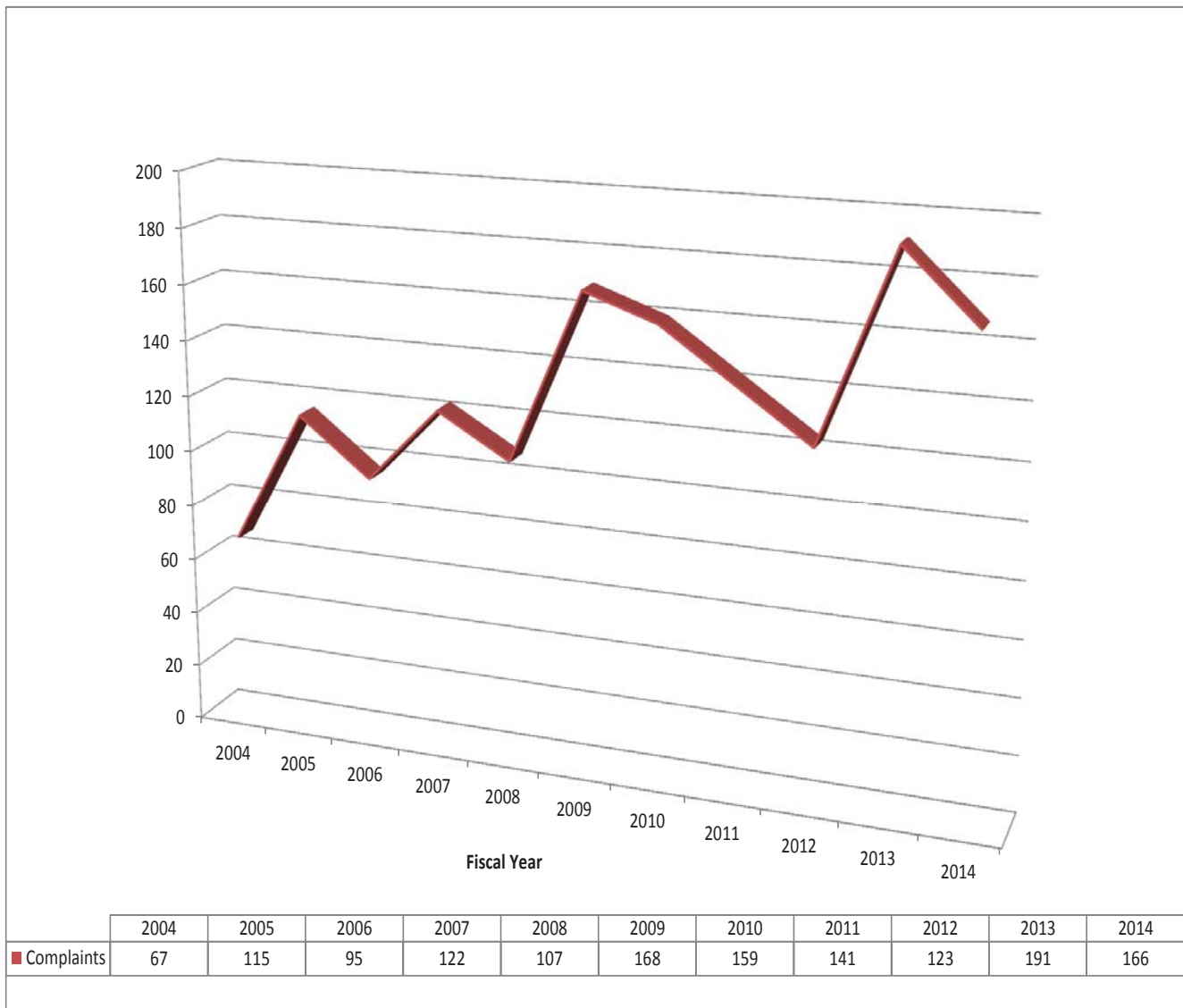
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
▨ Licenses Revoked	4	6	4	7	7	9	10	18	9	0	1
▤ Licenses Suspended	1	0	1	2	0	6	2	2	2	9	0
■ Licenses Fined	6	21	33	42	34	18	37	26	28	37	30

## 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 13.09% decrease in FY 2014. RICO received 166 real estate complaints in FY 2014, compared to 191 in FY 2013. Refer to Chart 5.

One hundred and twenty three of the complaints are pending, while forty three have been closed. Of the closed complaints, five cases were withdrawn, there were legal actions in two cases, warning letters were issued in twenty five cases, insufficient evidence in five cases, one case was resolved prior to RICO action, three cases were identified for “Records Only” and two were closed with no violations.

**CHART 5. RICO Complaints (Real Estate)**



### **The top 5 alleged STATUTORY violations in RICO complaints included:**

1. **§467-14(13)** - Violating this chapter (467), chapters 484, 514A, 514B, 514E, or 515, or section 516-71, or the rules adopted pursuant thereto.
2. **§467-14(1)** - Making any misrepresentation concerning any real estate transaction.
3. **§467-14(20)** - Failure to maintain a reputation for or record of competency, honesty, truthfulness, financial integrity, and fair dealing.
4. **§467-1.6** - Principal brokers management, supervision and responsibilities.
5. **§467-14(8)** - Conduct constituting fraudulent or dishonest dealings.

### **The top 5 alleged RULE violations in RICO complaints included:**

1. **§16-99-3(b)** - Licensee shall protect the public against fraud, misrepresentation, or unethical practices in the real estate field.
2. **16-99-3(a)** - Licensee shall fully protect the general public in its real estate transactions.
3. **§16-99-3(f)** - Licensee shall see that financial obligations and commitments are in writing.
4. **§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.
5. **§16-99-11** - Advertisements

## EDUCATION REVIEW COMMITTEE REPORT

The Education Review Committee, for fiscal year 2014, under the leadership of Chairs Walter Harvey (until October 2013) and Rowena Cobb (from October 2013 to present) and Vice Chair Aileen Wada, continued to address important and varied education issues.

### FY 2014 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.

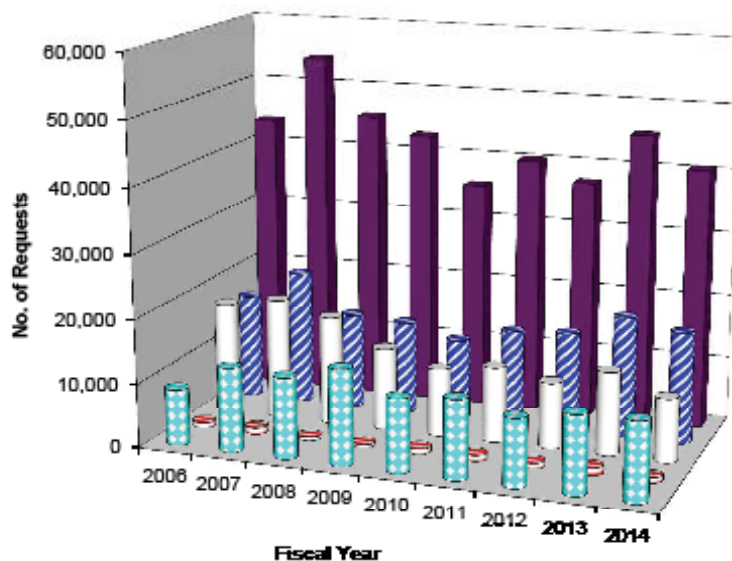
**Broker Curriculum and Resources** – The broker’s curriculum continued to be offered in both live classroom and independent study/online format.

**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.

In response to inquiries and applications, staff fielded 17,486 telephone inquiries; 852 walk-in inquiries; 10,007 applications, written inquiries/requests, faxes; and 12,233 emails. See Chart 6.

**CHART 6. Inquiries and Applications (FY 2006-2014)**



	2006	2007	2008	2009	2010	2011	2012	2013	2014
E-mail	8,888	13,183	12,848	14,950	11,528	12,444	10,545	12,005	12,233
Walk-ins	807	908	504	438	820	816	818	1,231	852
Applications / written requests	17,438	18,985	17,037	12,910	10,586	11,821	10,360	13,038	10,007
Telephone calls	16,478	20,985	14,899	14,578	12,835	14,865	15,518	18,822	17,488
Total	43,611	54,189	45,278	42,872	35,579	40,146	37,289	45,286	40,578

**Administration of Prelicensure 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. In February 2014, the Commission launched its Prelicensure Online System, the companion to the successful Continuing Education Online System initiated in 2008. The Prelicensure Online System provides electronic access to student registration, course completions, course schedules, and the ability to issue electronic School Completion Certificates. 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

**Table 2. Real Estate Licensing Examination**

	FY 2013	FY 2014	% Change
Brokers Tested*	554	467	-15.7%
Salespersons Tested*	3720	2776	-25.4%
Total Tested	4274	3243	-24.1%
Brokers Passed**	297	296	-0.3%
Salespersons Passed**	1810	2249	24.3%
Total Passed	2107	2545	20.8%
% Brokers Pass*	53.6%	63.4%	
% Salespersons Pass*	48.7%	81.0%	

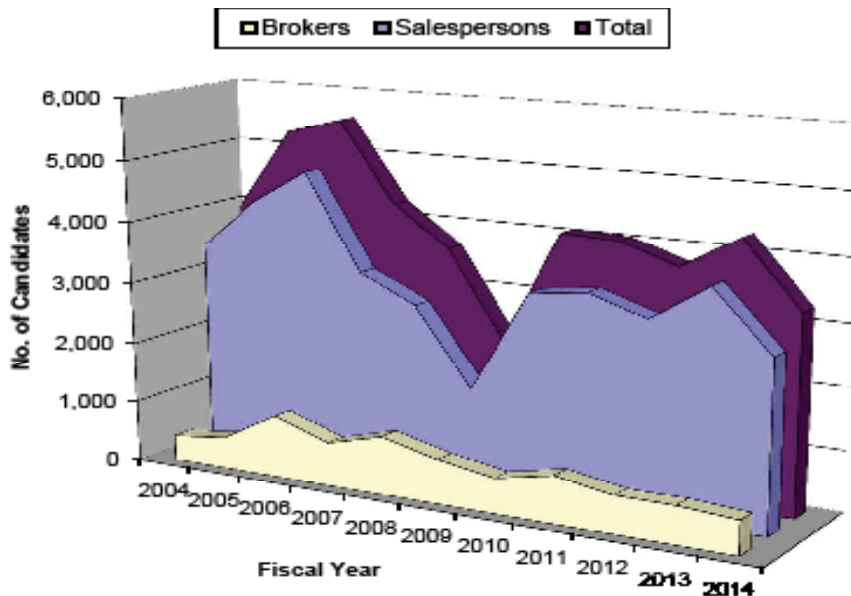
\*First time and Retakers

\*\*National and/or State Portion

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 28-29, 2013.

PSI continued offering testing at least five days a week including Saturdays in Honolulu, twice a month on Maui and the Big Island, and

**CHART 7. Licensing Examination Candidates (FY 2004-2014)**



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Brokers	408	516	1,022	714	957	735	583	777	620	614	554
Salespersons	3,458	4,283	4,838	3,306	2,894	1,638	3,285	3,410	3,118	3,720	2,776
Total	3,874	5,305	5,552	4,283	3,818	2,221	4,082	4,030	3,732	4,274	3,243



once a month on Kauai. As shown in Table 2 and Chart 7, the number of total examination attempts by candidates decreased 24.1% 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.

There were 284 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 47.9% increase from the last fiscal year's total of 192 approvals.

**Administration of Continuing Education 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 (CE) 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 92 newly approved CE courses, a 69.8 decrease from the approved 305 CE courses in the previous fiscal year. There were a total of 41 approved CE providers that offered 958 classes to 21,462 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 two Ad Hoc Committee on Education meetings during the fiscal year: October 17, 2013, and April 17, 2014. The Ad Hoc Committee on Education assisted in the development of the topic for the Commission's 2013-2014 Core Course, Part B, "Real Estate Related Legislation and Agency".

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

**Annual Report and Quarterly Bulletin** – 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).

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 three Committee meetings at various neighbor island sites (Kona in October 2013, and Maui in January 2014). 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 and Instructors Development Workshop during the 2013-2014 biennium. The Instructors Development Workshop, "Inviting Technology

Into the Classroom" was presented state-wide October 30 – November 1, 2013. The real estate seminar is offered state-wide and is targeted for early fall in 2014.

**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 October 9, 2013 in Kona, Hawaii, and on January 8, 2014, in Kahului, Maui.

**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 for Licensing 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.

**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 1031 newly licensed salespersons and 174 newly licensed brokers.

**Cooperative Education, Research, and Administration Program** – The Commission participated in the "DCCA at the Capitol" program on March 3, 2014.

**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 Reference Library is located in the lobby of the Real Estate Branch. Consumers enter and browse, but do not "check-out" any materials as they are required to be reviewed in-house.

## Licensees

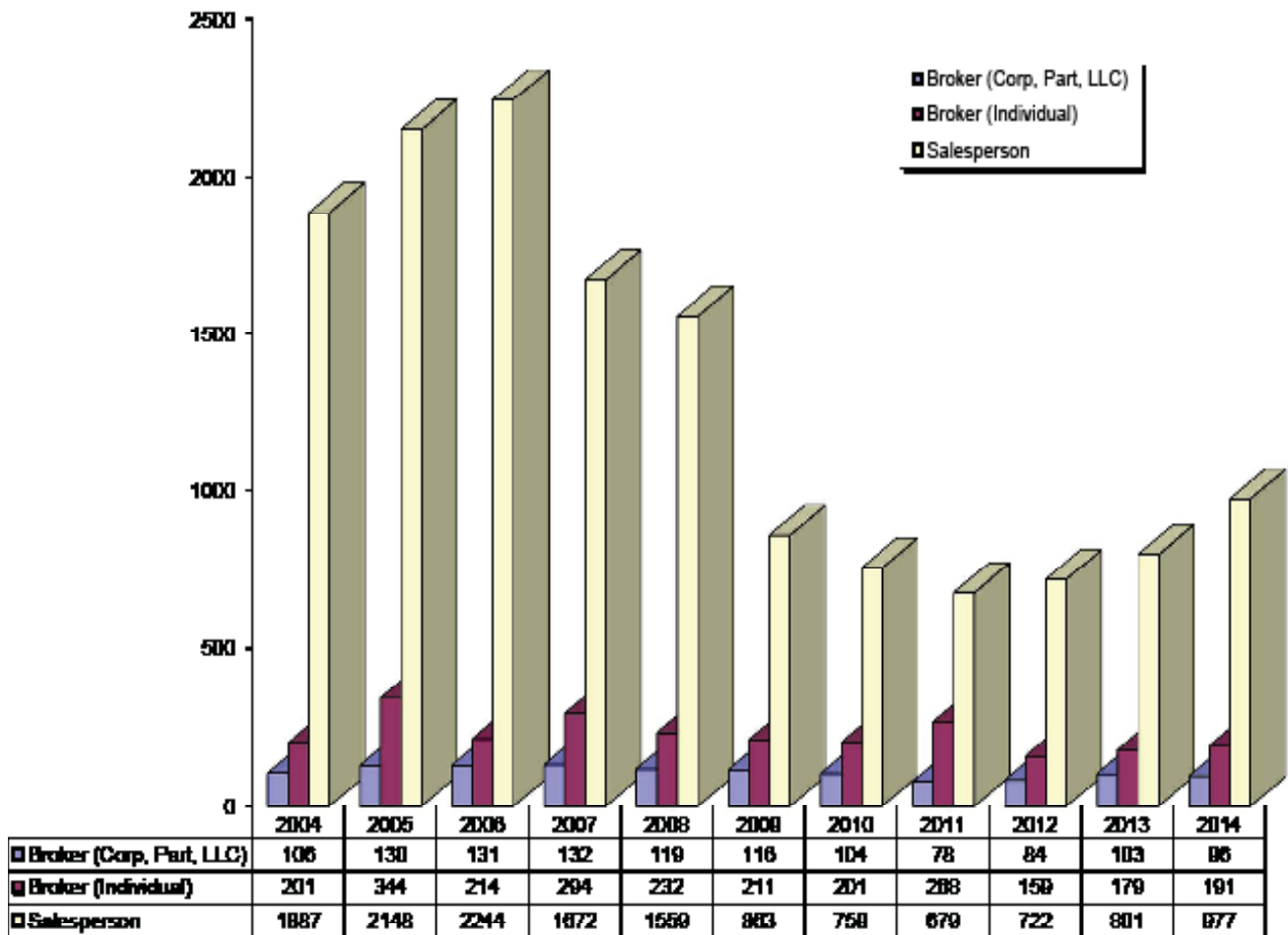
### New Licenses

During FY 2014, 1,264 new licenses were issued. The number of new licenses issued in FY 2014 increased 16.7% over the prior fiscal year. Individual broker licenses increased by 6.7%, new salesperson licenses increased by 22%, and new entity licenses decreased by 6.8%. Refer to Chart 8.

### Current Licenses

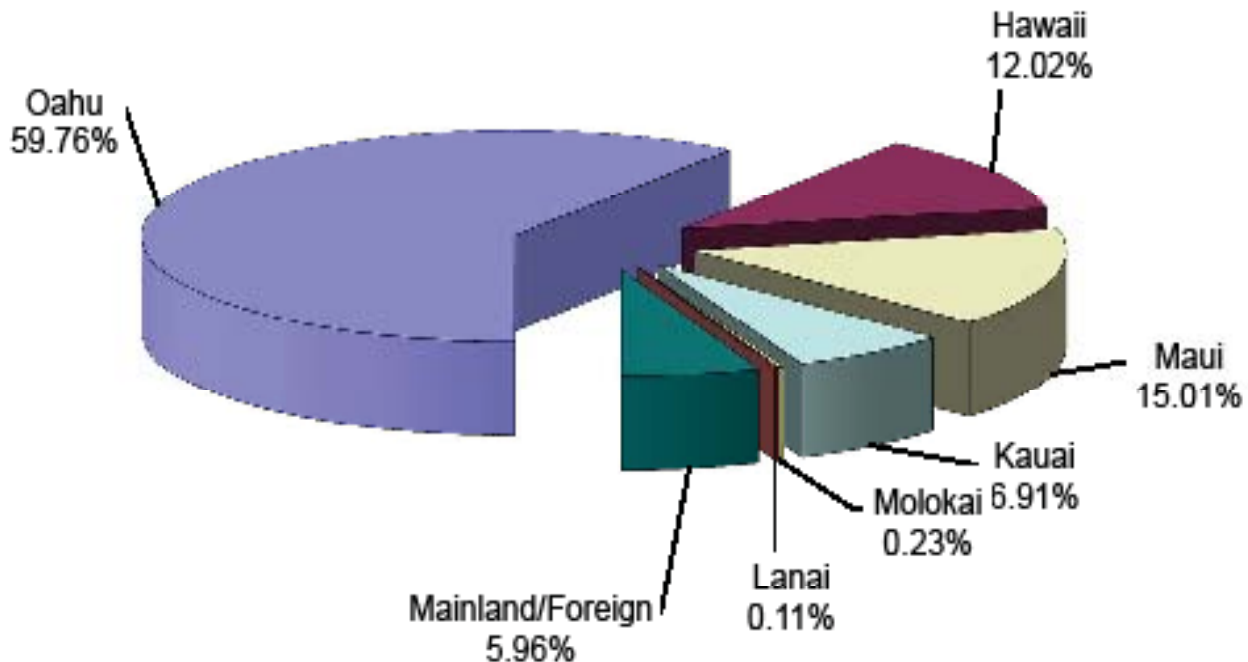
The overall number of current real estate licenses increased 8.1% by the end of FY 2014. In FY 2014, active licenses increased 5.7% over last year, while inactive licenses increased 13.8%. There was a 6.1% increase of active licenses on Maui, a .7% increase on Kauai, a 4.5% increase on Hawaii, a 6.1% increase on Oahu, a 2.6% increase on Molokai and a 8.3% increase on Lanai. Refer to Table 3, Charts 9 and 10.

**CHART 8. New Real Estate Licenses Issued**

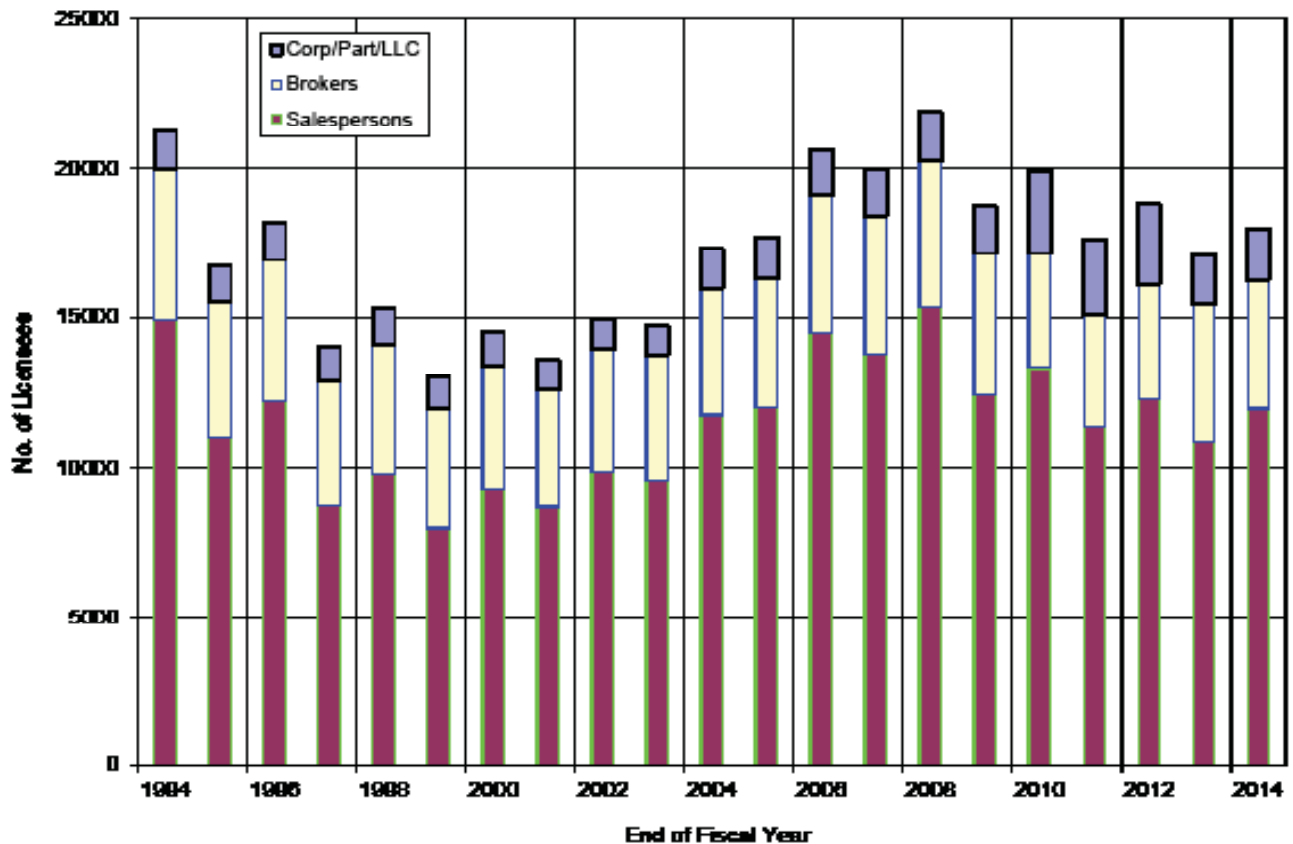


**Table 3. Current Real Estate Licensees - By License Type and Island (July 2014)**

	Oahu	Hawaii	Maui	Kauai	Molokai	Lanai	Other	Total
<b>Active</b>								
Broker	1,995	487	492	232	14	4	68	3,292
Salesperson	4,467	851	1,185	470	17	6	160	7,156
Sole Proprietor	669	125	112	54	4	0	5	969
Corporation, Partnership, LLC	987	248	248	119	4	3	4	1,613
<b>Total Active</b>	<b>8,118</b>	<b>1,711</b>	<b>2,037</b>	<b>875</b>	<b>39</b>	<b>13</b>	<b>237</b>	<b>13,030</b>
<b>Inactive</b>								
Broker	283	57	46	29	0	0	224	639
Salesperson	2,644	451	693	376	3	7	619	4,793
Sole Proprietor	2	0	0	0	0	0	1	3
Corporation, Partnership, LLC	43	12	10	2	0	0	25	92
<b>Total Inactive</b>	<b>2,972</b>	<b>520</b>	<b>749</b>	<b>407</b>	<b>3</b>	<b>7</b>	<b>869</b>	<b>5,527</b>
<b>Active and Inactive</b>								
Broker	2,278	544	538	261	14	4	292	3,931
Salesperson	7,111	1,302	1,878	846	20	13	779	11,949
Sole Proprietor	671	125	112	54	4	0	6	972
Corporation, Partnership, LLC	1,030	260	258	121	4	3	29	1,705
<b>Total</b>	<b>11,090</b>	<b>2,231</b>	<b>2,786</b>	<b>1,282</b>	<b>42</b>	<b>20</b>	<b>1,106</b>	<b>18,557</b>

**CHART 9. Real Estate Licensees - By Island**

**CHART 10. Total Real Estate Licensees**



**FY 2015 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

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## CONDOMINIUM REVIEW COMMITTEE REPORT

Under the leadership of Chair Scott Sherley and Vice Chair Bruce Faulkner, the Condominium Review Committee oversaw the jurisdiction of condominiums under Hawaii Revised Statutes (“HRS”) Chapters 514A and 514B, in tandem, as well as other related planned programs of work.

The Condominium Review Committee is a 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. Members of the condominium community, including developers, apartment owners and board members, condominium managing agents, attorneys, educators, government officials, and others with condominium concerns participate in the meetings. The Condominium Review Committee considers a variety of issues ranging from registration of condominium projects by developers, to condominium association registrations, and governance, and education and research programs funded under the Condominium Education Trust Fund.

Pursuant to HRS § 514B-71, 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. Expedient 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 2014 PROGRAM OF WORK

**Condominium Laws and Education** – In aid of administrating the condominium law, the Commission and its staff participated in legislative hearings and meetings with legislators and condominium stakeholders to fine-tune HRS Chapter 514B. With the help of stakeholder organizations and volunteers, the Commission developed, refined and updated new and existing forms (including web based online fillable forms), instructions, informational sheets, procedures and evaluative processes, curriculum, materials and handouts. The Commission continued the statewide promotion and delivery of Commission-subsidized seminars; where demand existed, seminars were delivered on the neighbor islands as well.

Pursuant to Hawaii Administrative Rules (“HAR”), Subchapter 5 of Chapter 201, Title 16, the Condominium Review Committee issued three informal non-binding interpretations of the provisions of HRS Chapter 514B and made them available to interested parties upon request

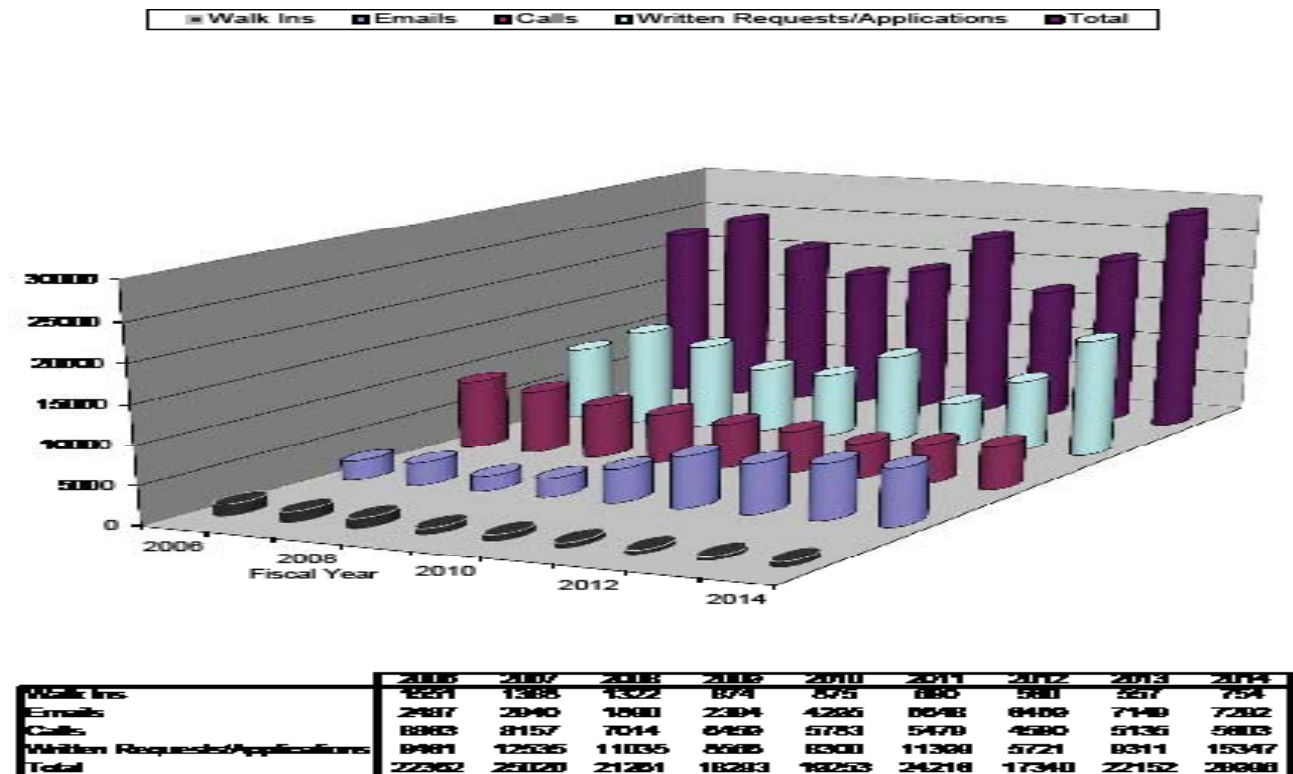
and online at the Commission’s website.

In implementing HRS Chapter 514B, the Condominium Review Committee appreciates 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.

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

**Education and Referral** – The Commission responded and provided information to inquiries from the condominium community,

**Chart 11. Condominium Advice, Education, and Referral**





developers, consumers, licensees, government officials, organizations, interested parties and the public, via telephone, in-person office visits, fax, written correspondence, emails, the Condominium Bulletin and through the Commission’s website. See Chart 11.

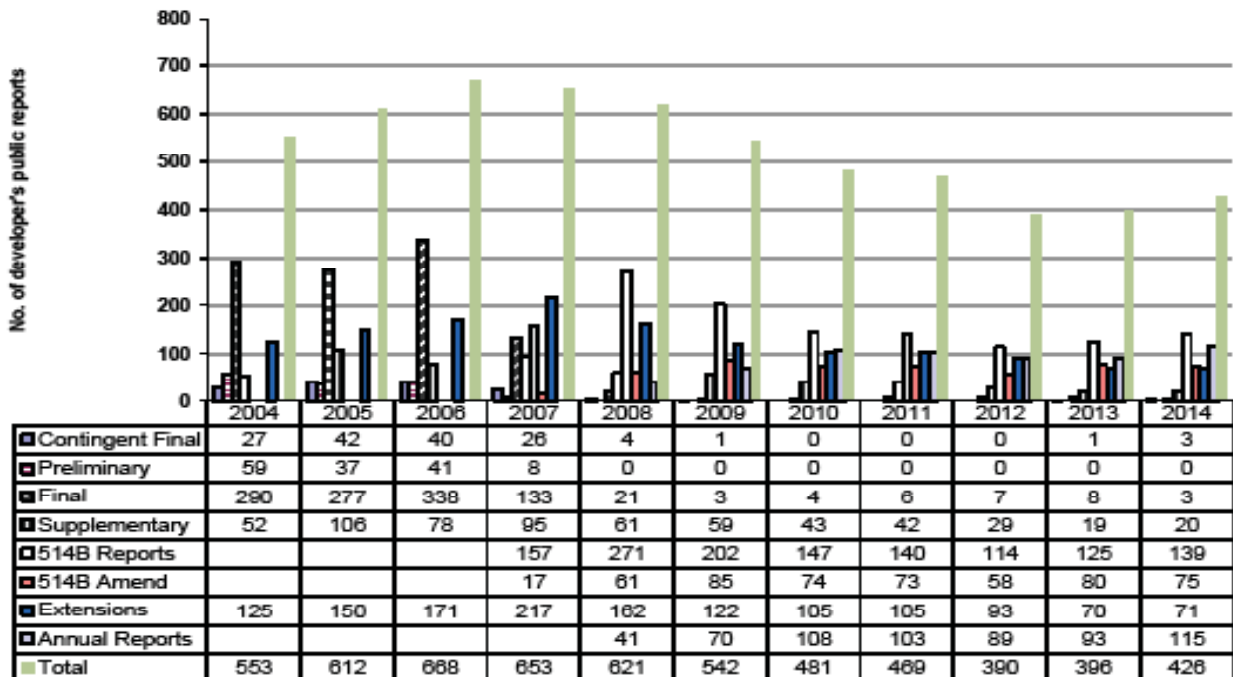
Although it is difficult to determine the precise cause for the over 60% variance in the Condo Requests, Applications, Reports, and Education Offerings, in FY 2014 project filings increased from the previous year, an additional staff member was employed who provided responses to numerous inquiries, staff responded to an increase of Office of Information Practices requests, and requests for information on statutory fee increases and rule-making rose.

**Condominium Project and Developer’s Public Reports – Staff implemented and**

administered the condominium project registration program, pursuant to HRS Chapters 514A and 514B. With the assistance of stakeholder organizations, volunteers, other governmental agencies, and interested attorneys, the Commission evaluated and developed new processes, records, forms, information documents and rules. Staff assisted procured consultants 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 studied and researched the formulation of a comprehensive evaluation system for the project registration and review process, including the use of evaluation forms by developers and attorneys. Staff researched and studied a plan for the electronic administration of condominium project files,

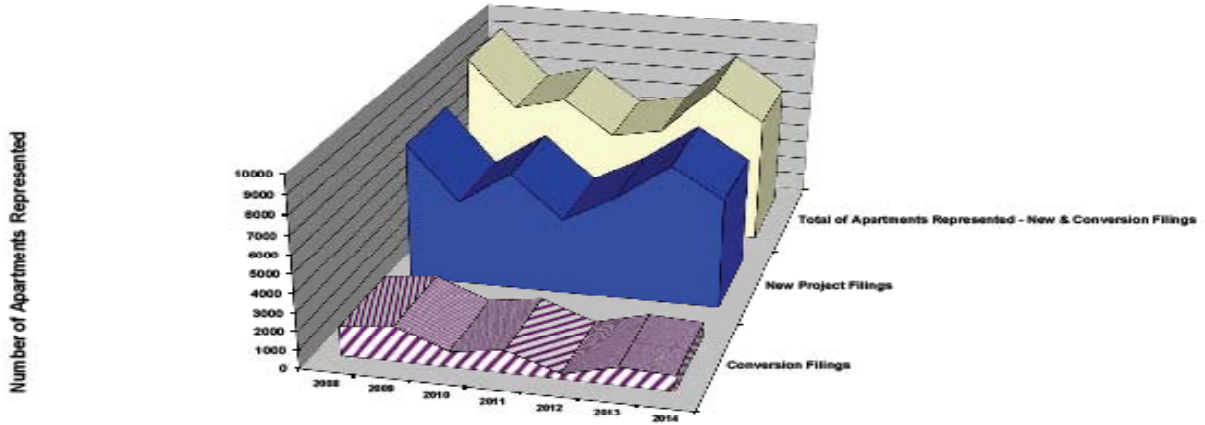
*(continued on page 29)*

**Chart 12. Developer’s Public Reports Effective Dates Issued**



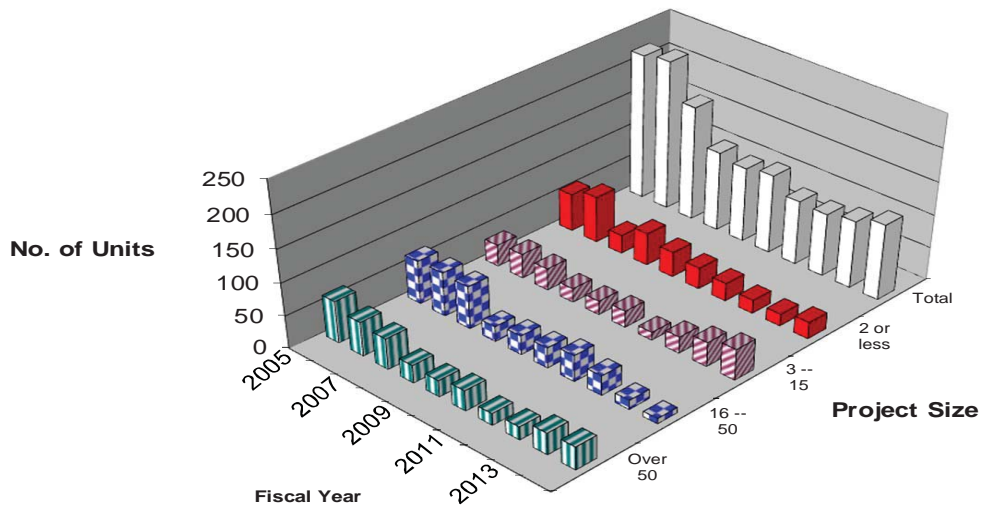
**Chart 13. Number of Condominium Apartments**

**New and Conversion Project Filings of Developers**



	2008	2009	2010	2011	2012	2013	2014
Conversion Filings	1619	1910	851	1229	262	949	816
New Project Filings	7509	4594	6359	4118	5565	7515	5899
Total of Apartments Represented - New & Conversion Filings	9128	6504	7210	5347	5827	8464	6715

**Chart 14. New Residential Projects - By Size**



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Over 50	64	52	47	27	25	31	18	20	33	35
16 -- 50	66	67	65	23	29	31	40	30	14	8
3 -- 15	33	37	33	21	21	25	12	25	37	47
2 or less	57	70	28	49	38	32	27	20	18	25
Total	220	226	173	120	113	119	97	95	102	115

**Table 4. Condominium Project Filings**

<b>New Projects</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Residential No. of Units Represented	146 4249	118 2928	120* 2842	98* 2126	95* 3118	102 5789	121 4933
Commercial and Other No. of Units Represented	37 3208	20 1473	8 3401	12 1916	15 2314	10 1683	9 881
Agricultural No. of Units Represented	41 52	53 193	31 116	31 76	19 133	16 43	23 85
<b>Total New Projects</b> Total No. of Units Represented	<b>224</b> 7509	<b>191</b> 4594	<b>159</b> 6359	<b>141</b> 4118	<b>129</b> 5565	<b>128</b> 7515	<b>153</b> 5899
<b>Conversions</b>							
Residential No. of Units Represented	132 664	112 1592	89 618	79 575	64 219	75 553	75 633
Commercial and Other No. of Units Represented	14 894	4 234	4 198	3 535	3 6	10 336	4 88
Agricultural No. of Units Represented	47 61	40 84	20 35	27 119	14 37	21 60	29 95
<b>Total Conversion Projects</b> Total No. of Units Represented	<b>193</b> 1619	<b>156</b> 1910	<b>113</b> 851	<b>109</b> 1229	<b>81</b> 262	<b>106</b> 949	<b>108</b> 816
<b>Combined New &amp; Converted Project Filings</b> <b>Combined No. of Units Represented</b>	<b>417</b> 9128	<b>347</b> 6504	<b>272</b> 7210	<b>250</b> 5347	<b>210</b> 5827	<b>234</b> 8464	<b>261</b> 6715

\* 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.

including the scanning of documents on CDs. The Commission worked with condominium consultants to create a more efficient process of administering the registration of 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 publishes a quarterly online bulletin aimed at the condominium community.

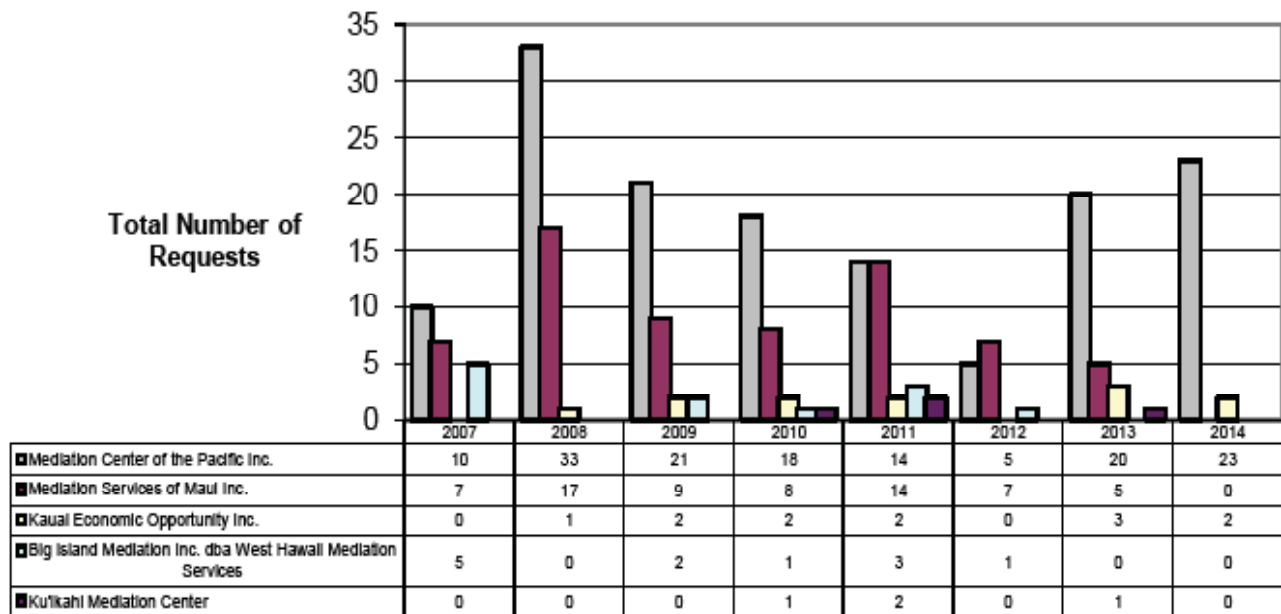
During FY 2014, in continuing efforts at conservation, the Commission maintained the online distribution of the Condominium Bulletin. Through the procurement process, Staff contracted for the design and layout of the Bulletin. In this fiscal year, the Bulletin included timely articles from the Hawaii Foreclosure Information Center on how to avoid scams, information for landlords of

condominium units on the rights of tenants owning assistance animals, medical marijuana use in individual units and insurance requirements for associations that become the owners of condominium units, among other topics.

#### **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).

**Chart 15. Condominium Governance Mediations**



During FY 2014, the Commission entered into agreements with mediation providers to mediate disputes between condominium owners pursuant to section 514B-161, HRS, for an additional year. Staff updated the Commission mediation brochure to reflect changes in the law for distribution to the condominium community on the Commission website (See Chart 15).

**Condominium Association Registration** – The Commission administered the condominium association registration program, which includes a review of submitted applications and the assessment of Commission registration policies and procedures. It also considered appeals, subpoenas, and requests for records under HRS Chapter 92F, and the Office of Information Practices rules and procedures. For FY 2014, the Commission continued its biennial condominium association registration. In FY 2014, there were 1,591 condominium associations registered, representing 151,320 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 public

association contact information (See Chart 15). The Commission responded to requests for subject-specific registration lists, such as pet-friendly condominium associations, leasehold properties, and Neighbor Island and zip-code-specific condominium associations (See Chart 16).

**Condominium Seminars and**

**Symposiums** – The Commission produced seminars for the condominium community utilizing Commission staff, procured providers, and volunteer faculty of representatives from the condominium governance, development, and real estate community. The Commission used Condominium Education Trust Fund subsidies for Commission-approved seminars, including the following for FY 2014:

- August 2013 – Grappling with Government Controls
- September 2013 – Hoarders, Boarders and Boomers
- November 2013 – Board Dos and Donts
- January 2014 – Avoiding Annual Meeting Disasters



Commission conducted the rulemaking process for HAR, Chapter 119. At regular monthly meetings, the Commission reviewed preliminary draft rules implementing HRS Chapter 514B and welcomed input from stakeholder groups and interested parties.

**Meetings** – The Commission plans, coordinates, and conducts monthly Condominium Review Committee meetings, posting the schedule of meetings and agendas on the Commission’s website. Condominium Review Committee meetings are open to the public and are a forum for condominium consumers to bring issues before the Commission and to learn about the variety of issues facing the Condominium Review Committee.

**Government and Legislative Participation and Report** – The Commission participated in all aspects of the legislative process, including researching, responding to, and reporting on requests from the Legislature and reviewing proposed legislation, resolutions, agreements, and issues of mutual concern. In addition to researching, preparing, and presenting testimony on the condominium bills that would affect condominiums, staff assisted the Condominium Review Committee in monitoring and tracking all condominium related bills generated in the House and Senate. The Commission researched, developed, and distributed its Annual Report to the Legislature on the Condominium Education Trust Fund programs and funds, and upon completion, posted the report on the Commission’s website.

**Legislative Acts and Resolutions** – The Commission reviewed, reported, and developed summaries on all related Acts and resolutions and implemented requirements of Acts and resolutions affecting condominiums in Hawaii. The enactment of new laws at the end of the fiscal year impacted the Condominium Review Committee’s Education and Referral program of work (*See page 7, Laws and Rules Committee Report for additional information*).

The Commission prepared unofficial copies of, HRS Chapters 514A and 514B, as amended, and the related administrative rules for posting on its website; a limited number of hard copies were printed as funds were available.

**Interactive Participation with Organizations** – The Commission participated in education and research efforts with local organizations and government agencies through joint training and participation at meetings with groups 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 HRS Chapter 514B.

**Neighbor Island Outreach** – The Commission held two Committee meetings on the neighbor islands in FY 2014. Meetings were held in Kona in October 2013 and Maui in January 2014. The neighbor island meetings afford neighbor island licensees, government officials, condominium owners and interested parties the opportunity to attend and participate in the committee meetings.

**Condominium Education Trust Fund** – The Commission administered the Condominium Education Trust Fund for educational purposes in this fiscal year pursuant to HRS § 514B-71. The Commission prepared, maintained, and reviewed quarterly and annual financial statements, budget and finance records for the CETF, and administered the fund’s investments.

**Consumer Education** – The Commission’s consumer education efforts emphasized education through Commission-sponsored seminars, responding to telephone and written inquiries and email requests from the public. The Commission maintained online educational materials on the Commission’s website, including the quarterly Condominium Bulletin. Additional educational programs and services

are contingent on the ability of the Commission to increase funding of the Condominium Education Trust Fund.

**Rulemaking, Chapter 53, Fees** – The Commission implemented revised Chapter 53 fees effective December 2012, as they relate to condominium project registration, condominium association registration and the Condominium Education Trust Fund.

**Condominium Property Regime Project Workshop and Meetings** – The Commission’s condominium consultants assist the Commission in reviewing condominium project registration documents. In November 2013, the Commission conducted its annual informational session for the condominium consultants. This meeting gives consultants the chance to discuss issues and concerns common to the review of condominium documents and to learn of new legislation that may affect this review.

**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 Kona in October of 2013 and Maui in January 2014. These are held to give neighbor island residents the chance to observe the meetings and discuss issues with Commissioners and staff.

**Condominium Speakership Program** – Subject to administrative approvals and priorities, the Commission honors requests to provide a speaker, resource person, or participant in a function related to condominium education either in the areas of condominium governance or condominium project registration. This program allows staff to educate the general public and condominium owners in particular, about the condominium law.

The Senior Condominium Specialist addressed community concerns at each Neighbor Island committee meeting held this fiscal year (2 this

fiscal year); setting aside time for discussion with interested persons either before or after the committee meetings have concluded. In addition to community members, the Senior Condominium Specialist meets with the Governor’s Liaison on each island and the respective Neighbor Island RICO staff for discussion of current condominium issues. Members of municipal and state government also attend and discuss any concerns.

**Technology and Website** – The Commission operated 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 HRS Chapter 514B, the Commission continued to post and makes available the developer’s public report form and other related forms, in form-fillable and downloadable format. The forms are continuously evaluated and amended to meet the ongoing implementation challenges. The Commission continues 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 continually monitors, collects and reports on state and federal law judgments and decisions, administrative decisions, and policies and procedures; reports on governance and project development cases; and evaluates 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 Associations of Unit Owners, that include unofficial copies of HRS Chapters 514A and 514B and the administrative rules for them along with guides on topics pertinent to the condominium community, such

as budget and reserves and the role and duties of board members and condominium owners.

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

**Cooperative Education, Research, and Administrative Program** – The Commission remained open to any requests to participate in, or sponsor any cooperative education research and administrative programs by those persons, branches, divisions, department personnel, or 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. No requests were made during the fiscal year.

**Condominium Reference Library** – Staff maintains a catalog of public reference materials provided to Hawaii State Libraries (especially in highly concentrated CPR areas) 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;
- 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, Chapters 107 and 119;
- 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

**Condominium Unit Owners on the Commission**

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

**Aileen Wada  
Laurie Lee**

The following member of the Real Estate Commission is a condominium owner:

**Rowena Cobb**



## FY 2015 PROGRAM OF WORK

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

The Commission will implement HRS Chapter 514B, as well as administer HRS Chapter 514A to the extent it is applicable to older condominium projects. In doing so, the Commission will participate fully in the legislative process as well. Where Condominium Education Trust Fund money is available, the Commission will brief, update, and educate the condominium community and include information on the Commission's website and in the Condominium and Real Estate Bulletin on current issues in the condominium community. The Commission will deliver on a statewide basis multifaceted low cost educational programs with the help of stakeholder organizations and volunteers on all islands. Additionally, with the help of stakeholder organizations and volunteers, the Commission will review and amend existing Commission-developed educational materials, including forms, instructional and informational sheets, procedures and evaluative processes as appropriate. The Commission will explore the delivery of educational seminars via video presentation on the Commission's website.

**Education and Referral –** On behalf of the Commission, staff will respond to inquiries and provide information to the condominium community including to developers; consumers; licensees; government officials; organizations; and interested others, via telephone; in person office visits; electronic communication; written correspondence; the 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 to maintain and update the Commission website as necessary. Whenever appropriate, the Commission will promote the condominium governance philosophy of self-governance by the owners and associations.

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

The Commission will administer two condominium project registration programs (HRS Chapters 514A and 514B) 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 refine online unalterable form-fillable developer's public report forms and evaluate and develop, where appropriate, 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 registration requirements. Staff will conduct information and orientation sessions for all newly procured consultants in addition to conducting yearly informational meetings for all consultants. The Commission will monitor the consultants' performance under the contracts.

Staff will make the developer's public reports available for public viewing and copying to disc via the Commission's website and compile information and Commission decisions; these will be available to the public, consultants and other interested persons. Staff will respond to subpoenas and requests for viewing condominium project files pursuant to HRS Chapter 92F. The Commission will study and research a comprehensive evaluation system of 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 monitor all legislation relevant to condominium project registration for potential impact upon condominium developers and the public report process.

**Hawaii Condominium Bulletin** – The Commission will research and develop the online publication of a quarterly bulletin. Staff will 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 developers’ 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 subsidize and monitor the ongoing delivery of mediation programs and the annual procuring of mediation contracts. This fiscal year, the Commission will initiate the implementation of Commission subsidization of evaluative mediation which will be offered as an option to condominium owners by mediation providers beginning July 1, 2015, in conjunction with the implementation of Act 187 (2013). Staff will work with the Mediation Center of the Pacific (MCP) and other procured providers to present educational seminars about alternative dispute resolution and evaluative mediation to condominium boards of directors and unit owners. Staff will collect information and statistics on mediation use for educational and Annual Report purposes. The Commission will study the feasibility of Condominium Education Trust Fund funding of arbitration for those parties eligible for mediation. The Commission will work with MCP to update the MCP mediation training instruction manual.

**Condominium Association Registration** – Staff will administer the online registration of condominium associations, including reviewing and updating registration policies, procedures, and appeals. The Commission will respond to subpoenas and requests for records consistent with OIP procedures. The Commission lists all association contact information on the Commission’s website with preprinted lists

available upon request. The Commission will 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 produce seminars for the condominium community through procured contracts with various providers and will procure for additional new providers on relevant topics as providers become available. It will continue to administer Condominium Education Trust Fund subsidies for Commission-approved seminars where funds are available. Staff proactively seeks additional seminar providers, especially on the neighbor islands. The Commission will administer 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 administer this group which reviews, makes recommendations and assists in the development, update and administration of condominium education-related projects. It will develop a roll-over five year strategic Condominium Education Trust Fund education plan including electronic brochures for seniors, condominium owners, and real estate brokers.

**Condominium Managing Agents Registration** – The Commission monitors Condominium Managing Agents registration requirements.

**Rulemaking, Chapters 107 and 119** – The Commission studies, evaluates, researches, and develops rule amendments for the formal rulemaking process. It will receive recommendations from various groups in the condominium community, community workshop participants, government officials and organizations regarding proposed rules for HRS

Chapters 514A and 514B. This fiscal year the Commission will work towards completing the formal rulemaking process for HRS Chapter 514B through the presentation of proposed draft rules to the Condominium Review Committee for consideration, recommendations, and approval. Initiation of the formal rulemaking process thereafter will 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** – With support from staff, the Commission will plan, coordinate, and conduct monthly Condominium Review Committee meetings. Staff posts the schedule of meetings and agendas on the Commission’s website and maintains meeting minutes in PDF and searchable format.

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

**Legislative Acts and Resolutions** – The Commission will review, report, and develop summaries on all related Acts and resolutions proposed in the 2015 legislative session and implement requirements of directly related Acts and resolutions. HRS Chapters 514A and 514B will be available on the Commission’s website.

**Interactive Participation with Organizations** – The Commission, with staff, will participate with local organizations and government agencies in the exchange of information and concerns, sharing of education

and research efforts, joint projects of mutual concern and training. The Commission and staff will attend and participate in local meetings, including Community Associations Institute Hawaii, the Hawaii Council of Community Associations, Condominium Council of Maui, and the Hawaii State Bar Association. Broader participation with national groups such as ARELLO is also possible in the coming year as funding allows.

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

**Condominium Education Trust Fund** – The Commission will administer the funds for educationally defined purposes, pursuant to HRS § 514B-71. 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 (2013) to provide greater financial support to and place an increased emphasis on evaluative mediation program.

**Consumer Education** – The Commission will 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 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 conduct annual information sessions and forums for condominium consultants for purposes of orientation and information. Staff will facilitate forums for representatives of developers, attorneys, condominium consultants, condominium managing agents, and association focus groups regarding the ongoing implementation of HRS Chapters 514A and 514B.

**Condominium Specialists’ Office for the Day** – The Commission will maintain the Condominium Specialists’ Office for the Day at various sites on the neighbor islands, such as the Regulated Industries Complaints Office, to provide the condominium community, developers, government officials, consumers, and other related professionals with education and referral. The Commission and staff use this time to respond to neighbor island staff concerns as well.

**Condominium Speakership Program** – The Commission honors requests to provide a speaker, resource person, or participate in a function related to condominium education, HRS Chapters 514A and 514B, condominium governance issues or condominium project registration. Commission staff is available to condominium associations to answer questions on the subject of the condominium law.

**Technology and Website** – The Commission will 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. The Commission will 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 that surface throughout the year. The Commission will consider its long range goal of providing all public condominium information online and accessing 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 will monitor and report on relevant state and federal case law, administrative decisions and policies and procedures, including relevant governance and project development case law. It will evaluate all cases for inclusion in the Condominium Bulletin.

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

**Records Management** – Staff will evaluate, plan, reorganize, and implement a centralized, consistent, user friendly, computerized glossary of the existing and future educational materials, records, developers’ public reports and project files. It will scan and store meeting minutes and developer’s public reports.

**Cooperative Education, Research, and Administrative Program** – The Commission will actively participate and sponsor cooperative education, research and administrative programs for those individuals, branches, divisions, department personnel, and the Attorney General’s Office that provide direct or indirect services to the Commission

and its Condominium Education Trust Fund and or condominium project registration responsibilities.

**Division and Department Program** – The Commission will coordinate activities and programs of mutual concern within the Department for the Professional and Vocational Licensing Division, Regulated Industries Complaints Office, and the Director’s Office. It will coordinate positions on HRS Chapters 436B, 467, 514A and 514B, and monitor interaction and effect of other regulatory laws and rules on HRS Chapters 514A and 514B.

**Staff and Commissioners Development** – Training for staff and Commissioners will be conducted to maintain the efficient delivery of service to the condominium community in the areas of condominium governance and project development. Staff and Commissioners take advantage of training and educational opportunities provided by Real Estate Educators Association, ARELLO, Community Associations Institute Hawaii, Hawaii Council of Community Associations, the Council on Licensure, Enforcement, and Regulation, and other organizations.

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

## Real Estate Education Fund

Fund Balance As of June 30, 2014 (Unaudited)	FY 2014 Expenditures and Encumbrances (Unaudited)
ASSETS	I. Operations
Cash	Personnel \$342,465
In State Treasury \$133,791	Supplies 3,296
Short term cash investments 350,000	Postage 3,000
Total Assets 483,791	Machinery and Equipment 8,102
	Dues and Subscriptions 1,028
	Total Operations \$357,891
LIABILITIES AND FUND BALANCE	II. Direct Licensee Education
Liabilities	Instructors Development Workshop 46,500
Payables (6,230)	Neighbor Islands Outreach 3,009
Fund Balance	Annual Report/Quarterly Bulletin 82,000
Reserve for Encumbrances 93,300	Programs 24,939
Unreserved 396,721	Total Direct Licensee Education 156,448
Balance <u>490,021</u>	
Total Liabilities and Fund Balance \$483,791	III. Indirect Licensee Education
	Interactive Participation w/Orgs. 22,136
<b>Revenues and Expenditures</b>	Staff/Commissioners Development 389
<b>For the Year Ending June 30, 2014</b>	Total Indirect Licensee Education <u>22,525</u>
<b>(Unaudited)</b>	
Revenues	Total Expenditures and
Fees \$77,658	Encumbrances <u>\$536,864</u>
Interest (includes Recovery Fund) 332	
Total Revenues <u>77,990</u>	
Expenditures <u>443,565</u>	
Excess (deficiency) of revenues over	
expenditures <u>(365,575)</u>	
Fund Balance	
Beginning of Year 855,595	
End of Year <u>\$490,020</u>	

## Real Estate Recovery Fund

### Fund Balance As of June 30, 2014 (Unaudited)

### FY 2014 Recovery Fund Payments

ASSETS		Case No.	Licensee(s)	Amount
Cash		None		
In State Treasury	\$356,951			
Short term cash investments	350,000			
Investment securities (cost)				
Total Assets	\$706,951			
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities				
Payables	\$6,383			
Total Liabilities	6,383			
Fund Balance				
Reserve for encumbrance	0			
Unreserved	700,568			
Fund Balance	700,568			
Total Liabilities and Fund Balance	\$706,951			

### Revenues and Expenditures For the Year Ending June 30, 2014 (Unaudited)

Revenues	
Fees	\$64,918
Expenditures	
Operations	43,946
Legal Services	38,846
Claims	0
Total Expenditures	82,792
Excess (deficiency) of revenues over expenditures	(17,874)
Fund Balance	
Beginning of Year	718,442
End of Year	\$700,568

## Condominium Education Trust Fund

<b>Fund Balance As of June 30, 2014 (Unaudited)</b>	<b>FY 2014 Expenditures and Encumbrances (Unaudited)</b>
<b>ASSETS</b>	
Cash	Personnel \$335,482
In State Treasury \$286,256	Supplies 1,354
Short term cash investments 500,000	Postage 4,500
Total Assets <u>\$786,256</u>	Equipment Rentals/Maintenance 2,296
	Education and Research 58,315
	Equipment for Office 6,534
	Staff/Commissioner Development 0
<b>LIABILITIES AND FUND BALANCE</b>	Resource Materials 0
Liabilities	Dues & Subscriptions <u>406</u>
Payables \$52	
Fund Balance	Total Expenditures and Encumbrances <u>\$408,887</u>
Reserve for Encumbrances 22,480	
Unreserved 763,724	
Fund Balance <u>786,204</u>	
Total Liabilities and Fund Balance <u>\$786,256</u>	

<b>Revenues and Expenditures For the Year Ending June 30, 2014 (Unaudited)</b>	<b>CONDOMINIUM EDUCATION FUND FY 2015 Budget (proposed)</b>		
<b>REVENUES</b>			
Revenues	Application and Renewal Fees \$844,115		
Fees - Others \$138,604	Interest <u>\$140</u>		
Fees - AOUC Registration \$167,458			
Interest income 111	<b>Total Revenues \$844,255</b>		
Total Revenues <u>306,173</u>			
Expenditures <u>386,408</u>	<b>EXPENDITURES</b>		
Excess (deficiency) of revenues over expenditures (80,235)	Personnel \$433,470		
	<table border="1" style="width: 100%;"><tr><td style="text-align: right;"><b>Subtotal</b></td><td><b>\$433,470</b></td></tr></table>	<b>Subtotal</b>	<b>\$433,470</b>
<b>Subtotal</b>	<b>\$433,470</b>		
Fund Balance	Administrative Expenses \$22,750		
Beginning of Year 866,439	Condominium Program of Work \$184,761		
End of Year <u>\$786,204</u>	<table border="1" style="width: 100%;"><tr><td style="text-align: right;"><b>Subtotal</b></td><td><b>\$207,511</b></td></tr></table>	<b>Subtotal</b>	<b>\$207,511</b>
<b>Subtotal</b>	<b>\$207,511</b>		
	<b>Total Expenditures and Budget Ceiling \$640,981</b>		