

# 2015 Annual Report

## Real Estate Commission

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

**The 2015 Hawaii Real Estate Commission**

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

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

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

**Laurie A. Lee**  
**Vice Chair, Laws and Rules Review 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**

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

**Aleta Klein**  
**Oahu, Real Estate Broker**

**Michael E. Pang**  
**Oahu, 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 David Ige, Governor, State of Hawaii, Members of the Twenty-Eighth State Legislature and Catherine P. Awakuni Colón, 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) 2015. The Commission currently oversees 17,643 licensees statewide, of which 13,119 hold active licenses. This is a 4.9% decrease in total licensees from a year ago. We also oversee approximately 1,693 registered condominium associations and 29 condominium hotel operators. There were 261 new and conversion project filings as compared to 253 filings in FY 2014. This represents an increase of units within new and conversion condominiums from 6,715 in FY 2014 to 10,652 in FY 2015.

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 no cases filed for payment from the fund during FY 2015. 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 which include 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.

Scott Arakaki, Public Member, Chair of the Laws and Rules Review Committee, and Vice Chair Laurie A. Lee, Oahu Commissioner, diligently worked to address national and state is-

sues 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 Rowena Cobb, 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 2015-2016 mandatory core course, Part A, which includes the topics of "2015 Real Estate-Related Legislation" and "Condominiums – Structure & Sales". This 2015-2016 mandatory continuing education course increased from five hours to eight hours.

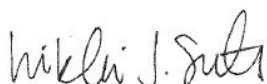
Condominium Review Committee Chair, Scott Sherley, Big Island Commissioner, and Vice-Chair Bruce Faulkner, Maui Commissioner, continued the task of rulemaking for Hawaii Revised Statutes, Chapter 514B, the recodified condominium law.

The Condominium Blue Ribbon Committee established in January 2014, continued to both facilitate the rulemaking process and review the feasibility of providing online condominium registration.

Along with Commissioners Michael Pang and Aleta Klein, O'ahu brokers, 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), Catherine P. Awakuni Colón, 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 its ability to serve consumers.

Respectfully Submitted,

A handwritten signature in dark ink, appearing to read "Nikki T. Senter". The signature is fluid and cursive, with the first name "Nikki" being more prominent.

Nikki T. Senter, Chair

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



**Catherine P. Awakuni Colón, 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  
Diane Choy Fujimura, Senior Real Estate Specialist  
Amy Endo, Real Estate Specialist  
David Grupen, Real Estate Specialist  
Charisa Flores, Office Assistant  
Cynthia Yee, Senior Condominium Specialist  
Benedyne Stone, Condominium Specialist  
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**This material can be made available for individuals with special needs. Please call the Senior Real Estate Specialist at (808) 586-2643 to submit your request.**

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## LAWS AND RULES REVIEW COMMITTEE REPORT

The Laws and Rules Review Committee, for fiscal year 2015, led by Chair Scott Arakaki and Vice Chair Laurie Lee had another active year with legislation, reactive issues, licensing programs, and recovery fund administration.

### LEGISLATIVE

- **ACT 93 – HB169 HD1 SD1 CD1 –** Amends the definition of fair market rental value. Increases the transient accommodations tax imposed on resort time share vacation units by 1 per cent each year to gradually achieve a rate of 9.25 per cent of the fair market rental value. Effective January 1, 2016.
- **ACT 41 – HB279 HD2 SD1 –** Allows the real estate commission to take disciplinary action if a real estate broker or salesperson for a seller or purchaser of real estate acts in a manner that prohibits a prospective purchaser or seller from being able to retain a real estate broker or salesperson. Effective November 2, 2015.
- **ACT 224 – HB830 HD1 SD1 CD1 –** Creates an exemption from DLNR historic review for proposed projects on privately-owned single-family detached dwelling units or townhouses that meet certain criteria. Defines “dwelling unit”, “single-family detached dwelling unit”, and “townhouse”. Effective July 1, 2015.
- **ACT 220 – HB858 HD2 SD2 CD1 –** Permits the termination of residential rental agreements in cases of domestic violence. Specifies additional procedures under the residential landlord-tenant code for instances of domestic violence. Effective November 1, 2015.
- **ACT 120 – HB1140 HD1 SD2 CD1 –** Provides a temporary income tax credit for the cost of upgrading or converting a qualified cesspool to a septic system or an aerobic treatment unit system, or connecting to a sewer system. Permits DOH, as a pilot program, to certify no more than 2 residential large capacity cesspools as qualified cesspools. Defines terms. Effective July 1, 2015. Sunsets December 31, 2020.
- **ACT 242 – SB1291 SD2 HD2 CD1 –** Prohibits discrimination against medical marijuana patients and their caregivers by schools and landlords and voids provisions of condominium and planned community association’s documents which discriminate against who has a valid certificate for the medical use of marijuana unless the document prohibits the smoking of tobacco and the medical marijuana is used by means of smoking. Effective upon approval.
- **ACT 164 – SB1316 SD2 HD2 CD1 –** Establishes a working group to examine the issues regarding requests to the board of directors of an association of apartment owners, condominium association, cooperative housing corporation, or planned community association regarding the installation of electric vehicle charging systems. Effective July 1, 2015.

- **ACT 29 – SB14 SD1 HD2** – Amends the Residential Landlord-Tenant Code to allow use of the security deposit to: replace keys, including key fobs, parking cards, garage door openers, and mail box keys; and pay for utility service provided by the landlord under the rental agreement but not included in the rent. Effective November 1, 2015.
- **ACT 135 – SB17 HD2 CD1** – Clarifies that the required disclosure of documents by a seller for residential real property that is subject to restrictions or conditions on use applies to documents relating to restrictions or conditions subject to section 508D-9, Hawaii Revised Statutes. Effective November 1, 2015.
- **ACT 204 – SB519 SD2 HD3 CD1** – Authorizes fines to be deposited into the tax administration special fund. Increases the balance that may be retained in the tax administration special fund in each fiscal year. Authorizes DOTAX to enforce civil penalties for operators and plan managers who fail to display the certificate of registration and registration ID numbers for transient accommodations and resort time share vacation plans. Authorizes DOTAX to issue citations for failure to provide the registration identification number or link to the number and the contact information of the local contact in an advertisement for a transient accommodation or resort time share vacation plan. Effective January 1, 2016.
- **ACT 225 – SB756 SD1 HD2 CD1** – Establishes a mortgage license exemption for seller-financed mortgage loans, if certain conditions are met. Requires the seller to

provide the buyer with the terms of the financing. Also, requires the seller to provide a disclaimer, to be initialed by the buyer, regarding the financing. Effective upon approval.

**Licensing** – For FY 2015, the total number of licensees decreased to 17,643 as compared to 18,557 in FY 2014; representing a decrease of 4.9% 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 2015 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 2015, the Commission received notification for zero claims on the fund (See Chart 1). There were also no payments out of the recovery fund for FY 2015. Since its incep-

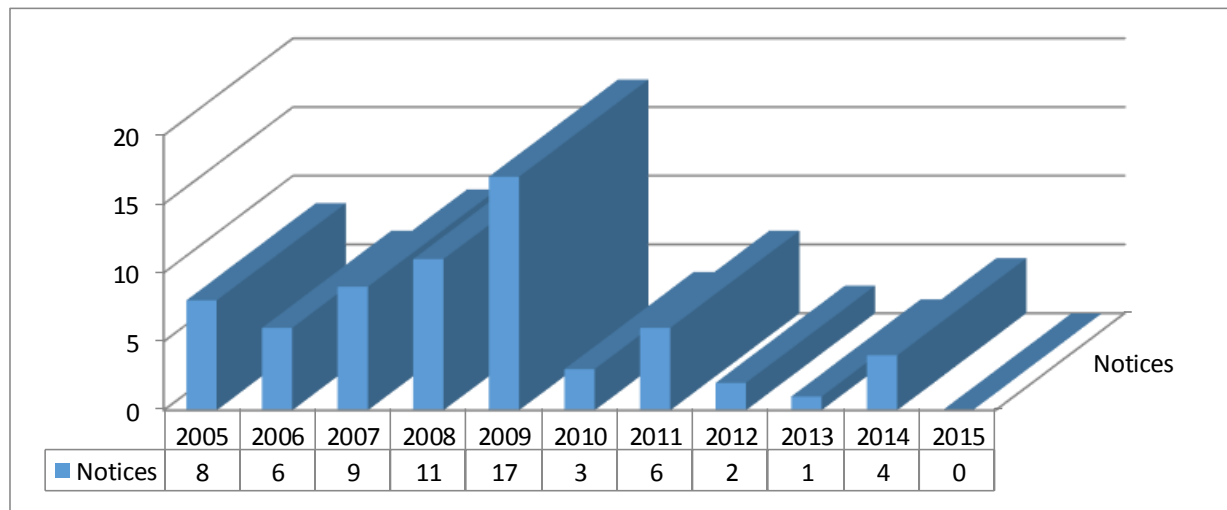


tion in 1967, the recovery fund has paid out over two million dollars (See Chart 2).

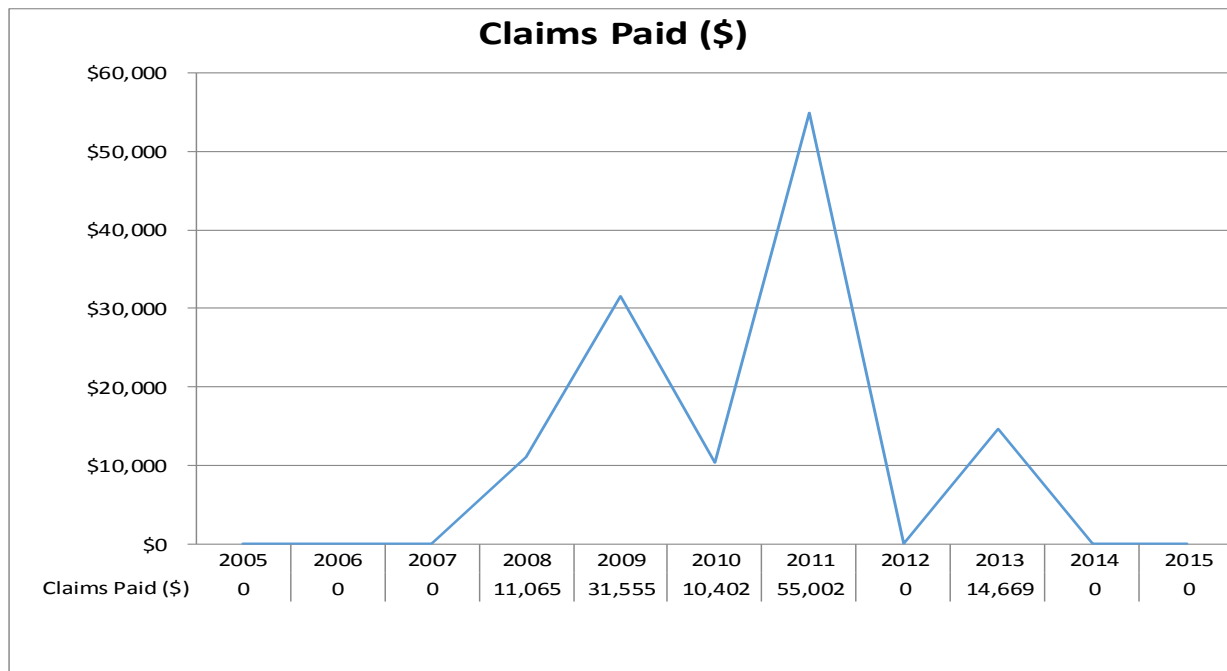
**Real Estate Licensing, Registration & Certification Administration** – The Commission administered the licensing, registration, and certification requirements, including applica-

tions review and updates, policies, procedures, appeals, subpoenas, and requests for records under the Office of Information Practices (OIP), laws, rules, and procedures.

**CHART 1. Recovery Fund - Notices**



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

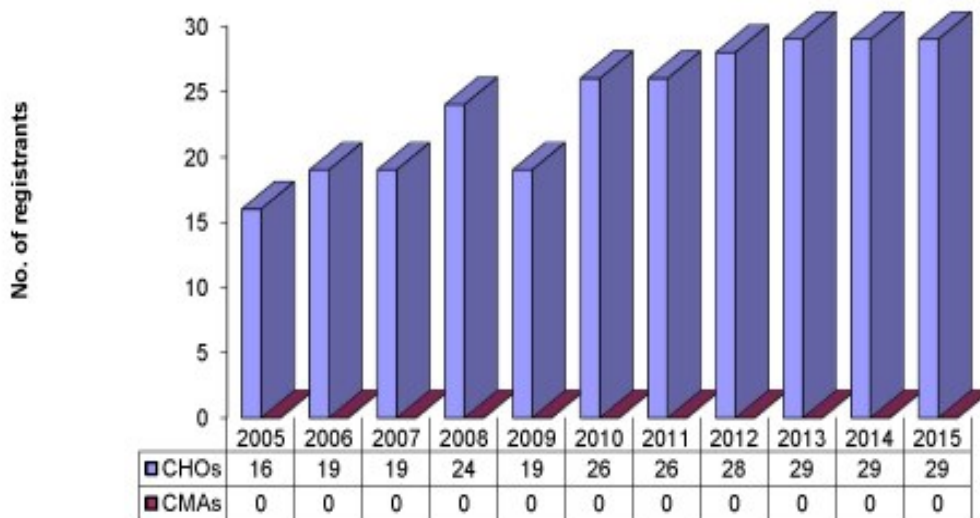


### Condominium Hotel Operator

**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. See Chart 3.

**Rule Making, Chapter 99** – The Commission studied, evaluated, researched, and developed rule amendments for submission to the formal rule making process. Due to quorum issues with the Small Business Regulatory Review Board, the Commission’s rule making 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 rule making process without a hearing. The Commission recently received the Governor’s approval to hold public hearings on the amendments.

**CHART 3. Condominium Hotel Operator (CHO) Registration**



**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.

**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 2015 approached an 84.7% 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 four meetings on the neighbor islands in FY 2015. Meetings were held in Hilo in August 2014, Kauaʻi in November 2014, Maui in January 2015 and on Kauaʻi in June of 2015. The neighbor island meetings afford neighbor island licensees, government officials, and condominium owners and interested parties the opportunity to attend and participate

in the committee meetings.

**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 the 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 2016 PROGRAM OF WORK

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• Real Estate Recovery Fund</li> <li>• Real Estate Licensing, Registration &amp; Certification Administration</li> <li>• Condominium Hotel Operator Registration</li> <li>• Education and Referral</li> <li>• Rulemaking, Chapter 99</li> <li>• Subcommittees</li> <li>• Meetings</li> <li>• Licensing Renewals</li> <li>• Legislative and Government Participation</li> <li>• Interactive Participation with Organizations</li> <li>• Legislative Acts and Resolutions</li> <li>• Neighbor Island Outreach</li> </ul> | <ul style="list-style-type: none"> <li>• Review of Services and Organization</li> <li>• Application Processing and Forms</li> <li>• ARELLO National Disciplinary Action Data Bank</li> <li>• Case Law Review Program</li> <li>• Rulemaking, Chapter 53, Fees</li> <li>• Commissioners Education Program</li> <li>• Division and Department Programs</li> <li>• Housing and Urban Development/ARELLO Fair Housing Agreement</li> </ul> |
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## ADMINISTRATIVE ACTIONS

### Disciplinary Actions

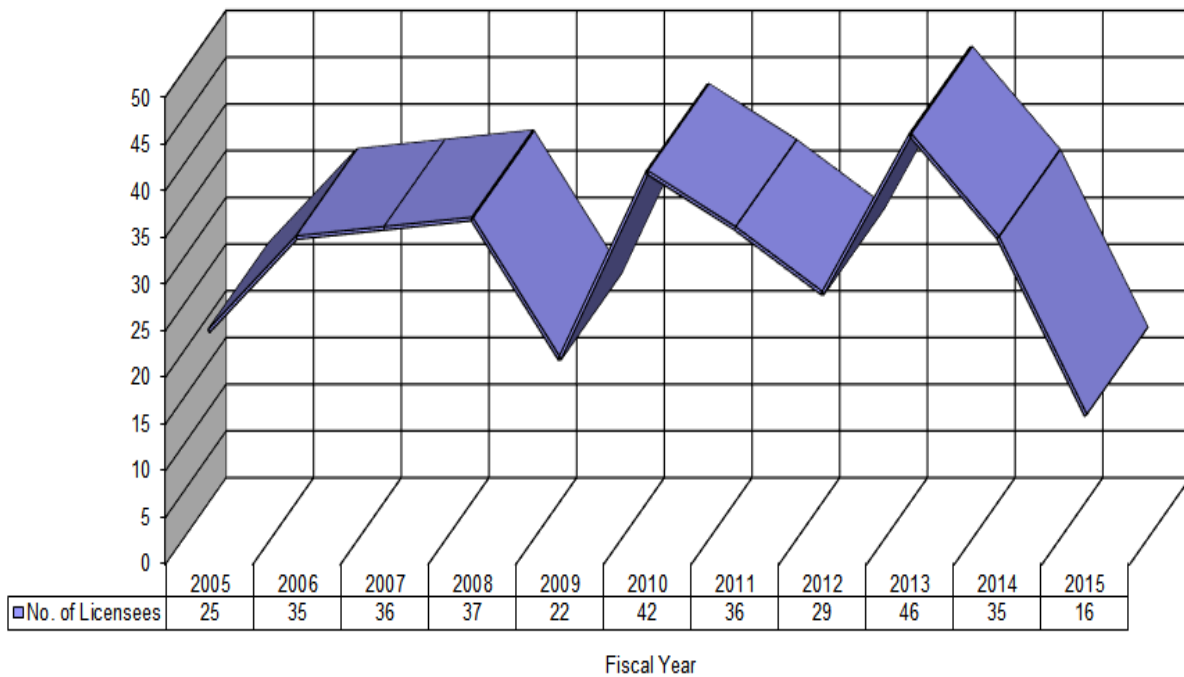
The Commission took disciplinary action against 16 licensees in FY 2015. This was a 54.3% decrease over the 35 licensees disciplined in FY 2014. Chart 4 provides historical information on the number of licensees disciplined.

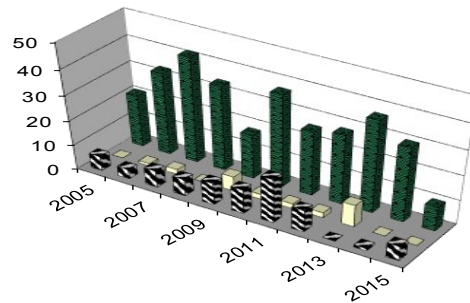
Fines totaling \$10,500 were assessed against 10 of the licensees. Six licensees had their licenses suspended. See Chart 5.

**Table 1—Administrative Actions**

No. of Licensees Disciplined	16
Licenses Revoked	6
Licenses Suspended	0
Licenses Fined	10
Total fines	\$10,500
Licenses Subject to Other Sanctions	0

**CHART 4. Disciplinary Actions**



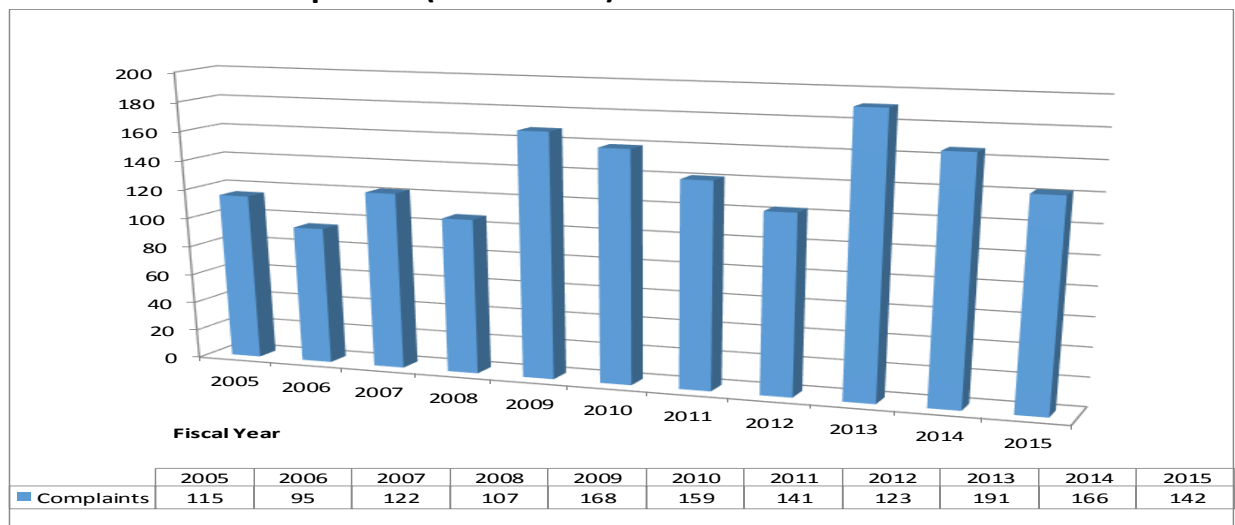
**CHART 5. Administrative Actions—Sanctions**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
■ Licenses Revoked	6	4	7	7	9	10	18	9	0	1	6
■ Licenses Suspended	0	1	2	0	6	2	2	2	9	0	0
■ Licenses Fined	21	33	42	34	18	37	26	28	37	30	10

**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 14.5% decrease in FY 2015. RICO received 142 real estate complaints in FY 2015, compared to 166 in FY 2014. Refer to Chart 6.

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

**CHART 6. RICO Complaints (Real Estate)**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
■ Complaints	115	95	122	107	168	159	141	123	191	166	142

**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(20)** - Failure to maintain a reputation for or record of competency, honesty, truthfulness, financial integrity, and fair dealing.
3. **§467-1.6** - Principal brokers management, supervision and responsibilities.
4. **§467-14(7)** - Failing, within a reasonable time, to account for any moneys belonging to others that may be in the possession or under the control of the licensee.
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(v)** - The licensee shall not convert other people's moneys to the licensee's own use.
4. **§16-99-3(f)** - Licensee shall see that financial obligations and commitments are in writing.
5. **§16-99-4(b)** - Every brokerage firm shall retain for at least three years records of all trust funds which the brokerage firm has received. All records and funds shall be subject to inspection by the commission or its representative. The three-year requirement shall be for real estate license law purposes only. The brokerage firm may be required to keep records for a longer period of time for other purposes.

## EDUCATION REVIEW COMMITTEE REPORT

The Education Review Committee, for fiscal year 2015, under the leadership of Chair Rowena Cobb and Vice Chair Aileen Wada, continued to address important and varied education issues.

### FY 2015 PROGRAM OF WORK

**Continuing Education Core Course** – The Commission researched and developed its core course on laws and rules updates, and condominium structure and sales for the first year of the licensing biennium, and self-governance for the second year of the biennium.

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

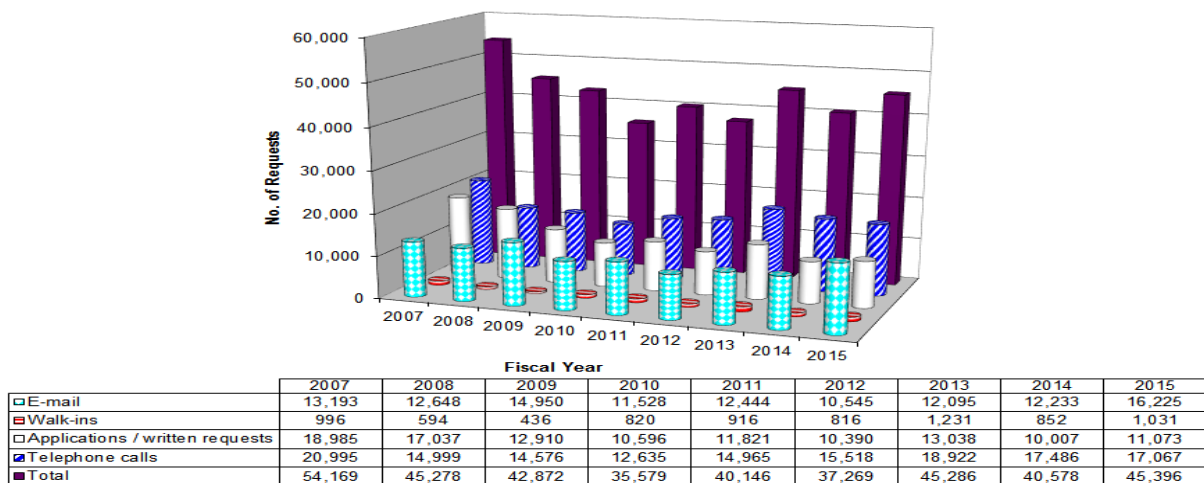
**Broker Curriculum and Resources** – The broker’s curriculum continued to be offered in both live classroom and independent study/online format.

**Advice, Education, and Referral** – Staff continued to provide advice, education, and referral to applicants, licensees, government officials, consumers, public, organizations, includ-

ing 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 17,067 telephone inquiries; 1,031 walk-in inquiries; 11,073 applications, written inquiries/requests, faxes; and 16,225 emails. See Chart 7.

### CHART 7. Inquiries and Applications





### 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. The Commission's Prelicense 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.

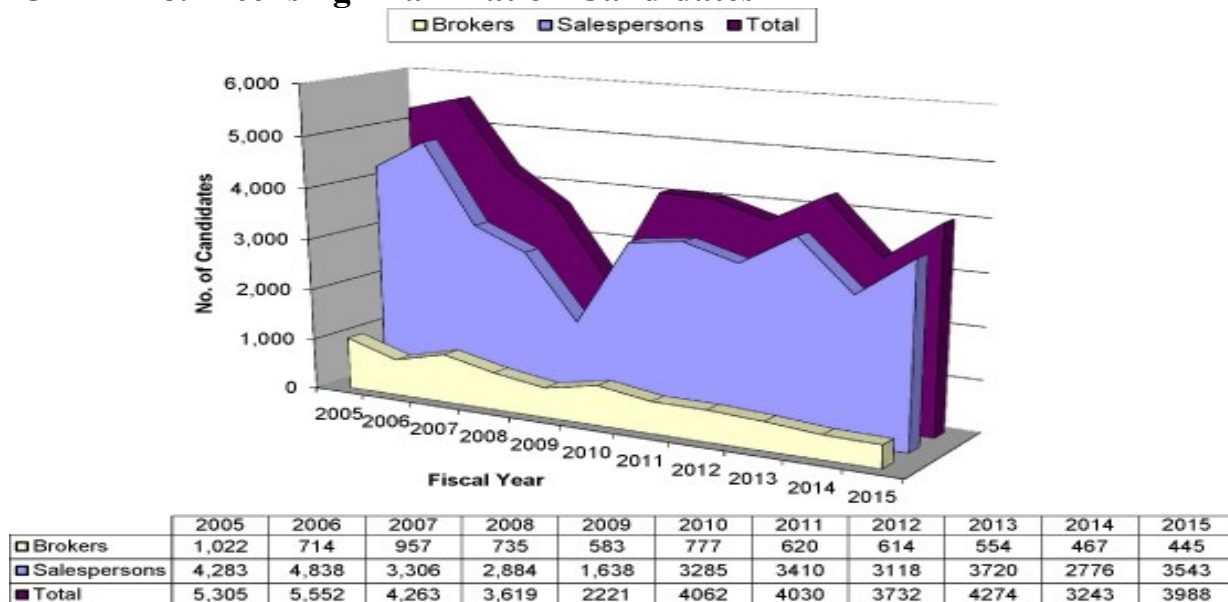
**Administration of Examinations** – The Commission administered the real estate licensing examination program, including contract administration with its test administrator, PSI, and provided information regarding the exam

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 July 29-30, 2014.

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 8, the number of total examination attempts by candidates increased 23% 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 258 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 9.2% decrease from the last fiscal year's total of 284 approvals.

**CHART 8. Licensing Examination Candidates**



**Table 2. Real Estate Licensing Examination**

	FY 2014	FY 2015	% Change
Brokers Tested*	467	445	-4.7%
Salespersons Tested*	2776	3543	27.6%
Total Tested	3243	3988	23.0%
Brokers Passed**	296	265	-10.5%
Salespersons Passed**	2249	2525	12.3%
Total Passed	2545	2790	9.6%
% Brokers Pass*	63.4%	59.6%	
% Salespersons Pass*	81.0%	71.3%	
*First time and Retakers			
**National and/or State Portion			

### **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 Edu-

cation 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 378 newly approved CE courses, a 310.9% increase from the approved 92 CE courses in the previous fiscal year. There were a total of 37 approved CE providers that offered 1,419 classes to 57,559 participants.

### **Ad Hoc Committee on Education (ACE) –**

The Commission's Ad Hoc Committee on Education reviewed, recommended, assisted in development, updated, and administered education-related projects and continuing education. There were three Ad Hoc Committee on Education meetings during the fiscal year: January 20, 2015, April 16, 2015, and May 21, 2015. The Ad Hoc Committee on Education assisted in the development of the topic for the Commission's 2015-2016 Core Course, Part A, "Condominiums – Structure and Sales".

**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).

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 four meetings on the neighbor islands in FY 2015. Meetings were held in Hilo in August 2014, Kaua'i in November 2014, Maui in January 2015 and on Kaua'i in June of 2015. The neighbor island meetings afford neighbor island licensees, government offi-

cials, and condominium owners and interested parties the 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 2015-2016 biennium. The Instructors Development Workshop, "Be Condo Smart" was developed and presented in a panel format on November 19, 2014, on Oahu.

**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 in Hilo, Hawaii on August 13, 2014, Lihue, Kauai on November 12, 2014, Kahului, Maui on January 7, 2015 and again in Lihue, Kauai on June 10, 2015.

**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 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

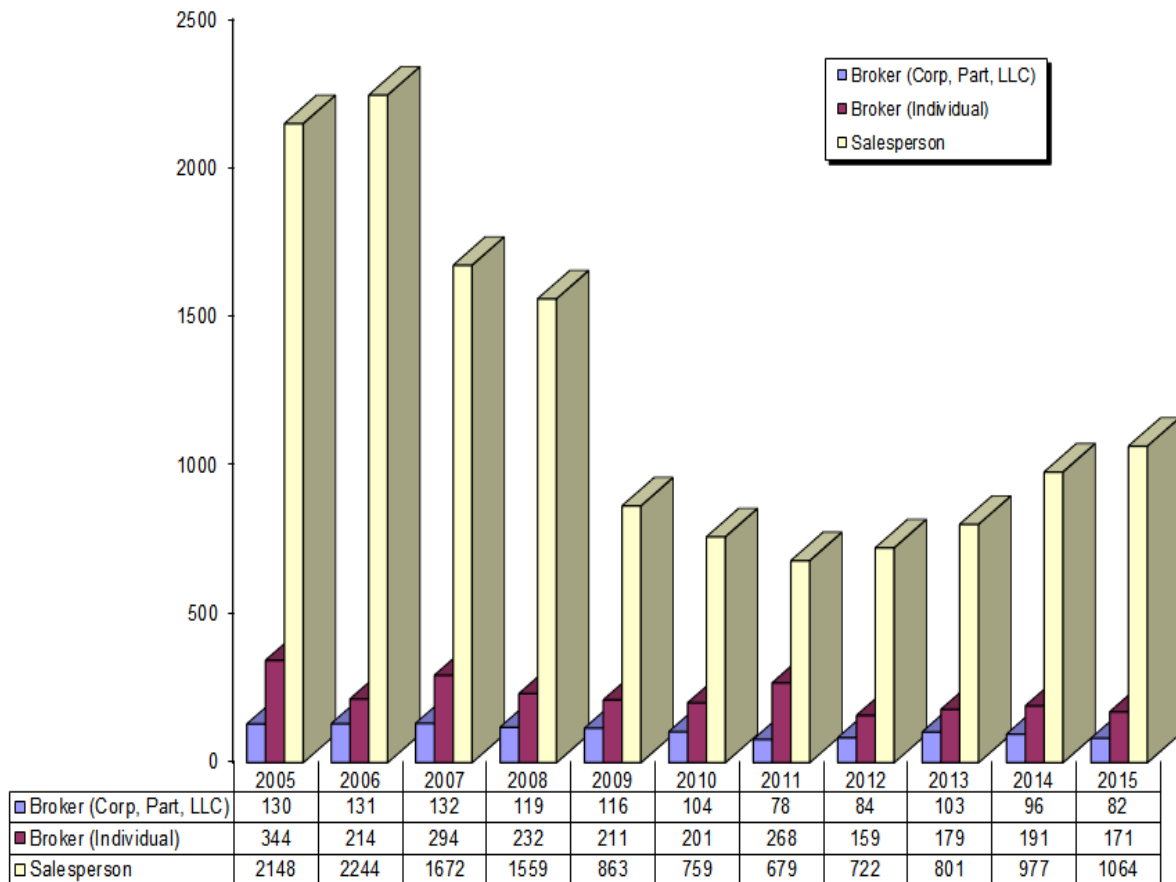
### New Licenses

During FY 2015, 1,317 new licenses were issued. The number of new licenses issued in FY 2015 increased 4.2% over the prior fiscal year. New individual broker licenses decreased by 10.5%, new salesperson licenses increased by 8.9%, and new entity licenses decreased by 13.5%. Refer to Chart 9.

### Current Licenses

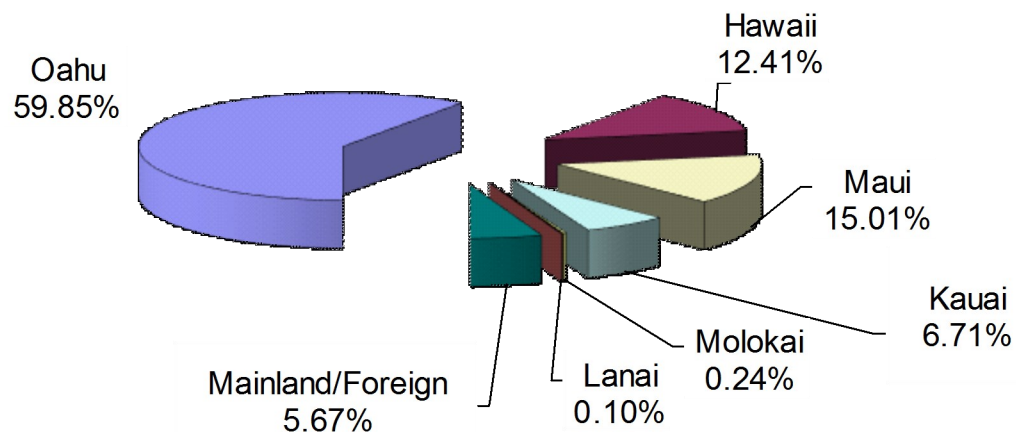
The overall number of current real estate licenses decreased 4.9% by the end of FY 2015. In FY 2015, active licenses increased .7% over last year, while inactive licenses decreased 18.1%. See Table 3, Chart 10 and Chart 11

**CHART 9. New Real Estate Licenses Issued**

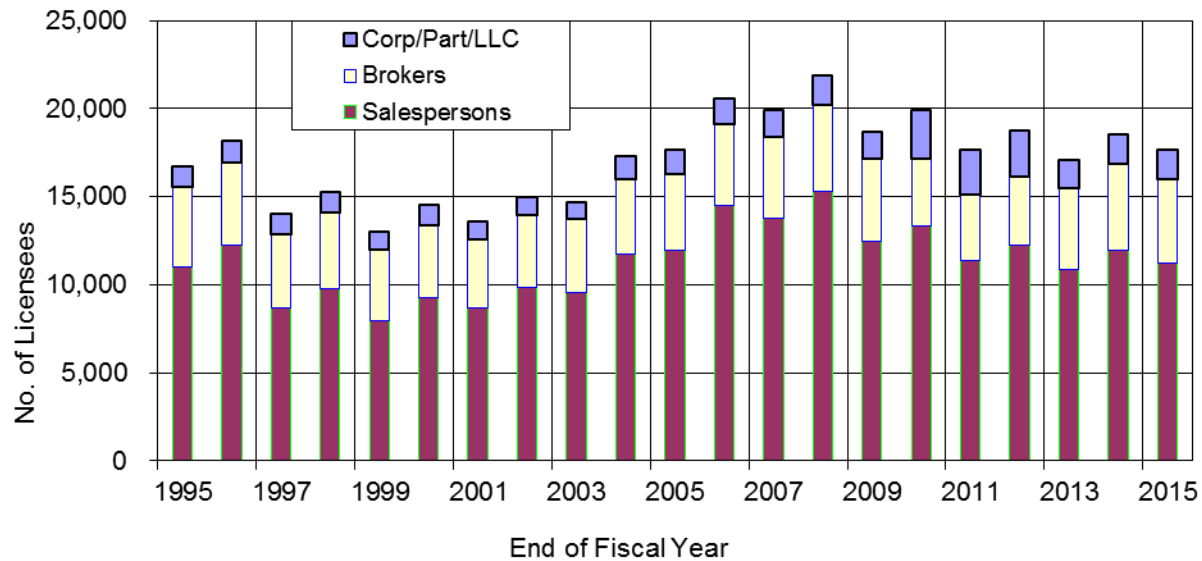


**Table 3. Current Real Estate Licensees—By Type and Island (July 2015)**

	Oahu	Hawaii	Maui	Kauai	Molokai	Lanai	Other	Total
<b>Active</b>								
Broker	1,958	489	486	220	12	3	83	3,251
Salesperson	4,595	885	1,251	479	15	7	151	7,383
Sole Proprietor	593	129	104	53	4	0	5	888
Corporation, Partnership, LLC	980	241	251	115	4	3	3	1,597
Total Active	8,126	1,744	2,092	867	35	13	242	13,119
<b>Inactive</b>								
Broker	266	55	35	28	1	0	212	597
Salesperson	2,129	384	516	288	6	5	535	3,863
Sole Proprietor	1	0	0	0	0	0	0	1
Corporation, Partnership, LLC	38	7	5	1	0	0	12	63
Total Inactive	2,434	446	556	317	7	5	759	4,524
<b>Active and Inactive</b>								
Broker	2,224	544	521	248	13	3	295	3,848
Salesperson	6,724	1,269	1,767	767	21	12	686	11,246
Sole Proprietor	594	129	104	53	4	0	5	889
Corporation, Partnership, LLC	1,018	248	256	116	4	3	15	1,660
<b>Total</b>	<b>10,560</b>	<b>2,190</b>	<b>2,648</b>	<b>1,184</b>	<b>42</b>	<b>18</b>	<b>1,001</b>	<b>17,643</b>

**CHART 10. Real Estate Licensees—By Island**

**CHART 11. Total Real Estate Licensees**



## FY 2016 PROGRAM OF WORK

- 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

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, unit 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 affecting condominium living in Hawaii ranging from the registration of condominium projects by developers and condominium association registration, to the self-governance of associations, the education of owners, and research programs, all of which are funded by 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 monies 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 2015 PROGRAM OF WORK

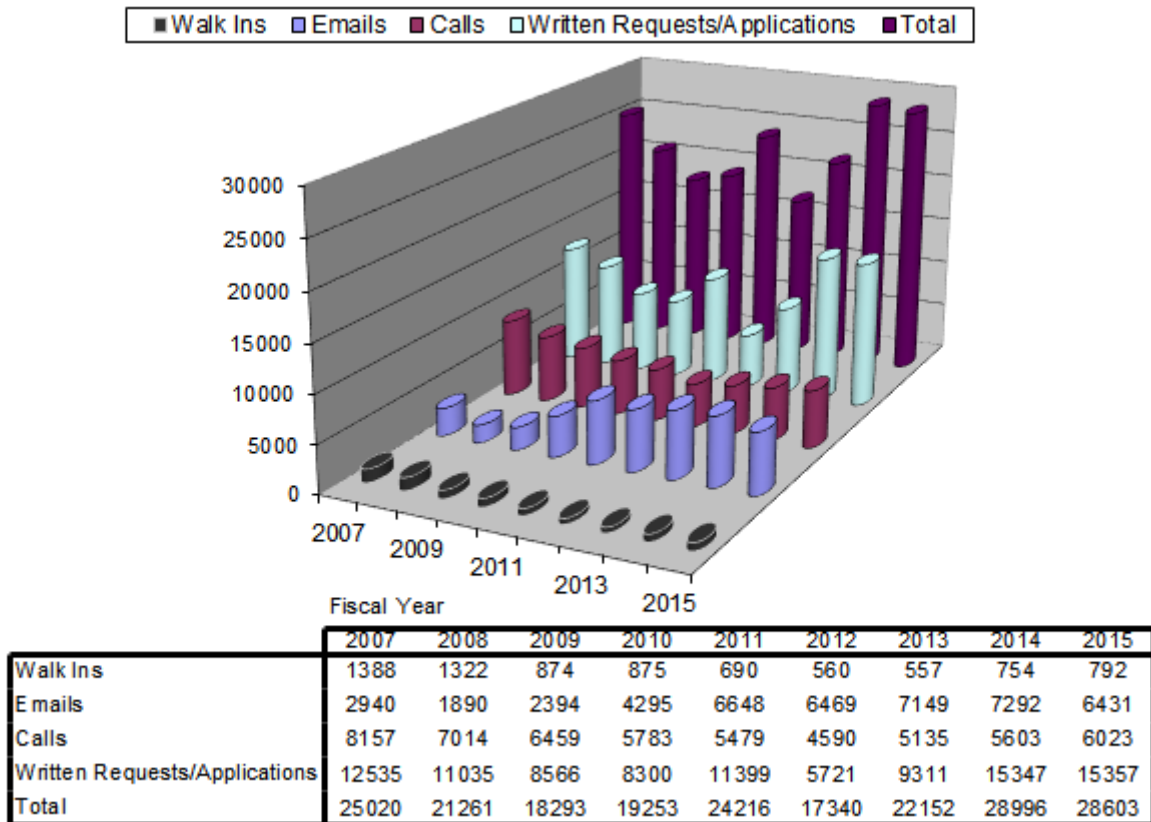
**Condominium Laws and Education** - In its task of administrating the condominium law, the Commission and its staff participated in legislative hearings and meetings with legislators and condominium stakeholders to fine-tune HRS Chapter 514B. With the help of stakeholder organizations and volunteers, 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 is-

lands as well.

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 worked on the drafting of administrative rules for HRS Chapter 514B; reviewed and amended existing Commission-developed educational materials; created new forms; modified ex-

**Chart 12. Condominium Advice, Education, and Referral**



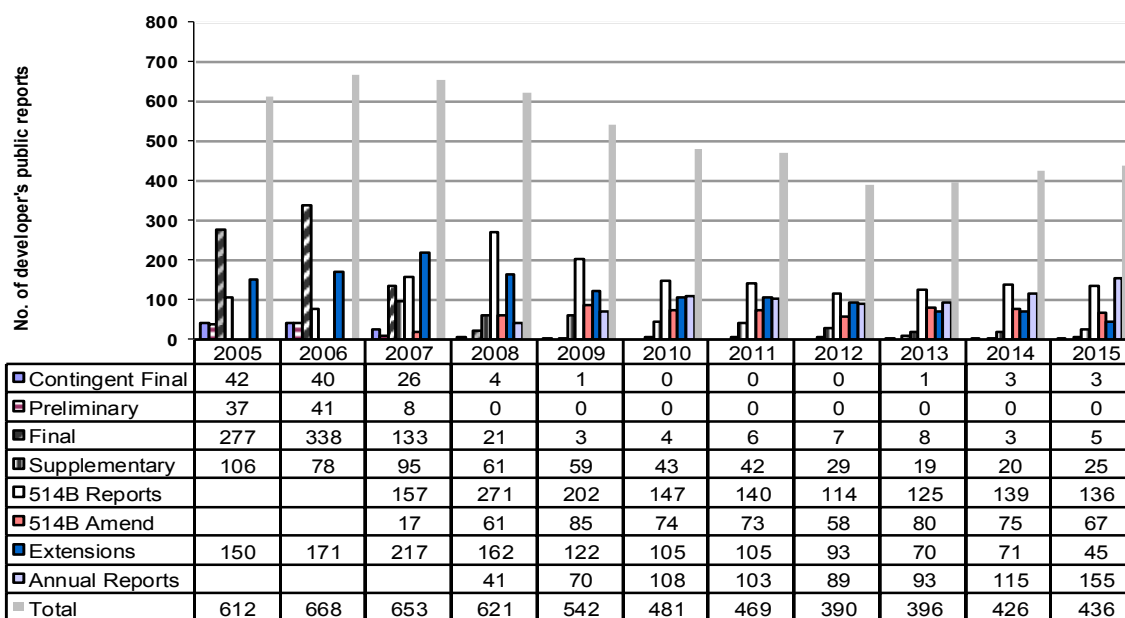
isting forms when necessary; reviewed instructions, informational sheets, procedures and evaluative processes; and explored the delivery of educational seminars on the Commission's website.

**Education, and Referral** – The Commission responded and provided information to inquiries from condominium owners; developers; consumers; real estate licensees; government officials; and organizations and interested parties via telephone; in-person office visits; electronic communications; the Hawaii Condominium Bulletin; the Commission's website; and procured seminars. See Chart 12.

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

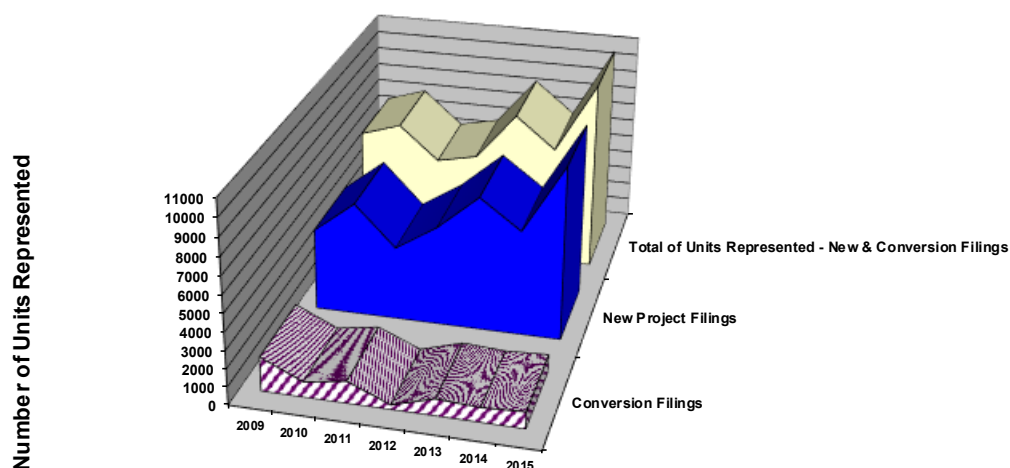
administered the condominium project registration program pursuant to HRS Chapters 514A and 514B. With the assistance of stakeholder organizations, volunteers, other governmental agencies and interested attorneys, the Commission evaluated and developed new processes, records, forms, information documents 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

**CHART 13. Developer's Public Reports Effective Dates Issued**



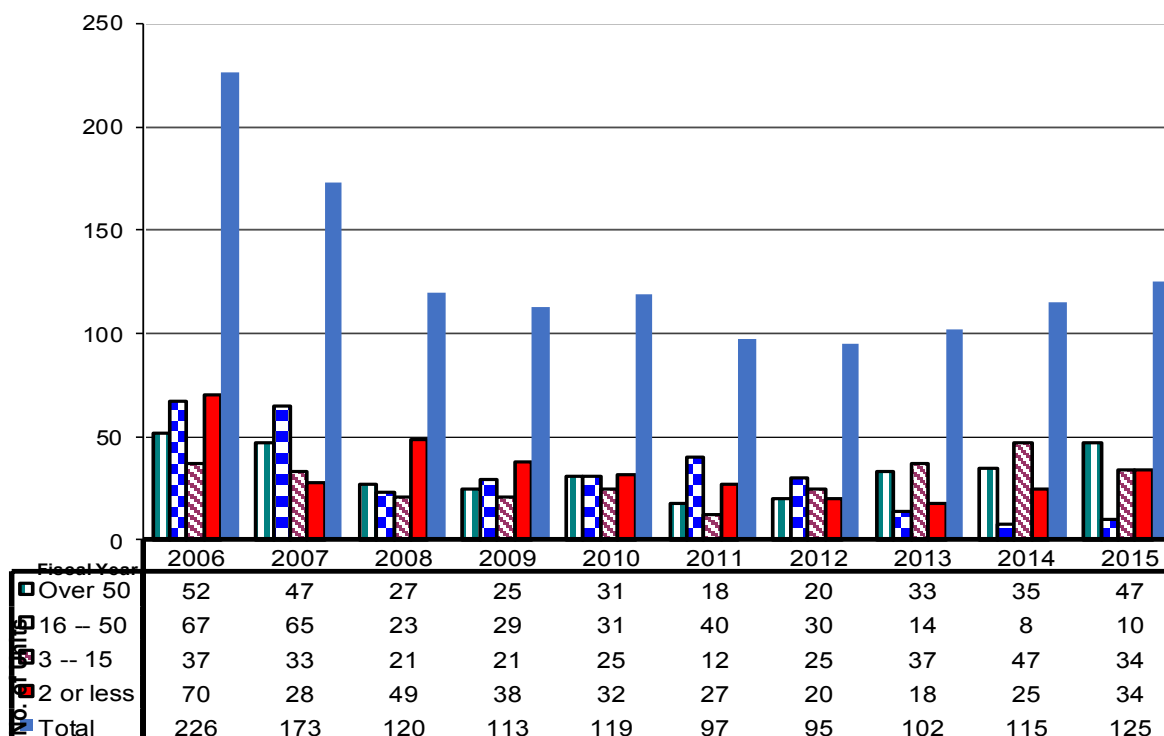
# CHART 14. Number of Condominium Units

## New and Conversion Project Filings of Developers



	2009	2010	2011	2012	2013	2014	2015
Conversion Filings	1910	851	1229	262	949	816	937
New Project Filings	4594	6359	4118	5565	7515	5899	9715
Total of Units Represented - New & Conversion Filings	6504	7210	5347	5827	8464	6715	10652

# CHART 15. New Residential Projects—By Size



**Table 4. Condominium Project Filings**

<b>New Projects</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Residential No. of Units Represented	118 2,928	120* 2,842	98* 2,126	95* 3,118	102 5,789	121 4,933	125 8,175
Commercial and Other No. of Units Represented	20 1,473	8 3,401	12 1,916	15 2,314	10 1,683	9 881	9 1,485
Agricultural No. of Units Represented	53 193	31 116	31 76	19 133	16 43	23 85	26 55
<b>Total New Projects</b> <b>Total No. of Units Represented</b>	<b>191</b> <b>4,594</b>	<b>159</b> <b>6,359</b>	<b>141</b> <b>4,118</b>	<b>129</b> <b>5,565</b>	<b>128</b> <b>7,515</b>	<b>153</b> <b>5,899</b>	<b>160</b> <b>9,715</b>
<hr/>							
<b>Conversions</b>							
Residential No. of Units Represented	112 1,592	89 618	79 575	64 219	75 553	75 633	71 596
Commercial and Other No. of Units Represented	4 234	4 198	3 535	3 6	10 336	4 88	3 264
Agricultural No. of Units Represented	40 84	20 35	27 119	14 37	21 60	29 95	19 77
<b>Total Conversion Projects</b> <b>Total No. of Units Represented</b>	<b>156</b> <b>1,910</b>	<b>113</b> <b>851</b>	<b>109</b> <b>1,229</b>	<b>81</b> <b>262</b>	<b>106</b> <b>949</b>	<b>108</b> <b>816</b>	<b>93</b> <b>937</b>
<b>Combined New &amp; Converted Project Filings</b> <b>Combined No. of Units Represented</b>	<b>347</b> <b>6,504</b>	<b>272</b> <b>7,210</b>	<b>250</b> <b>5,347</b>	<b>210</b> <b>5,827</b>	<b>234</b> <b>8,464</b>	<b>261</b> <b>6,715</b>	<b>253</b> <b>10,652</b>

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

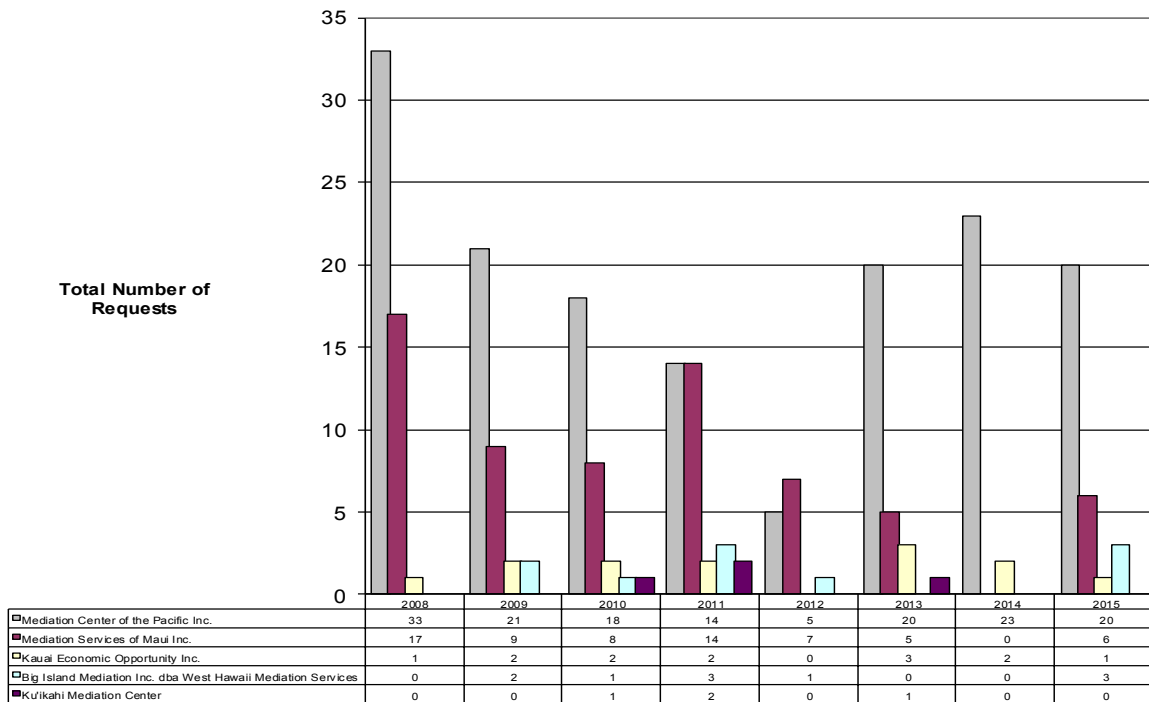
Note 1: Numbers and totals may differ from those reported in prior annual reports due in part to the change in the database management software.

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

and attorneys. Staff researched and studied a plan for the electronic administration of condominium project files, 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. See Charts 13—15 and Table 4.

**Hawaii Condominium Bulletin** – The Commission publishes a quarterly online bulletin aimed at the condominium community.

During FY 2015, in continuing efforts at conservation, the Commission maintained the online presence of the Hawaii Condominium Bulletin. Through the procurement process, Staff contracted for the design and online layout of the bulletin. In this fiscal year, the bulletin included timely articles on topics such as the importance of insuring your condominium unit, the condominium law's emphasis on the philosophy of "pay first, dispute later", the importance of sufficient reserves to the financial health of a condominium association and the implementation of the evaluative mediation program.

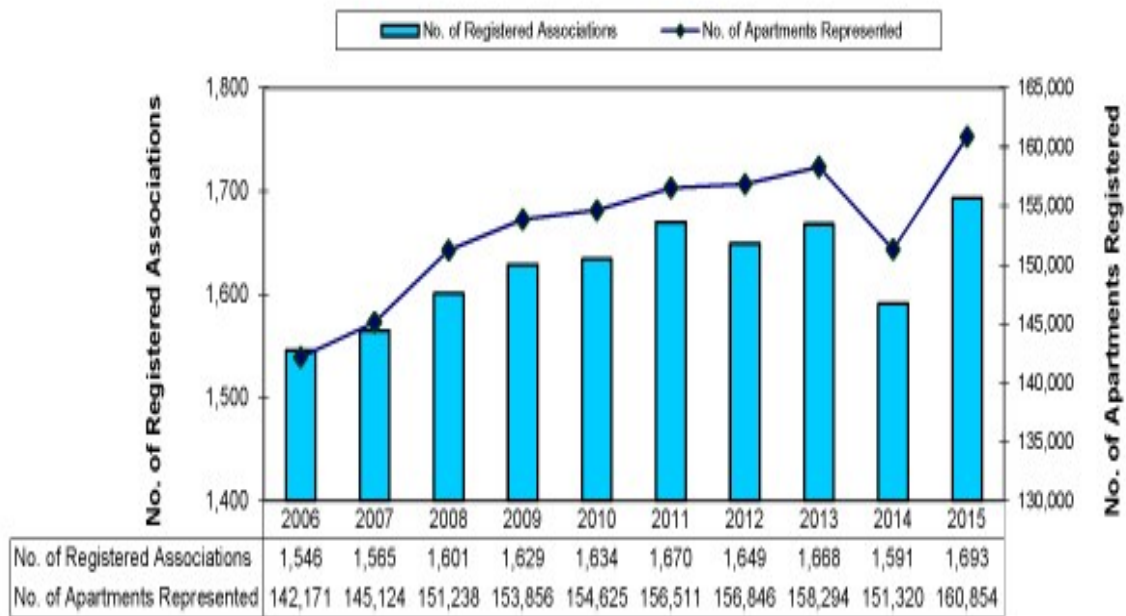
**Chart 16. Condominium Governance Mediations****Condominium Mediation and Arbitration**

**Program** – The Commission subsidized mediation programs on the neighbor islands and Oahu and worked with the various mediation providers to provide educational seminars on alternative dispute resolution and mediation for boards of directors, unit owners and condominium managing agents (See Chart 16). The Commission worked with mediation providers and members of the community in preparation for the roll out of the new evaluative mediation program, pursuant to Act 187 (2013), beginning July 1, 2015. Staff collected statistical information for education and Annual Report purposes. During FY 2015, the Commission entered into agreements with mediation providers to mediate disputes between condominium owners pursuant to section 514B-161, HRS, for facilitative and evaluative mediation. Staff updated the me-

diation brochure on the Commission website to reflect upcoming changes in the law for distribution to the condominium community.

**Condominium Association Registration**

– The Commission administered the condominium association registration program pursuant to HRS § 514B-103, 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 2015, the Commission continued its biennial condominium association registration. In FY 2015, there were 1,693 condominium associations registered, representing 160,854 condominium units. In addition, the Commission continued the implementation of an online regis-

**Chart 17. Condominium Association Registration**

tration process and made available on the Commission website a list of all public association contact information (See Chart 17). The Commission responded to requests for subject-specific registration lists, such as pet-friendly condominium associations and Neighbor Island and zip-code-specific condominium associations.

#### **Condominium Seminars & 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 2015:

- August 2014 – Budget Busters
- October 2014 – ABCs of Insurance
- November 2014 – The Effective One-Hour Board Meeting (Kona and Oahu)
- February 2015 – Owners’ Rights and Wrongs
- March 2015 – Construction Contracts, Bids and Financing
- May 2015 – Cyber Warfare – Arming Associations Against online Threats
- June 2015 – ABCs – Essentials of Community Association Volunteer Leadership

**Ad Hoc Committee on Condominium Education and Research – The Condominium**

Review Committee administers this volunteer group that 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 condominium managing agent registration pursuant to HRS § 514B-132.

**Rulemaking, Chapters 107 and 119** – The Commission conducted the rulemaking process for HAR, Chapter 119. The Commission reviewed preliminary draft rules implementing HRS Chapter 514B at its monthly meetings and welcomed input from stakeholder groups and interested parties. The Blue Ribbon Committee met monthly from July 2014 through January 2015 to discuss the drafting of rules for HRS Chapter 514B (HAR, Chapter 119).

**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; meeting

with legislators; and reporting on requests from the Legislature. The Commission reviewed proposed legislation, resolutions, agreements, and issues of mutual concern. In addition to researching, preparing, and presenting testimony on the condominium bills that would affect condominium associations, 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 any requirements affecting condominium associations in Hawaii. The enactment of new laws at the end of the fiscal year impacts the Condominium Review Committee's Advice, Education and Referral program of work. Condominium board members, apartment owners, managing agents and interested others inquired about the following new law:

- **Act 242** – Adds a new section to HRS Chapter 514B prohibiting discrimination as defined in HRS § 515-3 against medical marijuana patients residing in a condominium association.

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 Chapter, the Hawaii Council of Community Associations and the Hawaii State Bar Association. Participation with agencies and organizations included educational programs on HRS Chapter 514B.

**Neighbor Island Outreach** – The Commission held four meetings on the neighbor islands in FY 2015. Meetings were held in Hilo in August 2014, Kauaʻi in November 2014, Maui in January 2015 and on Kauaʻi in June of 2015. The neighbor island meetings afford neighbor island licensees, government officials, and 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 funds' investments.

**Consumer Education** – Consumer education is a primary focus of the Commission. The Commission's efforts emphasized education of consumers through Commission-sponsored seminars; moreover, the Commission responded to telephone and written inquiries, replied to emails from the public and updated online information on the Commission's web-

site. The Commission maintained educational materials on the website such as the quarterly Hawaii Condominium Bulletin, informational brochures, owner and board member handbooks and a frequently-asked-questions link with the goal of providing practical information to consumers. The Commission honors requests to speak whenever possible and keeps current with issues affecting owners, focusing its educational materials to that end.

**Rulemaking, Chapter 53, Fees** – The Commission implemented Chapter 53 fees effective 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. The consultants keep current with the law and existing Commission policy via meetings with Commission staff, memoranda and individual conferences. In FY 2015 the condominium consultants reviewed 243 condominium project files for issuance of effective dates for a developer's public report.

**Condominium Specialists' Office for the Day** – In conjunction with the Commission's Neighbor Island Outreach, the Condominium Specialists' Office for the Day was held twice on Kauaʻi, and once each on Maui and Hilo this fiscal year. These are held to give neighbor island residents the chance to personally discuss condominium issues with a staff member.

**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.

**Technology and Website –** The Commission operated its website for public interaction and education. In June 2015 the Commission's online email subscription service providing consumers with informational updates and current information on the condominium law was implemented. The Commission maintained and updated the electronic storage of materials providing online access to 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 issues and evaluates cases for inclusion in the Hawaii 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 accompanying administrative rules along with guides on topics pertinent to the condominium community, such as the importance of having sufficient 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 with 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.

**Division and Department Program –** The

Commission coordinated activities and programs of mutual concern within the Department for the Professional and Vocational Licensing Division, the Regulated Industries Complaints Office and the Director's Office.

**Staff and Commissioners Development** – Materials were developed for training staff and Commissioners to administer the condominium education and project registration programs. Commissioners as well as staff participated in training and educational opportunities provided by local and national organizations.

**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 previously summarized programs 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, Chapters 107 and 119;
- Meetings;
- Government and Legislative Partic-

ipation 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

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

**Aileen Wada**

**Laurie Lee**

**Michael Pang**

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

**Rowena Cobb**

**Aleta Klein**

## FY 2016 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. On a statewide basis, the Commission will deliver 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, update 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; owners; consumers; licensees; government officials; organizations; and interested others, via telephone; in person office visits; electronic communication; written correspondence; the Hawaii 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. The

Commission will compile information and Commission decisions related to developer public reports and issues, making these 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 maintain the online creation and publication of a quarterly bulletin dedicated to educating condominium owners and interested persons on current issues relevant to condominium living. 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 this program with a procured independent contractor 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. The Commission will

monitor the newly initiated (July 1, 2015) evaluative mediation program established pursuant to Act 187 (2013). Staff will post current information on the program online and 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.

**Condominium Association Registration** – Staff will administer the online registration of condominium associations, including reviewing and updating registration policies, procedures, and appeals. For the 2015-2017 biennial registration period, 96% of the registrations were received online. 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 & Symposiums** – The Commission will produce seminars for the condominium community through procured contracts with various providers and will procure for additional new providers on timely and 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 will monitor Condominium Managing Agents registration requirements pursuant to HRS § 514B-132.

**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, The Department of 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 2016 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 govern-

ment 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 Chapter, 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 monitor 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 the 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 advice, 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. The Commission will continue to promote and update the online email subscription service.

**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 Hawaii 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 condo-

minium owners' guides.

**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 Chapter, 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**

<b>Fund Balance As of June 30, 2015 (Unaudited)</b>		<b>FY 2015 Expenditures and Encumbrances (Unaudited)</b>	
<b>ASSETS</b>		<b>I. Operations</b>	
Cash		Personnel	\$357,900
In State Treasury	\$751,816	Supplies	2,784
Short term cash investments	0	Equipment Rentals and Maintenance	1,021
		Postage	3,220
Total Assets	751,816	Machinery and Equipment	3,845
		Books	72
<b>LIABILITIES AND FUND BALANCE</b>		Dues and Subscriptions	1,333
Liabilities		Total Operations	\$370,175
Payables	5,318	<b>II. Direct Licensee Education</b>	
Fund Balance		Neighbor Islands Outreach	4,142
Reserve for Encumbrances	37,365	Annual Report/Quarterly Bulletin	26,200
Unreserved	709,133	Programs	50,385
Balance	746,498	Total Direct Licensee Education	80,727
Total Liabilities and Fund Balance	\$751,816	<b>III. Indirect Licensee Education</b>	
<b>Revenues and Expenditures For the Year Ending June 30, 2015 (Unaudited)</b>		Rulemaking Chapter 99	3294
Revenues		License Renewals	1292
Fees	\$771,785	Interactive Participation w/Orgs.	29,337
Interest (includes Recovery Fund)	396	Total Indirect Licensee Education	33,923
Total Revenues	772,181	<b>Total Expenditures and Encumbrances</b>	
Expenditures	458,479		\$484,824
Excess (deficiency) of revenues over expenditures	313,702		
Fund Balance			
Beginning of Year	432,796		
End of Year	\$746,498		

NOTE: Temporary differences may exist due to the timing delay between registration/renewal and funds deposited due to fiscal and Department of Accounting and General Services releasing the funds and will be accounted for in the following fiscal period.

## **Real Estate Recovery Fund**

**Fund Balance  
As of June 30, 2015  
(Unaudited)**

**FY 2015 Recovery Fund Payments**

ASSETS		Case No.	Licensee(s)	Amount
Cash		None		
In State Treasury	\$710,776			
Short term cash investments	0			
Investment securities (cost)				
Total Assets	<u>\$710,776</u>			
LIABILITIES AND FUND BALANCE				
Liabilities				
Payables	<u>\$0</u>			
Total Liabilities	0			
Fund Balance				
Reserve for encumbrance	0			
Unreserved	<u>710,776</u>			
Fund Balance	710,776			
Total Liabilities and Fund Balance	<u>\$710,776</u>			

**Revenues and Expenditures  
For the Year Ending June 30, 2015  
(Unaudited)**

Revenues	
Fees	\$73,590
Expenditures	
Operations	41,359
Legal Services	22,023
Claims	<u>0</u>
Total Expenditures	<u>63,382</u>
Excess (deficiency) of revenues over expenditures	10,208
Fund Balance	
Beginning of Year	<u>700,568</u>
End of Year	<u>\$710,776</u>

NOTE: Temporary differences may exist due to the timing delay between registration/renewal and funds deposited due to fiscal and Department of Accounting and General Services releasing the funds and will be accounted for in the following fiscal period.

## Condominium Education Trust Fund

### Fund Balance As of June 30, 2015 (Unaudited)

<b>ASSETS</b>	
Cash	
In State Treasury	\$1,890,298
Short term cash investments	<u>0</u>
Total Assets	\$1,890,298
<b>LIABILITIES AND FUND BALANCE</b>	
Liabilities	
Payables	\$700
Fund Balance	
Reserve for Encumbrances	8,246
Unreserved	<u>1,881,352</u>
Fund Balance	<u>1,889,598</u>
Total Liabilities and Fund Balance	<u>\$1,890,298</u>

### Revenues and Expenditures For the Year Ending June 30, 2015 (Unaudited)

<b>Revenues</b>	
Fees - Others	\$31,235
Fees - AOUO Registration	\$1,483,897
Interest income	<u>264</u>
Total Revenues	1,515,397
<b>Expenditures</b>	<u>398,396</u>
Excess (deficiency) of revenues over expenditures	1,117,001
<b>Fund Balance</b>	
Beginning of Year	<u>772,597</u>
End of Year	<u>\$1,889,598</u>

NOTE: Temporary differences may exist due to the timing delay between registration/renewal and funds deposited due to fiscal and Department of Accounting and General Services releasing the funds and will be accounted for in the following fiscal period.

### FY 2015 Expenditures and Encumbrances (Unaudited)

Personnel	\$330,869
Supplies	2,849
Post-	0
Equipment Rentals/Maintenance	1,874
Education and Research	62,334
Equipment for Office	1,450
Staff/Commissioner Development	180
Resource Materials	0
Dues & Subscriptions	<u>457</u>
<b>Total Expenditures and Encumbrances</b>	<u><b>\$400,013</b></u>

### CONDOMINIUM EDUCATION FUND FY 2016 Budget (proposed)

#### REVENUES

Application and Renewal Fees	\$160,784
Interest	<u>\$185</u>
<b>Total Revenues</b>	<b>\$160,969</b>

#### EXPENDITURES

Personnel	\$433,470
	<b>Subtotal \$433,470</b>
<hr/>	
Administrative Expenses	\$22,750
Condominium Program of Work	\$184,761

**Subtotal \$207,511**

**Total Expenditures and Budget Ceiling   \$640,981**