

DEPT. COMM. NO. 126

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DIRECTOR

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DEPUTY DIRECTOR

December 23, 2016

The Honorable Ronald D. Kouchi
President and Members of the Senate
Twenty-Ninth State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Joseph M. Souki
Speaker and Members of the
House of Representatives
Twenty-Ninth State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kouchi, Speaker Souki, and Members of the Legislature:

For your information and consideration, I am transmitting copies of the Hawaii Real Estate Commission's (REC) Annual Report for the fiscal year ending June 30, 2016 pursuant to section 467-4(5), Hawaii Revised Statutes (HRS). Also incorporated into the REC Annual Report, pursuant to section 514B-73(d), HRS, is the Condominium Education Trust Fund Report. In accordance with section 93-16, HRS, a copy of this report has been transmitted to the Legislative Reference Bureau Library and the report may be viewed electronically at <http://cca.hawaii.gov/reports/>.

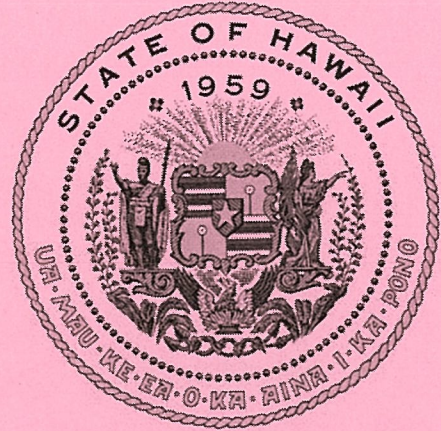
Sincerely,

CATHERINE P. AWAKUNI COLÓN
Director

Enclosure

ORIGINAL

DEPT. COMM. NO. 126



2016 Annual Report

Real Estate Commission

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

The 2016 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-Ninth 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) 2016. The Commission currently oversees 19,253 licensees statewide, of which 13,924 hold active licenses. This is a 9.1 increase in total licensees from a year ago. We also oversee approximately 1,646 registered condominium associations and 32 condominium hotel operators. There were 274 new and conversion project filings as compared to 253 filings in FY 2015.

The Real Estate Commission is a nine-member Governor-appointed body currently 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 and board members 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 payments from the fund during FY 2016. 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 Lee, Oahu Commissioner, diligently worked to address national and state issues that impact Hawaii. Revisions and updates to the Hawaii Administrative Rules, Chapter 99 (which hasn't been updated for over 15 years), have been prepared for approval and adoption. To address strong concerns raised by industry stakeholders, certain amendments to the advertising rules will be pursued through revisions proposed at a later time.

The Education Review Committee under the leadership of Rowena Cobb, Kauai Commissioner, and Vice Chair Aileen Wada, Oahu 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 B, which includes the topics of "2016 Real Estate-Related Legislation" and "Condominium Governance". The combined 2015-2016 mandatory continuing education courses increased from five hours to eight hours.

The Education Review Committee will also proceed with a revision of both the salesperson's and broker's prelicense curriculum.

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 commission added eight new informational brochures to its growing number of condominium education materials. They range from paying association fees, condominium governance, and duties of the Board of Directors. At the turn of the fiscal year, an email condominium and information subscription list was established to reach out to consumers, unit owners, and board members.

Along with the other Commissioners, Michael Pang and Aleta Klein, Oahu 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 and to the Condominium Blue Ribbon Committee which will continue to work on the new rules for Chapter 514B.

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,



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
Kristen Kekoa-Nakasone, Secretary
Diane Choy Fujimura, Senior Real Estate Specialist
Amy Endo, Real Estate Specialist
David Grupen, Real Estate Specialist
Torrie Primacio, Office Assistant
Carole Richelieu, Senior Condominium Specialist
Benedyne Stone, Condominium Specialist
Dathan Choy, Condominium Specialist
Tammy Norton, Secretary
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Copyright: Hawaii Real Estate Commission 2016. All rights reserved. Funded by the Real Estate Education Fund and the Condominium Education Trust Fund and provided as an educational service to real estate licensees and the condominium community. This publication is designed to provide general information on the subject matters covered and is not a substitute for professional services to address specific situations. If legal advice or other expert assistance is required, please seek the services of a competent professional.

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.

Table of Contents

| | |
|--|--------------|
| Laws and Rules Review Committee Report..... | 7-13 |
| FY 2016 Program of Work..... | 7 |
| Chart 1 Recovery Fund—Notices | 8 |
| Chart 2 Recovery Fund—Claims Paid | 8 |
| Chart 3 Condominium Hotel Operator (CHO) Registration | 9 |
| Chart 4 Disciplinary Actions..... | 11 |
| Table 1 Administrative Actions..... | 11 |
| Chart 5 Administrative Actions—Sanctions | 12 |
| Chart 6 RICO Complaints (Real Estate) | 12 |
| FY 2017 Program of Work..... | 13 |
| Education Review Committee Report | 14-21 |
| FY 2016 Program of Work..... | 14 |
| Chart 7 Inquiries and Application | 14 |
| Table 2 Real Estate Licensing Examination..... | 15 |
| Chart 8 Licensing Examination Candidates | 15 |
| Chart 9 New Real Estate Licenses Issued | 19 |
| Table 3 Current Real Estate Licensees—By Type and Island..... | 20 |
| Chart 10 Real Estate Licensees—By Island..... | 20 |
| Chart 11 Total Real Estate Licensees..... | 21 |
| FY 2017 Program of Work..... | 21 |
| Condominium Review Committee Report | 22-38 |
| FY 2016 Program of Work..... | 23 |
| Chart 12 Condominium Advice, Education and Referral | 24 |
| Chart 13 Developer’s Public Reports Effective Dates Issued | 24 |
| Chart 14 Number of Condominium Units..... | 25 |
| Chart 15 New Residential Projects—By Size | 25 |
| Table 4 Condominium Project Filings | 26 |
| Chart 16 Facilitative Mediations..... | 27 |
| Chart 17 Evaluative Mediations..... | 27 |
| Chart 18 Condominium Association Registration..... | 28 |
| FY 2017 Program of Work..... | 33 |
| Fund Information | 39-41 |
| Real Estate Education Fund..... | 39 |
| Real Estate Recovery Fund..... | 40 |
| Condominium Education Trust Fund..... | 41 |

LAWS AND RULES REVIEW COMMITTEE REPORT

The Laws and Rules Review Committee, for fiscal year 2016, 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

- **GM 546:** Submitting for consideration and confirmation to the Real Estate Commission, Gubernatorial Nominee, AILEEN WADA, for a term to expire 06-30-2019.
- **GM 710:** Submitting for consideration and confirmation to the Real Estate Commission, Gubernatorial Nominee, BRUCE FAULKNER, for a term to expire 06-30-2020.
- **GM 711:** Submitting for consideration and confirmation to the Real Estate Commission, Gubernatorial Nominee, SCOTT ARAKAKI, for a term to expire 06-30-2020.

LICENSING

For FY 2016, the total number of licensees increased to 19,253 as compared to 17,643 in FY 2015; representing an increase of 9.1% 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 2016 PROGRAM OF WORK

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 2016, the Commission received

notification for one claim on the fund (See Chart 1). There were no payments out of the recovery fund for FY 2016. 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,

CHART 1. Recovery Fund - Notices

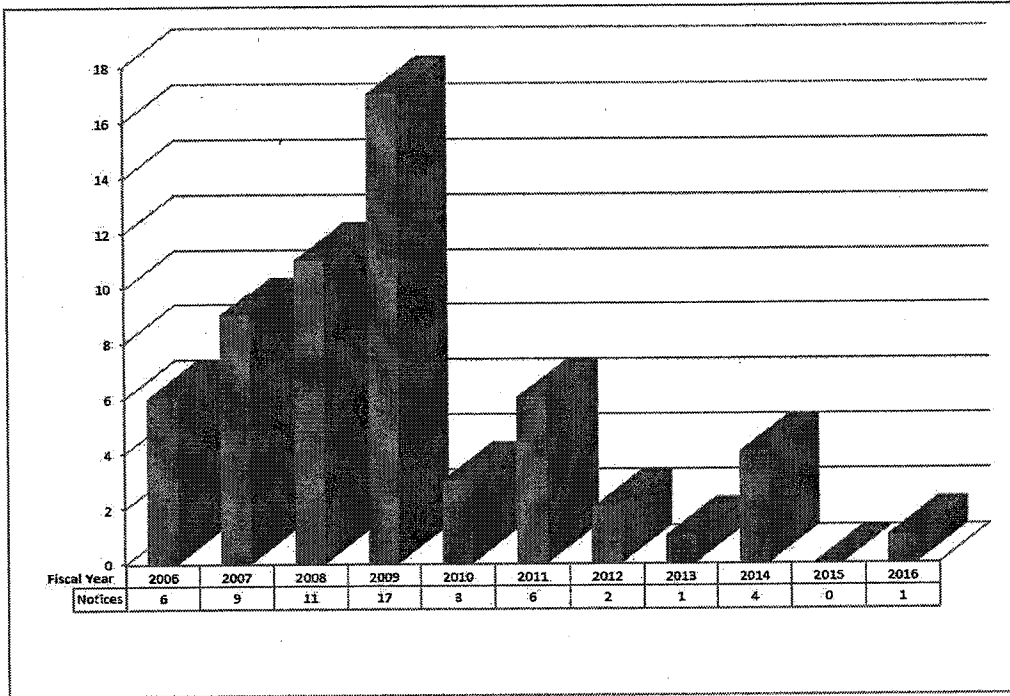


CHART 2. Recovery Fund - Claims Paid

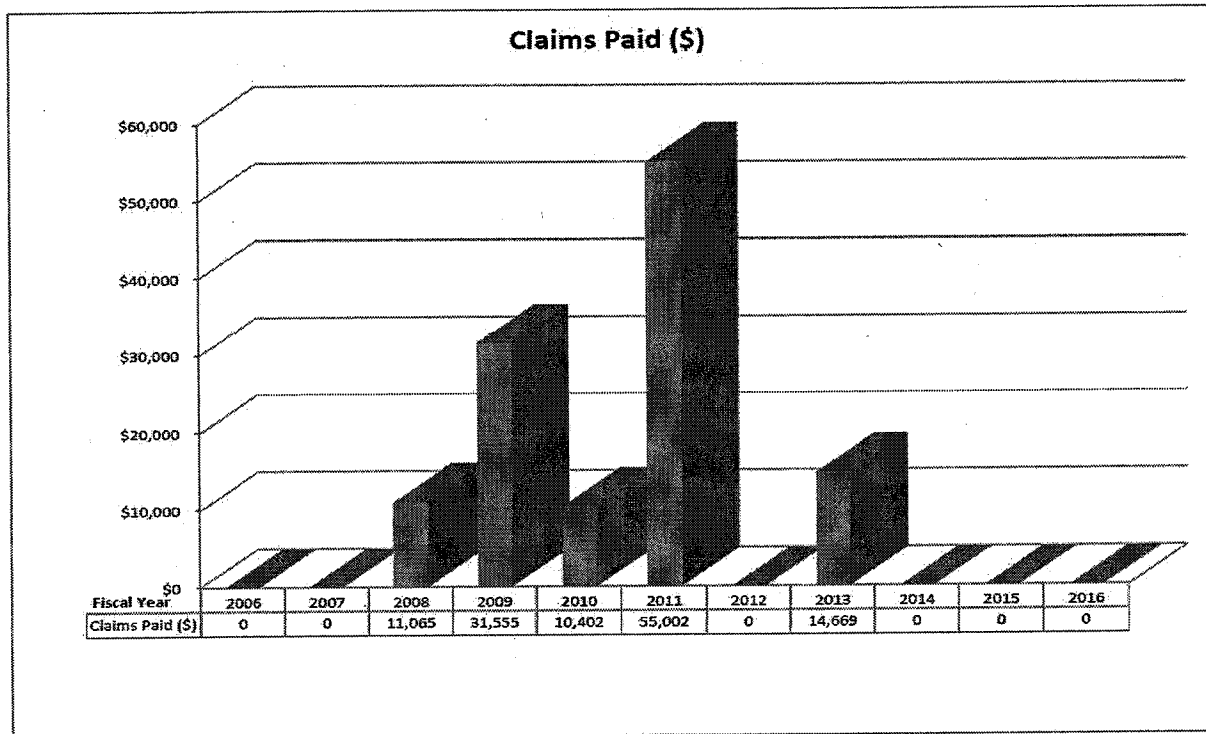
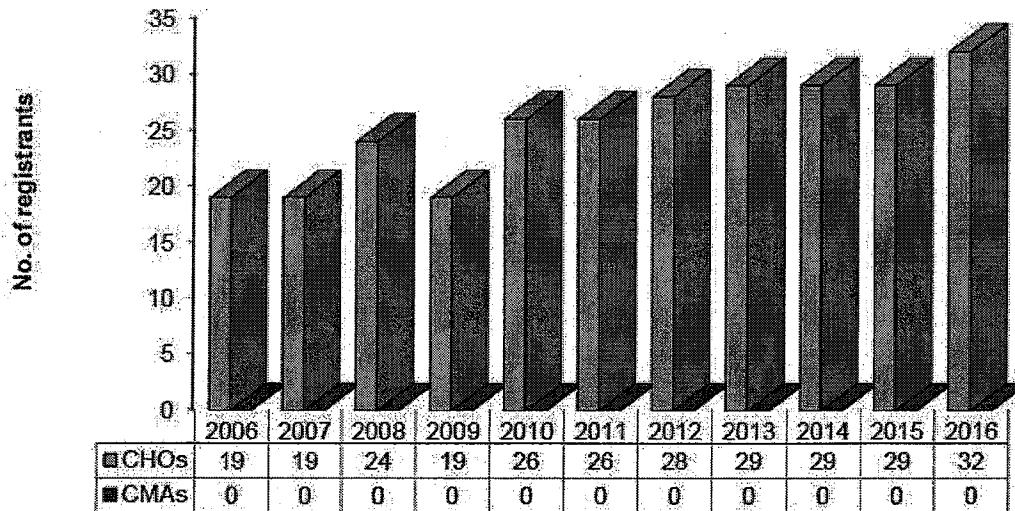


CHART 3. Condominium Hotel Operator (CHO) Registration



subpoenas, and requests for records under OIP. Staff continued the administration of the registration program with the Licensing Branch since active real estate brokers are exempt from the registration and fidelity bond requirements. This fiscal year the Commission registered 32 Condominium Hotel Operators. See Chart 3.

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.

Rulemaking, Chapter 99 – The Commission studied, evaluated, researched, and developed rule amendments for submission to the formal rulemaking process. After facilitating the rules through the appropriate processes, including holding a public hearing, the Commission sub-

mitted the rules to the Governor’s office for approval. To address strong concerns raised by industry stakeholders, amendments to certain advertising rules are being developed and reviewed separately.

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 three meetings on the neighbor islands in FY 2016. Meetings were held in Kona in September 2015, Maui in January 2016, and in Hilo in June 2016. 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 in-

structions, 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 – Fees were adjusted through rule amendments.

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.

ADMINISTRATIVE ACTIONS

Disciplinary Actions

The Commission took disciplinary action against 34 licensees in FY 2016. This was a 112.5% increase over the 16 licensees disciplined in FY 2015. Chart 4 provides historical information on the number of licensees disciplined.

Fines totaling \$43,350 were assessed against 24 licensees. One license was revoked and one license was suspended. See Table 1 and Chart 5.

| | |
|------------------------------|----------|
| No. of Licensees Disciplined | 26 |
| Licenses Revoked | 1 |
| Licenses Suspended | 1 |
| Licenses Fined | 24 |
| Total fines | \$43,350 |

CHART 4. Disciplinary Actions

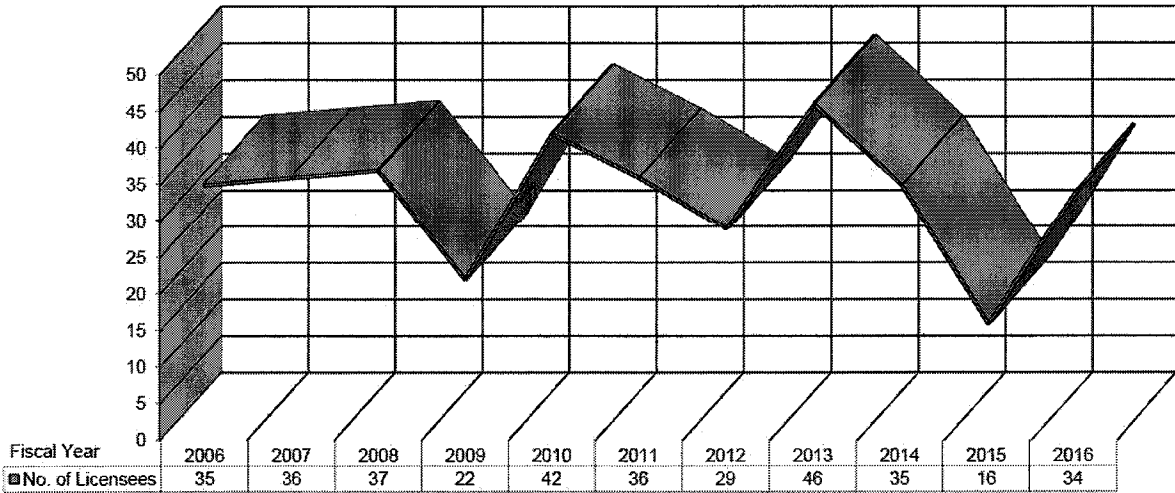
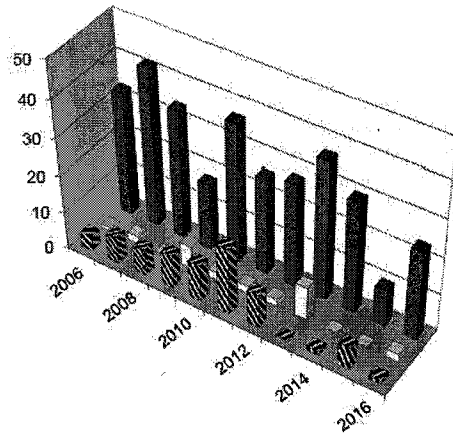


CHART 5. Administrative Actions—Sanctions



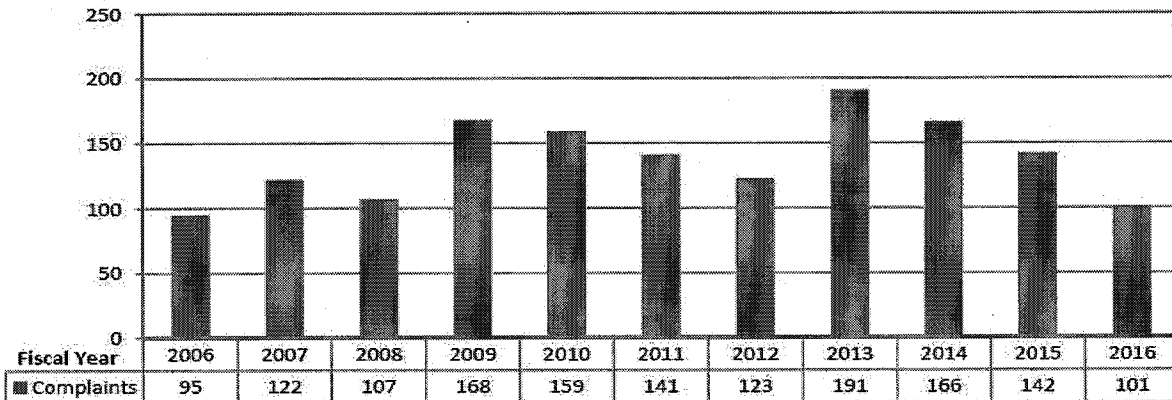
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|----------------------|------|------|------|------|------|------|------|------|------|------|------|
| ■ Licenses Revoked | 4 | 7 | 7 | 9 | 10 | 18 | 9 | 0 | 1 | 6 | 1 |
| □ Licenses Suspended | 1 | 2 | 0 | 6 | 2 | 2 | 2 | 9 | 0 | 0 | 2 |
| ■ Licenses Fined | 33 | 42 | 34 | 18 | 37 | 26 | 28 | 37 | 30 | 10 | 24 |

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 28.9% decrease in FY 2016. RICO received 101 real estate complaints in FY 2016, compared to 142 in FY 2015. Refer to Chart 6.

Sixty-four complaints are pending and thirty-one have been closed. Of the closed complaints, one case was withdrawn, there were legal actions in five case, warning letters were issued in six cases, there was insufficient evidence in ten cases, four cases were resolved prior to RICO action, three cases were identified for “Records Only”, one case was closed with no violation, and one case was transmitted to another agency.

CHART 6. 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(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(f) - Licensee shall see that financial obligations and commitments are in writing.
4. §16-99-11(a) - (a) All real estate advertising and promotional materials shall include the legal name of the brokerage firm or a trade name previously registered by the brokerage firm with the business registration division and with the commission.
5. §16-99-11(e)(3) - All advertising and promotional materials that refer to the individual licensee's name, including but not limited to business cards, shall specify that the licensee is a broker (B), or salesperson (S), or if a current member of the Hawaii Association of Realtors, Realtor (R) or Realtor-Associate (RA)

FY 2017 PROGRAM OF WORK

- 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

EDUCATION REVIEW COMMITTEE REPORT

The Education Review Committee, for fiscal year 2016, under the leadership of Chair Rowena Cobb and Vice Chair Aileen Wada, continued to address important and varied education issues.

FY 2016 PROGRAM OF WORK

Continuing Education Core Course – The Commission researched and developed its core course on legislative 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.

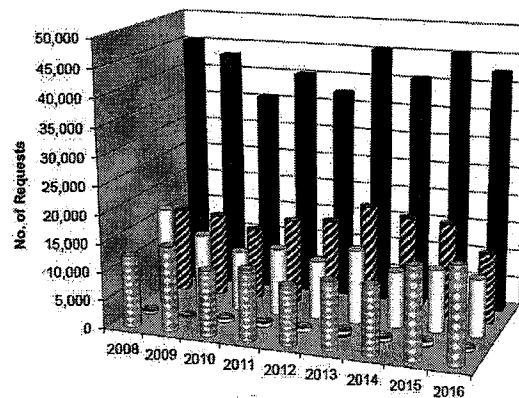
Advice, Education, and Referral – Staff continued to provide advice, education, and referral to applicants, licensees, government officials, consumers, public, organizations, includ-

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 through the Commission’s website.

Staff continued to field a high number of telephone calls, walk-ins, written inquiries, faxes, and emails. For real estate, the fiscal year produced 12,410 telephone inquiries; 727 walk-in inquiries; 10,209 applications, written inquiries/requests, faxes; and 17,060 emails. See Chart 7.

Administration of Prelicense Education Program, Schools and Instructors – The Commission provided administrative review and an approval process for applications, dis-

CHART 7. Inquiries and Applications



| | Fiscal Year | | | | | | | | | |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | |
| E-mail | 12,848 | 14,950 | 11,528 | 12,444 | 10,545 | 12,095 | 12,233 | 16,225 | 17,060 | |
| Walk-ins | 594 | 436 | 820 | 916 | 816 | 1,231 | 852 | 1,031 | 727 | |
| Applications / written requests | 17,037 | 12,910 | 10,598 | 11,821 | 10,390 | 13,038 | 10,007 | 14,073 | 10,209 | |
| Telephone calls | 14,999 | 14,576 | 12,635 | 14,965 | 15,518 | 18,922 | 17,486 | 17,067 | 12,410 | |
| Total | 45,278 | 42,872 | 35,579 | 40,146 | 37,269 | 45,286 | 40,578 | 45,396 | 42,422 | |

seminated 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 30-31, 2015.

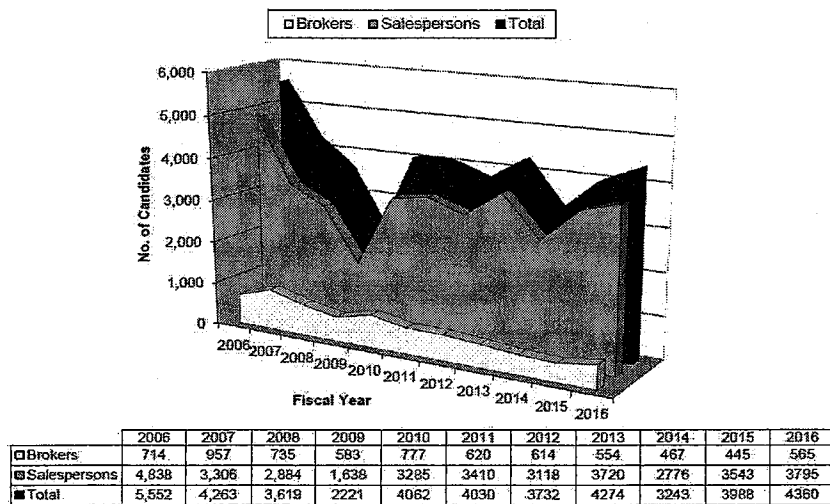
PSI continued offering testing at least five days a week including Saturdays in Honolulu, twice a month on Maui and the Big Island, and once a month on Kauai. As shown in Table 2 and Chart 8, the number of total examination attempts by candidates increased 9.3% from the last fiscal year. Staff periodically monitors the examination administration on each island to assure facilities and procedures comply with PSI and Commission policies.

Table 2. Real Estate Licensing Examination

| | FY 2015 | FY 2016 | % Change |
|---------------------------------|-------------|-------------|-------------|
| Brokers Tested* | 445 | 565 | 27.0% |
| Salespersons Tested* | 3543 | 3795 | 7.1% |
| Total Tested | 3988 | 4360 | 9.3% |
| Brokers Passed** | 265 | 306 | 15.5% |
| Salespersons Passed** | 2525 | 2696 | 6.8% |
| Total Passed | 2790 | 3002 | 7.6% |
| % Brokers Pass* | 59.6% | 54.2% | |
| % Salespersons Pass* | 71.3% | 71.0% | |
| *First time and Retakers | | | |
| **National and/or State Portion | | | |

There were 297 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

CHART 8. Licensing Examination Candidates



the examination. This represents a 15.1% increase from the last fiscal year's total of 258 approvals.

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

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

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

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

ly, 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 114 newly approved CE courses, a 69.8% decrease from the approved 378 CE courses in the previous fiscal year. There were a total of 41 approved CE providers that offered 987 classes to 21,731 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 two Ad Hoc Committee on Education meetings during the fiscal year:

October 27, 2015 and April 26, 2016. The Ad Hoc Committee on Education assisted in the development of the topic for the Commission's 2015-2016 Core Course, Part B, "Condominium Governance".

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.

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 meetings on the neighbor islands in FY 2016. Meetings were held in Kona in September 2015, Maui in January 2016 and in Hilo in June of 2016. 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.

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 ARELLO and the Real Estate Educators Association (REEA). 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 first Instructors Development Workshop ("IDW"), "Video – It's Easier than You Think" was developed and presented on Hawaii, Maui, and Oahu, February 1-4, 2016. A second IDW aimed at new instructors, "Training Trainers to Train", was held August 12-13, 2015.

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 Board of REALTORS®' offices is the opportunity to exchange information with the staff and membership of the local Boards. In con-

junction with the Neighbor Island Outreach, the Specialists' Office for the Day was held in Kona in September 2015, Maui in January 2016, and in Hilo, in June 2016.

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 the 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, 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 the 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 REEA, 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 2016, 1,497 new licenses were issued. The number of new licenses issued in FY 2016 increased 13.7% over the prior fiscal year. New individual broker licenses increased by 7%, new salesperson licenses increased by 15.3%, and new entity licenses increased by 6%. Refer to Chart 9.

Current Licenses

The overall number of current real estate licenses increased 9.1% by the end of FY 2016. In FY 2016, active licenses increased 6.1% over last year, with inactive licenses increasing by 17.7%. See Table 3, Chart 10 and Chart 11.

CHART 9. New Real Estate Licenses Issued

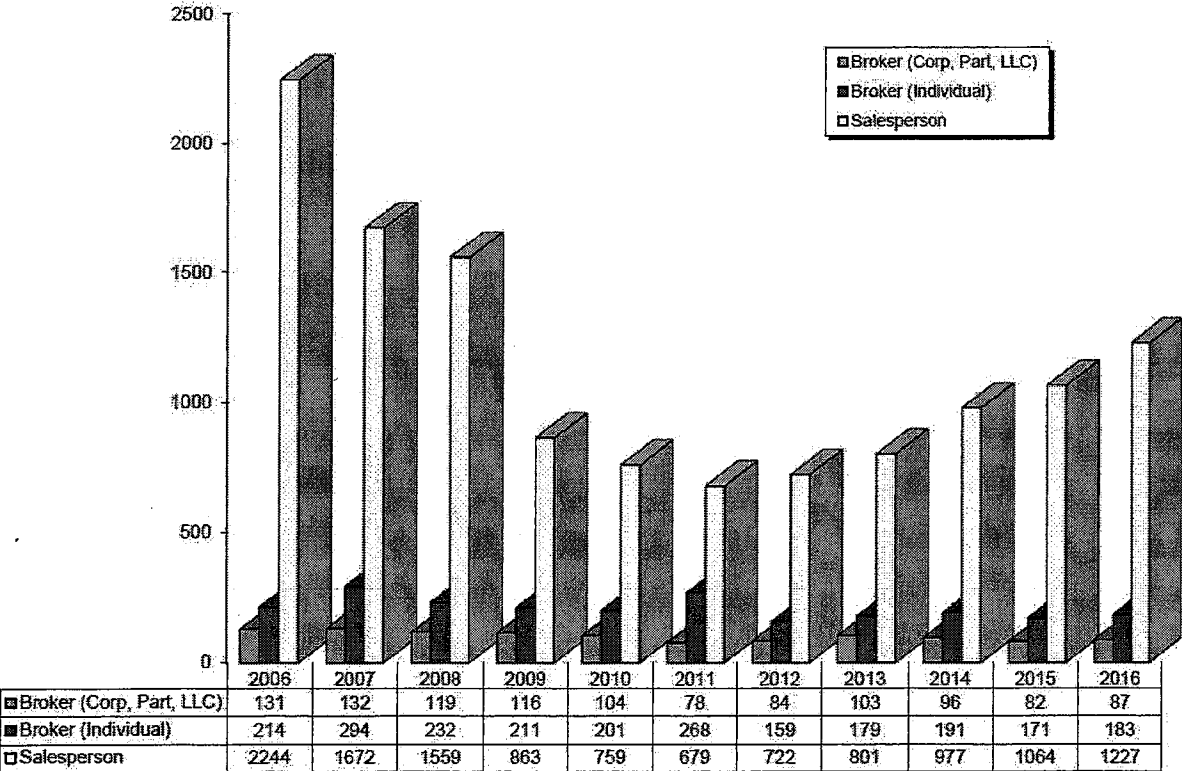


Table 3. Current Real Estate Licensees—By Type and Island (July 2016)

| | Oahu | Hawaii | Maui | Kauai | Molokai | Lanai | Other | Total |
|-------------------------------|---------------|--------------|--------------|--------------|-----------|-----------|--------------|---------------|
| Active | | | | | | | | |
| Broker | 2,014 | 494 | 498 | 220 | 12 | 3 | 102 | 3,343 |
| Salesperson | 4,929 | 966 | 1,364 | 527 | 19 | 6 | 182 | 7,993 |
| Sole Proprietor | 610 | 139 | 110 | 62 | 5 | 0 | 4 | 930 |
| Corporation, Partnership, LLC | 1,029 | 254 | 251 | 116 | 4 | 2 | 2 | 1,658 |
| Total Active | 8,582 | 1,853 | 2,223 | 925 | 40 | 11 | 290 | 13,924 |
| Inactive | | | | | | | | |
| Broker | 287 | 56 | 40 | 33 | 1 | 0 | 224 | 641 |
| Salesperson | 2,535 | 458 | 654 | 328 | 5 | 5 | 604 | 4,589 |
| Sole Proprietor | 2 | 0 | 0 | 1 | 0 | 0 | 0 | 3 |
| Corporation, Partnership, LLC | 51 | 7 | 10 | 7 | 0 | 1 | 20 | 96 |
| Total Inactive | 2,875 | 521 | 704 | 369 | 6 | 6 | 848 | 5,329 |
| Active and Inactive | | | | | | | | |
| Broker | 2,301 | 550 | 538 | 253 | 13 | 3 | 326 | 3,984 |
| Salesperson | 7,464 | 1,424 | 2,018 | 855 | 24 | 11 | 786 | 12,582 |
| Sole Proprietor | 612 | 139 | 110 | 63 | 5 | 0 | 4 | 933 |
| Corporation, Partnership, LLC | 1,080 | 261 | 261 | 123 | 4 | 3 | 22 | 1,754 |
| Total | 11,457 | 2,374 | 2,927 | 1,294 | 46 | 17 | 1,138 | 19,253 |

CHART 10. Real Estate Licensees—By Island

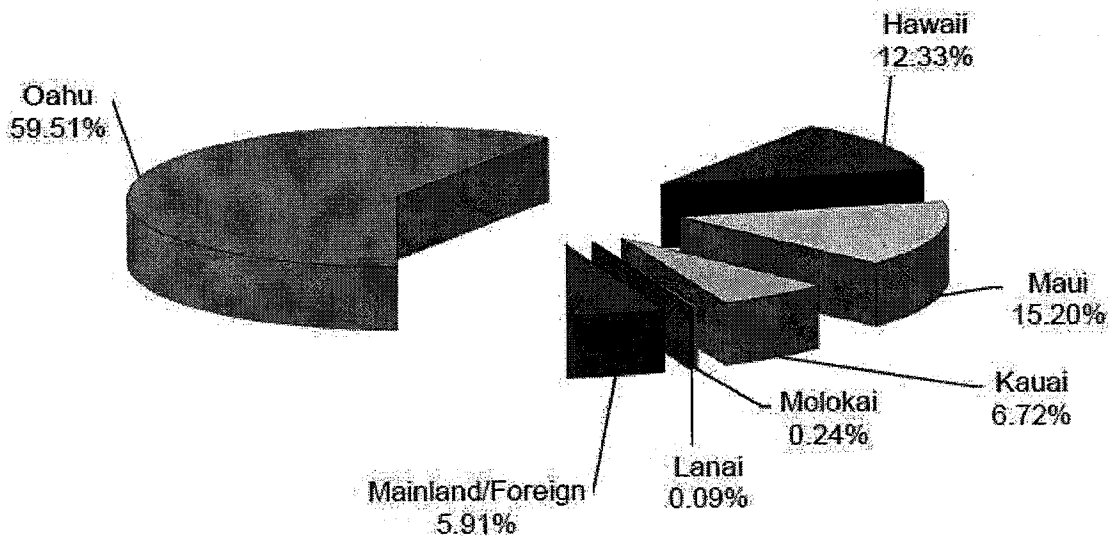
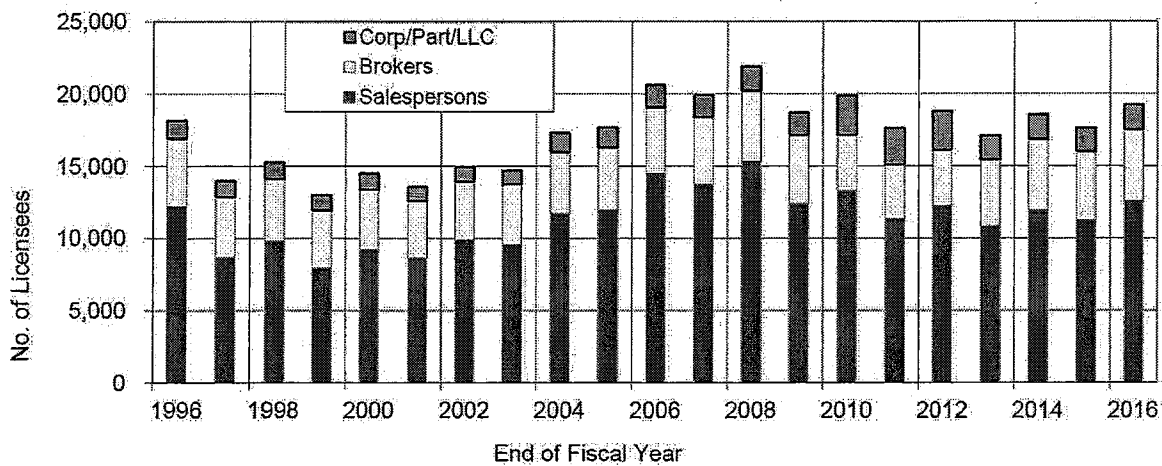


CHART 11. Total Real Estate Licensees

FY 2017 PROGRAM OF WORK

Education Review Committee

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

CONDOMINIUM REVIEW COMMITTEE REPORT

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 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 monies 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 2016 PROGRAM OF WORK

Condominium Laws and Education

Tasked with administrating the condominium law, the Commission and its staff participated in legislative hearings and meetings with legislators and condominium stakeholders to fine-tune provisions of HRS Chapter 514B. With input from condominium governance organizations and volunteers, the Commission updated new and existing forms (including web based online fillable forms), instructions, curriculum, materials and consumer brochures. The Commission continued the statewide promotion and delivery of Commission-subsidized seminars and where demand existed, seminars were delivered on the neighbor islands as well.

With the help of stakeholder organizations and volunteers, the Commission worked on drafting administrative rules for HRS Chapter 514B; reviewed and amended existing Commission-developed educational materials; created new forms; modified existing forms when necessary; reviewed instructions, informational sheets, procedures and evaluative processes; and explored the delivery of educational seminars on the Commission's website.

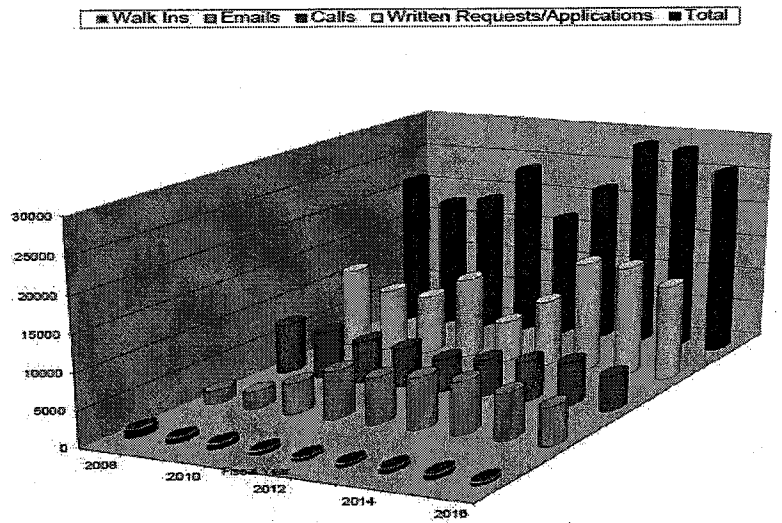
In implementing HRS Chapter 514B, the Condominium Review Committee appreciates the continuing support of the condominium governance and development communities, attorneys specializing in condominium law, the Hawaii State Bar Association-Real Property Section, and the real estate industry. To these committed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

Education, and Referral – The Commission responded and provided information to inquiries from condominium owners; developers; prospective purchasers; 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 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.

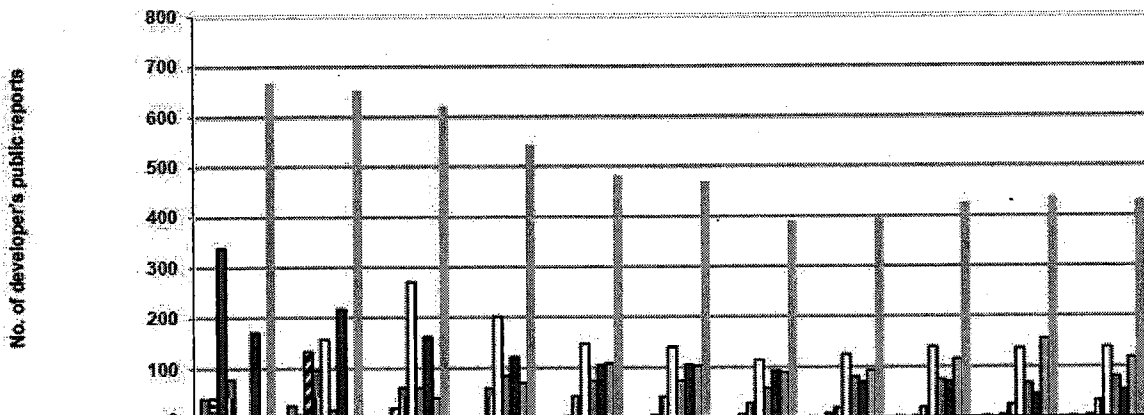
Staff planned for the electronic administration of condominium project files, including the scanning of documents. The Commission worked with condominium consultants to create a more efficient process of administering the registration of condominiums and issuance of effective dates for developer's public reports, which reports are mandated for sales of condominium units. See Charts 13—15 and Table 4.

Chart 12. Condominium Advice, Education and Referral



| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|-------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Walk Ins | 1322 | 874 | 875 | 690 | 560 | 557 | 754 | 792 | 563 |
| Emails | 1890 | 2394 | 4295 | 6648 | 6469 | 7149 | 7292 | 6431 | 5293 |
| Calls | 7014 | 6459 | 5783 | 5479 | 4590 | 5135 | 5603 | 6023 | 4897 |
| Written Requests/Applications | 11035 | 8566 | 6300 | 11399 | 5721 | 9311 | 15347 | 15357 | 13200 |
| Total | 21261 | 18293 | 19253 | 24216 | 17340 | 22152 | 28996 | 28603 | 25969 |

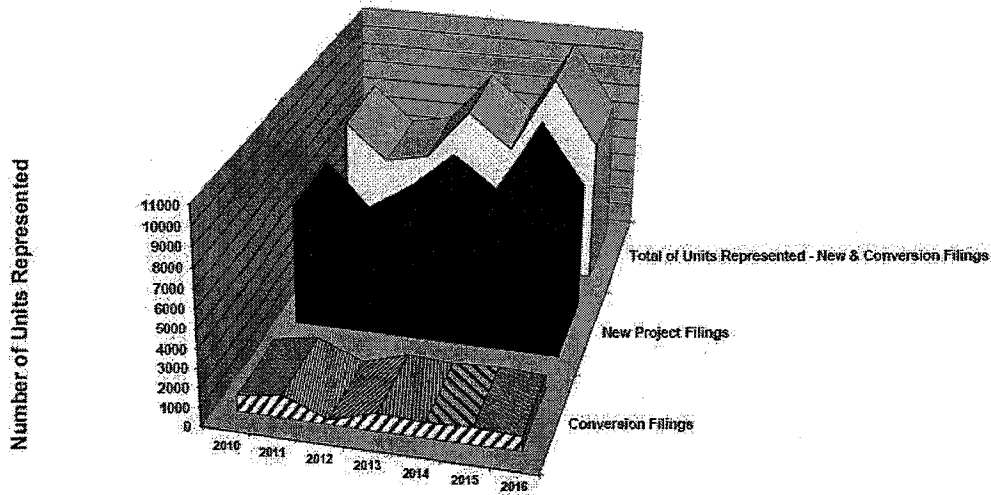
CHART 13. Developer's Public Reports Effective Dates Issued



| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|------------------|------|------|------|------|------|------|------|------|------|------|------|
| Contingent Final | 40 | 26 | 4 | 1 | 0 | 0 | 0 | 1 | 3 | 3 | 2 |
| Preliminary | 41 | 8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Final | 338 | 133 | 21 | 3 | 4 | 6 | 7 | 8 | 3 | 5 | 5 |
| Supplementary | 78 | 95 | 61 | 59 | 43 | 42 | 29 | 19 | 20 | 25 | 33 |
| 514B Reports | | 157 | 271 | 202 | 147 | 140 | 114 | 125 | 139 | 136 | 138 |
| 514B Amend | | 17 | 61 | 85 | 74 | 73 | 58 | 80 | 75 | 67 | 80 |
| Extensions | 171 | 217 | 162 | 122 | 105 | 105 | 93 | 70 | 71 | 45 | 54 |
| Annual Reports | | | 41 | 70 | 108 | 103 | 89 | 93 | 115 | 155 | 118 |
| Total | 668 | 653 | 621 | 542 | 481 | 469 | 390 | 396 | 426 | 436 | 430 |

CHART 14. Number of Condominium Units

New and Conversion Project Filings of Developers



| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|------|------|------|------|------|-------|------|
| Conversion Filings | 851 | 1229 | 262 | 949 | 816 | 937 | 795 |
| New Project Filings | 6359 | 4118 | 5565 | 7515 | 5899 | 9715 | 6578 |
| Total of Units Represented - New & Conversion Filings | 7210 | 5347 | 5827 | 8464 | 6715 | 10652 | 7373 |

CHART 15. New Residential Projects—By Size

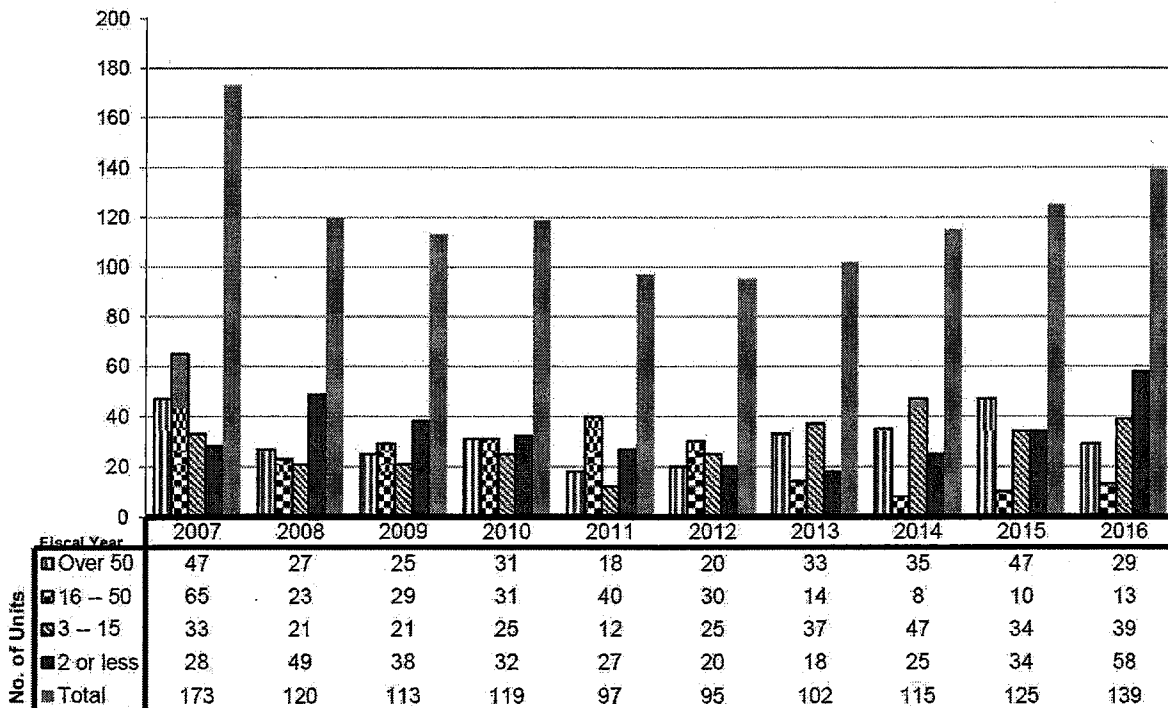


Table 4. Condominium Project Filings

| New Projects | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|-----------------------------|----------------------------|
| Residential No. of Units Represented | 120* 2,842 | 98* 2,126 | 95* 3,118 | 102 5,789 | 121 4,933 | 125 8,175 | 136 5,374 |
| Commercial and Other No. of Units Represented | 8 3,401 | 12 1,916 | 15 2,314 | 10 1,683 | 9 881 | 9 1,465 | 4 1,030 |
| Agricultural No. of Units Represented | 31 116 | 31 76 | 19 133 | 16 43 | 23 85 | 26 55 | 20 123 |
| Total New Projects Total No. of Units Represented | 159 6,359 | 141 4,118 | 129 5,565 | 128 7,515 | 153 5,899 | 160 9,715 | 160 6,527 |
| Conversions | | | | | | | |
| Residential No. of Units Represented | 89 618 | 79 575 | 64 219 | 75 553 | 75 633 | 71 596 | 76 365 |
| Commercial and Other No. of Units Represented | 4 198 | 3 535 | 3 6 | 10 336 | 4 88 | 3 264 | 4 320 |
| Agricultural No. of Units Represented | 20 35 | 27 119 | 14 37 | 21 60 | 29 95 | 19 77 | 34 110 |
| Total Conversion Projects Total No. of Units Represented | 113 851 | 109 1,229 | 81 262 | 106 949 | 108 816 | 93 937 | 114 795 |
| Combined New & Converted Project Filings Combined No. of Units Represented | 272 7,210 | 250 5,347 | 210 5,827 | 234 8,464 | 261 6,715 | 253 10,652 | 274 7,322 |

* 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.

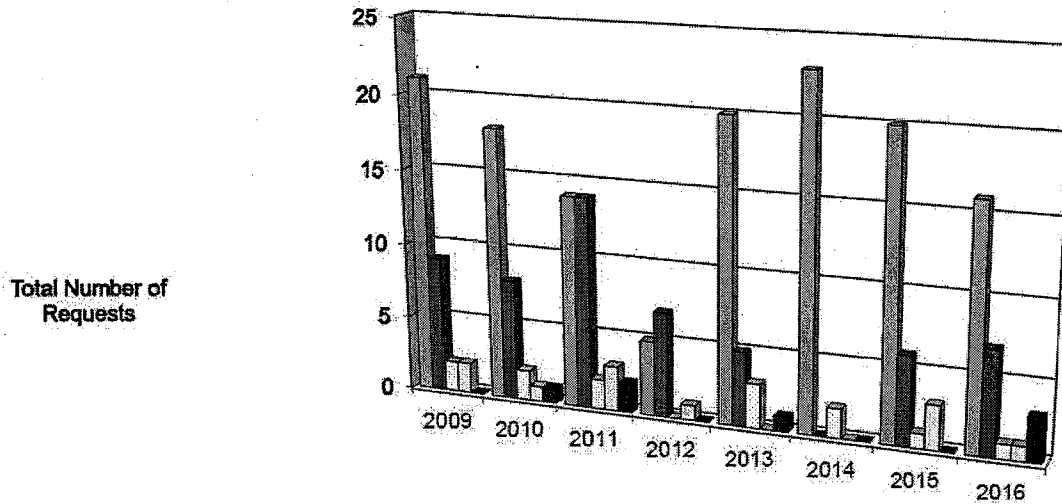
Note 2: In mixed use condominium projects, the predominant use is reported. This is done to prevent the multiple counting of a project filing.

Hawaii Condominium Bulletin – The Commission publishes a quarterly online bulletin aimed at the condominium community. During FY 2016, 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 board members' fiduciary duty, evaluative mediation, reserve accounts and board members' best practices.

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

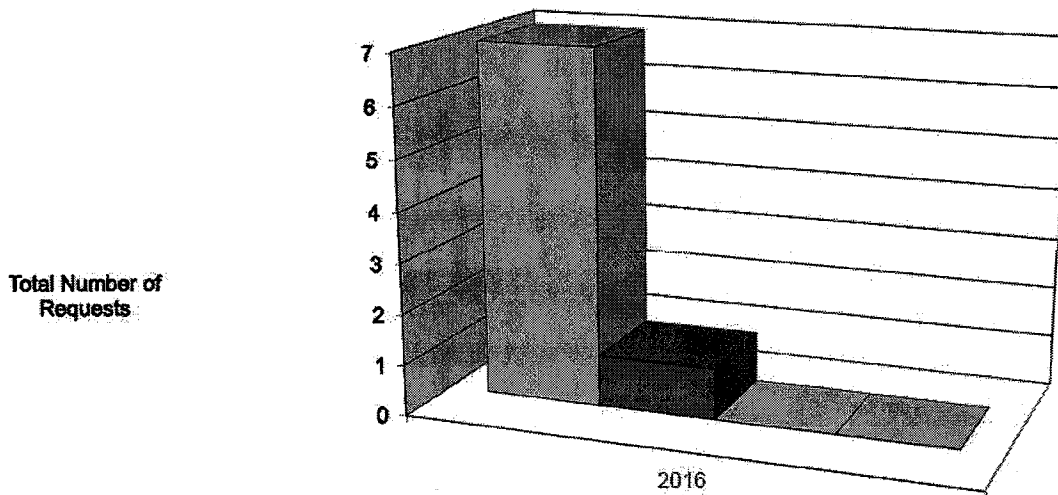
alternative dispute resolution and mediation for boards of directors, unit owners and condominium managing agents (See Charts 16 and 17). The Commission worked with mediation providers and members of the community in preparation for the roll out of the new evaluative mediation program, pursuant to Act 187 (2013), beginning July 1, 2015. Staff collected statistical information for education and Annual Report purposes. During FY 2016, 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 mediation brochure on the Commission website to reflect the current law for distribution to the condominium community.

Chart 16. Facilitative Mediations



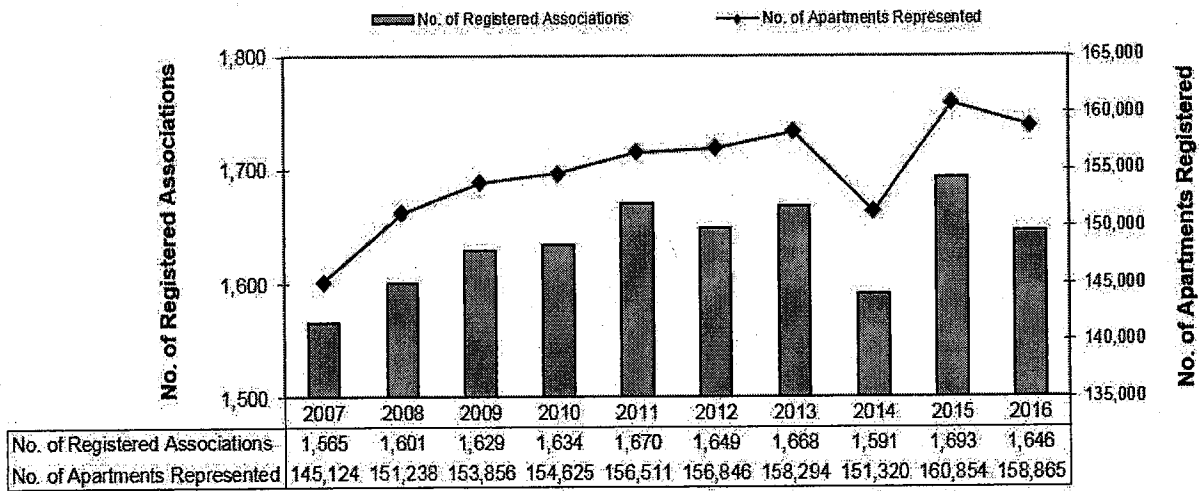
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|------|------|------|------|------|------|------|------|
| ■ Mediation Center of the Pacific Inc. | 21 | 18 | 14 | 5 | 20 | 23 | 20 | 16 |
| ■ Mediation Services of Maui Inc. | 9 | 8 | 14 | 7 | 5 | 0 | 6 | 7 |
| □ Kauai Economic Opportunity Inc. | 2 | 2 | 2 | 0 | 3 | 2 | 1 | 1 |
| □ Big Island Mediation Inc. dba West Hawaii Mediation Services | 2 | 1 | 3 | 1 | 0 | 0 | 3 | 1 |
| ■ Ku'ikahi Mediation Center | 0 | 1 | 2 | 0 | 1 | 0 | 0 | 3 |

Chart 17. Evaluative Mediations



| | 2016 |
|--|------|
| ■ Dispute Prevention and Resolution | 7 |
| ■ Lou Chang, A Law Corporation | 1 |
| □ Charles Crumpton, Corporation Collaborative Solutions, L.L.C | 0 |
| □ Mediation Center Of The Pacific, Inc | 0 |

Chart 18. Condominium Association Registration



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 2016, the Commission continued its biennial condominium association registration with 96% of registrations completed online. In FY 2016, there were over 1,600 condominium associations registered, representing over 160,000 condominium units and their owners. In addition, the Commission continued the implementation of the online registration 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 reg-

istration lists, such as contact information for 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 2016:

- August 2015 – Ask the Experts
- September 2015 – Firing Line: Do’s and Don’ts of Employment Law
- October 2015 – Learning from the Movies – What They Teach Us About Running Your Association

- March 2016 – Disaster Preparedness
- April 2016 – Avoiding Recall
- May 2016 – Assessments
- June 2016 – ABCs – Board Leadership Development Workshop

Ad Hoc Committee on Condominium Education and Research – The Condominium Review Committee administers this informal group that reviews, recommends and assists in the development, update and administration of condominium consumer education-related projects on an as needed basis.

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 continued to revise preliminary draft rules implementing HRS Chapter 514B at its monthly meetings 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 meet-

ing 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.

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

In the 2016 legislative session, the House of Representatives passed H.R. No. 104 H.D. 1 to examine the condominium program.

For fiscal year 2016 and since starting mediations on July 1, 2015, eight evaluative mediations were conducted with five mediated to

agreement and three not reaching an agreement. Additionally, the Real Estate Commission has been subsidizing mediations since 1992. Every mediation conducted is a condominium dispute that has avoided the court system and is considered a success. The condominium specialists respond to thousands of requests for information, advice and referral every year. Chart no. 12 in this report shows the number of requests for assistance from condominium owners and interested persons handled by the condominium specialists in fiscal year 2016 to be just under 26,000.

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 three meetings on the neighbor islands in FY 2016. Meetings were held in Kona in September 2015, Maui in January 2016, and Hilo in June of 2016. 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 and educational materials available online and in hard copy; additionally, the Commission responded to telephone and written inquiries, replied to emails from the public and updated online information on the Commission's website as necessary. The Commission's educational materials on the website include 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 relating 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 Com-

mission policy via meetings with Commission staff, memoranda and individual conferences. In FY 2016 the condominium consultants reviewed 281 condominium project files for issuance of effective dates for a developer's public report.

Condominium Specialist's Office for the Day – In conjunction with the Commission's Neighbor Island Outreach, the Condominium Specialists' Office for the Day was held in Kona, 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. The Commission's online email subscription service provides consumers with informational updates and current information on the condominium law. 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 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. It also reports on governance and project development issues and evaluates cases for inclusion in the Hawaii Condominium Bulletin and for discussion at CRC meetings.

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 included 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, 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 considered requests to participate in, or sponsor cooperative education research and administrative programs with those persons or groups 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 governance 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.

NOTE: 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 Participation and Report;
- Legislative Acts and Resolutions;
- Interactive Participation with Organizations;
- Neighbor Island Outreach;
- Condominium Education Trust Fund;
- Consumer Education;
- Condominium Specialist's Office for the Day;
- Technology and Website;
- Start-up Kit for new Association of Unit Owners and new Condominium Managing Agents;
- Cooperative Education, Research, and Administrative Program; and
- Condominium Reference Library

FY 2017 PROGRAM OF WORK

Condominium Laws and Education – The Commission will administer HRS Chapters 514A (to the extent it is applicable to older condominium projects) and 514B. In doing so, the Commission will participate fully in the legislative process as well. Utilizing Condominium Education Trust Fund money as available, the Commission will update the condominium community on relevant changes and post information on the Commission's website and in the Condominium and Real Estate Bulletins on current issues in the condominium community. On a statewide basis, the Commission will deliver 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 update 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 via telephone; in person office visits; email; 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. The Commission will support the condominium governance philosophy of self-governance by the owners and associations in its educational

efforts.

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, other governmental agencies and interested attorneys, staff will refine online 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. 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 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 continue to monitor the evaluative mediation program established pursuant to Act 187 (2013). Staff will work with the Mediation Center of the Pacific (MCP) and other procured mediation 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. 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 continue to respond to requests for data specific association registration lists.

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 as needed.

Ad Hoc Committee on Condominium Education and Research – The Commission will administer this group which reviews, makes recommendations and assists in the develop-

ment, update and administration of condominium education-related projects on an as-needed basis.

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 proposed rules 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, with meetings held on the neighbor islands. 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 in, 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 2017 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 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 and CAI National 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 neighbor island state and county agencies.

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.

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 facili-

tate 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 Specialist's Office for the Day

– The Commission will maintain the Condominium Specialist's Office for the Day at various sites on the neighbor islands 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 RICO 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 condo-

minium 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 condominium 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 the REEA, 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

| Fund Balance As of June 30, 2016 (Unaudited) | FY 2016 Expenditures and Encumbrances (Unaudited) |
|--|--|
| ASSETS | I. Operations |
| Cash | Personnel \$325,635 |
| In State Treasury \$389,004 | Supplies 3,043 |
| Total Assets 389,004 | Equipment Rentals and Maintenance 3,849 |
| | Dues and Subscriptions 2,495 |
| | Total Operations \$335,022 |
| LIABILITIES AND FUND BALANCE | II. Direct Licensee Education |
| Liabilities | Neighbor Islands Outreach 3,480 |
| Payables (5,190) | Annual Report/Quarterly Bulletin 100,330 |
| Fund Balance | Programs 28,560 |
| Reserve for Encumbrances 48,072 | Total Direct Licensee Education 132,370 |
| Unreserved 346,122 | |
| Balance 394,194 | III. Indirect Licensee Education |
| Total Liabilities and Fund Balance 389,004 | License Renewals 573 |
| | Interactive Participation w/Orgs. 27,419 |
| | Total Indirect Licensee Education 27,992 |
| Revenues and Expenditures For the Year Ending June 30, 2016 (Unaudited) | Total Expenditures and Encumbrances \$495,385 |
| Revenues | |
| Fees \$86,655 | |
| Interest Income 3,609 | |
| Total Revenues 90,264 | |
| Expenditures 447,314 | |
| Excess (deficiency) of revenues over expenditures (357,050) | |
| Fund Balance | |
| Beginning of Year 751,244 | |
| End of Year \$394,194 | |

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, 2016
(Unaudited)**

FY 2016 Recovery Fund Payments

| ASSETS | | Case No. | Licensee (s) | Amount |
|---|------------------|----------|-----------------|--------|
| Cash | | None | | |
| In State Treasury | \$741,080 | | | |
| Total Assets | <u>\$741,080</u> | | | |
| LIABILITIES AND FUND BALANCE | | | | |
| Liabilities | | | | |
| Payables | <u>\$1,002</u> | | | |
| Total Liabilities | 1,002 | | | |
| Fund Balance | | | | |
| Reserve for encumbrance | 0 | | | |
| Unreserved | <u>740,077</u> | | | |
| Fund Balance | 740,077 | | | |
| Total Liabilities and Fund Balance | <u>\$741,080</u> | | | |

**Revenues and Expenditures
For the Year Ending June 30, 2016
(Unaudited)**

| | |
|---|------------------|
| Revenues | |
| Fees | \$79,402 |
| Expenditures | |
| Operations | 40,613 |
| Legal Services | 9,488 |
| Claims | <u>0</u> |
| Total Expenditures | <u>50,101</u> |
| Excess (deficiency) of revenues over expenditures | 29,301 |
| Fund Balance | |
| Beginning of Year | <u>710,776</u> |
| End of Year | <u>\$740,077</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, 2016 (Unaudited)

| | |
|-------------------------------------|--------------------|
| ASSETS | |
| Cash | |
| In State Treasury | \$1,628,236 |
| Short term cash investments | <u>0</u> |
| Total Assets | <u>\$1,628,236</u> |
| LIABILITIES AND FUND BALANCE | |
| Liabilities | |
| Payables | (\$5,777) |
| Fund Balance | |
| Reserve for Encumbrances | 220 |
| Unreserved | <u>1,633,793</u> |
| Fund Balance | <u>1,634,013</u> |
| Total Liabilities and Fund Balance | <u>\$1,628,236</u> |

Revenues and Expenditures For the Year Ending June 30, 2016 (Unaudited)

| | |
|--|-----------------------------|
| Revenues | |
| Fees - Others | \$3740 |
| Fees - AOUC Registration | \$175,299 |
| Interest income | <u>3,894</u> |
| Total Revenues | 182,933 |
| Expenditures | |
| Excess (deficiency) of revenues over expenditures | <u>434,082</u> (251,149) |
| Fund Balance | |
| Beginning of Year | <u>1,885,162</u> |
| End of Year | <u>\$1,634,013</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 2016 Expenditures and Encumbrances (Unaudited)

| | |
|--|------------------|
| Personnel | \$350,574 |
| Supplies | 3,562 |
| Post- age | 4,000 |
| Equipment Rentals/Maintenance | 4,822 |
| Education and Research | 52,492 |
| Equipment for Office | 0 |
| Staff/Commissioner Development | 2,268 |
| Resource Materials | 0 |
| Dues & Subscriptions | <u>1,346</u> |
| Total Expenditures and Encumbrances | <u>\$419,064</u> |

CONDOMINIUM EDUCATION TRUST FUND FY 2017 Budget (proposed)

| | |
|--|---------------------------|
| REVENUES | |
| Application and Renewal Fees | \$1,661,718 |
| Interest | <u>\$140</u> |
| Total Revenues | \$1,661,858 |
| EXPENDITURES | |
| Personnel | \$457,763 |
| | Subtotal \$457,763 |
| <hr/> | |
| Administrative Expenses | \$22,750 |
| Condominium Program of Work | \$384,761 |
| | Subtotal \$407,511 |
| Total Expenditures and Budget Ceiling | \$865,274 |