

DEPT. COMM. NO. 165

DEC 20 2017

DAVID Y. IGE
GOVERNOR

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CATHERINE P. AWAKUNI COLÓN
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DEPUTY DIRECTOR

December 20, 2017

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

The Honorable Scott K. Saiki,
Speaker and Members of the
House of Representatives
Twenty-Ninth State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

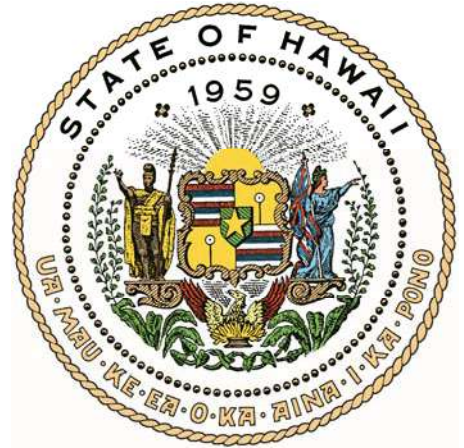
Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

For your information and consideration, I am transmitting a copy of the Hawaii Real Estate Commission's (REC) Annual Report for the fiscal year ending June 30, 2017, pursuant to section 467-4(5), Hawaii Revised Statutes (HRS). The Condominium Education Trust Fund Report is also part of the REC Annual Report, pursuant to section 514B-73(d), HRS. In accordance with section 93-16, HRS, a copy of this report will be transmitted to the Legislative Reference Bureau Library and viewable electronically at <http://cca.hawaii.gov/reports/>.

Sincerely,

CATHERINE P. AWAKUNI COLÓN
Director

Enclosure



2017 Annual Report

Real Estate Commission

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

The 2017 Hawaii Real Estate Commission

Nikki T. Senter
Chair
Oahu, Public Member

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

Michael E. Pang
Vice Chair, Laws and Rules Review Committee
Oahu, 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

Laurie A. Lee
Chair, Condominium Review Committee
Honolulu, Real Estate Broker

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

Aleta Klein
Oahu, Real Estate Broker

Sean S. Ginoza
Hawaii, 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 (DCCA):

I respectfully present to you the annual report on the status of the Real Estate Commission (Commission) for fiscal year (FY) 2017. The Commission currently oversees 18,250 licensees statewide, of which 13,898 hold active licenses. This is a 5% decrease in total licensees from a year ago. We also oversee approximately 1,709 registered condominium associations and 31 condominium hotel operators (CHOs). There were 232 new and conversion project filings as compared to 274 filings in FY 2016.

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 (CE) providers and certifies CE courses, and in the condominium area, registers condominium projects, condominium associations, CHOs 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 2017. 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 FY. 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 Michael Pang, Oahu Commissioner, diligently worked to address national and state issues that impact Hawaii. Revisions and updates to the Hawaii Administrative Rules, chapter 99 (which had not been updated for over 15 years), were approved by Governor Ige and became effective December 19, 2016. To address strong concerns raised by industry stakeholders, certain amendments to the advertising rules are still being pursued through revisions proposed and may be approved shortly.

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 2017-2018 mandatory core course, Part A, which includes the topics of "2017 Real Estate-Related Legislation", "Technology: The Good, the Bad, and the Evil", and "Client Trust Accounts".

The Education Review Committee is tackling the revision of the salesperson's prelicense curriculum, which has not been updated since 2005.

Condominium Review Committee Chair, Laurie A. Lee, Honolulu Commissioner, and Vice-Chair Bruce Faulkner, Maui Commissioner, oversaw the activities of the Commission relating to condominium project development, governance, and education. They continued the task of rulemaking for Hawaii Revised Statutes (HRS), chapter 514B, the recodified condominium law.

The Commission's condominium staff created additional informational brochures for condominium unit owners, including reminder post cards containing contact information for the Real Estate Branch and the Residential Landlord-Tenant Information Center, for tenants residing in condominiums. The brochures and post cards were distributed at educational events such as the Hawaii Buildings Facilities and Property Management Expo, National Consumer Protection Week and the Financial Literacy Fair. This past FY saw an increase in outreach by the Commission at public and community events with an emphasis on educating more persons about condominium living.

A free condominium seminar, held in the State Capitol Auditorium was offered in April for all interested owners. Topics included in this first-ever event were the rights and duties of condominium owners and board members, condominium reserves, rulemaking and reducing association and unit-owner risk through proper insurance coverage.

Finally, an email condominium and information subscription list was established last FY to reach out to consumers, unit owners, and board members. Currently, the list has over 500 subscribers.

The biennial condominium association registration was conducted this FY. Over 1,700 condominium associations consisting of six or more units submitted registration information prior to the June 30, 2017 deadline.

Along with Commissioners Sean Ginoza, Hawaii Island broker and Aleta Klein, Oahu broker, the Commission is a hardworking and committed group, seeking to meet the challenges of changing economic times and a constantly evolving real estate industry, as well as embracing current changes that impact today's real estate licensees and consumers. 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, Catherine P. Awakuni Colón, Licensing Administrator Celia Suzuki, 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
Kristen Kekoa-Nakasone, Secretary
Diane Choy Fujimura, Senior Real Estate Specialist
Amy Endo, Real Estate Specialist
David Grupen, Real Estate Specialist
Dorothy Aquino, Office Assistant
Carleen Weisbarth-Jose, Office Assistant
Carole Richelieu, Senior Condominium Specialist
Benedyne Stone, Condominium Specialist
Dathan Choy, Condominium Specialist
Tammy Norton, Secretary
Jon Gasper, Office Assistant
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Copyright: Hawaii Real Estate Commission 2017. 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.

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LAWS AND RULES REVIEW COMMITTEE REPORT

The Laws and Rules Review Committee, for FY 2017, led by Chair Scott Arakaki and Vice Chair Michael Pang, had another active year with legislation, reactive issues, licensing programs, and recovery fund administration.

LEGISLATIVE

- **GM 578:** Submitting for consideration and confirmation to the Real Estate Commission, Gubernatorial Nominee, SEAN GINOZA, for a term to expire 06-30-2018.
- **GM 707:** Submitting for consideration and confirmation to the Real Estate Commission, Gubernatorial Nominee, LAURIE LEE, for a term to expire 06-30-2021.
- **GM 708:** Submitting for consideration and confirmation to the Real Estate Commission, Gubernatorial Nominee, ALETA KLEIN, for a term to expire 06-30-2021.

LICENSING

For FY 2017, the total number of licensees was 18,250 compared to 19,253 in FY 2016. This represents a decrease of 5% over the previous FY. 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 2017 PROGRAM OF WORK

Real Estate Recovery Fund (RERF) – The recovery fund for FY 2017. Since its inception Commission administered the statutory in 1967, the RERF has paid out over two requirements, contracts with consultant million dollars (see Chart 2).

attorneys, notice of claims, court orders for payouts, dissemination of information, financial responsibilities of the RERF, records management, and the development of reports.

The Commission is the trustee of the RERF, 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 RERF.

During FY 2017, the Commission received notification for 6 claims on the fund (See Chart 1). There were no payments out of the

recovery fund for FY 2017. Since its inception Commission administered the statutory in 1967, the RERF has paid out over two requirements, contracts with consultant million dollars (see Chart 2).

Real Estate Licensing, Registration and 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.

CHO 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 with the Licensing Branch since active real

CHART 1. Recovery Fund - Notices

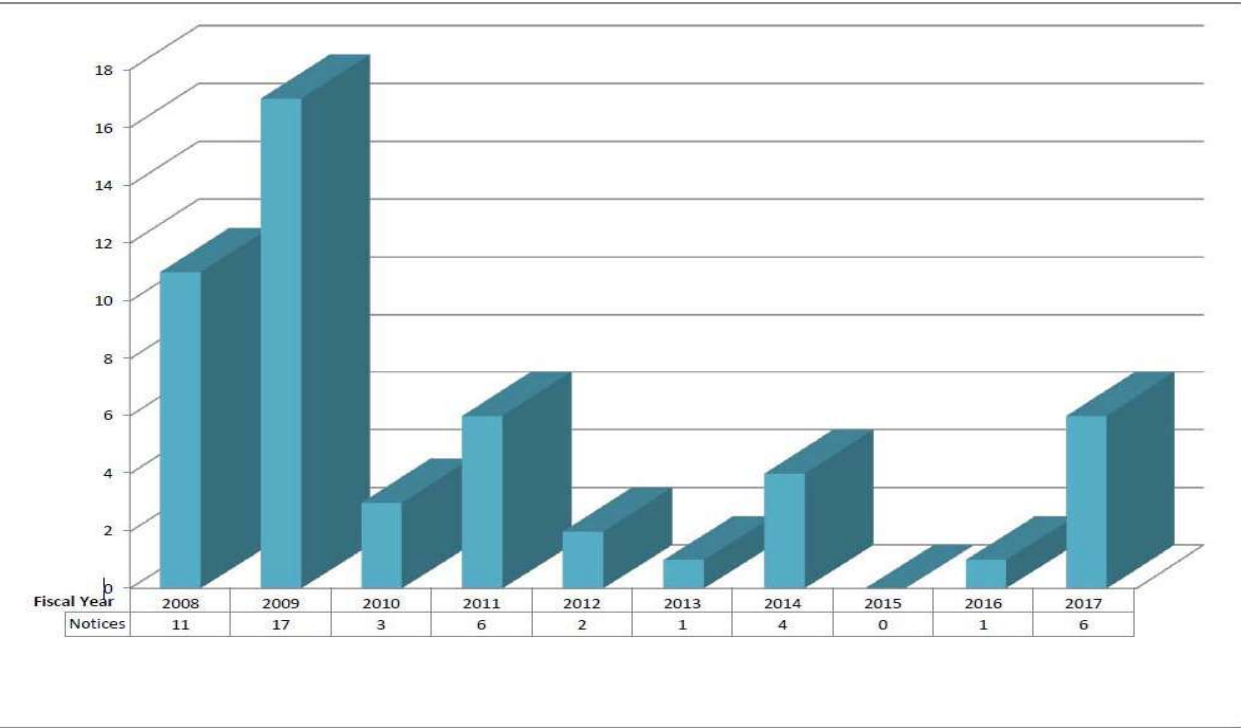


CHART 2. Recovery Fund - Claims Paid

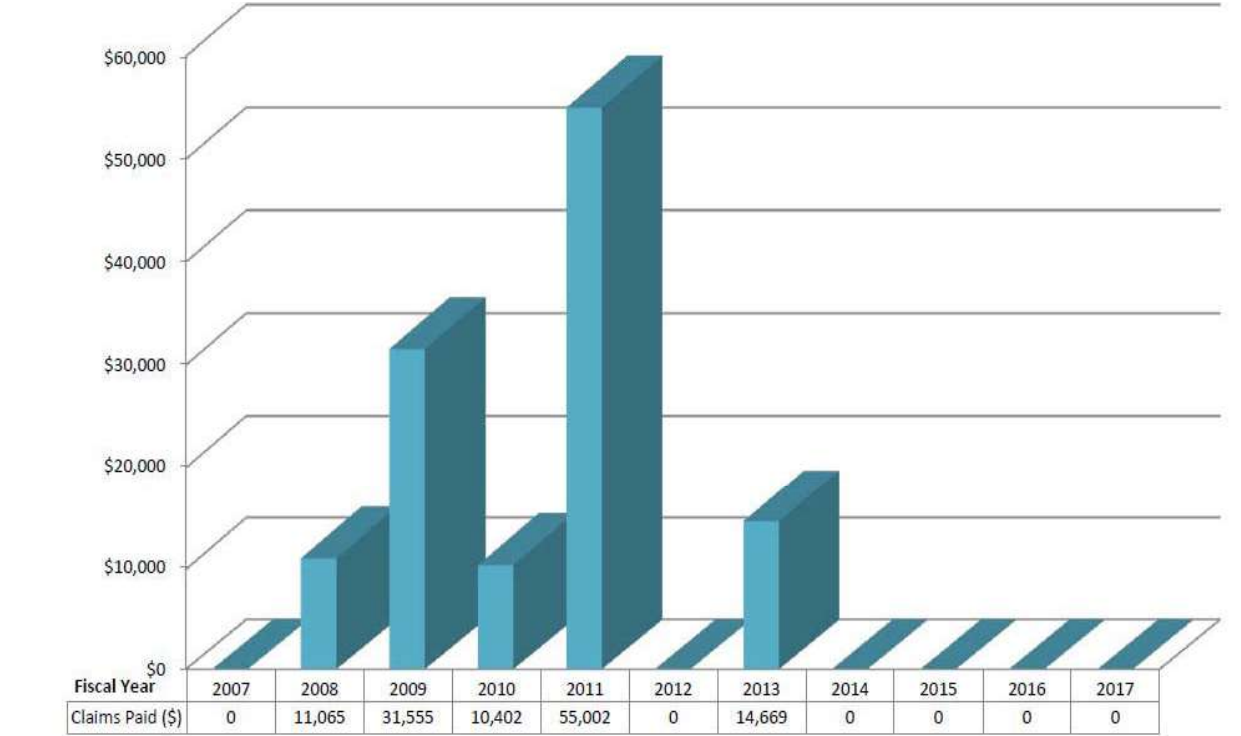
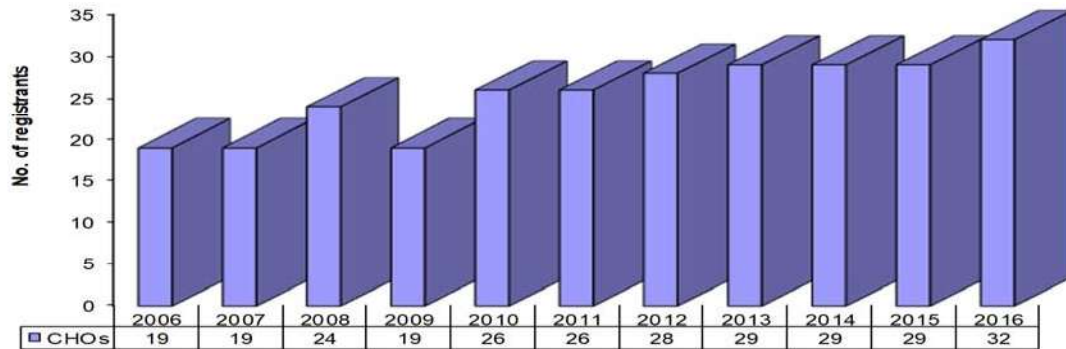


CHART 3. CHO Registration



estate brokers are exempt from the registration and fidelity bond requirements. This FY the Commission registered 31 CHOs (see Chart 3).

Advice, Education, and Referral – Staff responded and provided information to inquiries received via telephone, walk-ins, faxes, written correspondence, emails, and 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 submitted 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 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 2017 approached a 94% 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 session, 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, actively participated with the Association of Real Estate License Law Officials (ARELLO) and local, Pacific Rim, national, and international organizations and government agencies to exchange information and concerns and share

educational and research efforts, joint projects of mutual concern, training, etc.

Legislative Acts and Resolutions – The Commission reviewed, reported, and developed summaries of all related acts and resolutions and implemented requirements of directly related acts and resolutions.

Neighbor Island Outreach – The Commission held three meetings on the neighbor islands in FY 2017. Meetings were held in Kauai in September 2016, Maui in January 2017, and Kona in June 2017. The neighbor island meetings afforded neighbor island licensees, government officials, 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 services provided for effectiveness and efficiency, amended laws, rules, forms and systems, and improved staffing, equipment, organization, etc. Staff also 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 or 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 in other jurisdictions.

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

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 (PVL), DCCA, and others on programs of mutual concern, through a joint program with the Education Review Committee and the Condominium Review Committee.

ADMINISTRATIVE ACTIONS

Disciplinary Actions

The Commission took disciplinary action against 49 licensees in FY 2017. This is a 44% increase over the 34 licensees disciplined in FY 2016. Chart 4 provides historical information on the number of licensees disciplined.

Fines totaling \$113,280 were assessed against 40 licensees. Thirteen licenses were revoked, and one license was suspended (see Table 1 and Chart 5).

Table 1 - Administrative Actions - FY 2017

No. of Licensees Disciplined	49
Licenses Revoked	13
Licenses Suspended	1
Licenses Fined	40
Total fines	\$113,280

CHART 4. Disciplinary Actions

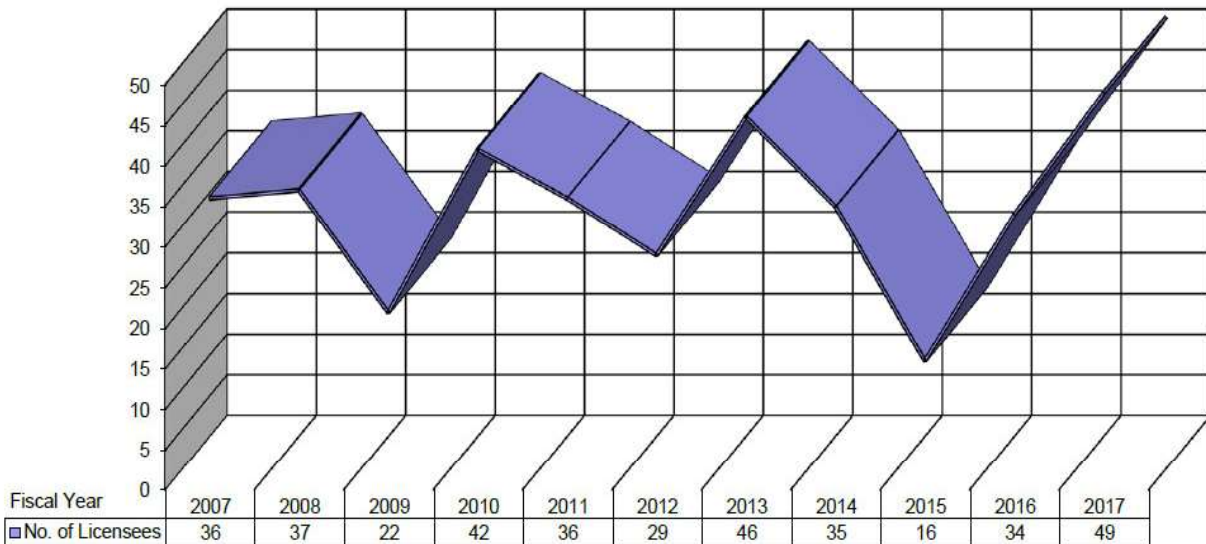
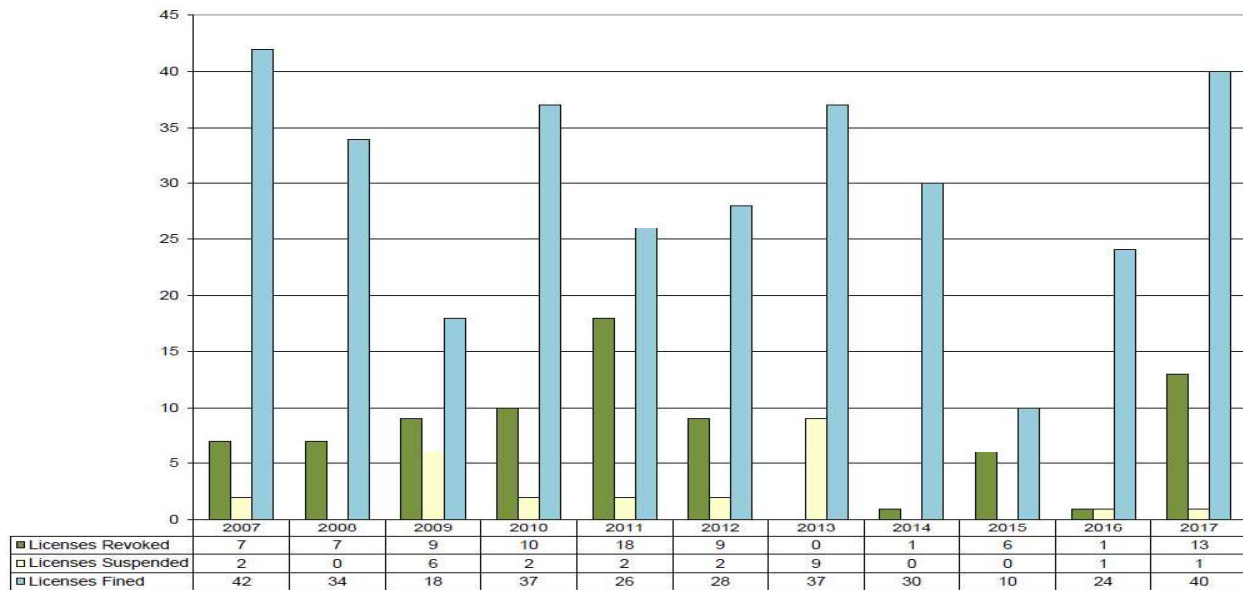


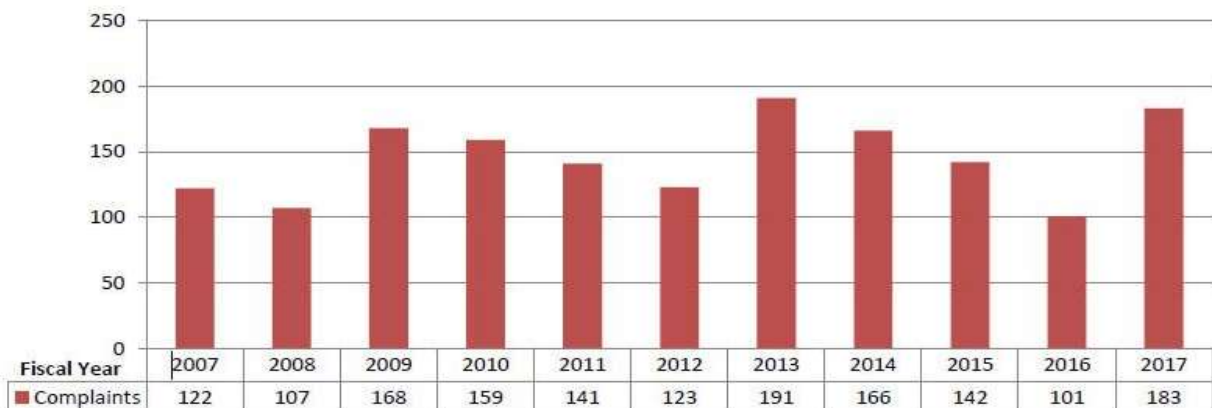
CHART 5. Administrative Actions—Sanctions

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 an 81% increase in FY 2016. RICO received 183 real estate complaints in FY 2017, compared to 101 in FY 2016 (see Chart 6).

One hundred and twenty eight complaints are pending, and fifty-five cases were closed as follows:

- 22 Warning Letters
- 15 Insufficient Evidence
- 4 Legal Action
- 4 Resolved
- 3 No Violations
- 3 Education Contact
- 2 Withdrawn
- 2 Retained for Records Only

CHART 6. RICO Complaints (Real Estate)

The top 5 alleged HRS chapter 467 violations in RICO complaints:

1. §467-1.6 - Principal brokers management, supervision, and responsibilities.
2. §467-14(20) - Failure to maintain a reputation for or record of competency, honesty, truthfulness, financial integrity, and fair dealing.
3. §467-14(8) - Conduct constituting fraudulent or dishonest dealings.
4. §467-14(13) - Violating this chapter (467), chapters 484, 514A, 514B, 514E, or 515, section 516-71, or the rules adopted pursuant thereto.
5. §467-14(16) - Converting other people's moneys to the licensee's own use.

The top 5 alleged HAR chapter 99 violations in RICO complaints:

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(e) - The broker shall keep in special bank accounts, separated from the broker's own funds, moneys coming into the broker's possession in trust for other persons, such as escrow funds, trust funds, clients' moneys, rental deposits, rental receipts, and other like items.
4. §16-99-3(v) - The licensee shall not convert other people's moneys to the licensee's own use.
5. §16-99-4(h) - The principal broker or broker-in-charge shall not commingle client's funds with other moneys.

FY 2018 PROGRAM OF WORK

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

EDUCATION REVIEW COMMITTEE REPORT

The Education Review Committee, for FY 2017, under the leadership of Chair Rowena Cobb and Vice Chair Aileen Wada, continued to address important and varied education issues.

FY 2017 PROGRAM OF WORK

CE Core Course – The Commission researched and developed its core course on legislative updates, 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.

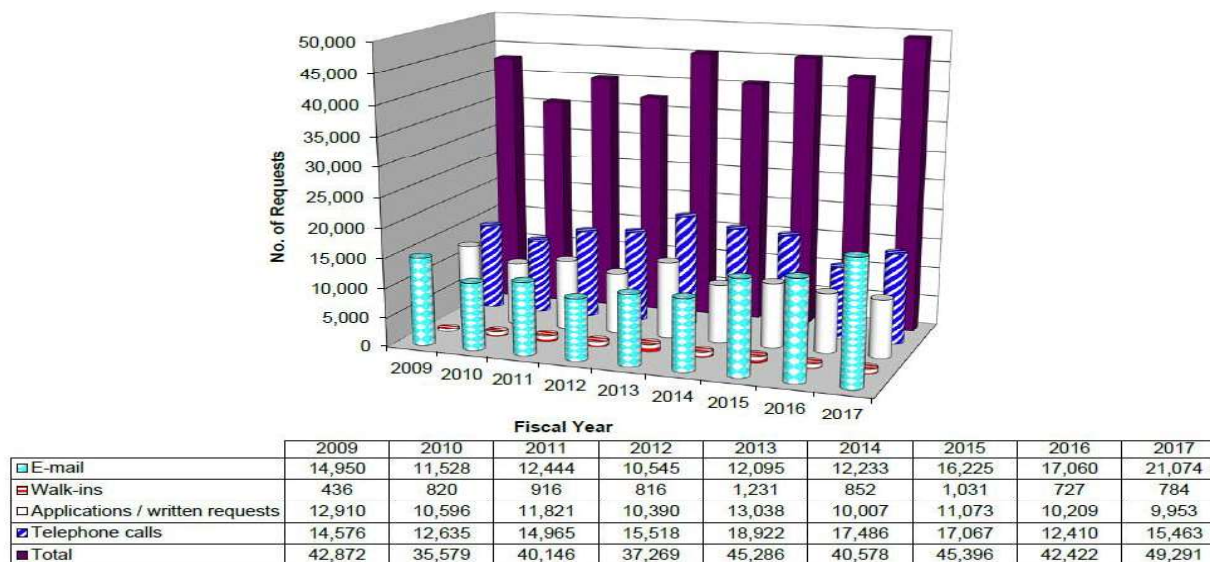
Advice, Education, and Referral – Staff continued to provide advice, education, and referral to applicants, licensees, government officials, consumers, public, and organizations, including the research,

reproduction of materials, and mailings. It developed a distribution system of educational and informational products for each principal broker and broker-in-charge. Staff also published and distributed educational and informational materials 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 FY produced 15,463 telephone inquiries; 784 walk-in inquiries; 9,953 applications, written inquiries/requests and faxes; and 21,074 emails (see Chart 7).

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

CHART 7. Inquiries and Applications



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 School Files, a quarterly newsletter for educators. This was a joint program with the CE 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 August 11-12, 2016.

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

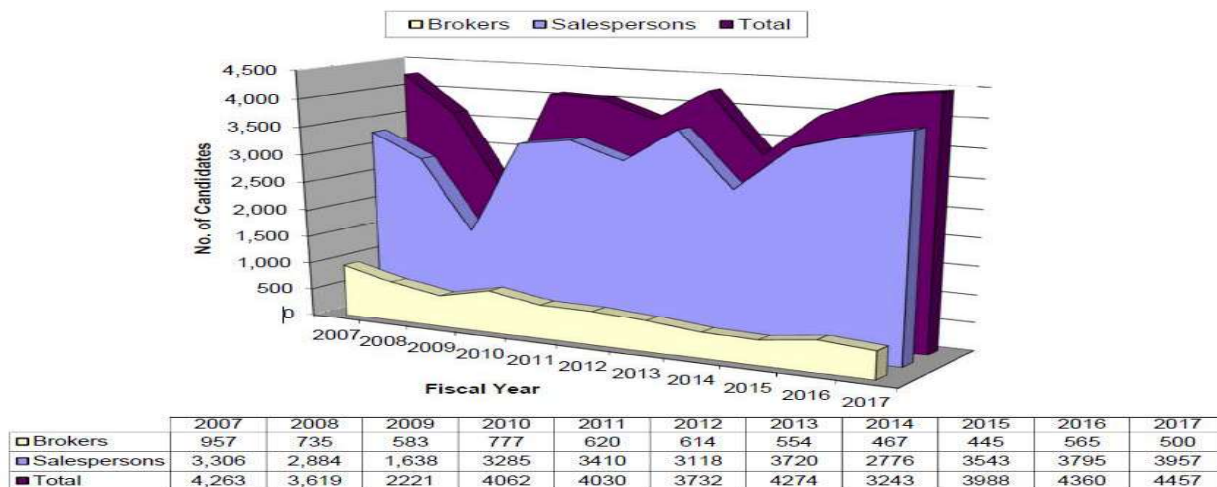
in Table 2 and Chart 8, the number of total examination attempts by candidates increased 2.2% from the last FY. Staff periodically monitors the examination administration on each island to assure facilities and procedures comply with PSI and Commission policies.

Table 2. Real Estate Licensing Examination

	FY 2016	FY 2017	% Change
Brokers Tested*	565	500	-11.5%
Salespersons Tested*	3795	3957	4.3%
Total Tested	4360	4457	2.2%
Brokers Passed**	306	309	1.0%
Salespersons Passed**	2696	2779	3.8%
Total Passed	3002	3088	2.9%
% Brokers Pass*	54.2%	61.8%	
% Salespersons Pass*	71.0%	70.2%	
*First time and Retakers **National and/or State Portion			

Two-hundred and ninety-seven applications were approved for equivalency to the uniform section of the examination based on passage of the uniform section of another state's

CHART 8. Licensing Examination Candidates



exam. This represents a 15.1% increase from the last FY's total of 258 approvals.

Administration of CE Program, Providers, and Instructors – The Commission administered the CE program, including the registration of providers and certification of courses and provided timely information and records management, as appropriate. Staff updated the Online Real Estate CE website as needed.

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

Administration of CE Elective Courses – The Commission provided administrative information to elective course providers and licensees, assisted providers in submissions, reviewed submitted applications, reviewed submitted curriculum, made recommendations, and assisted with records management. The Online Real Estate CE 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 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; formerly, this was done by CE providers. Additionally, real estate principal brokers and brokers-in-charge were able to monitor and view current CE hours, CE history, and the license status of all licensees

associated with the brokerage. This system was updated daily.

During the FY, there were 267 newly approved CE courses, a 134% increase from the approved 114 CE courses in the previous FY. Twenty-nine approved CE providers offered 1302 classes to over 27,021 participants.

Ad Hoc Committee on Education (ACE)

The Commission's ACE reviewed, recommended, assisted in developing, updated, and administered education-related projects and CE. There were four ACE meetings during the FY: August 16, 2016, November 1, 2016, March 6, 2017 and April 13, 2017. ACE assisted in developing the topic for the Commission's 2016-2017 Core Course, Part B, "Technology: The Good, The Bad, and the Evil."

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 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 Real Estate Commission Bulletin, the Commission's Annual Report is

primarily an electronic publication. A limited number of printed copies were distributed to the Legislature and 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 2017. Meetings were held in Kauai in September 2016, Maui in January 2017, and Kona in June 2017. The neighbor island meetings afforded neighbor island licensees, government officials, 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. As part of this contract, five Instructors Development Workshops (IDWs) were presented on all major islands during the last FY. In July 2016, the last IDW pursuant to the contract was presented, entitled “Become the Instructor of Change: Secrets of the Experts” and targeting experienced instructors.

The Hawaii Association of REALTORS®, also as part of the contract, developed three video presentations on “Clients Trust Accounts,” which are available on the Commission's website and accessible by real estate brokerages for the edification of licensees associated with the brokerage.

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 CE 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. Sessions held at the local Board of REALTORS®' offices beneficially provide 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 Kauai, Maui, and Kona this FY.

Real Estate Speakership Program – Subject to State government approvals and priorities, the Commission and staff honored requests to provide a speaker or resource person or 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 equivalency to the uniform section of the examination based on passage of the uniform section of another state's exam.

Technology and Website – Staff administered an in-house network computer system in coordination with the DCCA's 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 computerized glossary of existing and future records and files that is centralized, consistent, and user-friendly,

Information Distribution System – Staff researched, developed, and implemented a centralized information distribution system for all 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 videotapes.

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 branches and divisions and the Department of the Attorney General, all of which 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 PVL and DCCA.

Staff and Commissioners Development Staff developed and trained staff and Commissioners for better administration of the real estate programs. Commissioners and 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.

Licenseses

New Licenses – During FY 2017, 1,574 new licenses were issued, representing an increase of 5.1% over the prior FY. New individual broker licenses increased by 4.9%, new salesperson licenses also increased by 4.9%, and new entity licenses increased by 8% (see Chart 9).

Current Licenses – The overall number of current real estate licenses decreased 5.2% by the end of FY 2017. In FY 2017, active licenses decreased by less than 1% over the previous FY, with inactive licenses decreasing by 18.3% (see Chart 10, Table 3, and Chart 11).

CHART 9. New Real Estate Licenses Issued

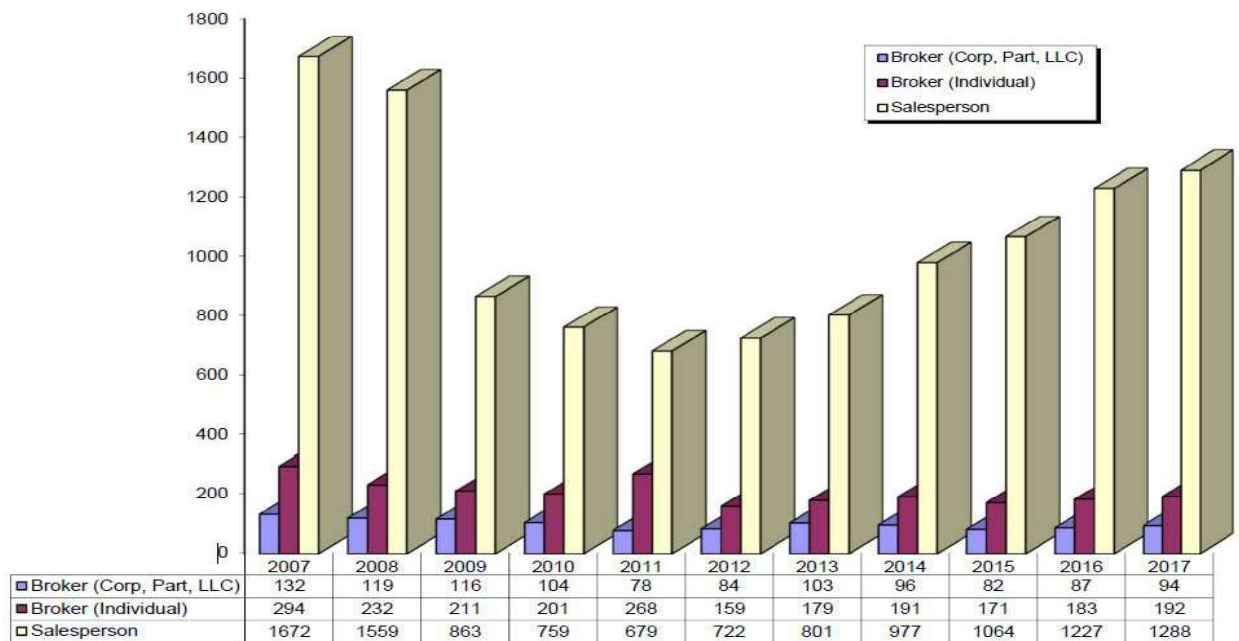


CHART 10. Total Real Estate Licensees

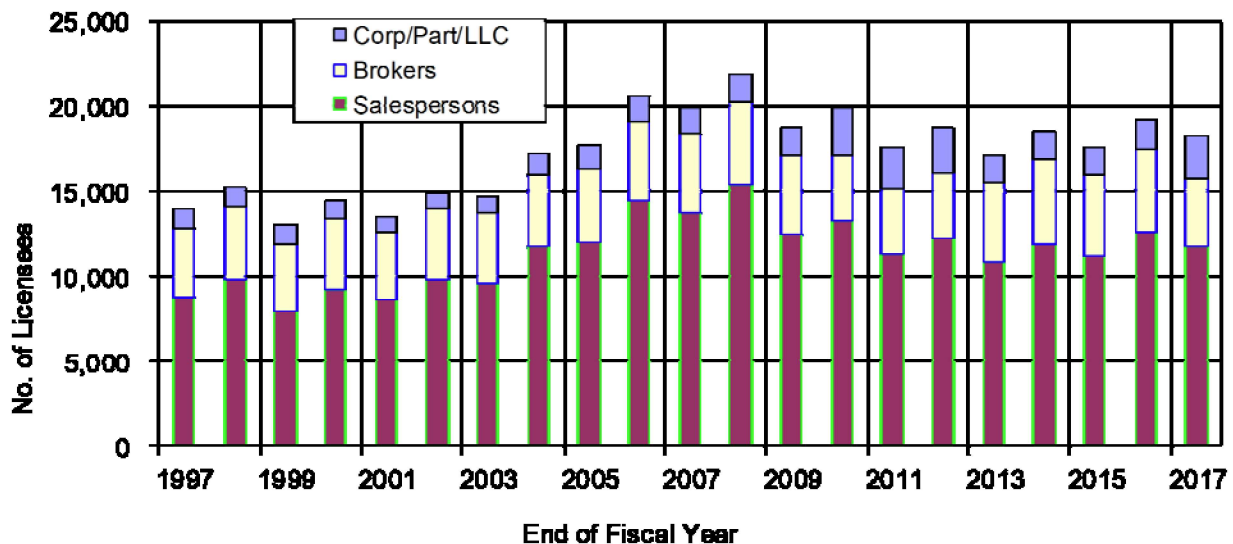
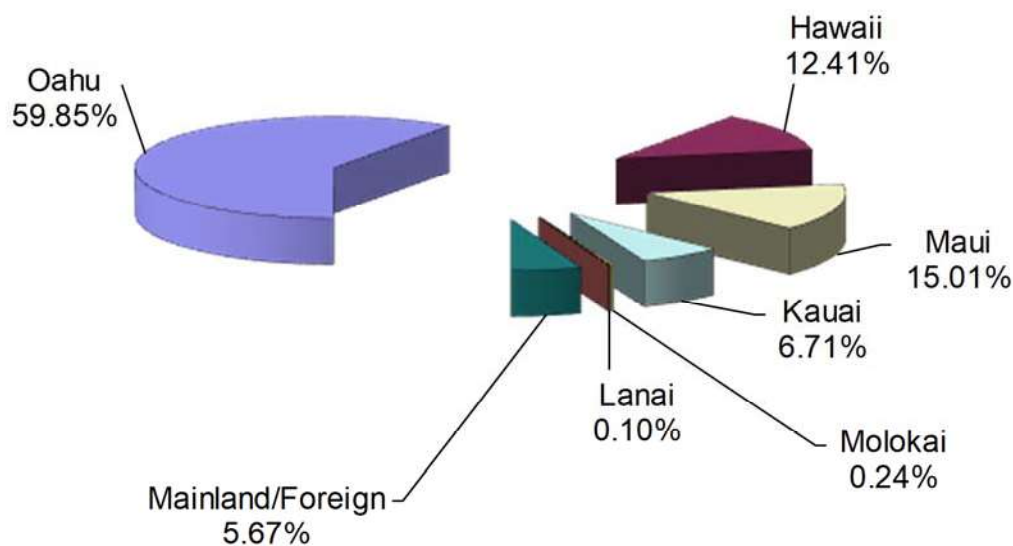


Table 3. Current Real Estate Licensees—By Type and Island (July 2017)

	Oahu	Hawaii	Maui	Kauai	Molokai	Lanai	Other	Total
Active								
Broker	2,005	499	495	210	13	3	90	3,315
Salesperson	4,967	1000	1,357	552	21	6	188	8,091
Sole Proprietor	552	132	99	55	5	0	4	847
Corporation, Partnership, LLC	1,017	250	255	112	4	2	5	1,645
Total Active	8,541	1,881	2,206	929	43	11	287	13,898
Inactive								
Broker	256	43	37	25	1	0	232	594
Salesperson	2,002	355	515	257	4	5	540	3,678
Sole Proprietor	5	0	0	0	0	0	0	5
Corporation, Partnership, LLC	37	9	5	3	0	0	21	75
Total Inactive	2,300	407	557	285	5	5	793	4,352
Active and Inactive								
Broker	2,261	542	532	235	14	3	322	3,909
Salesperson	6,969	1,355	1,872	809	25	11	728	11,769
Sole Proprietor	557	132	99	55	5	0	4	852
Corporation, Partnership, LLC	1,054	259	260	115	4	2	26	1,720
Total	10,841	2,288	2,763	1,214	48	16	1,080	18,250

CHART 11. Real Estate Licensees—By Island

FY 2018 PROGRAM OF WORK

Education Review Committee

- CE 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 CE Program, Providers, and Instructors
- Administration of CE 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 CE 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 Laurie A. Lee and Vice Chair Bruce Faulkner, the Condominium Review Committee oversaw the jurisdiction of condominiums under HRS chapters 514A and 514B and the administration of condominium-related 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 (CETF).

Pursuant to HRS §514B-71, the Commission is authorized to expend monies from the CETF for educational purposes, including financing or promoting:

1. Education and research in condominium management, condominium project registration, and real estate, to benefit 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 all monies in the CETF 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 FY with monies from the CETF; (2) the amount of money in the CETF; (3) a copy of the budget for the current FY, including summary information on programs that were funded or will be funded; (4) a statement of the programs directed specifically at educating condominium owners; (5) summary information on programs that were funded or will be funded and the target audience for each program; and (6) a budget for the current FY that includes a line item reflecting the total amount collected from condominium associations.

FY 2017 PROGRAM OF WORK

Condominium Laws and Education – With mandated jurisdiction over the condominium law, the Commission and its staff participated in legislative hearings and meetings with legislators and condominium stakeholders to refine the provisions of HRS chapters 514A and 514B. With input from condominium governance organizations and volunteers, the Commission updated new and existing forms (including electronically fillable forms), instructions, curriculum, materials, and consumer brochures. The Commission continued the statewide promotion and delivery of Commission-subsidized seminars and was prepared to deliver education to the neighbor islands if a demand for seminars existed.

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 and working with HRS chapter 514A, 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 to inquiries via telephone, in-person office visits, electronic communications, the Hawaii Condominium Bulletin, the Commission's website, and procured seminars. Inquiries originated from condominium owners, developers, prospective purchasers, real estate licensees, government officials, and other interested parties.

The condominium specialists respond to thousands of requests for information, advice, and referral every year. Chart No. 12 shows the number of requests to be just over 26,000 for assistance from condominium owners and interested persons handled by the condominium specialists in FY 2017.

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 registration-related tasks. Developer's public reports were made available for public viewing and copying to disc via the Commission's website.

In FY 2017, the condominium consultants reviewed 242 condominium project files for issuance of effective dates for a developer's public report.

Staff planned for the electronic administration of condominium project files, including the scanning of documents. The Commission worked with condominium consultants to more efficiently administer

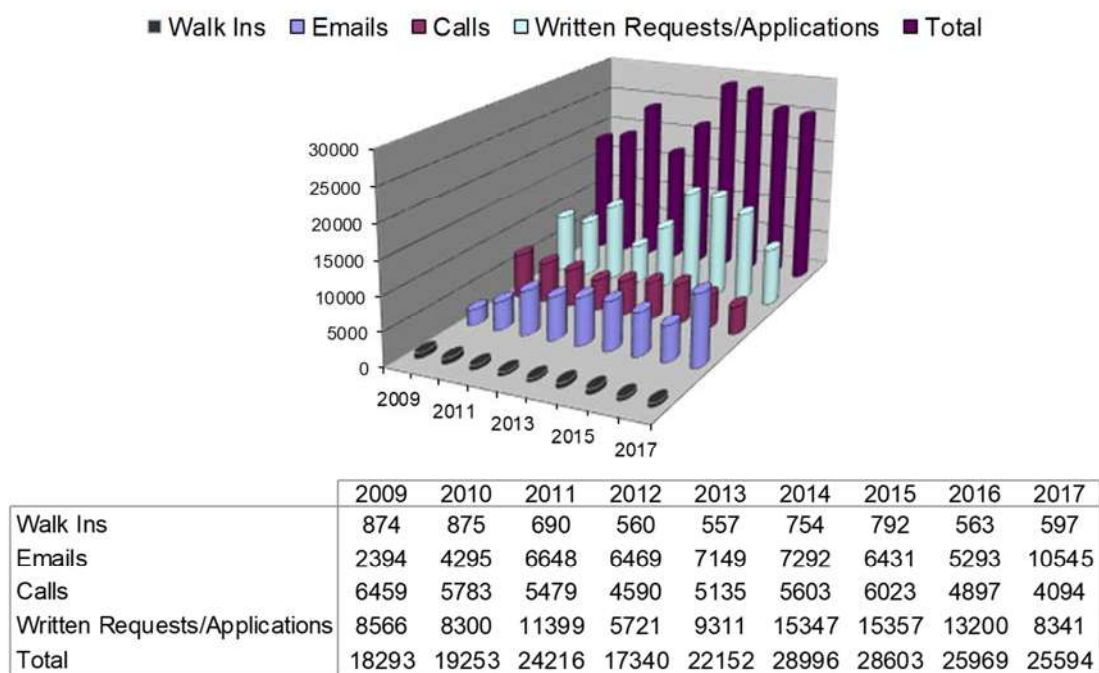
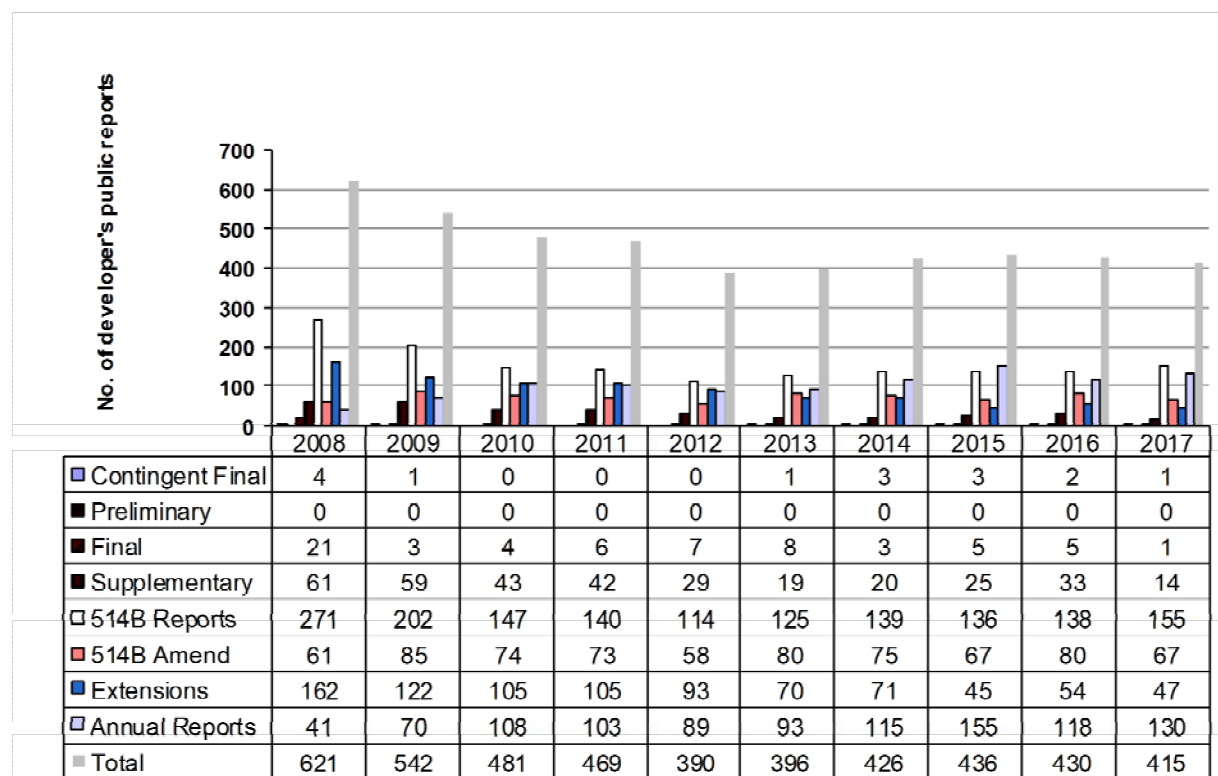
Chart 12. Condominium Advice, Education, and Referral**CHART 13. Developer's Public Reports Effective Dates Issued**

CHART 14. Number of Condominium Units

New and Conversion Project Filings of Developers

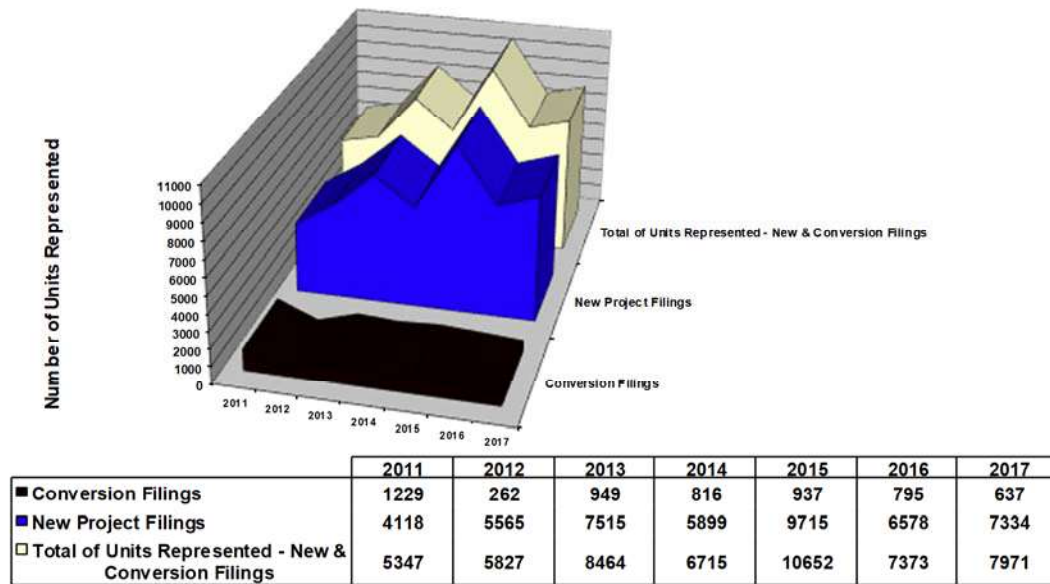


CHART 15. New Residential Projects—By Size

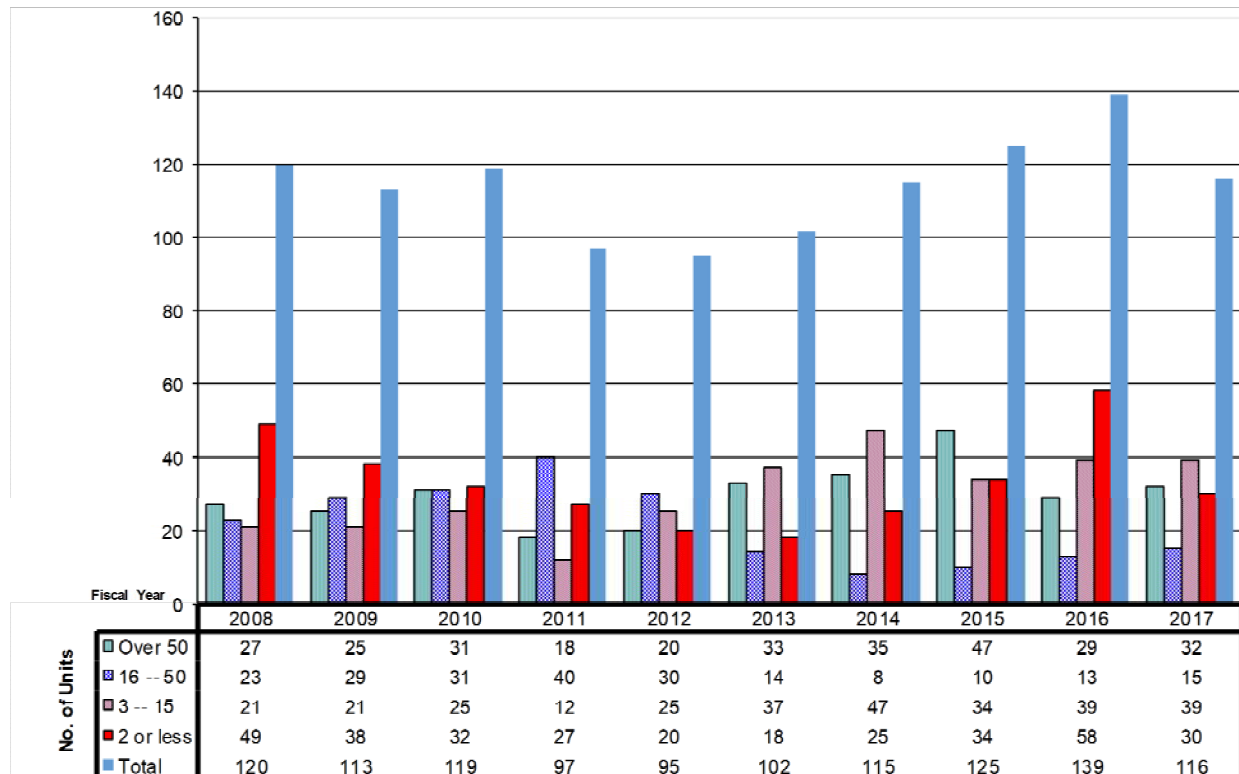


Table 4. Condominium Project Filings

New Projects	2011	2012	2013	2014	2015	2016	2017
Residential No. of Units Represented	98* 2,126	95* 3,118	102 5,789	121 4,933	125 8,175	139** 5,374	116 6,978
Commercial and Other No. of Units Represented	12 1,916	15 2,314	10 1,683	9 881	9 1,485	4 1,030	4 145
Agricultural No. of Units Represented	31 76	19 133	16 43	23 85	26 55	20 123	19 211
Total New Projects Total No. of Units Represented	141 4,118	129 5,565	128 7,515	153 5,899	160 9,715	163 6,527	139 7,334
Conversions							
Residential No. of Units Represented	79 575	64 219	75 553	75 633	71 596	76 365	62 332
Commercial and Other No. of Units Represented	3 535	3 6	10 336	4 88	3 264	4 320	4 247
Agricultural No. of Units Represented	27 119	14 37	21 60	29 95	19 77	34 110	27 58
Total Conversion Projects Total No. of Units Represented	109 1,229	81 262	106 949	108 816	93 937	114 795	93 637
Combined New & Converted Project Filings Combined No. of Units Represented	250 5,347	210 5,827	234 8,464	261 6,715	253 10,652	277 7,322	232 7,971

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

** Correction to the 2016 Annual Report

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.

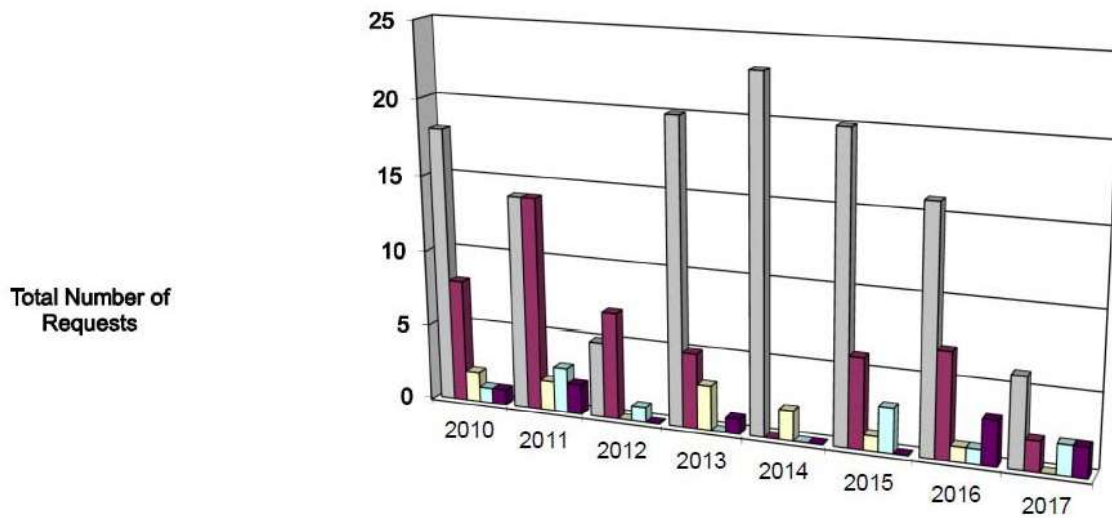
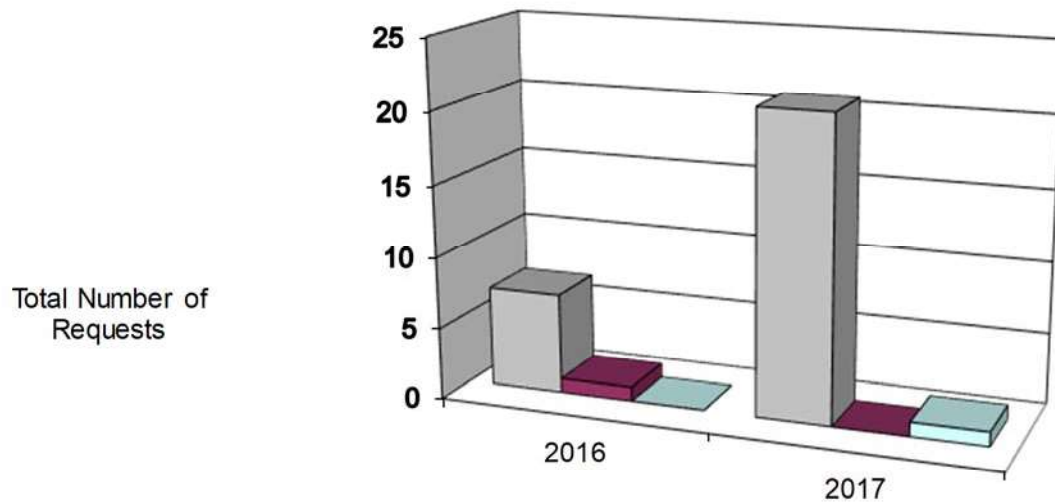
the registration of condominiums and issuance of effective dates for developer's public reports, which are mandated for sales of condominium units (see Charts 13 through 15 and Table 4).

Hawaii Condominium Bulletin – The Commission publishes a quarterly online bulletin aimed at the condominium community. In continuing its conservation efforts, the Commission maintained the online-only presence of the Hawaii Condominium Bulletin. Through the procurement process, Staff contracted for the design and online layout of the bulletin. This FY, the bulletin included timely articles on topics such as funding reserves, maintaining the roof, the importance of owner participation to the health of an association, and how to act as an effective

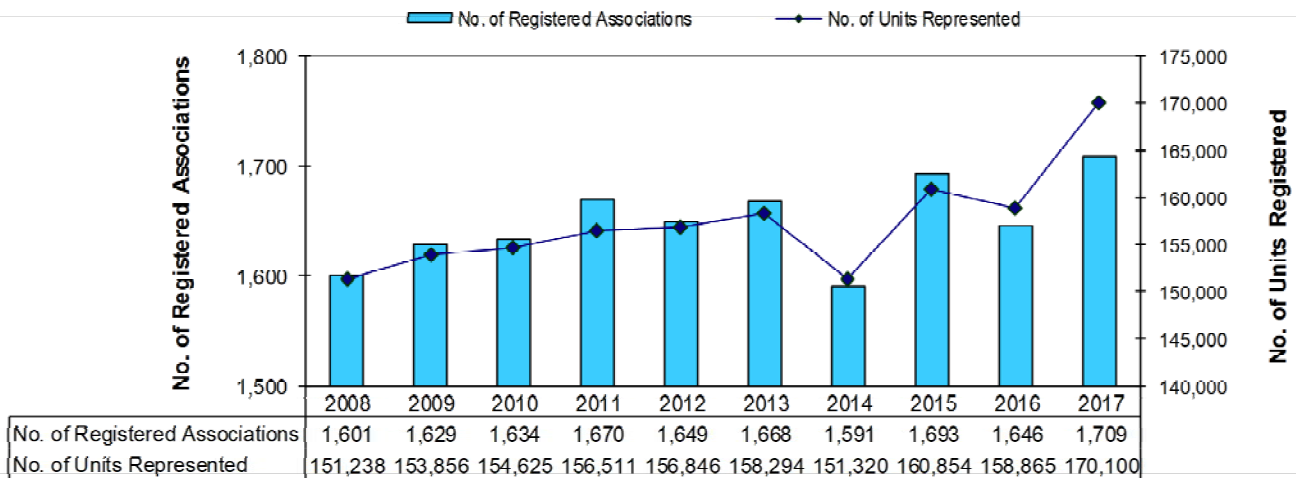
board member.

Condominium Mediation and Arbitration Program – The Commission subsidized mediation programs on all islands 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). Since July 1, 2015, the Commission has subsidized evaluative mediation in addition to continuing its long-standing support of facilitative mediation. Brochures describing mediation and mediation provider contact information are available on the Commission website.

The Real Estate Commission has been subsidizing facilitative mediations since 1992.

Chart 16. Facilitative Mediations**Chart 17. Evaluative Mediations**

	2016	2017
Dispute Prevention and Resolution	7	21
Lou Chang, A Law Corporation	1	0
Mediation Center Of The Pacific, Inc	0	1

Chart 18. Condominium Association Registration

Every mediation conducted is a condominium dispute that has avoided the court system and is considered a success.

Condominium Association Registration

The Commission administered the condominium association registration program pursuant to HRS §514B-103, which includes a review of submitted applications and an assessment of Commission registration policies and procedures. It also considered appeals, subpoenas, and requests for records under HRS chapter 92F, and the OIP rules and procedures. For FY 2017, the Commission continued its biennial condominium association registration with 96% of registrations completed online. In FY 2017, over 1,700 condominium associations were registered, representing over 170,000 condominium units and their owners. In addition, the Commission continued implementation of the online registration process and made available on the

Commission website a list of all public association contact information (see Chart 18). The Commission responded to requests for information-specific registration lists, such as contact information for condominium associations and neighbor island and zip code-specific condominium associations.

Condominium Seminars and Symposiums

The Commission produced seminars for the condominium community using Commission staff, procured providers, and volunteer faculty from the condominium governance, development, and real estate community.

The Commission used CETF subsidies for Commission-approved seminars, including the following for FY 2017:

- September 2016 – The Highs and Lows of How Marijuana Use Affects Association Living
- October 2016 – Hot Button Items with the

Hawaii Civil Rights Commission

- November 2016 – Back to Basics: What Board Members Should Know but Might Not Have Ever Learned or Have Since Forgotten
- February 2017 – Meet the Experts
- March 2017 – Aging Building
- May 2017 – Covenant Enforcement
- June 2017 – ABCs – Board Leadership Development Workshop

Additionally, with the assistance of the Community Associations Institute (CAI) Hawaii, the Commission offered a condominium educational seminar free-of-charge to condominium owners in the State Capitol Auditorium in April 2017. This “Condorama” event is the first in a series of seminars featuring speakers recognized in the condominium community for their expertise in law, property management, and insurance.

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 enforced 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 revised 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 and posts the schedule of meetings and agendas on the Commission’s website. Condominium Review Committee meetings are open to the public and are a 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 meeting with legislators, responding to requests from the Legislature, attending hearings, and providing testimony on proposed condominium legislation. The Commission reviewed proposed legislation, resolutions, and agreements relevant to condominium association governance. In addition to researching, preparing, and presenting testimony on condominium bills that would affect condominium associations, staff assisted the Condominium Review Committee in monitoring and tracking all condominium-related bills from the House and Senate.

The Commission researched, developed, and distributed its Annual Report to the Legislature on CETF programs and funds, and upon completion, posted the report to 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 FY 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. A limited number of hard copies were printed, as funds were available.

In the 2017 legislative session, the Legislature passed and the Governor signed into law Acts 71, 73, 170, 181, and 190 affecting HRS §§ 514B-21, 22, 72, 73, 106, 107, 110, 113, 123, 125, 126, 150, and 154.5.

Act 181 repealed HRS chapter 514A, effective January 1, 2019. The repeal of HRS chapter 514A will have significant consequences for those developers with unsold inventory under HRS chapter 514A.

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 CAI Hawaii, the Hawaii Council of Community Associations (HCCA), 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 2017. Meetings were held in Kauai, Maui, and Kona. The neighbor island meetings afforded neighbor island licensees, government officials, condominium owners, and other interested parties the opportunity to attend and participate in the committee meetings.

CETF – The Commission administered the CETF for educational purposes in this FY

pursuant to HRS §514B-71. The Commission prepared, maintained, and reviewed quarterly and annual financial statements, budget and finance records for the CETF, and administered the fund's investments.

Consumer Education – Consumer education is a priority for the Commission. The Commission emphasizes the 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.

In April 2017, along with CAI Hawaii, the Commission sponsored a free educational event featuring four speakers at the State Capitol Auditorium for condominium unit owners.

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 on issues affecting owners by focusing its educational materials to that end.

In light of the Commission's focus on consumer education, FY 2017 saw Commission staff attend the following public events: UH Saves Day; The Hawaii Buildings, Facilities & Property Management Expo 2017; 12th Annual NCPW Consumer Fair; DCCA Financial Literacy Fair; 3rd Annual Financial Literacy Fair; and the Military Consumer Fair. These public events allow Commission staff to reach a varied audience

and to distribute its educational materials. law.

Rulemaking, Chapter 53, Fees – The Commission implemented HAR chapter 53 fees relating to condominium project registration, condominium association registration, and the CETF.

Technology and Website – The Commission operated its website for public interaction and education. The Commission's online email subscription service provides consumers with regular informational updates and current information on condominium law.

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.

At the annual condominium consultants' forum in October 2016, issues such as working with *pro se* developers, making public reports easier to understand, and the bulkiness of public reports with unnecessary attachments were some of the topics of discussion.

Condominium Specialist's Office for the Day – In conjunction with the Commission's Neighbor Island Outreach Program, the Condominium Specialists' Office for the Day was held in Kauai, Maui, and Kona this FY. 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 particularly condominium owners about the condominium

Case Law Review Program – The Commission 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 Condominium Review Committee 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 roles 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 developer’s 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 persons or groups providing direct or indirect services to the Commission and its CETF and

condominium project registration program.

Division and Department Program – The Commission coordinated activities and programs of mutual concern within DCCA for PVL, RICO, 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 and 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 condominium property regime areas) at the Real Estate Branch office and on the Commission’s website.

NOTE: This FY, the following previously summarized programs benefited condominium owners and/or educated 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
- CETF
- 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
- Condominium Reference Library

FY 2018 PROGRAM OF WORK

Condominium Laws and Education – The Commission will work to implement the legislative repeal of HRS chapter 514A, effective January 1, 2019, pursuant to Act 181, Session Laws of Hawaii (SLH) 2017, and continue to administer HRS chapter 514B. In doing so, the Commission will participate fully in the legislative process. Utilizing CETF 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 and instructional and informational sheets, and 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 condominium community inquiries received via telephone, in-person office visits, email, written correspondence, the Hawaii Condominium Bulletin, and the Commission's website. Subject to CETF funding, the Commission will study the feasibility of a grant program for board of director participation in Commission-approved education programs. Through its educational efforts, the Commission will support the condominium governance philosophy of self-

governance by owners and associations.

Condominium Project and Developer's Public Reports – The Commission will assist developers and the condominium development community in transitioning towards the repeal of HRS chapter 514A, effective January 1, 2019, pursuant to Act 181, SLH 2017, and continue the issuance of effective dates for public reports under HRS chapter 514B. With the help of stakeholder organizations, other governmental agencies, and interested attorneys, staff will refine electronically 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. Where 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's 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

for the project registration and review process to include considering a plan for electronically administering developer's 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 continue the online publication of a quarterly bulletin dedicated to educating condominium owners and interested persons on current issues relevant to condominium living. Where possible, staff will include the 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 procurement of mediation contracts. The Commission will monitor the evaluative mediation program established pursuant to Act 187, SLH 2013. Staff will work with all 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 CETF funding of

arbitration for 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 its website, with preprinted lists available upon request. The Commission will continue responding to requests for data-specific association registration lists.

In FY 2018, the Commission will begin placing all completed condominium association registration materials online for electronic access by Commission staff.

Condominium Seminars and Symposiums

The Commission will produce seminars for the condominium community through procured contracts with various providers and will procure additional new providers, as they become available, on timely and relevant topics. It will continue administering CETF subsidies for Commission-approved seminars where funds are available. Staff proactively seeks additional seminar providers, especially from the neighbor islands. The Commission will administer a Condominium Review Committee educational advisory group to provide recommendations and input on Condominium Review Committee educational programs as needed.

Plans are currently in place for the Commission and CAI Hawaii to host another free educational event at the State Capitol Auditorium in November 2017.

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 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 reviews recommendations from various groups in the condominium community, community workshop participants, government officials, and organizations regarding proposed rules for HRS chapter 514B. The draft rulemaking process will include reviews by the Department of the Attorney General, PVL, Small Business Regulatory Review Board, Legislative Reference Bureau, 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 in 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 CETF programs and post 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 2018 legislative session and implement requirements of directly related acts and resolutions. HRS chapter 514B will be available on the Commission's website.

Interactive Participation with Organizations – The Commission and staff will participate with local organizations and government agencies in exchanging information and concerns, as well as sharing education and research efforts and joint projects of mutual concern and training. The Commission and staff will attend and participate in local meetings, including the CAI Hawaii, HCCA, Condominium Council of Maui, and 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, Hawaii Association of REALTORS®, and neighbor island state and county agencies.

CETF – 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 CETF funds pursuant to Act 187, SLH 2013, to provide greater financial support to and 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 DCCA 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 repeal of HRS chapter 514A and ongoing implementation of HRS chapter 514B.

The annual condominium consultant's forum is scheduled for October 2017.

Condominium Specialist's Office for the Day – The Commission will maintain the Condominium Specialist's Office for the Day at various sites in 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 will use this time to respond to neighbor island RICO staff concerns as well.

Condominium Speakership Program – The Commission honors requests to provide a speaker or resource person or to participate in a function related to condominium education,

HRS chapter 514B, condominium governance issues, or condominium project registration. Commission staff is available to condominium associations to answer questions about 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 by providing the public with online access to developer's public reports, condominium association registration data, and other information. The Commission will post and make the 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 Commission's website, including minutes of association meetings.

The Commission will continue promoting and updating its email subscription service.

Case Law Review Program – The Commission will monitor and report on relevant state and federal case law and administrative decisions, 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, and guides pertaining to budgets and reserves, board of directors, and condominium owners.

Records Management – Staff will evaluate, plan, reorganize, and implement a centralized, consistent, user-friendly, and computerized glossary of existing and future educational materials, records, developer’s 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 DCCA branches and divisions, and the Department of the Attorney General, all of which provide direct or indirect services to the Commission, its CETF, or condominium project registration responsibilities.

Division and Department Program – The Commission will coordinate activities and programs of mutual concern within DCCA for PVL, RICO, and the Director’s Office. It will coordinate positions on HRS chapters 436B, 467, and 514B and monitor the interaction and effect of other regulatory laws and rules on HRS chapter 514B.

Staff and Commissioners Development Training for staff and Commissioners will be conducted to maintain efficient delivery of services 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 Real Estate Educators Association, ARELLO, CAI Hawaii, HCCA, 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 providing 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 also consider including these updates as part of any five-year strategic educational plan for condominium education.

Real Estate Education Fund

**Fund Balance
As of June 30, 2017
(Unaudited)**

**FY 2017 Expenditures and Encumbrances
(Unaudited)**

ASSETS

Cash	
In State Treasury	\$1,179,471
Total Assets	1,179,471

LIABILITIES AND FUND BALANCE

Liabilities	
Payables	(40,860)
Fund Balance	
Reserve for Encumbrances	1,000
Unreserved	1,219,331
Balance	1,220,331

Total Liabilities and Fund Balance	\$1,179,471
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**Revenues and Expenditures
For the Year Ending June 30, 2017
(Unaudited)**

Revenues	
Fees	\$1,344,649
Interest Income	11,031
Total Revenues	1,355,680

Expenditures	481,616
Excess (Deficiency) of Revenues over Expenditures	874,064
Fund Balance	
Beginning of Year	346,266
End of Year	\$1,220,330

I. Operations

Personnel	\$378,871
Supplies	14,094
Equipment Rentals and Maintenance	9,135
Dues and Subscriptions	2,338
Total Operations	\$404,438

II. Direct Licensee Education

Neighbor Islands Outreach	2,559
Annual Report/Quarterly Bulletin	14,492
Programs	33,933
Total Direct Licensee Education	50,984

III. Indirect Licensee Education

License Renewals	549
Interactive Participation with Organizations	26,644
Total Indirect Licensee Education	27,193

Total Expenditures and Encumbrances	\$482,616
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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. These differences will be accounted for in the following fiscal period.

Real Estate Recovery Fund

Fund Balance As of June 30, 2017 (Unaudited)

FY 2017 Recovery Fund Payments

ASSETS

Case No.	Licensee(s)	Amount
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Cash

None

In State Treasury		\$814,170
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Total Assets		<u>\$814,170</u>
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LIABILITIES AND FUND BALANCE

Liabilities

Payables		<u>(\$1,788)</u>
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Total Liabilities		(1,788)
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Fund Balance

Reserve for Encumbrance		0
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Unreserved		<u>815,958</u>
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Fund Balance		815,958
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Total Liabilities and Fund Balance		<u>\$814,170</u>
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Revenues and Expenditures For the Year Ending June 30, 2017 (Unaudited)

Revenues

Fees		\$121,460
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Expenditures

Operations		36,245
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Legal Services		9,334
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Claims		<u>0</u>
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Total Expenditures		<u>45,579</u>
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Excess (Deficiency) of Revenues

over Expenditures		75,881
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Fund Balance

Beginning of Year		<u>740,077</u>
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End of Year		<u>\$815,958</u>
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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. These differences will be accounted for in the following fiscal period.

Condominium Education Trust Fund

Fund Balance As of June 30, 2017 (Unaudited)

ASSETS	
Cash	
In State Treasury	\$2,533,803
Short-term Cash Investments	<u>0</u>
Total Assets	<u>\$2,533,803</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Payables	(\$16,158)
Fund Balance	
Reserve for Encumbrances	1,525
Unreserved	<u>2,548,436</u>
Fund Balance	<u>2,549,961</u>
Total Liabilities and Fund Balance	<u>\$2,533,803</u>

Revenues and Expenditures For the Year Ending June 30, 2017 (Unaudited)

Revenues	
Fees - Others	\$103,320
Fees - AOUO Registration	\$1,354,988
Interest Income	<u>11,579</u>
Total Revenues	1,469,887
Expenditures	<u>554,338</u>
Excess (Deficiency) of Revenues over Expenditures	915,549
Fund Balance	
Beginning of Year	<u>1,634,412</u>
End of Year	<u>\$2,549,961</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. These differences will be accounted for in the following fiscal period.

FY 2017 Expenditures and Encumbrances (Unaudited)

Personnel	\$408,718
Supplies	660
Postage	8,500
Equipment Rentals/Maintenance	4,303
Education and Research	60,096
Equipment for Office	4,797
Staff/Commissioner Development	590
Mediation	68,089
Resource Materials	110
Dues and Subscriptions	<u>0</u>
Total Expenditures and Encumbrances	<u>\$555,863</u>

CONDOMINIUM EDUCATION FUND FY 2018 Budget (Proposed)

REVENUES

Application and Renewal Fees	\$182,951
Interest	<u>\$11,500</u>
Total Revenues	\$194,451

EXPENDITURES

Personnel	\$457,763
Subtotal	\$457,763
Administrative Expenses	\$23,150
Condominium Program of Work	\$388,608
Subtotal	\$411,758
Total Expenditures and Budget	\$869,521