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DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS**

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CATHERINE P. AWAKUNI COLÓN  
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DEPUTY DIRECTOR

December 7, 2018

TRANSMITTED VIA LEGISLATIVE WEBSITE

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

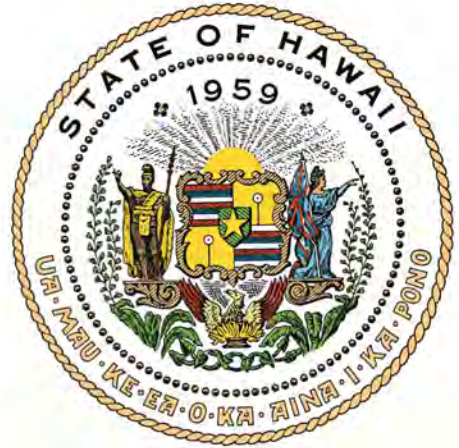
Enclosed is a copy of the 2018 Annual Report of the Real Estate Commission, as required by section 467-4(5), Hawaii Revised Statutes (HRS). This report includes fund information pertaining to the Condominium Education Trust Fund, as required by section 514B-73(d), HRS.

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/legislative-reports/>, under "Real Estate Branch," and <http://cca.hawaii.gov/pvl/reports/>.

Sincerely,

CATHERINE P. AWAKUNI COLÓN  
Director

Enclosure



# 2018 Annual Report

## Real Estate Commission

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

**The 2018 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 Purposes of the Commission:

The purposes of the Commission are to:

- 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 Hawaii Revised Statutes (HRS) chapter 467 and the improvement and more efficient administration of the real estate industry; and
- Promote 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 HRS chapters 514A and 514B



The Honorable David Ige, Governor, State of Hawaii, Members of the Thirtieth 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) 2018. The Commission currently oversees 19,790 licensees statewide, of which 14,745 hold active licenses. This is an 8.4% increase in total licensees from a year ago. We also oversee approximately 1,559 registered condominium associations and 30 condominium hotel operators (CHOs). There were 251 new and conversion project filings as compared to 232 filings in FY 2017.

The Real Estate Commission is a nine-member Governor-appointed body currently comprised of seven industry members, and two public members, all of whom 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 developing 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, and 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 2018. The Commission takes disciplinary action against and reviews and approves settlement agreements involving real estate licensees who have been investigated by the Regulated Industries Complaints Office (RICO) and have been found in violation of 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 (CRC). 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 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. To address strong concerns raised by industry stakeholders, certain amendments to the advertising rules are still being pursued through revisions proposed, as well as other trending issues such as team names, which is on the national radar.

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 B, which includes the topics of "2018 Real Estate-Related Legislation" and "Agency and the Practice of Dual Agency". The Education Review Committee also approved new requirements for continuing education online courses which will hopefully result in more engaging and quality CE courses offered online. An evaluation system for CE instructors and courses is also being developed for implementation in 2019-2020.

CRC Chair, Laurie A. Lee, Honolulu Commissioner and Vice-Chair Bruce Faulkner, Maui Commissioner oversaw the activities of Commission staff relating to condominium project development, condominium governance, and condominium education. Staff also continued the task of rulemaking for HRS chapter 514B, the recodified condominium law.

Under the guidance of Chair Lee and Vice-Chair Faulkner, Commission staff created and updated informational brochures for condominium owners and continued its focus on the Commission's statutory mandate of educating the condominium community. The brochures and other informational materials were distributed at educational and

community events that Commission staff attended.

The Commission gained a condominium educational specialist position at the end of this FY and is excited about the addition of this position focused on condominium education and outreach. The Commission expects to be able to participate in many more community events due to the additional position.


Two free condominium seminars were held in the State Capitol Auditorium for all interested condominium owners. Topics included condominium reserves, owners' and board members' obligations to the association and reducing association and unit-owner risk through proper insurance coverage.

The biennial condominium association registration was conducted in this FY. Over 1,500 condominium associations consisting of six or more units are currently registered through the end of this FY, while Commission staff continued to process association registrations submitted late.

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 selflessly contribute their time and effort and are committed to improving the real estate industry to maintain professional standards, and to all those individuals who continue to work on administrative rules for chapter 514B.

With the help and support of the Director of DCCA, 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 cursive script that reads "Nikki T. Senter".

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  
Charisa Flores, Office Assistant  
Carole Richelieu, Senior Condominium Specialist  
Benedyne Stone, Condominium Specialist  
Dathan Choy, Condominium Specialist  
Lorie Sides, Condominium Education Specialist  
Tammy Norton, Secretary  
Jon Gasper, Office Assistant  
Torrie Primacio, Office Assistant  
Elmay Gombio, Office Assistant**

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**This material can be made available for individuals with special needs. Please call the Senior Real Estate Specialist at (808) 586-2643 to submit your request.**

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## LAWS AND RULES REVIEW COMMITTEE REPORT

The Laws and Rules Review Committee, for FY 2018, 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 591:** Submitting for consideration and confirmation to the Chairperson Real Estate Commission, Gubernatorial Nominee, MICHAEL PANG, for a term to expire 06-30-2022.
- **GM 592:** Submitting for consideration and confirmation to the Real Estate Commission, Gubernatorial Nominee, SEAN GINOZA, for a term to expire 06-30-2022.
- **GM 593:** Submitting for consideration and confirmation to the Real Estate Commission, Gubernatorial Nominee, RUSSELL KYONO, for a term to expire 06-30-2022.
- **GM 594:** Submitting for consideration and confirmation to the Real Estate Commission, Gubernatorial Nominee, JOHN LOVE, for a term to expire 06-30-2022.

### LICENSING

For FY 2018, the total number of licensees was 19,790 compared to 18,250 in FY 2017. This represents an increase of 8.4% 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 2018 PROGRAM OF WORK

**Real Estate Recovery Fund (RERF)** – The Commission administered the statutory requirements, contracts with consultant 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 2018, the Commission received notification for 5 claims on the fund (see Chart

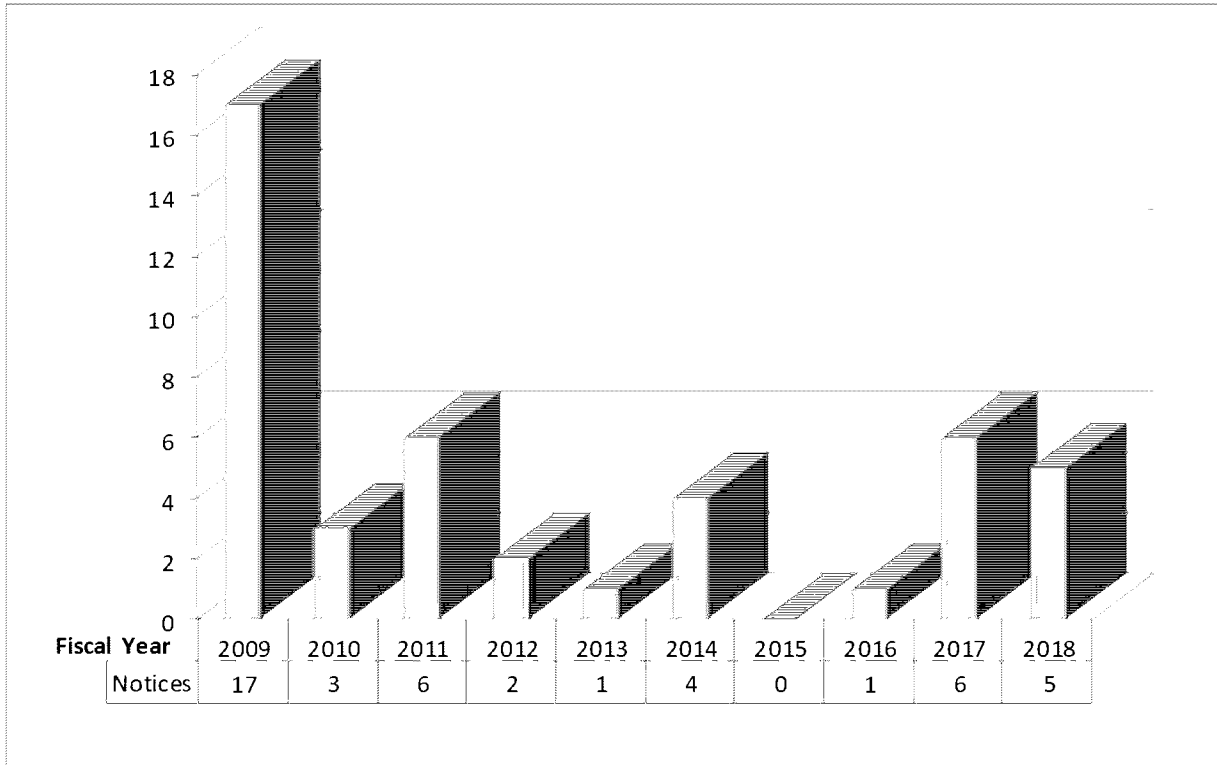
1). There were no payments out of the recovery fund for FY 2018. Since its inception in 1967, the RERF has paid out over two million dollars (see Chart 2).

**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 OIP, laws, rules, and procedures.

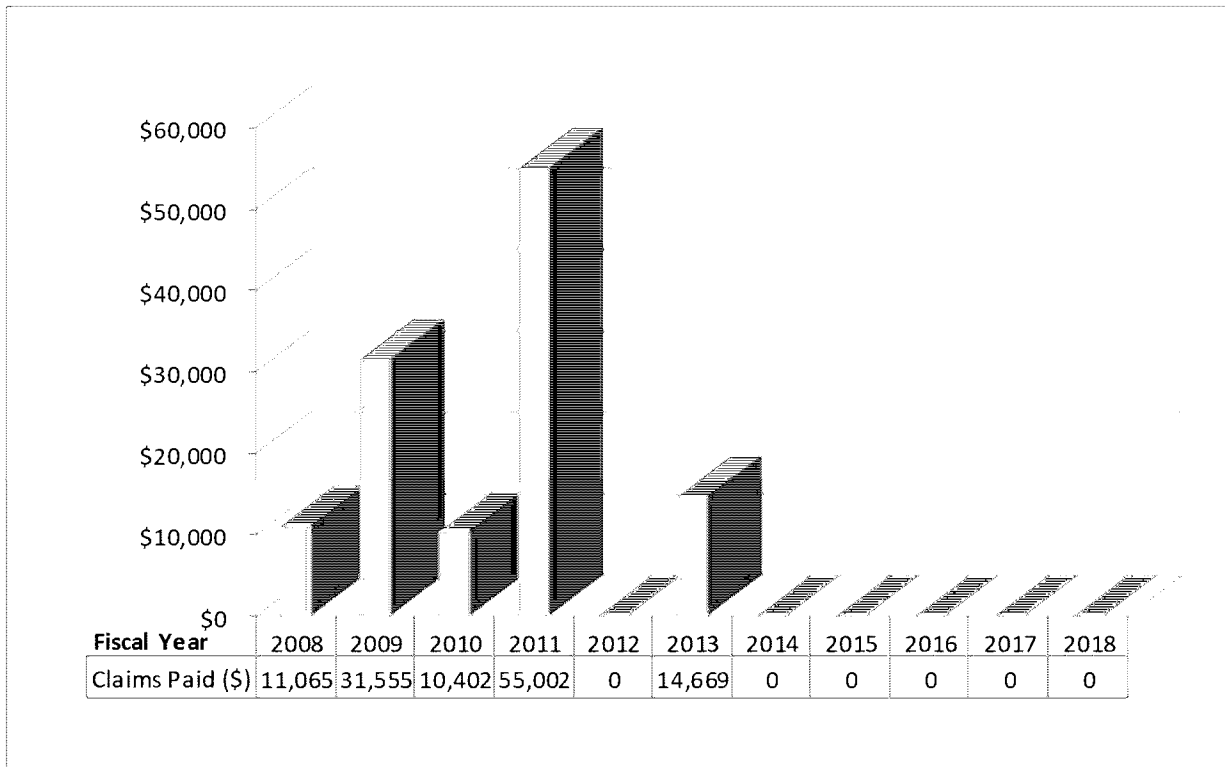
**CHO Registration** – Staff administered the licensing, registration, and certification requirements, including applications review, policies, procedures, appeals, subpoenas, and requests for records under OIP. Staff continued the administration of the registration



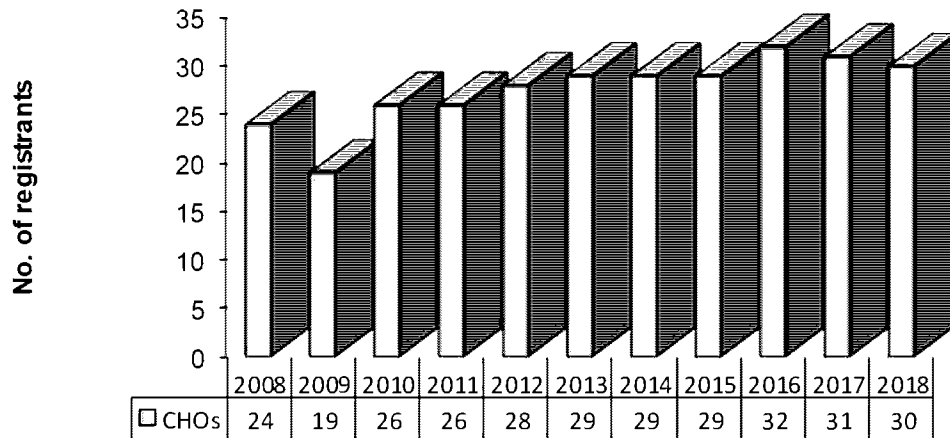
**CHART 1. Recovery Fund - Notices**



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



### CHART 3. CHO Registration



program with the Licensing Branch since active real estate brokers are exempt from the registration and fidelity bond requirements. This FY the Commission registered 30 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 the 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 worked closely with the Licensing Branch to ensure its continued success.

**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 2018. Meetings were held on Kauai in October 2017, Maui in January 2017, and Hilo in June 2018. 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

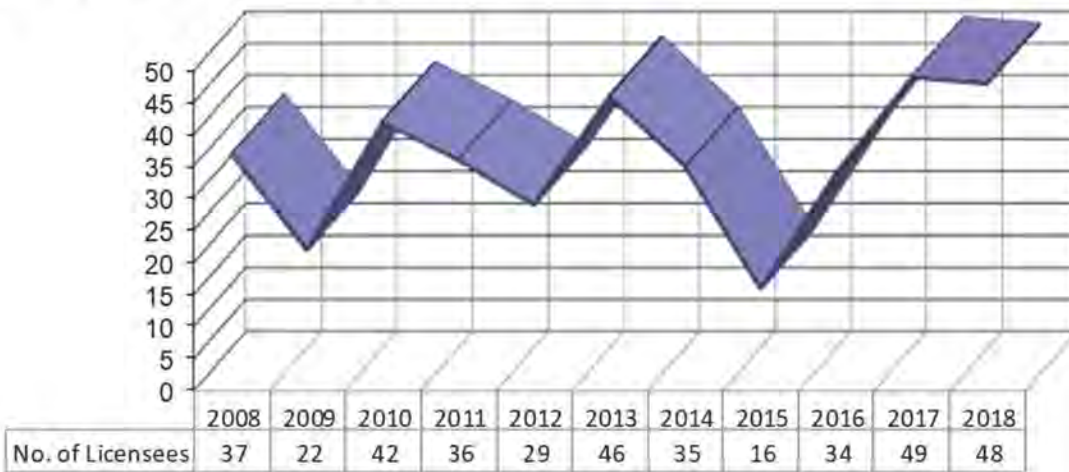
The Commission took disciplinary action against 48 licensees in FY 2018. This is a 2% decrease over the 49 licensees disciplined in FY 2017. Chart 4 provides historical information on the number of licensees disciplined.

Fines totaling \$205,000 were assessed against 43 licensees. Six licenses were revoked, and two were suspended (see Table 1 and Chart 5).

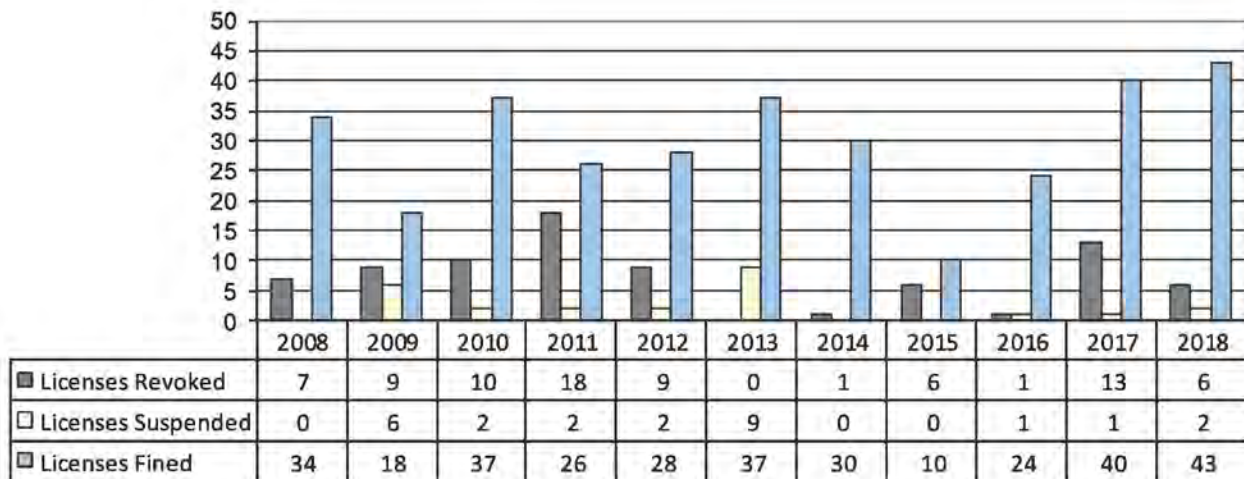
**Table 1 - Administrative Actions**

No. of Licensees Disciplined	48
Licenses Revoked	6
Licenses Suspended	2
Licenses Fined	43
Total fines	\$205,000

**CHART 4. Disciplinary Actions**



**CHART 5. Administrative Actions—Sanctions**



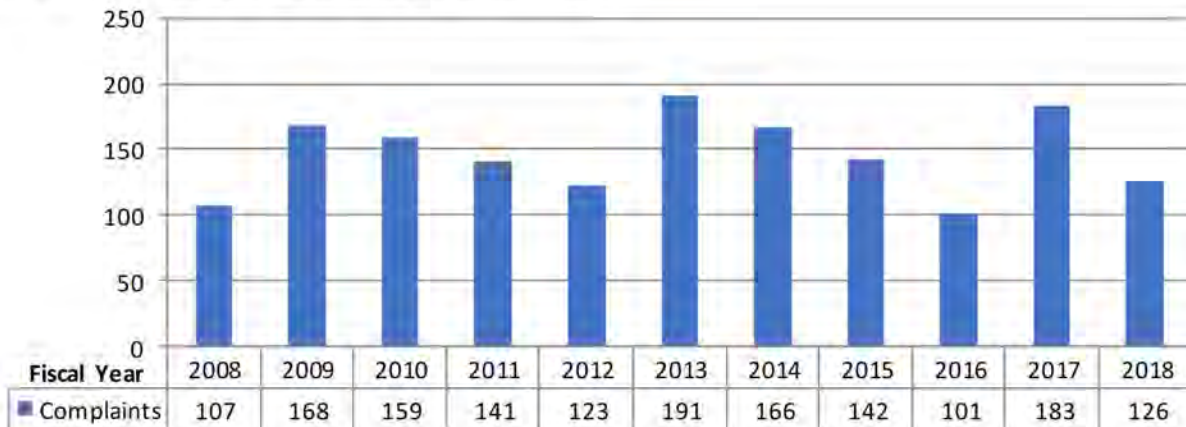
## REGULATED INDUSTRIES COMPLAINTS OFFICE (RICO)

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 a 31% decrease in FY 2018. RICO received 126 real estate complaints in FY 2018, compared to 183 in FY 2017 (see Chart 6).

One hundred and twenty six complaints are pending, and 55 cases were closed as follows:

- 16 Warning Letters
- 15 Insufficient Evidence
- 12 Legal Action
- 4 Resolved
- 3 Education Contact
- 2 Retained for Records Only
- 2 Withdrawn

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



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

1. §467-14(13) - Violating this chapter (467), chapters 484, 514A, 514B, 514E, or 515, 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. §467-14(8) - Any other conduct constituting fraudulent or dishonest dealings.
4. §467-14(1) - Making any misrepresentation concerning any real estate transaction;
5. §467-7 - No person within the purview of this chapter shall act as real estate broker or real estate salesperson, or shall advertise, or assume to act as real estate broker or real estate salesperson without a license previously obtained under and in compliance with this chapter and the rules and regulations of the real estate commission.

**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(f) - The licensee, for the protection of all parties with whom the licensee deals, shall see that financial obligations and commitments regarding real estate transactions, including real property rental management agreements, are in writing, express the exact agreements of the parties, and set forth essential terms and conditions, and that copies of those agreements, at the time they are executed, are placed in the hands of all parties involved.
4. §16-99-11(a) - All real estate advertising and promotional materials shall include the legal name of the brokerage firm or a trade name previously registered by the brokerage firm with the business registration division and with the commission.
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 2019 PROGRAM OF WORK**

- Real Estate Recovery Fund
- Real Estate Licensing, Registration & Certification Administration
- CHO 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 FY 2018, under the leadership of Chair Rowena Cobb and Vice Chair Aileen Wada, continued to address important and varied education issues.

### FY 2018 PROGRAM OF WORK

**Continuing Education Core Course** – The Commission researched and developed its core course on legislative updates, “Technology: The Good, The Bad, and The Evil & Client Trust Accounts” the first year of the licensing biennium, and “The Practice of Dual Agency” 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.

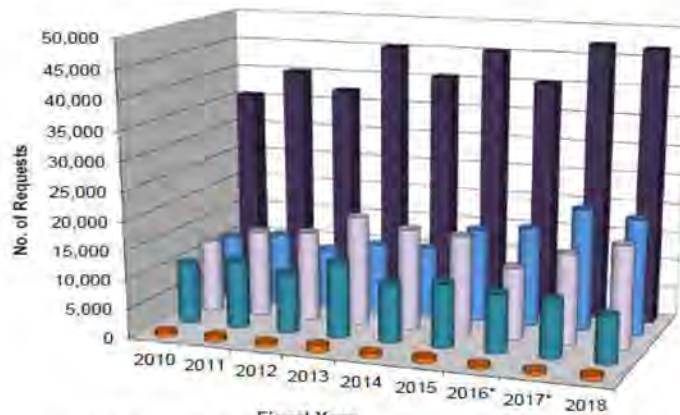
**Advice, Education, and Referral** – Staff continued to provide advice, education, and referral to applicants, licensees, government officials, consumers, public, and

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 941 walk-in inquiries; 8,171 applications, written inquiries/requests; 17,701 telephone inquiries; and 20,053 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**



	2010	2011	2012	2013	2014	2015	2016*	2017*	2018
■ Walk-ins	820	916	816	1,231	852	1,031	727	784	941
■ Applications / written requests	10,596	11,821	10,390	13,038	10,007	11,073	10,209	9,953	8,171
■ Telephone calls	12,635	14,965	15,518	18,922	17,486	17,067	12,410	15,463	17,701
■ E-mail	11,528	12,444	10,545	12,095	12,233	16,225	17,060	21,074	20,053
■ Total (*Corrected Total)	35,579	40,146	37,269	45,286	40,578	45,396	40,406	47,274	46,866

records management. It coordinated the instructor’s examination program with its test administrator, PSI. 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.

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 decreased

0.04% from the last FY. Staff periodically monitors the examination administration on each island to assure facilities and procedures comply with PSI and Commission policies.

Two-hundred and sixty-six applications were approved for equivalency to the uniform section of the examination based on passage of the uniform section of another state’s exam. This represents a 10.4% decrease from the last FY’s total of 297 approvals.

**Table 2 Real Estate Licensing Examination**

	FY 2017	FY 2018	% Change
Brokers Tested*	500	564	12.8%
Salespersons Tested*	3957	3891	-1.7%
<b>Total Tested</b>	<b>4457</b>	<b>4455</b>	<b>-0.04%</b>
Brokers Passed**	309	354	14.6%
Salespersons Passed**	2779	2685	3.4%
<b>Total Passed</b>	<b>3088</b>	<b>3039</b>	<b>-1.6%</b>
% Brokers Pass*	61.8%	62.8%	
% Salespersons Pass*	70.2%	69.0%	
*First time and Retakers			
**National and/or State Portion			

**Administration of CE Program, Providers, and Instructors** – The Commission administered the CE program, including the registration of providers and certification of

**CHART 8. Licensing Examination Candidates**



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Brokers	735	583	777	620	614	554	467	445	565	500	564
Salespersons	2,884	1,638	3,285	3,410	3,118	3,720	2,776	3,543	3,795	3,957	3,891
<b>Total</b>	<b>3,619</b>	<b>2,221</b>	<b>4,062</b>	<b>4,030</b>	<b>3,732</b>	<b>4,274</b>	<b>3,243</b>	<b>3,988</b>	<b>4,360</b>	<b>4,457</b>	<b>4,455</b>



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 79 newly approved CE courses, a 70% decrease from the approved 267 CE courses in the previous FY. Thirty-nine approved CE providers offered 926

classes to over 13,110 participants.

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

The Commission's ACE reviewed, recommended, assisted in developing, updating, and administering education-related projects and CE. There were five ACE meetings during the FY: August 17, 2017, October 19, 2017, January 31, 2018, April 19, 2018, and May 21, 2018. ACE assisted in developing the topic for the Commission's 2018-2019 Core Course, Part B, "Agency and the Practice of Dual Agency."

**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](http://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 was 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 2018. Meetings were held in Kauai in October 2017, Maui in January 2018, and Hilo in June 2018. 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). The ARELLO annual conference was held in Honolulu September 19-25, 2017, and the Real Estate Commission was presented with a special Education Award for its Core Course, Part A, “Technology, the Good, the Bad, and the Evil & Client Trust Accounts.” 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 Instructors Development Workshops (IDWs) during the 2017-2018 biennium. An Instructor Development Workshop, “Training Trainers to Train”, geared for new instructors was given October 2-3, 2017, and a series of four Instructor Development Workshops titled “Creating the Ideal Classroom Environment” was presented May 23, 24, 25, and 29, 2018, on all major islands. These IDWs were aimed at experienced instructors.

**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. The Continuing Education Instructors and Courses Evaluation Project was created to begin work on the evaluation process as mandated in Hawaii Administrative Rules §16-99-121.1. This committee met in August, October, and November 2017, and in January and May 2018. As a result, new criteria was approved by the Commission for CE online courses, and instructor and course evaluations were finalized for use. The new CE online course criteria will go into effect January 1, 2019.

**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 provided 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 Hilo this FY.

**Real Estate Speakership Program** – Subject to State government approvals and priorities, the Commission and staff honored requests to provide a speaker, 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 part of the examination 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 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](http://www.hawaii.gov/hirec), is available seven days a week, 24 hours each day for information, forms, and applications.

**Records Management** – Staff evaluated, planned, reorganized, and implemented a 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.

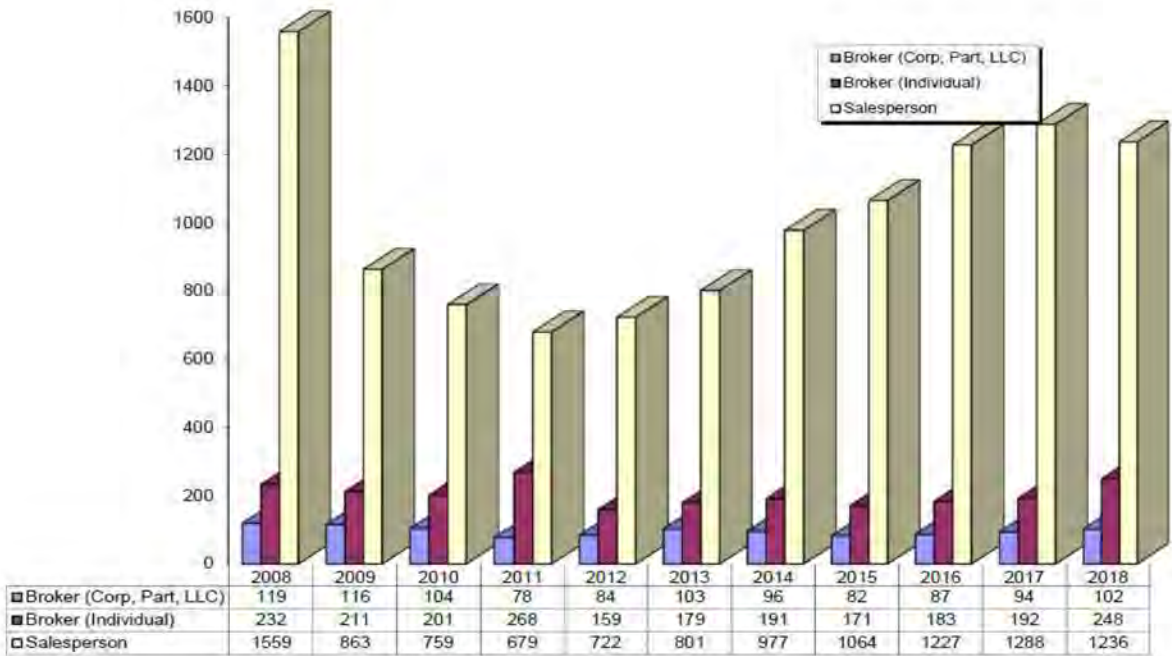
**Real Estate Reference Library** – The Commission subscribed and purchased real estate reference materials for public review.

### Licenseses

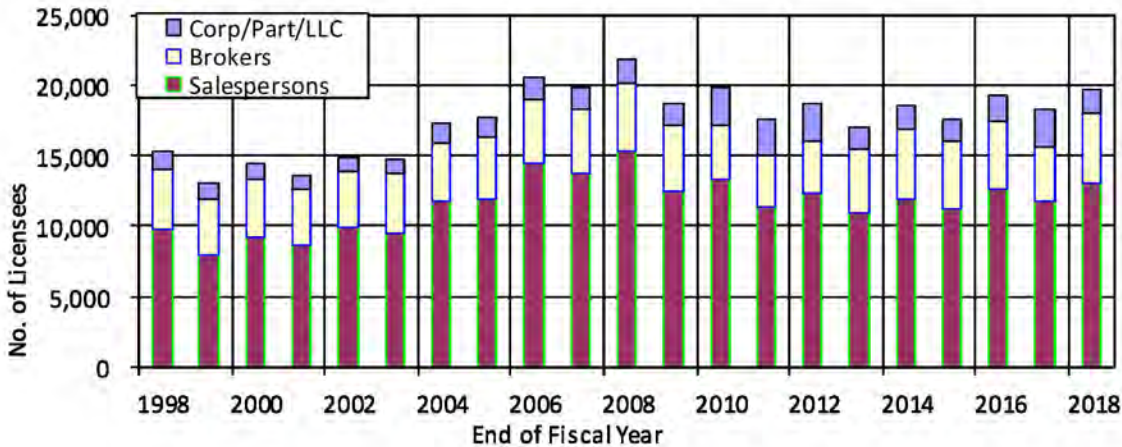
**New Licenses** – During FY 2018, 1,586 new licenses were issued, representing an increase of 0.8% over the prior FY. New individual broker licenses increased by 28%, new salesperson licenses decreased by 4%, and new entity licenses increased by 8.5% (see Chart 9).

**Current Licenses** – The overall number of current real estate licenses increased 8.4% by the end of FY 2018. In FY 2018, active licenses increased by 6.1% over the previous FY, with inactive licenses increasing by 15.9% (see Chart 10, Table 3, and Chart 11).

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



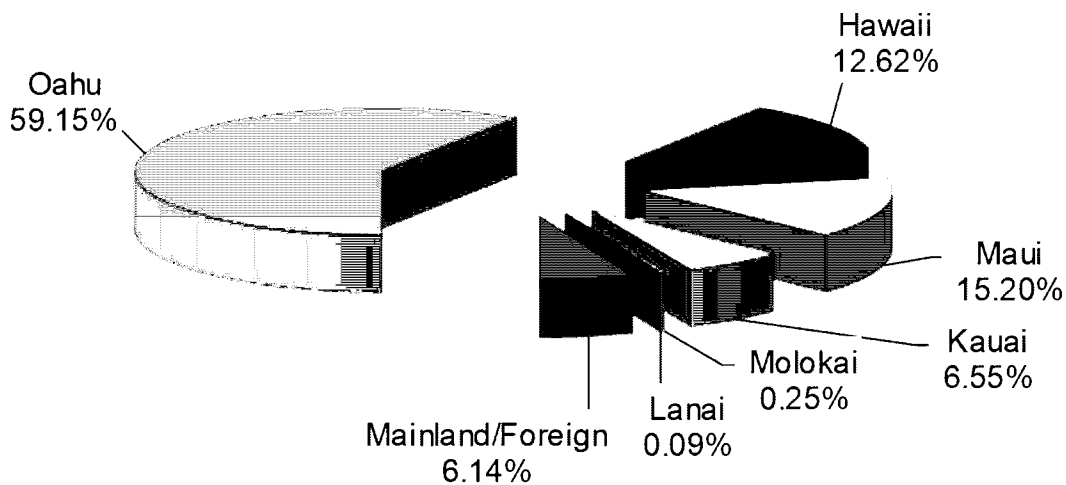
**CHART 10. Total Real Estate Licenseses**



**Table 3. Current Real Estate Licensees—By Type and Island**

	Oahu	Hawaii	Maui	Kauai	Molokai	Lanai	Other	Total
<b>Active</b>								
Broker	2,074	511	515	212	13	3	107	3,435
Salesperson	5,361	1,082	1,444	583	20	7	223	8,720
Sole Proprietor	558	134	104	59	5	0	5	865
Corporation, Partnership, LLC	1,066	268	259	118	5	2	7	1,725
<b>Total Active</b>	<b>9,059</b>	<b>1,995</b>	<b>2,322</b>	<b>972</b>	<b>43</b>	<b>12</b>	<b>342</b>	<b>14,745</b>
<b>Inactive</b>								
Broker	261	47	46	27	1	0	255	637
Salesperson	2,337	445	632	293	5	5	595	4,312
Sole Proprietor	5	0	0	0	0	0	0	5
Corporation, Partnership, LLC	44	11	8	4	0	0	24	91
<b>Total Inactive</b>	<b>2,647</b>	<b>503</b>	<b>686</b>	<b>324</b>	<b>6</b>	<b>5</b>	<b>874</b>	<b>5,045</b>
<b>Active and Inactive</b>								
Broker	2,335	558	561	239	14	3	362	4,072
Salesperson	7,698	1,527	2,076	876	25	12	818	13,032
Sole Proprietor	563	134	104	59	5	0	5	870
Corporation, Partnership, LLC	1,110	279	267	122	5	2	31	1,816
<b>Total</b>	<b>11,706</b>	<b>2,498</b>	<b>3,008</b>	<b>1,296</b>	<b>49</b>	<b>17</b>	<b>1,216</b>	<b>19,790</b>

**CHART 11. Real Estate Licensees—By Island**



## **FY 2019 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 CRC oversaw the jurisdiction of condominiums under HRS chapters 514A and 514B and the administration of condominium-related Programs of Work. In addition, this FY, the CRC closely monitored the pending repeal of HRS chapter 514A and oversaw staff efforts to prepare the condominium community for the January 1, 2019, repeal date.

The CRC 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 everyday 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 CRC 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 educational outreach, 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;
4. Support for mediation of condominium-related disputes; and
5. Support for voluntary binding arbitration between parties in condominium-related disputes, pursuant to HRS § 514B-161, as amended by Act 196, Session Laws of Hawaii (SLH) 2018.

The Commission may use all monies in the CETF for purposes consistent with the above.

Additionally, the law requires the Commission to report to the legislature annually on: (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 2018 PROGRAM OF WORK

**Condominium Laws and Education** – A major focus for the Commission in FY 18 was preparing for the January 1, 2019, repeal of HRS chapter 514A. Act 181, SLH 2017 mandated the repeal of HRS chapter 514A, leaving HRS chapter 514B as the sole law governing condominium project development and governance in Hawaii. In that regard, over 5,000 notices were sent out in December 2017, to notify developers of 514A projects who may have unsold units and who may be affected by the repeal of HRS chapter 514A regarding any future sales.

The Commission updated existing educational brochures, instructions, curriculum, and materials related to all aspects of condominiums. The Commission continued the statewide promotion and delivery of Commission-subsidized and procured seminars and was prepared to deliver education to the neighbor islands if a demand for seminars existed. The Commission also increased its participation at community and public events.

With the help of stakeholder organizations and volunteers, the Commission completed initial drafts of the administrative rules for HRS chapter 514B; reviewed and amended existing Commission-developed educational materials; created new forms and brochures; 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. The Commission posted YouTube videos of its Condorama events for convenient viewing, and the Real Estate Branch's Condorama webpage at [cca.hawaii.gov/reb/condorama/](http://cca.hawaii.gov/reb/condorama/) also includes a link to the YouTube video.

In the implementation of HRS chapter 514B and preparing for the repeal of HRS chapter 514A, the CRC 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.

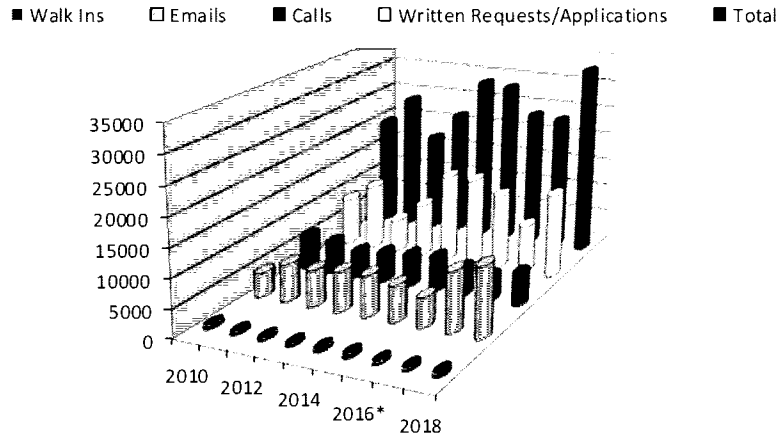
**Education and Referral** – The Commission provided educational information via telephone, in-person office visits, electronic communications, the Hawaii Condominium Bulletin, the Commission's website, direct emails, procured seminars, and community outreach. Targeted recipients of educational efforts were condominium unit 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 33,293 for assistance from condominium owners and interested persons handled by the condominium specialists in FY 2018.

**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 relevant to the condominium project



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



	2010	2011	2012	2013	2014	2015*	2016*	2017*	2018
Walk Ins	875	690	560	557	754	792	563	597	749
Emails	4295	6648	6469	7149	7292	6431	5293	10545	12259
Calls	5783	5479	4590	5135	5603	6023	4897	4094	5621
Written Requests/Applications	8300	11399	5721	9311	15347	15357	13200	8341	14664
Total	19253	24216	17340	22152	28996	28603	23953	23577	33293

registration process. 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 2018, the condominium consultants reviewed 381 condominium project files for issuance of effective dates for a developer’s public report.

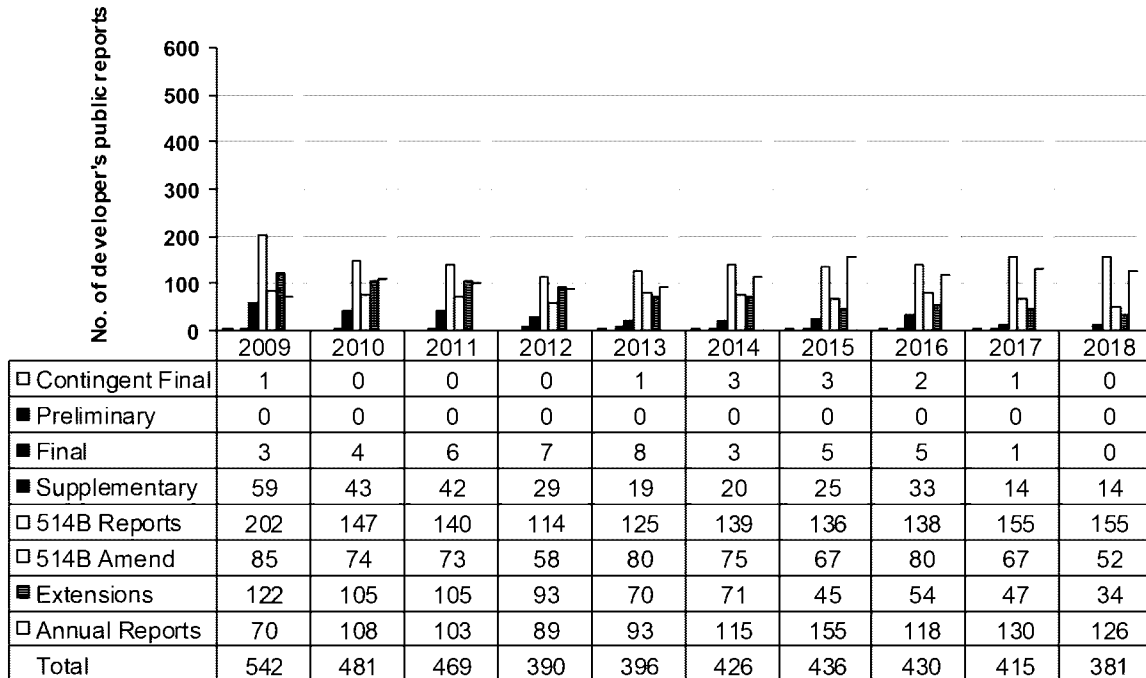
Staff planned for the electronic administration of condominium project files, including the scanning of documents. The Commission worked with condominium consultants to efficiently administer the registration of condominiums and issuance of effective dates for developer’s public reports, which are mandated for sales of condominium units (see Charts 13

through 15 and Table 4).

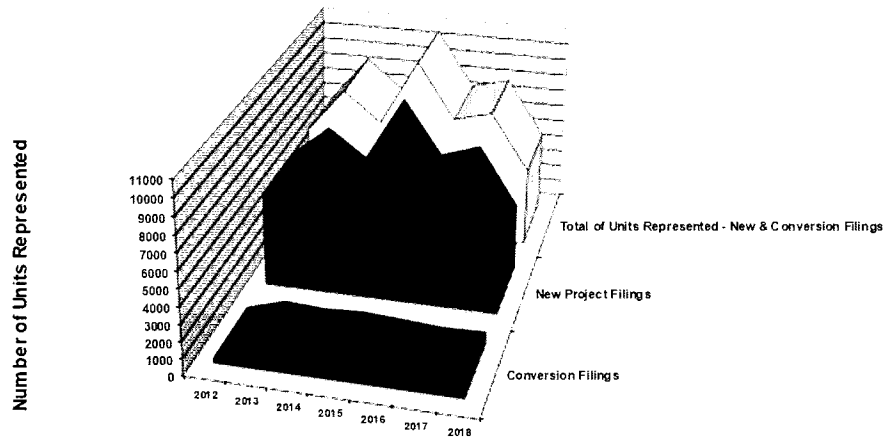
**Hawaii Condominium Bulletin** – The Commission publishes a quarterly online-only bulletin for the condominium community. Through the procurement process, Staff contracted for the design and online layout of the bulletin. This FY, the bulletin included essential articles on topics such as fair housing, the fiduciary duty of board members, and the basics of condominium governance.

**Condominium Mediation and Arbitration Program** – Through the CETF, 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

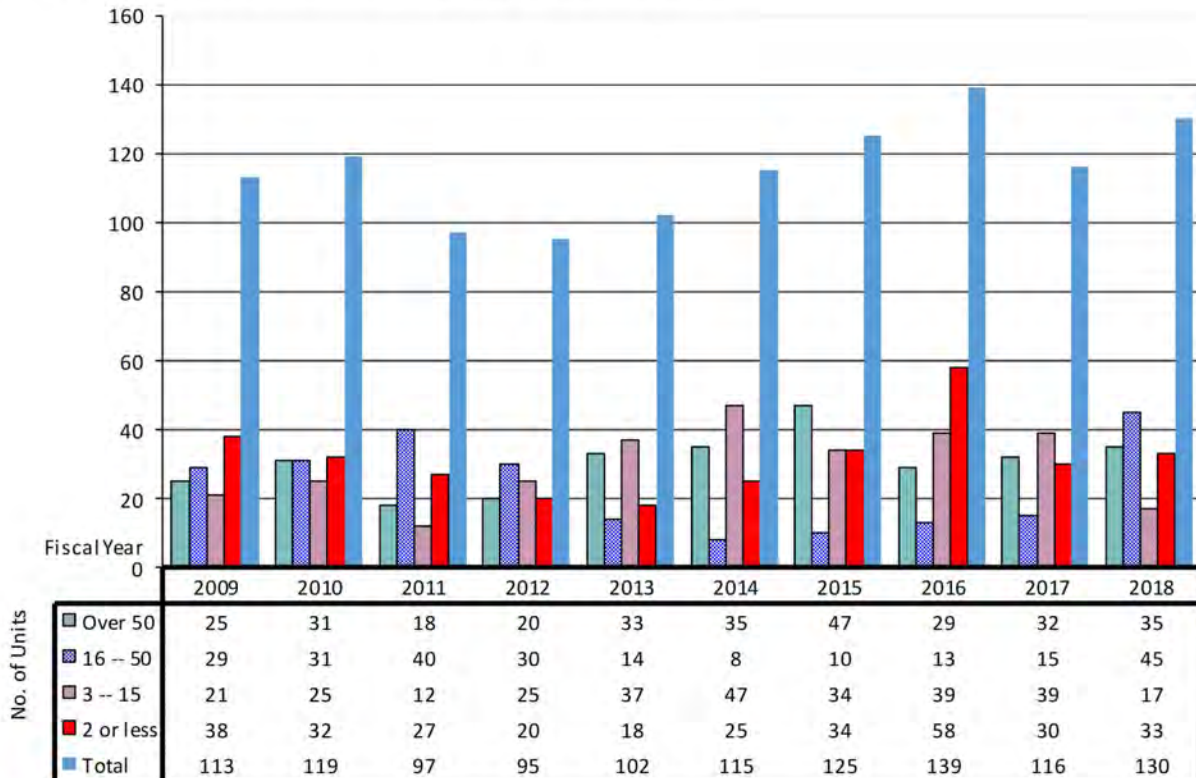
**CHART 13. Developer’s Public Reports Effective Dates Issued**



**CHART 14. New and Conversion Project Filings of Developer**



	2012	2013	2014	2015	2016	2017	2018
■ Conversion Filings	262	949	816	937	795	637	706
■ New Project Filings	5565	7515	5899	9715	6578	7334	3967
□ Total of Units Represented - New & Conversion Filings	5827	8464	6715	10652	7373	7971	4673

**CHART 15. New Residential Projects—By Size****Table 4. Condominium Project Filings**

New Projects	2012	2013	2014	2015	2016	2017	2018
Residential	95*	102	121	125	139**	116	110
No. of Units Represented	3,118	5,789	4,933	6,175	5,374	6,978	3,583
Commercial and Other	15	10	9	9	4	4	4
No. of Units Represented	2,314	1,683	881	1,485	1,030	145	232
Agricultural	19	16	23	26	20	19	27
No. of Units Represented	133	43	85	55	123	211	152
Total New Projects	129	128	153	160	163	139	141
Total No. of Units Represented	5,565	7,515	5,899	9,715	6,527	7,334	3,967
<b>Conversions</b>							
Residential	64	75	75	71	76	62	91
No. of Units Represented	219	553	633	596	365	332	481
Commercial and Other	3	10	4	3	4	4	4
No. of Units Represented	6	336	88	264	320	247	192
Agricultural	14	21	29	19	34	27	15
No. of Units Represented	37	60	95	77	110	58	33
Total Conversion Projects	81	106	108	93	114	93	110
Total No. of Units Represented	262	949	816	937	795	637	706
Combined New & Converted Project Filings	210	234	261	253	277	232	251
Combined No. of Units Represented	5,827	8,464	6,715	10,652	7,322	7,971	4,673

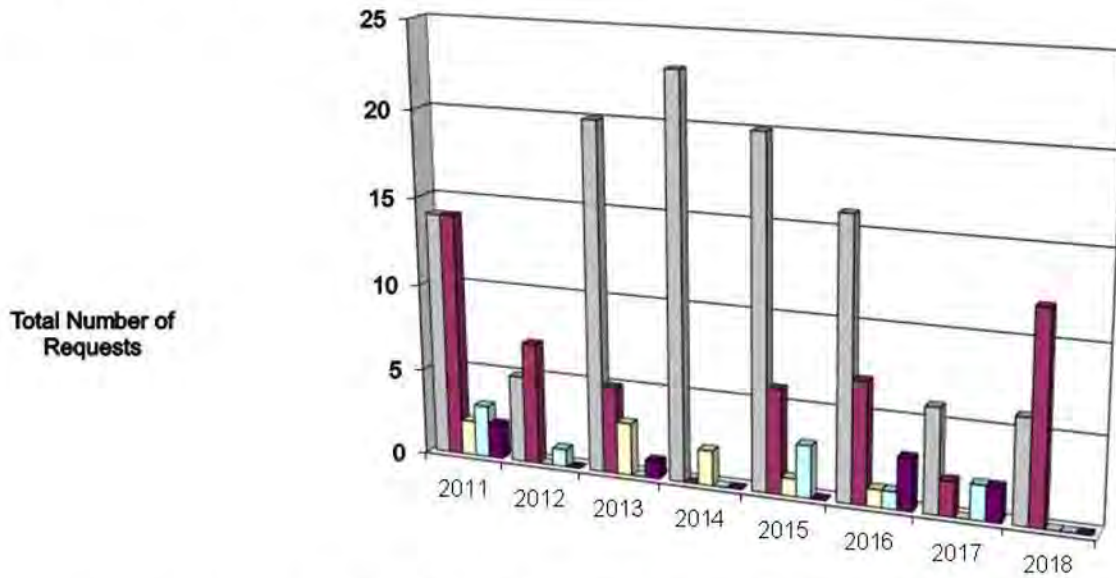
\* Total includes one (1) project that was either withdrawn or returned.

\*\* 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.

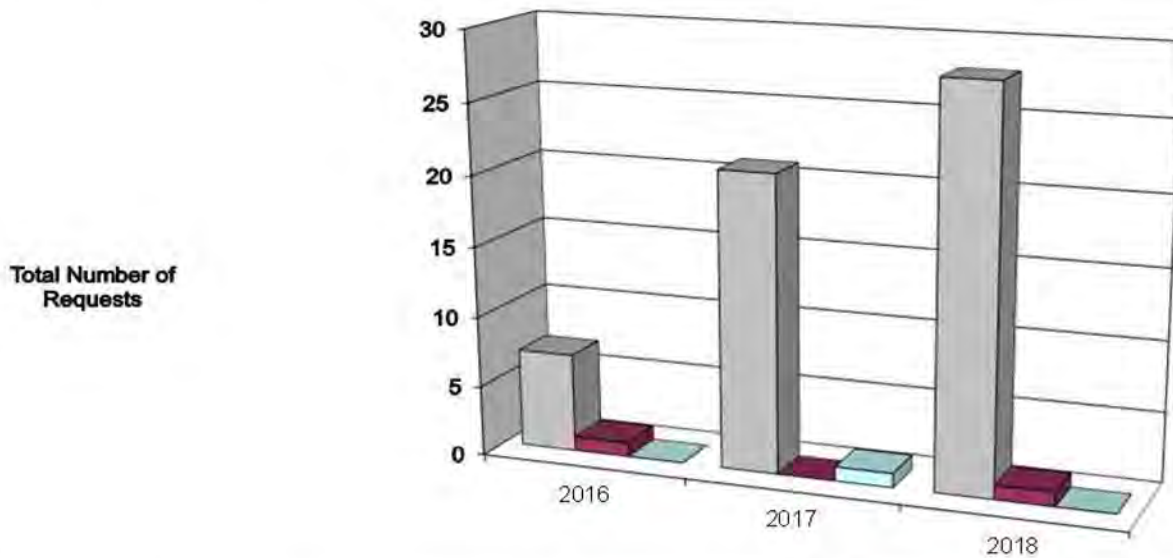
Note 2: In mixed use condominium projects, the predominant use is reported. This is done to prevent the multiple counting of a project filing.

**Chart 16. Facilitative Mediations**



	2011	2012	2013	2014	2015	2016	2017	2018
□ Mediation Center of the Pacific Inc.	14	5	20	23	20	16	6	6
■ Mediation Services of Maui Inc.	14	7	5	0	6	7	2	12
□ Kauai Economic Opportunity Inc.	2	0	3	2	1	1	0	0
□ Big Island Mediation Inc. dba West Hawaii Mediation Services	3	1	0	0	3	1	2	0
■ Ku'ikahi Mediation Center	2	0	1	0	0	3	2	0

**Chart 17. Evaluative Mediations**



	2016	2017	2018
□ Dispute Prevention and Resolution	7	21	28
■ Lou Chang, A Law Corporation	1	0	1
□ Mediation Center Of The Pacific, Inc	0	1	0

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. 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 reviewing submitted applications and assessing Commission registration policies and procedures for condominium associations with six or more units. It also considered appeals, subpoenas, and requests for records and copies of association registrations under HRS chapter 92F, and the Office of Information Practices (OIP) rules and procedures. In FY 18, the Commission continued processing overdue documents received for the 2017-2019 biennial condominium association registration period. In FY 18, over 1,550 condominium

associations were registered, representing more than 155,500 condominium units and their owners. In addition, the Commission maintained its online association 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 2018:

- August 2017 – Dealing with the Dark Side – Criminal Elements in Associations
- September 2017 – iAssociations
- October 2017 – Why Are They So

**Chart 18. Condominium Association Registration**



- Angry – Homeowner Concerns
- February 2018 – Planning and Executing Effective Annual and Board Meetings
- March 2018 – Fire and Life Safety
- May 2018 – Practical Tips in Avoiding, Prosecuting and Defending Lawsuits
- June 2018 – Board Leadership Development Workshop

Additionally, with the assistance of the Community Associations Institute (CAI) Hawaii, the Commission offered Condorama, two condominium educational seminars free-of-charge this FY to condominium owners in the State Capitol Auditorium in November 2017 and April 2018. Condorama featured speakers recognized in the condominium community for their expertise in condominium law, property management, and insurance. YouTube videos of the events are posted at the Real Estate Branch website for convenient viewing.

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

**Condominium Managing Agent 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 draft rulemaking process for HAR chapter 119. This FY, the Commission reviewed and revised several drafts of the rules at its monthly meetings and is working towards final approval. The Commission welcomed input from stakeholder groups and interested parties on the draft rules.

**Meetings** – The Commission plans,

coordinates, and conducts monthly CRC meetings and posts the schedule of meetings and agendas on the Commission’s website. CRC 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 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 and condominium project development. In addition to researching, drafting, and presenting testimony on condominium bills, staff assisted the CRC in monitoring and tracking all condominium-related bills from the House and Senate.

The Commission distributed its Annual Report to the Legislature on CETF programs and funds, and 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 CRC’s Advice, Education, and Referral Program of Work.

The Commission prepared revised, 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 well.

In the 2018 legislative session, the Legislature passed and the Governor signed into law Acts 18, 195, and 196 that amended the provisions of HRS §§ 514B-43, -71, -72, -105, -146, and -161 and created a new section permitting voluntary binding arbitration. The Commission also followed legislation that might affect condominium living though not explicitly stated in chapter 514B, such as Act 217, relating to the misrepresentation of service animals in housing situations.

### **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 and the pending repeal of HRS chapter 514A.

**Neighbor Island Outreach** – The Commission held three meetings on the neighbor islands in FY 2018. Meetings were held in Kauai, Maui, and Hilo. 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 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** – The education of

condominium unit owners and prospective condominium purchasers are priorities for the Commission. FY 18 saw an expansion of the Commission's efforts in educational outreach. The Commission participated in 13 events in the community that reached hundreds of owners and prospective purchasers, including presentations to a property management firm's account executives and condominium association board members; the Hawaii Building Industry Association summer and winter shows; the DCCA Military Consumer Protection Fair; and the Building Expo, among other events.

The Commission's statutory mandate emphasizes educating consumers and Commission-sponsored seminars; accordingly, educational materials are available online and in hardcopy to reach as many consumers as possible. 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 FY 18, we are pleased to report that the no-cost Condorama event in spring 2018 was attended by 128 persons; as word of this no-cost event grows, the Commission expects attendance to increase as well.

In seeking to provide practical information to real estate consumers, the Commission has posted the following educational materials on its website: the quarterly Hawaii Condominium Bulletin, informational brochures, owner and board member handbooks, a quarterly newsletter emailed to subscribers, and a frequently asked questions link. The Commission honors requests to speak whenever possible, keeps current on issues affecting owners, and focuses its educational materials on those particular issues.

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

**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. FY 18 was significant for the consultants in preparing for the repeal of HRS chapter 514A and its possible consequences.

**Condominium Specialists 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 Hilo this FY. These are held to give neighbor island residents a 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 consumers about the condominium law through community events.

**Technology and Website** – The Commission operated its website for public interaction and education. The website was updated this FY to permit easier navigation for consumers.

The Commission’s email subscription service is in its third year and has just under 800

subscribers; the subscription provides consumers with current information on the condominium law and links to educational materials and events available on the Commission website.

The Commission maintained and updated the electronic storage of materials by providing online access to the developer’s public reports, condominium association registration data, and other information. The Commission posts and makes available the developer’s public report form and other related forms in an electronically fillable and downloadable format. The forms are evaluated and amended to meet current requirements.

The Commission works towards fulfilling 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 Commission’s website, including minutes of association meetings.

**Case Law Review Program** – The Commission monitors, collects, and reports on relevant state and federal case law, 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 chapter 514B and 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 maintained at the Real Estate Branch office and on the Commission’s website a catalog of public reference materials provided to Hawaii State Libraries in areas with a high concentration of condominiums.

**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 Specialists Office for the Day
- Technology and Website
- Start-up Kit for new Association of Unit Owners and new Condominium Managing Agents
- Cooperative Education, Research, and Administrative Program
- Condominium Reference Library

## **FY 2019 PROGRAM OF WORK**

**Condominium Laws and Education** – The Commission will continue to implement the practical aspects of the legislative repeal of HRS chapter 514A, effective January 1, 2019, pursuant to Act 181, SLH 2017 and administer HRS chapter 514B. The Commission will update the condominium community on relevant changes to the condominium law and post information on the Commission’s website, its quarterly email notices, 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, procured providers, and volunteers on all islands. Additionally, with input from 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 provide educational information to the condominium community via telephone, in-person office visits, email and written correspondence, the Hawaii Condominium Bulletin, quarterly subscriber emails, the Commission’s website, and through procured providers and community outreach at public events. Through its educational efforts, the Commission will reinforce the condominium law’s governing 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. For condominium project registrations, the Commission will study and

research a comprehensive evaluation system 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, including land use regulation aimed at condominium project developments, for potential impact upon condominium developers and the public report process.

**Hawaii Condominium Bulletin** – The Commission will continue the online-only publication of its quarterly bulletin dedicated to educating condominium owners and interested persons on current issues relevant to condominium living. 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** – Through the CETF, the Commission will subsidize and monitor the ongoing delivery by private providers 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 and begun in 2015. 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 prepare for the January 2, 2019, start of voluntary binding arbitration as a dispute resolution tool for condominium unit owners pursuant to Act 196, SLH 2018.

**Condominium Association Registration**  
Staff will administer the online registration of condominium associations, including reviewing and updating registration policies, procedures, and appeals in preparation for the 2019-2021 biennial registration period. The Commission will respond to subpoenas and requests for records relating to association registration, 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.

The Commission will post all completed condominium association registration materials online for electronic access by the public and 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 seek additional seminar providers, especially from the neighbor islands. The Commission will administer a CRC educational advisory group to provide recommendations and input on CRC educational programs as needed. Another no-cost educational event for condominium unit owners will be planned for fall 2018.

**Ad Hoc Committee on Condominium Education and Research** – The CRC will administer this group, which reviews, makes recommendations, and assists in the development, update, and administration of

condominium education-related projects.

### **Condominium Managing Agents**

**Registration** – The Commission will monitor Condominium Managing Agent registration requirements pursuant to HRS §514B-132.

**Rulemaking, Chapters 107 and 119** – The Commission will continue the drafting and approval process for the proposed rules. 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 CRC meetings, in addition to the meetings held in the neighbor islands. Staff will post the schedule of meetings and agendas on the Commission's website and maintain meeting minutes in PDF and searchable format.

### **Government and Legislative Participation and Report**

– The Commission will participate in all aspects of the legislative process, including researching, responding to and meeting with legislators, responding to requests from legislators, attending hearings, and providing testimony on proposed condominium legislation. The Commission will review all proposed legislation and resolutions relating to condominium association governance and condominium project development. In addition to researching, drafting, and presenting testimony on condominium-related bills, staff will assist the CRC in monitoring and tracking all relevant bills.

**Legislative Acts and Resolutions** – The

Commission will review, report, and develop summaries on all related acts and resolutions proposed in the 2019 legislative session and implement any requirements of directly related acts and resolutions. The Commission will implement new legislation from the 2018 session and prepare for the repeal date of HRS chapter 514A in January 2019.

### **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, and Hawaii State Bar Association. Broader participation with national groups such as ARELLO and CAI National is also possible in the coming year and as funding allows.

### **Neighbor Island Outreach**

– The Commission will hold CRC 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. It will also monitor funds used for voluntary binding arbitration this FY pursuant to Act 196, SLH

2018.

**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. The Commission will maintain and keep current the existing educational materials online at its website and in its brochures. The Commission will also continue its expanded community outreach at public events.

**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 project consultants' forum for FY 19 will be held on August 31, 2018.

**Condominium Specialists 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 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 are available to condominium associations to answer questions about condominium law. With the addition of a condominium education specialist position to assist the Commission, the Commission expects to reach more condominium community members and groups in fulfillment of its educational mandate.

**Technology and Website** – The Commission will operate its website for public interaction and education. It will maintain and update the electronic storage of materials and provide the public with online access to developer's public reports, condominium association registration data, and educational information.

The Commission will post and make the developer's public report form and other related forms electronically fillable and downloadable. The forms are evaluated and amended to meet the implementation challenges that surface throughout the year. The Commission will assess 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 providing quarterly condominium updates through its online email subscription service and maintain the educational focus on its website.

**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 chapter 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 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, as funds allow, to maintain efficient delivery of services to the condominium community in 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

<b>Fund Balance As of June 30, 2018 (Unaudited)</b>	<b>FY 2018 Expenditures and Encumbrances (Unaudited)</b>
<b>ASSETS</b>	<b>I. Operations</b>
Cash	Personnel \$437,957
In State Treasury \$832,946	Supplies 3,081
Total Assets 832,946	Equipment Rentals and Maintenance 10,327
	Dues and Subscriptions 2,466
	Total Opera- \$453,831
<b>LIABILITIES AND FUND BALANCE</b>	<b>II. Direct Licensee Education</b>
Liabilities	Neighbor Islands Outreach 3,913
Payables 15,135	Annual Report/Quarterly Bulletin 32,289
Fund Balance	Programs 84,267
Reserve for Encumbrances 33,375	Total Direct Licensee Education 120,469
Unreserved 784,436	
Balance 817,811	<b>III. Indirect Licensee Educa-</b>
Total Liabilities and Fund Bal- \$832,946	License Renewals 0
	Interactive Participation w/ 29,728
	Total Indirect Licensee Education 29,728
<b>Revenues and Expenditures For the Year Ending June 30, 2018 (Unaudited)</b>	<b>Total Expenditures and Encumbrances \$604,029</b>
Revenues	
Fees \$157,822	
Interest Income 13,085	
Total Revenues 170,907	
Expenditures 570,655	
Excess (deficiency) of revenues over expenditures (399,748)	
Fund Balance	
Beginning of Year 1,217,558	
End of Year \$817,810	

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, 2018 (Unaudited)

### FY 2018 Recovery Fund Payments

ASSETS		Case No.	Licensee (s)	Amount
Cash		None		
In State Treasury	\$884,772			
Total Assets	<u>\$884,772</u>			
LIABILITIES AND FUND BALANCE				
Liabilities				
Payables	<u>\$8,411</u>			
Total Liabilities	8,411			
Fund Balance				
Reserve for encumbrance	0			
Unreserved	<u>876,361</u>			
Fund Balance	876,361			
Total Liabilities and Fund Bal-	<u>\$884,772</u>			

### Revenues and Expenditures For the Year Ending June 30, 2018 (Unaudited)

Revenues	
Fees	\$131,921
Expenditures	
Operations	39,936
Legal Services	30,605
Claims	
Total Expenditures	<u>70,541</u>
Excess (deficiency) of reve- over expenditures	61,380
Fund Balance	
Beginning of Year	<u>814,981</u>
End of Year	<u>\$876,361</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, 2018 (Unaudited)

ASSETS	
Cash	
In State Treasury	\$2,236,939
Short term cash investments	<u>0</u>
Total Assets	<u>\$2,236,939</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Payables	\$51,199
Fund Balance	
Reserve for Encumbrances	4,010
Unreserved	<u>2,181,730</u>
Fund Balance	<u>2,185,740</u>
Total Liabilities and Fund Balance	<u>\$2,236,939</u>

### Revenues and Expenditures For the Year Ending June 30, 2018 (Unaudited)

Revenues	
Fees - Others	\$46,275
Fees - AOUO Registration	\$186,020
Interest income	<u>12,188</u>
Total Revenues	244,483
Expenditures	
Excess (deficiency) of revenues over expenditures	<u>606,072</u> (361,589)
Fund Balance	
Beginning of Year	<u>2,547,329</u>
End of Year	<u>\$2,185,740</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 2018 Expenditures and Encumbrances (Unaudited)

Personnel	\$433,771
Supplies	3,593
Postage	6,500
Equipment Rentals/Maintenance	12,093
Education and Research	63,939
Equipment for Office	0
Staff/Commissioner Development	1,423
Resource Materials	2,958
Dues & Subscriptions	296
Mediation	85,126
Miscellaneous	<u>383</u>
Total Expenditures and Encumbrances	<u>\$610,082</u>

### CONDOMINIUM EDUCATION FUND FY 2019 Budget (proposed)

REVENUES	
Application and Renewal Fees	\$600,000
Interest	<u>\$12,000</u>
<b>Total Revenues</b>	<b>\$612,000</b>
EXPENDITURES	
Personnel	\$457,763
	<b>Subtotal \$457,763</b>
Administrative Expenses	\$22,750
Condominium Program of Work	\$384,761
	<b>Subtotal \$407,511</b>
<b>Total Expenditures and Budget Ceiling</b>	<b>\$865,274</b>