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LT. GOVERNOR

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OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS**

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CATHERINE P. AWAKUNI COLÓN
DIRECTOR

JO ANN M. UCHIDA TAKEUCHI
DEPUTY DIRECTOR

December 10, 2019

TRANSMITTED VIA LEGISLATIVE WEBSITE

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

Enclosed is a copy of the 2019 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.

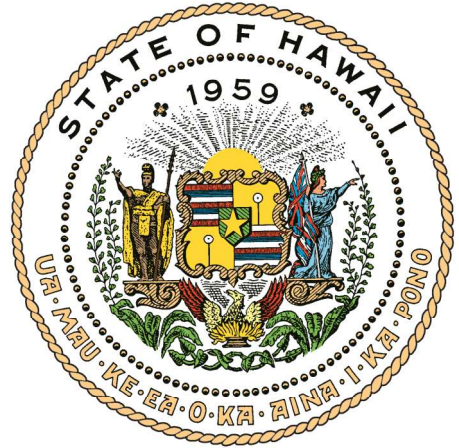
In accordance with section 93-16(a), HRS, a copy of this report will be transmitted to the Legislative Reference Bureau Library and viewable electronically at <http://cca.hawaii.gov/reb/reports/>. Copies will also be transmitted to the State Publications Distribution Center and the University of Hawaii pursuant to section 93-3, HRS.

Sincerely,

CATHERINE P. AWAKUNI COLÓN
Director

Enclosure

- c: Legislative Reference Bureau Library (1 hard copy)
State Publications Distribution Center (2 hard copies, 1 electronic copy)
University of Hawaii (1 hard copy)



2019 Annual Report

Real Estate Commission

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

The 2019 Hawaii Real Estate Commission

Michael E. Pang
Chair
Broker, Honolulu

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

Sean S. Ginoza
Vice Chair, Laws and Rules Review Committee
Big Island, Real Estate Broker

Bruce Faulkner
Chair, Education Review Committee
Maui, 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

John Love
Vice Chair, Condominium Review Committee
Oahu, Public Member

Aleta Klein
Oahu, Real Estate Broker

Russell Kyono
Kauai, Real Estate Broker

The Purposes of the Commission:

The purposes of the Commission are to:

- Protect 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) 2019. The Commission currently oversees 18,780 licensees statewide, of which 14,563 hold active licenses. This is an 8.4% increase in total licensees from a year ago. We also oversee approximately 1,560 registered condominium associations and 29 condominium hotel operators (CHOs). There were 359 new and conversion project filings as compared to 251 filings in FY 2018.

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 2019. 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. 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.

Commissioner Scott Arakaki, Public Member, Chair of the Laws and Rules Review Committee and Vice Chair Sean S. Ginoza, Hawaii Island 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 Bruce Faulkner, Maui 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 2019-2020 mandatory core course, Part A, "Protect Your License." The Education Review Committee also approved new requirements for CE online courses, which will hopefully result in more engaging and quality CE courses offered online. The new requirements were effective January 1, 2019.

Condominium Review Committee, Laurie A. Lee, Honolulu Commissioner and Vice Chair, Commissioner John Love, Public Member 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 Love, 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 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 Aleta Klein, Oahu broker, and Russel Kyono, Kauai 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 HRS chapter 514B.

With the help and support of DCCA Director Catherine P. Awakuni Colón, Licensing Administrator Charlene Tamanaha, 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 black ink, appearing to read "Michael E. Pang". The signature is written in a cursive, flowing style.

Michael E. Pang

**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
Charlene L.K. Tamanaha, 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
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Copyright: Hawaii Real Estate Commission 2019. 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 2019, led by Chair Scott Arakaki and Vice Chair Sean Ginoza, had another active year with legislation, reactive issues, licensing programs, and administration of the RERF.

LEGISLATIVE

Act 20, Session Laws of Hawaii (SLH) 2019 - Imposes the transient accommodations tax on mandatory resort fees and requires that those fees be included in gross rental or gross rental proceeds. Effective July 1, 2019.

Act 192, SLH 2019 - Clarifies the allocation of payments made by a condominium owner that are in excess of any common expenses owed. Effective July 1, 2019.

Act 223, SLH 2019 - Revives for one year specified sections of the repealed HRS chapter 514A to allow developers, whose condominium property regimes were issued an effective date pursuant to HRS sections 514A-40 and 514A-41, to update their public reports without revising any of the associated documents and to have their public reports and disclosure abstracts treated as non-expiring developer's public reports under part IV of HRS chapter 514B. Clarifies that requirements regarding the filing of public reports do not apply to duly registered time share projects under certain conditions. Effective July 1, 2019.

Act 246, SLH 2019 - Requires a high school education or its equivalent as a condition for new applicants to obtain a license as a real estate broker or real estate salesperson. Effective July 1, 2020.

Act 279, SLH 2019 - Repeals defaults on student loans, student loan repayment contracts, and scholarship contracts as grounds for sanctioning professional and vocational licensees. Effective July 9, 2019.

Act 282, SLH 2019 - Requires associations to offer mediation with a notice of default and intention to foreclose. Clarifies that the explicit grant of power of sale to associations is not required for the purposes of enforcing association liens under the association alternate power of sale foreclosure process. Applies retroactively to pending matters that arose prior to the effective date. Effective July 9, 2019, provided that the amendments made to HRS section 514B-146(a) by section 3 of this Act shall not be repealed when that section is reenacted on June 30, 2020, pursuant to section 6 of Act 195, Session Laws of Hawaii 2018.

Act 283, SLH 2019 - Raises the threshold under the contractor licensing law's handyman exemption from \$1,000 to \$1,500 and makes it applicable only to the cost of labor and materials. Effective July 1, 2019.

LICENSING

For FY 2019, the total number of licensees was 18,780 compared to 19,790 in FY 2018. This represents a decrease of 5.1% over the previous FY. The number of real estate licensees is 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 2019 PROGRAM OF WORK

Real Estate Recovery Fund (RERF) – The Commission administered statutory requirements, contracts with consultant attorneys, notice of claims, court orders for payouts, dissemination of information, financial responsibilities of the RERF, records management, and 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 2019, the Commission received notification of three claims on the fund (see Chart 1). There were no payments out of the recovery fund for FY 2019. Since its inception

in 1967, the RERF has paid out over two million dollars (see Chart 2). Due to the lack of complaints filed against the RERF, the commission approved a reduction of fees collected for each initial licensee and initiated a plan to work with the Contractors License Board to find alternative methods for smaller claimants to file against the RERF.

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 Hawaii Office of Information Practices’ (OIP) laws, rules, and procedures.

CHO Registration – Staff administered the licensing, registration, and certification requirements, including applications review, pol-

CHART 1. Recovery Fund - Notices

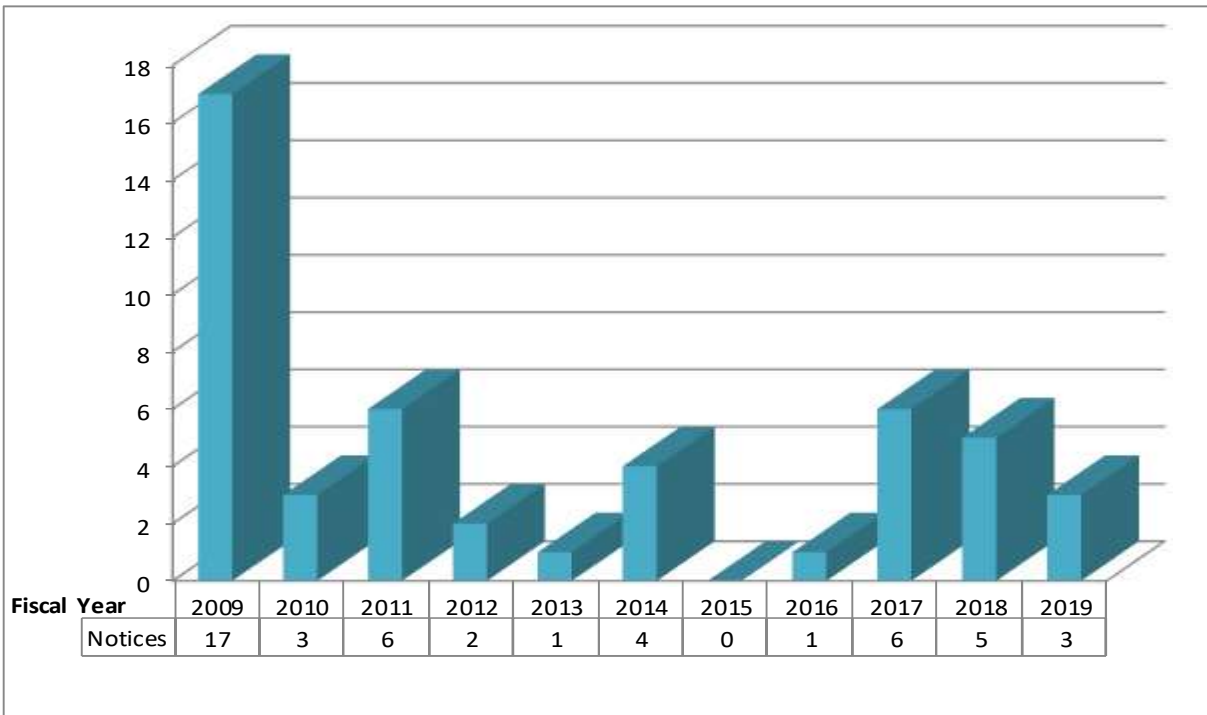


CHART 2. Recovery Fund - Claims Paid

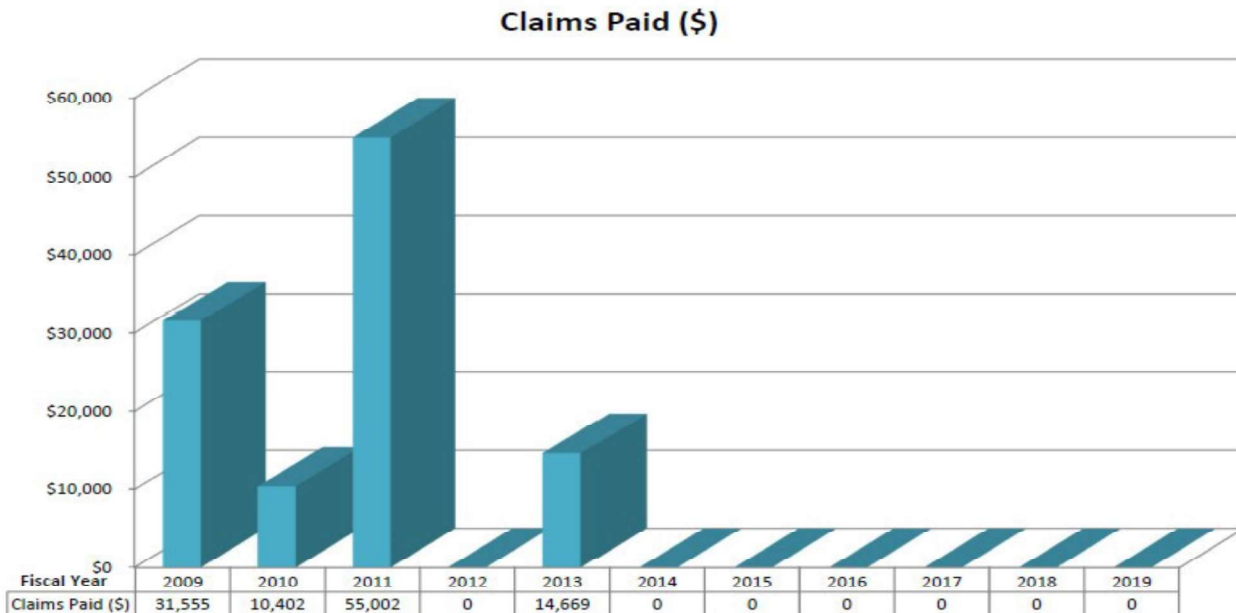
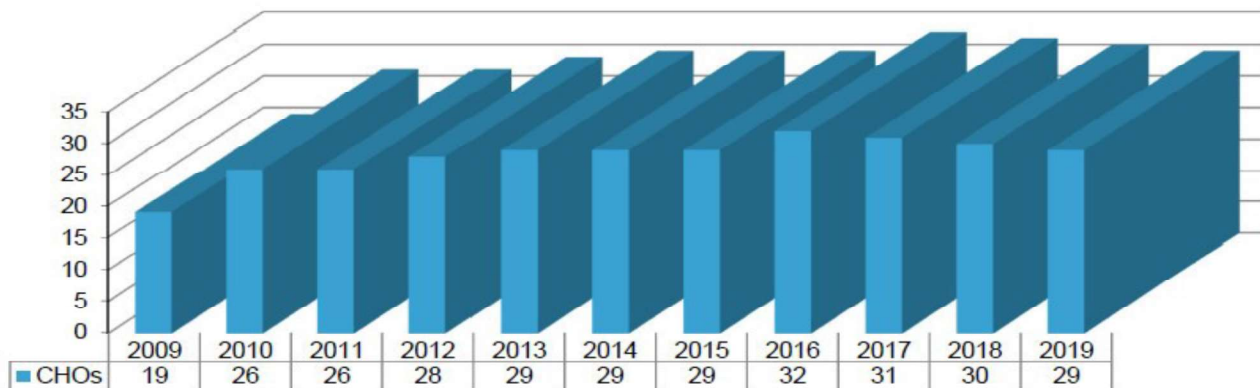


CHART 3. CHO Registration



icies, procedures, appeals, subpoenas, and requests for records under the OIP. Staff continued administering the registration program with the Licensing Branch, since active real estate brokers are exempt from registration and fidelity bond requirements. This FY, the Commission registered 29 CHOs (see Chart 3).

Advice, Education, and Referral – Staff responded and provided information to inquiries received via telephone, walk-ins, faxes, writ-

ten correspondence, emails, and the Commission’s website; printed and distributed Commission-developed information; and responded to inquiries from government officials and the media.

Rulemaking, Hawaii Administrative Rules (HAR) chapter 99 – The Commission studied, evaluated, researched, and amended HAR chapter 99 (Real Estate Brokers and Salespersons). To address strong concerns raised by industry stakeholders, the Commission is de-

veloping and reviewing amendments to certain advertising rules in that chapter.

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 by: providing briefings; acting as a resource to legislators, government officials, and staff; submitting oral and written testimony on bills and resolutions; and assisting legislators and government officials in addressing stakeholder concerns.

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, as well as share educational and research efforts, joint projects of mutual concern, and training.

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 two meetings on the neighbor islands in FY 2019. Meetings were held on Maui in January 2019 and Kona in June 2019. 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, and organization. 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, and continued researching other electronic or computerized methods to improve application processing.

ARELLO National Disciplinary Action Data Bank – Staff continued participating 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), the 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 38 licensees in FY 2019. This is a 20.8% decrease over the 48 licensees disciplined in FY 2018. Chart 4 provides historical information on the number of licensees disciplined.

Fines totaling \$21,750 were assessed against 28 licensees. Eight licenses were revoked, and two were suspended (see Table 1 and Chart 5).

Table 1 - Administrative Actions - FY 2019

No. of Licensees Disciplined	38
Licenses Revoked	8
Licenses Suspended	2
Licenses Fined	28
Total fines	\$21,750

CHART 4. Disciplinary Actions

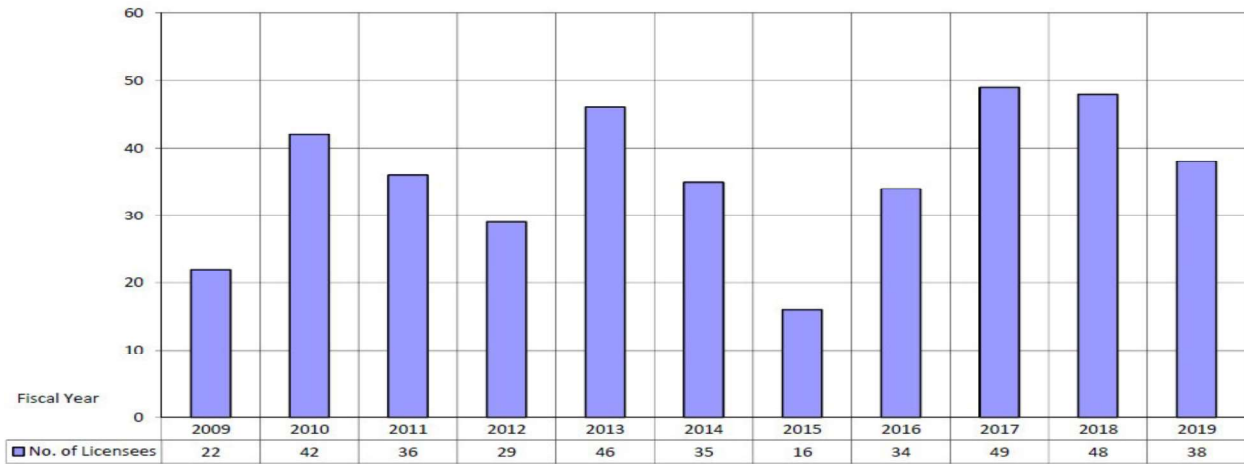
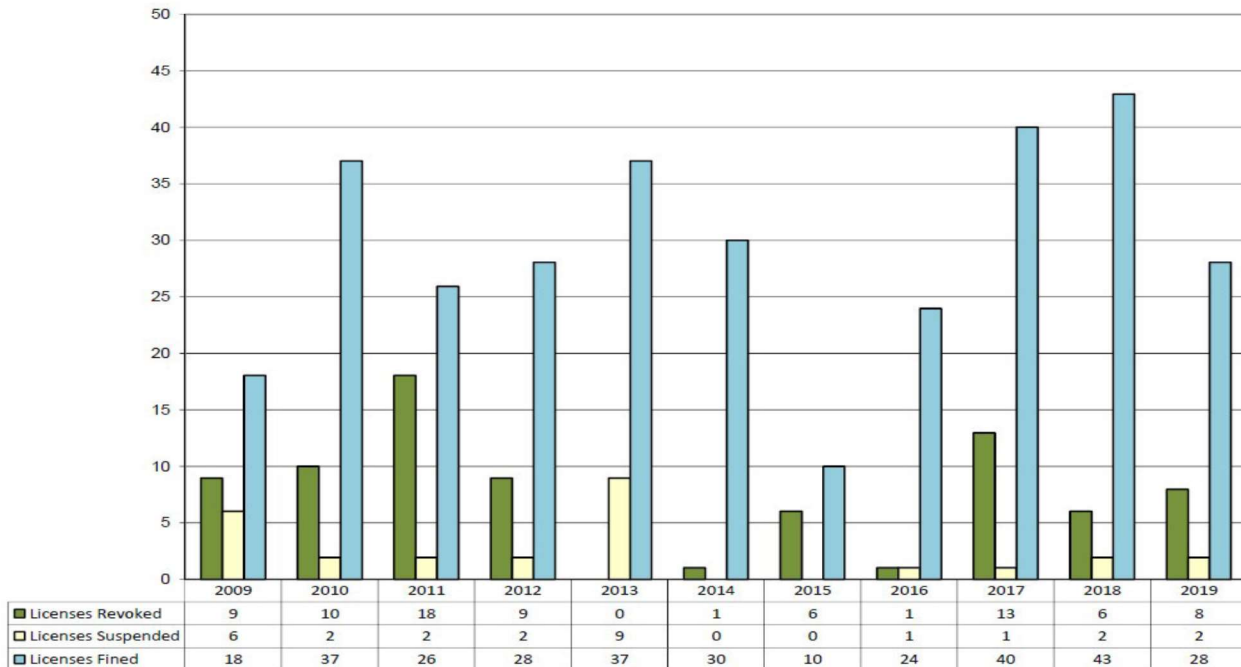


CHART 5. Administrative Actions - Sanctions



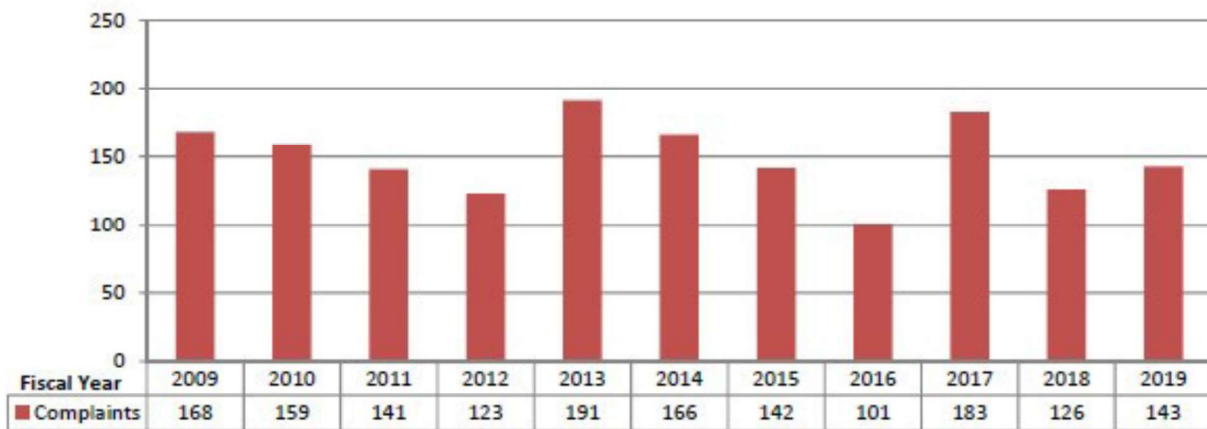
REGULATED INDUSTRIES COMPLAINTS OFFICE (RICO)

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 13.5% increase in FY 2019. RICO received 143 real estate complaints in FY 2019, compared to 126 in FY 2018 (see Chart 6).

Seventy-three complaints are pending, and 70 cases were closed as follows:

- 23 Warning Letters
- 21 Insufficient Evidence
- 14 Legal Action
- 5 Resolved
- 2 Retained for Records Only
- 2 No Violation
- 1 Education Contact
- 1 Withdrawn
- 1 No Violations

CHART 6. RICO Complaints (Real Estate)



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

1. §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.
2. §467-14(13) - Violating this chapter (467), chapters 484, 514A, 514B, 514E, or 515, section 516-71, or the rules adopted pursuant thereto.
3. §467-14(20) - Failure to maintain a reputation for or record of competency, honesty, truthfulness, financial integrity, and fair dealing.
4. §467-14(8) - Any other conduct constituting fraudulent or dishonest dealings.
5. §467-1.6(a) - The principal broker shall have direct management and supervision of the brokerage firm and its real estate licensees.

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 DCCA's Business Registration Division and with the Commission.
5. §16-99-3(p) - No licensee shall act as a broker, broker-salesperson, or salesperson for more than one brokerage firm, except that this subsection shall not apply to those situations as described in subsection (o).

FY 2020 PROGRAM OF WORK

- Real Estate Recovery Fund
- Real Estate Licensing, Registration & Certification Administration
- CHO Registration
- Education and Referral
- Rulemaking, HAR 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, HAR Chapter 53
- 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 2019, under the leadership of Chair Bruce Faulkner and Vice Chair Aileen Wada, continued to address important and varied education issues.

FY 2019 PROGRAM OF WORK

Continuing Education (CE) Core Course – The Commission researched and developed its core course on legislative updates and Core A – “Protecting Your License” for the first year of the licensing biennium.

Salesperson Curriculum and Resources – Staff continued to offer the salesperson’s curriculum in both live classroom and independent study/online format.

Broker Curriculum and Resources – Staff continued to offer the broker’s curriculum in both live classroom and independent study/online format.

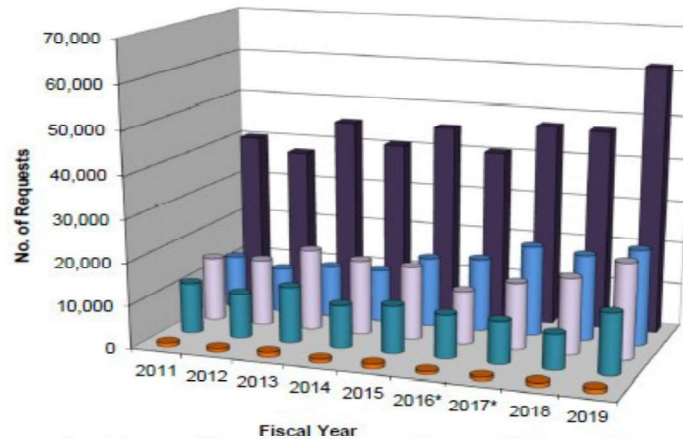
Advice, Education, and Referral – Staff continued to provide advice, education, and referral to applicants, licensees, government officials, consumers, public, and organizations, including research, reproduction of materials, and mailings. Staff developed a distribution system of educational

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 984 walk-in inquiries; 14,166 applications and written inquiries/requests; 22,329 telephone inquiries; and 22,332 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 records management. It coordinated the instructor’s examination program with its test administrator, PSI. The Commission’s Online

CHART 7. Inquiries and Applications



	2011	2012	2013	2014	2015	2016*	2017*	2018	2019
■ Walk-ins	916	816	1,231	852	1,031	727	784	941	984
■ Applications / written requests	11,821	10,390	13,036	10,007	11,073	10,209	9,953	8,171	14,166
■ Telephone calls	14,965	15,518	18,922	17,486	17,067	12,410	15,463	17,701	22,329
■ E-mail	12,444	10,545	12,095	12,233	16,225	17,060	21,074	20,053	22,332
■ Total (*Corrected Total)	40,146	37,269	45,286	40,578	45,396	40,406	47,274	46,866	61830

Real Estate Education System provides electronic access to student registration, course completions, and course schedules, as well as issuance of electronic school completion certificates. Staff researched, developed, printed, and distributed School Files, a quarterly publication focusing on real estate educational issues. 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 (with additional test dates periodically available) 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 1.9% from the last FY.

Staff periodically monitored the examination administration on each island to assure facilities and procedures comply with PSI and Commission policies.

Two-hundred and thirty-eight applications were approved for equivalency to the uniform section of the examination based on passage

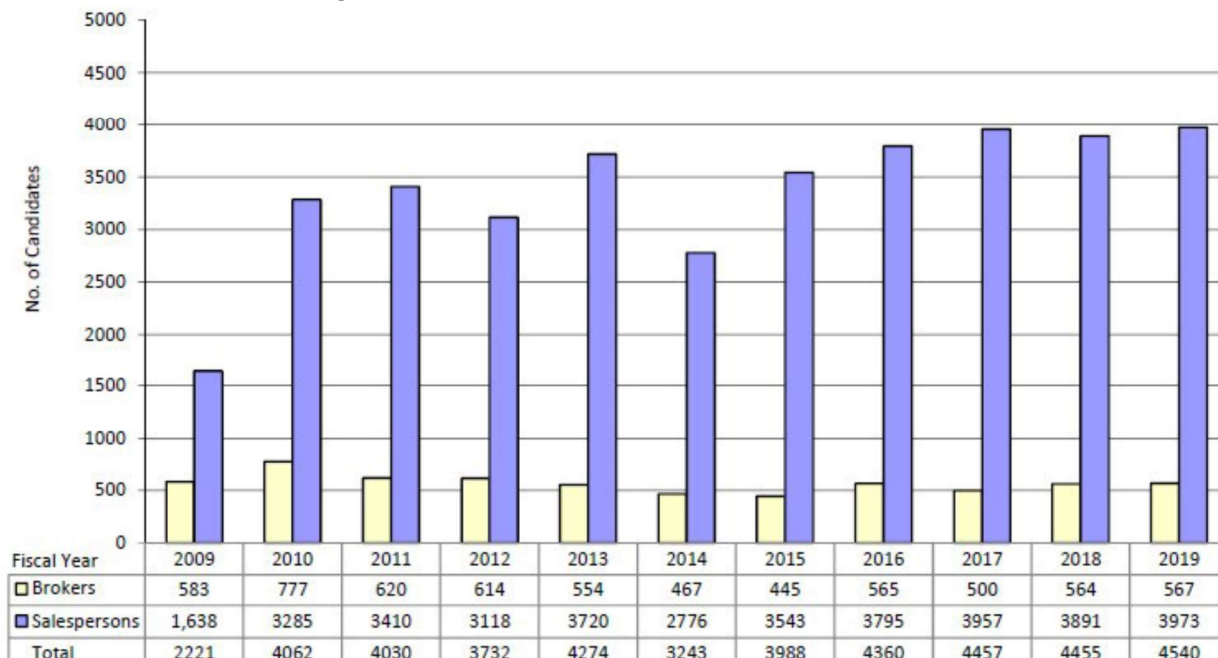
Table 2 Real Estate Licensing Examination

	FY 2018	FY 2019	% Change
Brokers Tested*	564	567	0.5%
Salespersons Tested*	3891	3973	2.1%
Total Tested	4455	4540	1.9%
Brokers Passed**	620	679	9.5%
Salespersons Passed**	5761	4675	-20.6%
Total Passed	6381	5354	-16.9%
% Brokers Pass*	109.9%	119.8%	
% Salespersons Pass*	148.1%	117.7%	
*First time and Retakers			
**National and/or State Portion			

of the uniform section of another state’s exam. This represents a 10.5% decrease from the last FY’s total of 266 approvals.

Administration of CE Program, Providers, and Instructors – The Commission administered the CE program, including

CHART 8. Licensing Examination Candidates



registering providers and certifying courses, and provided timely information and records management, as appropriate. Staff updated the Online Real Estate Education website as needed.

The Commission also published 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. Through the MyPVL Online System, real estate licensees could view the number of CE hours required and earned for the current licensing period, view their CE history, and search for future CE courses offered by approved CE providers. Real estate licensees could also 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 could monitor and view current CE hours, CE history, and the license status of all licensees associated with the brokerage. The Commission updated this system daily.

During the FY, there were 366 newly approved CE courses, a 363.3% increase from the approved 79 CE courses in the previous

FY. Thirty-nine approved CE providers offered 1,332 classes to over 68,969 participants.

Ad Hoc Committee on Education (ACE) –

The Commission's ACE reviewed, recommended, and assisted in developing, updating, and administering education-related projects and CE. There were four ACE meetings during the FY: October 31, 2018, January 23, 2019, April 12, 2019, and May 10, 2019. ACE assisted in developing the topic for the Commission's 2019-2020 Core Course, Part A, "Protect Your License."

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 and 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 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 two meetings on the neighbor islands in FY 2019. Meetings were held on Maui in January 2019 and Kona in June 2019. 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 participating in events sponsored by local and national organizations. On a national level, the Commission continued actively participating 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, and share education and research efforts, joint projects of mutual concern, and training.

Instructors Development Workshops – The Commission contracted with the Hawaii Association of REALTORS® to provide Instructors Development Workshops (IDWs) during the 2019-2020 biennium.

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 HAR §16-99-121.1. The 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 became effective 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 on Maui and in Kona this FY.

Real Estate Speakership Program – Subject to state government approvals and priorities, the Commission and staff honored requests to provide a speaker, a 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, 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, and 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 the 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.

Licenses

New Licenses – During FY 2019, 1,614 new licenses were issued, representing an increase of 1.8% over the prior FY. New individual broker licenses increased by 15.3%, new salesperson licenses increased by 0.3%, and new entity licenses decreased by 13.7% (see Chart 9).

Current Licenses – The overall number of current real estate licenses decreased 5% by the end of FY 2019. In FY 2019, active licenses decreased by 1.2% over the previous FY, with inactive licenses increasing by 16.4% (see Chart 10, Table 3, and Chart 11).

CHART 9. New Real Estate Licenses Issued

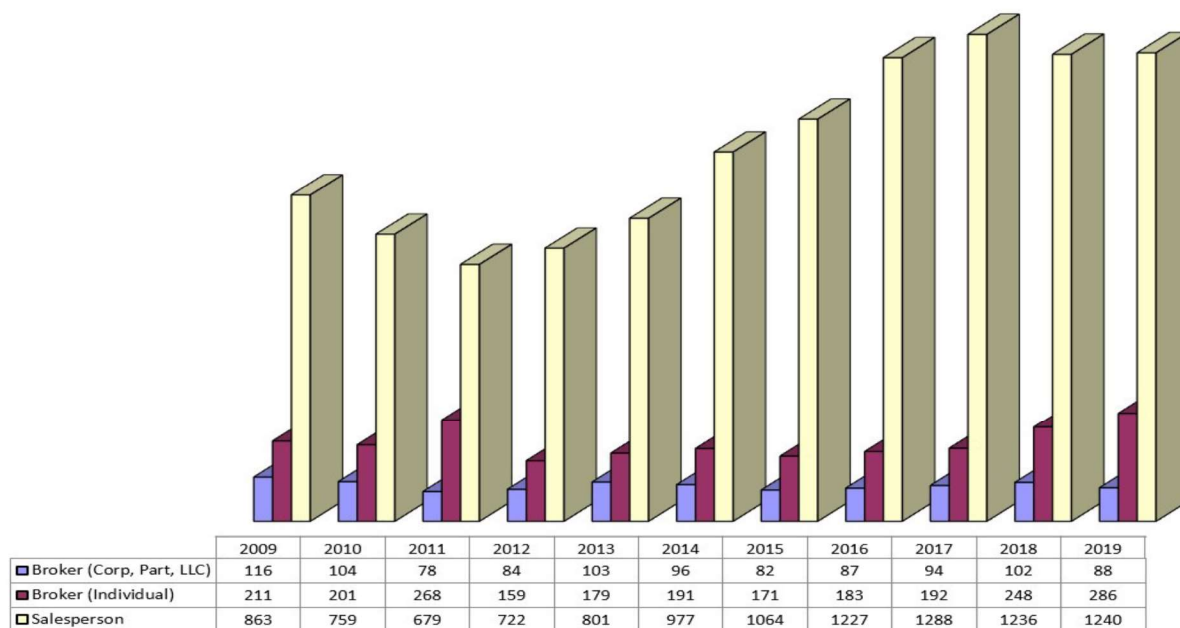


CHART 10. Total Real Estate Licenses

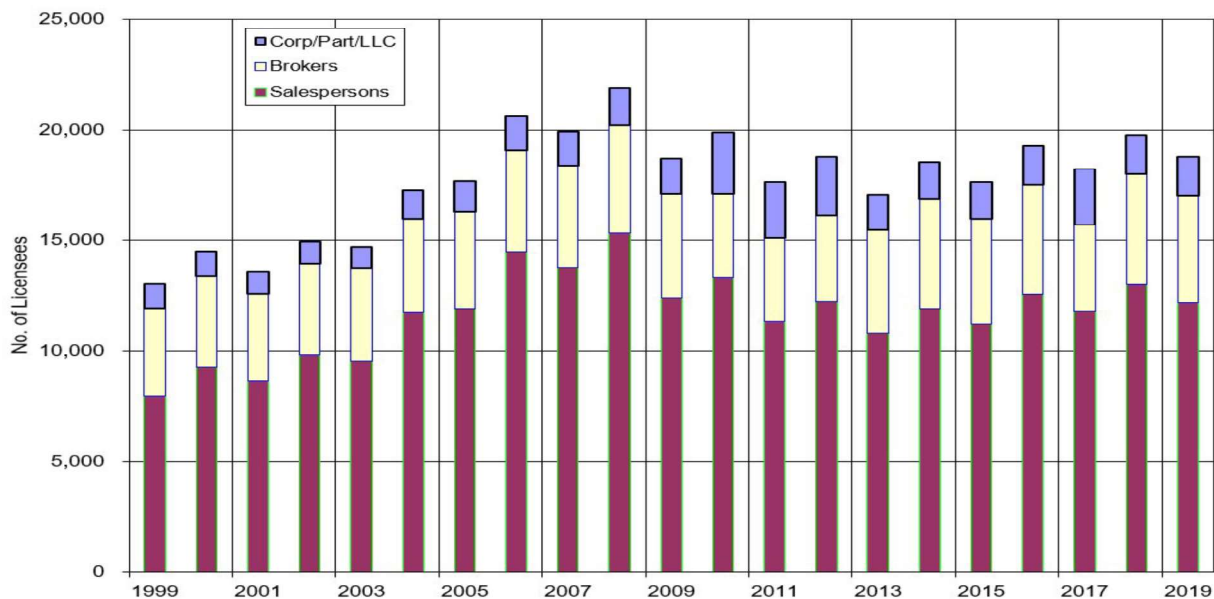
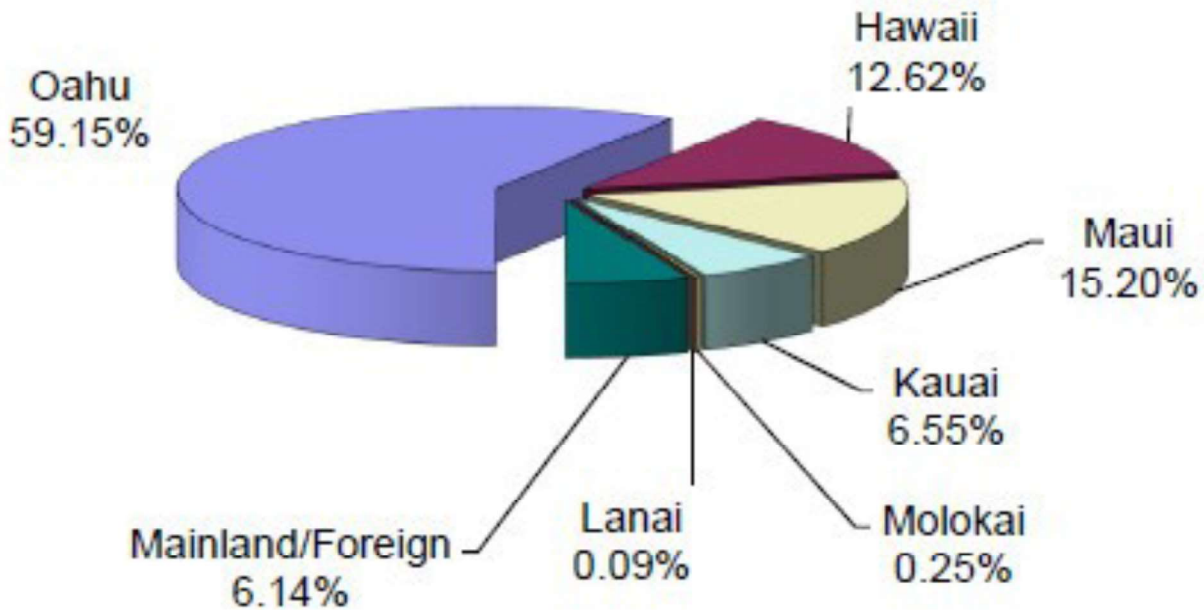


Table 3. Current Real Estate Licensees—By Type and Island

	Oahu	Hawaii	Maui	Kauai	Molokai	Lanai	Other	Total
Active								
Broker	2,052	509	522	216	12	2	114	3,427
Salesperson	5,263	1,096	1,460	559	20	6	246	8,650
Sole Proprietor	510	125	90	61	6	0	4	796
Corporation, Partnership, LLC	1,048	252	259	117	4	2	8	1,690
Total Active	8,873	1,982	2,331	953	42	10	372	14,563
Inactive								
Broker	236	42	39	25	2	0	229	573
Salesperson	1,971	373	481	245	3	4	500	3,577
Sole Proprietor	2	0	0	0	0	0	0	2
Corporation, Partnership, LLC	26	9	3	4	2	0	21	65
Total Inactive	2,235	424	523	274	7	4	750	4,217
Active and Inactive								
Broker	2,288	551	561	241	14	2	343	4,000
Salesperson	7,234	1,469	1,941	804	23	10	746	12,227
Sole Proprietor	512	125	90	61	6	0	4	798
Corporation, Partnership, LLC	1,074	261	262	121	6	2	29	1,755
Total	11,108	2,406	2,854	1,227	49	14	1,122	18,780

CHART 11. Real Estate Licensees—By Island

FY 2020 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

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, 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).

Under the leadership of Chair Laurie A. Lee and Vice Chair John Love, the CRC oversaw the jurisdiction of condominiums under HRS chapter 514B, the repeal of HRS chapter 514A, and the administration of condominium-related Programs of Work. The CRC closely monitored the effects of the repeal of HRS chapter 514A on some condominium developers and oversaw staff efforts to prepare for the January 1, 2019, repeal date.

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, SLH 2018.

The Commission may use all monies in the CETF for purposes consistent with the above. The Commission also studied and analyzed the current reserve amount in the CETF and approved a 50% reduction in the CETF contributions by unit owners during the current biennial renewal period.

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 2019 PROGRAM OF WORK

FY 2019 PROGRAM OF WORK

Condominium Laws and Education – The Commission dealt with the impact of the repeal of HRS chapter 514A on condominium developers which took effect January 1, 2019. The Commission responded to inquiries from those developers with unsold 514A condominium units. The Commission also continued its ongoing administration of HRS chapter 514B. The condominium community was kept informed of relevant changes to the condominium law in FY 2019 by the Commission’s posting of new legislation, updated information on its website, quarterly email notices, and relevant articles in the Condominium and Real Estate Bulletins.

On a statewide basis, the Commission delivered educational programs statewide, with the help of stakeholder organizations, and procured providers and volunteers on all islands. Additionally, with input from stakeholder organizations and volunteers, the Commission updated its educational materials, including forms and instructional/informational sheets, and its procedures and evaluative processes where appropriate. The Commission continued to explore and discuss the delivery of educational seminars via video presentation on the Commission’s website.

With the help of stakeholder organizations and volunteers, the Commission completed a first draft 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 ongoing delivery of educational seminars on

the Commission’s website. YouTube videos of its Condorama events are posted for convenient viewing. The Real Estate Branch’s Condorama webpage at cca.hawaii.gov/reb/condorama/ includes a link to the YouTube video.

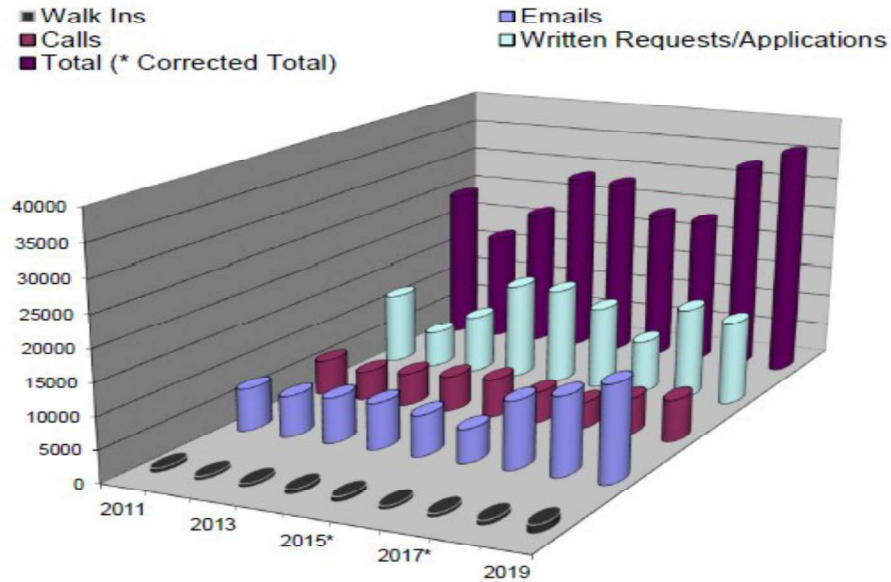
In the administration of HRS chapter 514B, the CRC appreciates the continuing support of the condominium governance and development communities, attorneys specializing in condominium law, the Hawaii State Bar Association - Real Property Section, and the real estate industry. To these committed organizations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

Education and Referral – The Commission provided education, information, and advice via telephone; in-person office visits; electronic communications; the Hawaii Condominium Bulletin; the Commission’s website; direct and targeted emails; procured seminars; and community outreach. Targeted recipients of educational efforts were condominium unit owners; developers; prospective purchasers; real estate licensees; condominium managing agents; government officials; and other interested parties.

The condominium specialists respond to thousands of requests for information, advice, and referral every year. Chart 12 shows that in FY 2019, the condominium specialists handled 36,148 requests for assistance from condominium owners and interested persons.

Condominium Project and Developer’s Public Reports – Staff implemented and administered the condominium project registration program pursuant to HRS chapter 514B. With the assistance of stakeholder organizations, volunteers, other

Chart 12. Condominium Advice, Education, and Referral



	2011	2012	2013	2014	2015*	2016*	2017*	2018	2019
Walk Ins	690	560	557	754	792	563	597	749	1276
Emails	6648	6469	7149	7292	6431	5293	10545	12259	14951
Calls	5479	4590	5135	5603	6023	4897	4094	5621	6550
Written Requests/Applications	11399	5721	9311	15347	15357	13200	8341	14664	13371
Total (* Corrected Total)	24216	17340	22152	28996	28603	23953	23577	33293	36148

governmental agencies, and interested attorneys, the Commission evaluated and developed new processes, records, forms, information documents, and rules relevant to the condominium project registration process. Staff assisted consultants with condominium project registration-related tasks. Developers’ public reports were made available for public viewing and copying to disc via the Commission’s website.

In FY 2019, the condominium consultants reviewed 539 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 developers’ 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 the use of medical marijuana in condominium associations balanced against the interests of other owners, construction do’s and don’ts, living harmoniously with

CHART 13. Developer’s Public Reports Effective Dates Issued

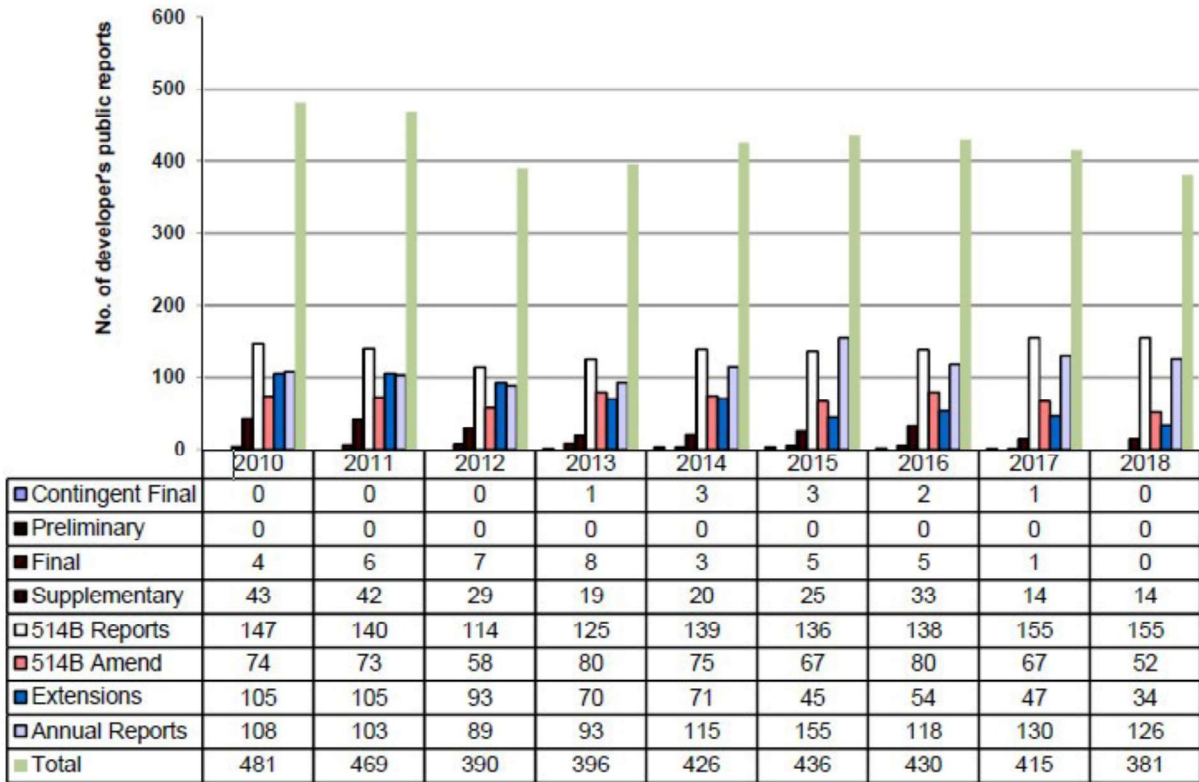


CHART 14. New and Conversion Project Filings of Developer

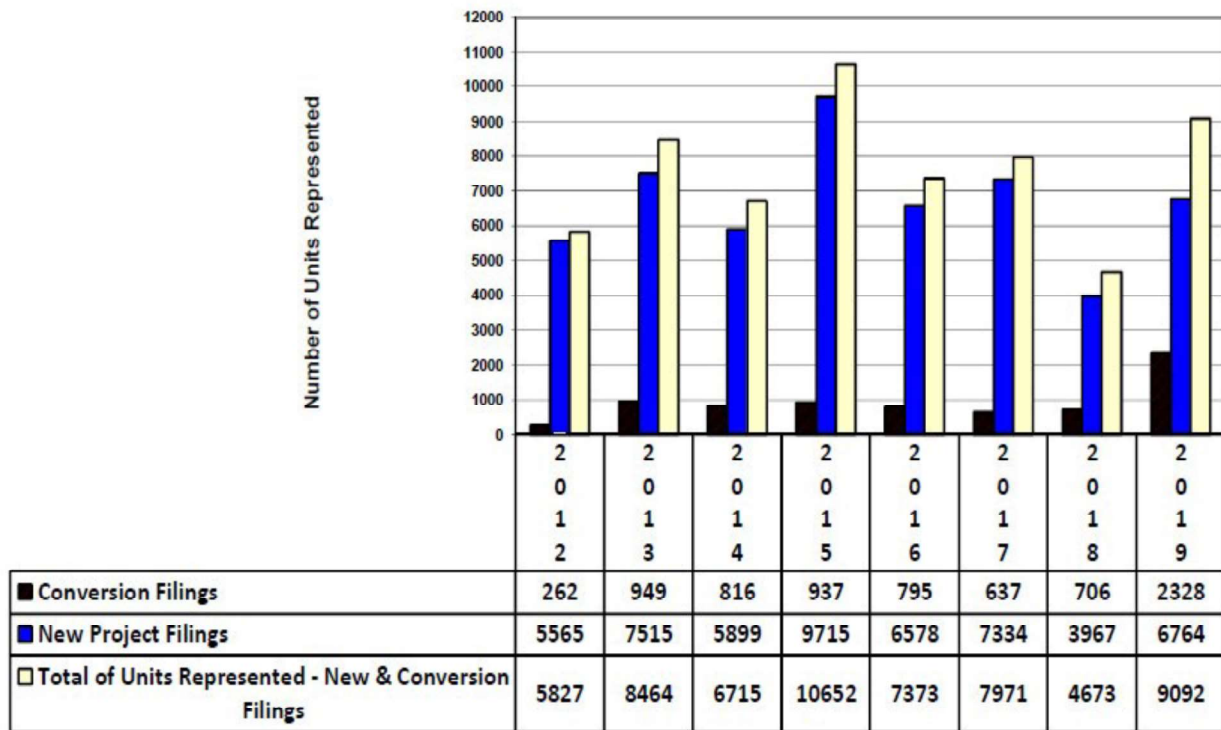
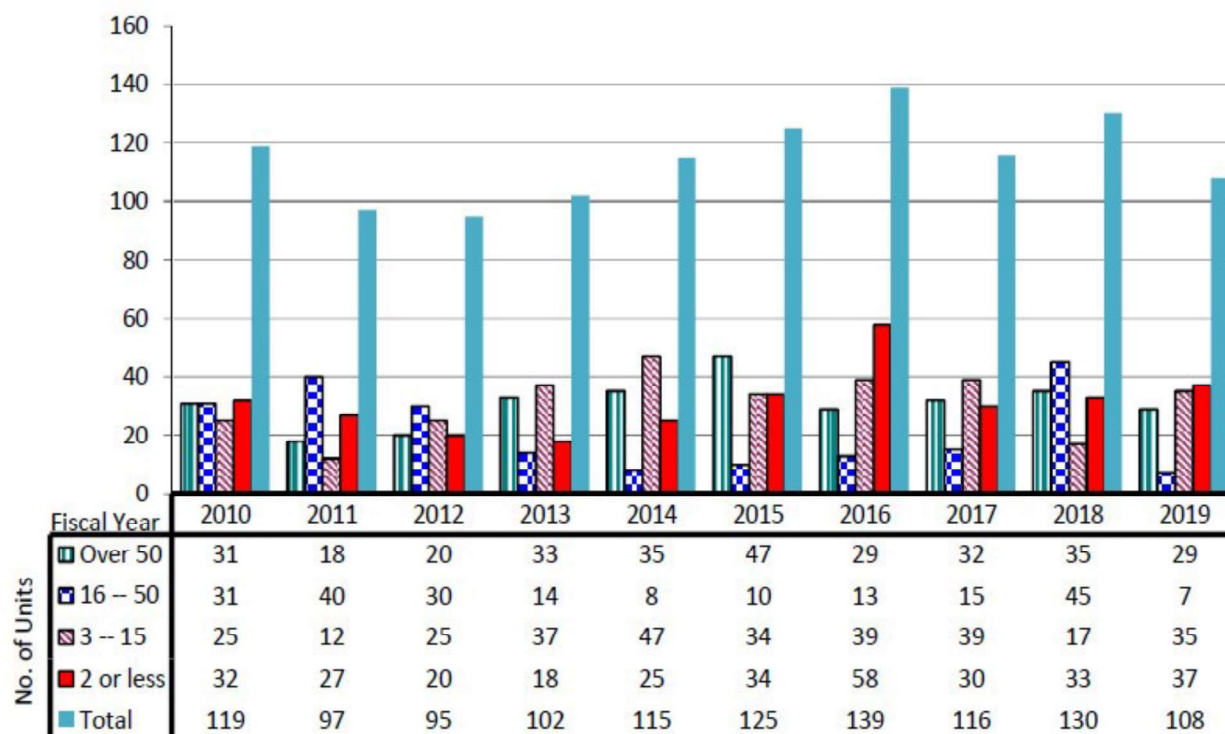


CHART 15. New Residential Projects—By Size**Table 4. Condominium Project Filings**

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

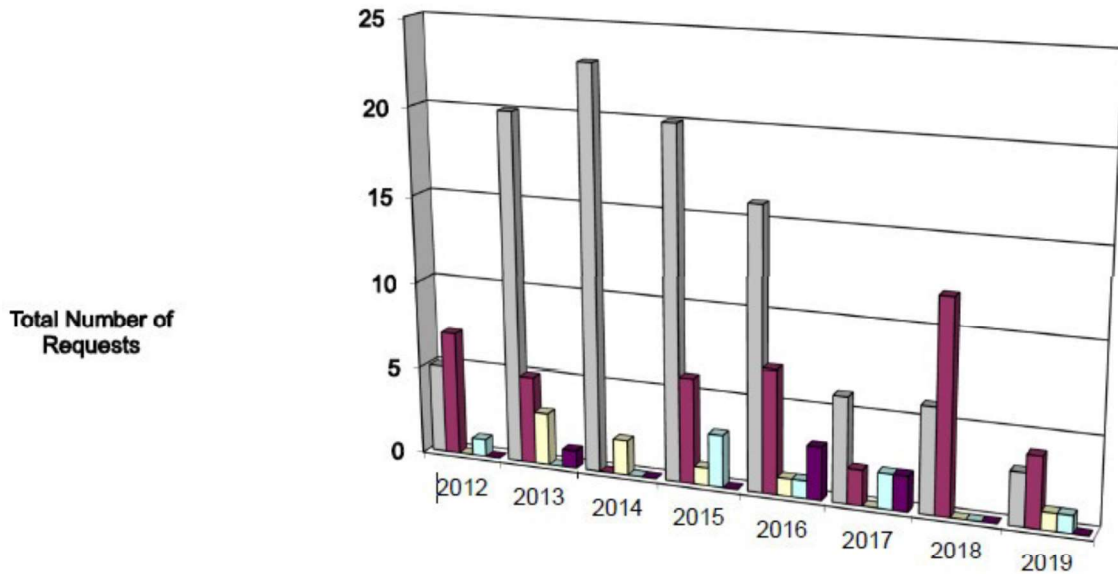
* Total includes one (1) project that was either withdrawn or returned.

** 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.

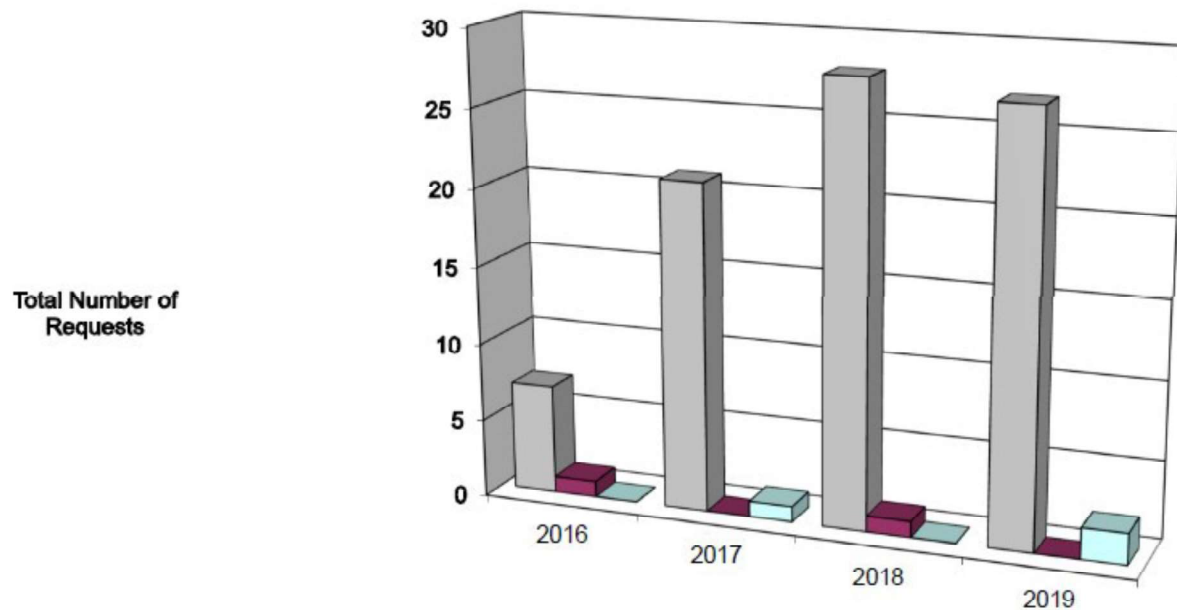
Note 2: In mixed use condominium projects, the predominant use is reported. This is done to prevent the multiple counting of a project filing.

Chart 16. Facilitative Mediations



	2012	2013	2014	2015	2016	2017	2018	2019
Mediation Center of the Pacific Inc.	5	20	23	20	16	6	6	3
Mediation Services of Maui Inc.	7	5	0	6	7	2	12	4
Kauai Economic Opportunity Inc.	0	3	2	1	1	0	0	1
Big Island Mediation Inc. dba West Hawaii Mediation Services	1	0	0	3	1	2	0	1
Ku'ikahi Mediation Center	0	1	0	0	3	2	0	0

Chart 17. Evaluative Mediations



	2016	2017	2018	2019
Dispute Prevention and Resolution	7	21	28	27
Lou Chang, A Law Corporation	1	0	1	0
Mediation Center Of The Pacific, Inc	0	1	0	2

pets in an association, and taking relevant meeting minutes.

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 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.

Starting January 2, 2019, voluntary binding arbitration was added as a Commission-subsidized means of dispute resolution via Act 196, SLH 2018. In addition to offering voluntary binding arbitration as a dispute resolution tool, Act 196 also expanded the acceptable issues available for the evaluative mediation process.

Brochures describing mediation and mediation providers’ contact information are available on the Commission website. Condominium disputes have successfully

avoided the court system through mediation.

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 OIP rules and procedures. In FY 2019, the Commission continued processing overdue documents received for the 2017-2019 biennial condominium association registration period. In FY 2019, over 1,600 condominium associations were registered, representing just under 160,000 condominium units and their owners. In addition, the Commission maintained its online association registration process and made available a public list of association contact information (see Chart 18) on the Commission website. The Commission responded to requests for information-specific registration lists, such as contact information for condominium

Chart 18. Condominium Association Registration



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 2019:

- August 2018 – Why is Your Maintenance Fee Increasing?
- September 2018 – Hoarders, Boarders and Boomers
- October 2018 – Do's and Don'ts of Contracting, Bidding and Financing
- February 2019 – Case Law Seminar (Oahu)
- March 2019 – Going Green to Save Green
- May 2019 – Case Law Seminar (Oahu)
- May 2019 – Board Leadership Development Workshop - ABCs
- June 2019 – Hot Button Issues in Insurance

Additionally, with the procured assistance of the Community Associations Institute (CAI) Hawaii, the Commission offered two educational Condorama sessions free-of-charge. The events, open to condominium unit owners of registered condominium associations, were held in the State Capitol Auditorium in November 2018 and April 2019. Condorama featured speakers recognized in the condominium community for their expertise in condominium and real property 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. The committee had its inaugural meeting in February 2019.

Condominium Managing Agent

Registration – Staff enforced policies and procedures for condominium managing agent registration pursuant to HRS §514B-132.

Rulemaking, HAR Chapters 107 and 119 –

The Commission is drafting rules for HAR chapters 107 (Rules Relating to Horizontal Property Regimes) and 119 (Condominiums). The Commission reviewed and revised several drafts of the rules at its monthly meetings and is working toward final approval. The Commission welcomed input from stakeholder groups and interested parties on the proposed 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 on the Commission's website.

Legislative Acts and Resolutions – The Commission reviewed, reported, and developed summaries on all related acts and resolutions and implemented any requirements affecting condominium associations in Hawaii. The enactment of new laws at the end of the FY impacts the CRC's Advice, Education, and Referral Program of Work.

The Commission prepared revised, unofficial copies of HRS chapter 514B, as amended, and its administrative rules for posting on the Commission website. A limited number of hard copies were printed as well.

In the 2019 legislative session, the following bills became law: Act 192, SLH 2019 clarifies the allocation of payments made by a condominium owner that are in excess of any common expenses owed; Act 243, SLH 2019 amends the condominium law to clarify the conditions under which condominium unit owners can install solar energy devices and amends the definition of "solar energy devices" to include building-applied and building-integrated photovoltaics and to exclude passive solar skylights and windows; Act 282, SLH 2019 confirms that condominium associations have the authority to engage in non-judicial foreclosures regardless of the presence or absence of power of sale language in an association's governing documents and provides additional consumer protection by requiring the

foreclosing association to provide notice and mediation; Act 223, SLH 2019 gives developers of HRS chapter 514A projects another year, to July 1, 2020, to transfer into HRS chapter 514B so that they may continue to engage in legal sales of any outstanding units; Act 7, SLH 2019 extends from 30 days to 90 days the required retention period of proxies, tally sheets, ballots, and other association election materials after an association meeting; Act 14, SLH 2019 allows for condominium associations to use non-networked electronic voting devices in association voting; and Act 27, SLH 2019 clarifies that associations may invest in government money market funds.

In the 2019 legislative session, the Senate passed S.R. No. 41, which requested the Real Estate Commission to conduct a study on whether, and to what degree, the findings and recommendations found in the 1989 report from the Legislative Reference Bureau, entitled "*Condominium Governance – An Examination of Some Issues*," have been implemented. The resolution asked that the study address any further action that may be needed to fulfill unresolved findings and recommendations and any other comments and concerns that interested parties may provide.

Moreover, the resolution requested additional assessments on whether existing public report disclosures provide adequate and understandable disclosures to prospective purchasers, and if not, whether potential measures exist that could be used to fully educate prospective purchasers; whether the current required reserve study and funding requirements for registered condominium associations are sufficient; whether the current voting process is appropriate, and specifically, whether proxy voting provides any benefit or disadvantage to the association

governing process; and finally, whether there are inherent conflicts between owner-occupants, investor owners, and commercial owners.

Since the 1989 report, amendments to HRS chapter 514B have addressed some of these issues. For example, HRS §514B-149 was amended to state certain specific requirements for the handling and disbursement of condominium association funds, and Act 27, SLH 2019 clarifies that condos may invest in government money market funds. The Legislature has also greatly expanded the availability and types of dispute resolution available to disputing owners by expanding the issues eligible for subsidized dispute resolution and by adding evaluative mediation and voluntary binding arbitration to the options available to condominium unit owners for resolving disputes arising from condominium living.

Through supporting legislation, the report has also helped to strengthen information-seeking. In the Hawaii condominium law, HRS §§514B-151 – 154.5 now cover in considerable detail the documents that must be provided to unit owners upon their request and any steps that must be taken to receive those documents, including a cap on the fee that can be charged for copies.

The Commission has expanded its educational materials for condominium unit owners; it now has a variety of informational pamphlets and booklets available in print and on its website to educate owners on the basics of condominium law, the philosophy of self-governance underlying the law, and common problems that arise naturally when people live in close proximity to each other. Given the large number of unit owners and the fact that the condominium law is always changing, the

Commission wants to bring its resources to the attention of many more unit owners. The Commission's free "Condorama" seminars are an attempt to educate as many unit owners as possible, both on Oahu and the neighbor islands.

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, the repeal of HRS chapter 514A, and the repeal's effect on unsold condominium units.

Neighbor Island Outreach – The

Commission held meetings on the neighbor islands in FY 2019. These meetings were held in 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, including mediation and voluntary binding arbitration 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 2019 saw continued

expansion of the Commission's efforts in educational outreach. The Commission participated in various events in the community that reached hundreds of owners and prospective purchasers, including presentations to property management companies and condominium association board members. These events included fairs for the neighbor islands, building industry, seniors, and consumers.

As the Commission's statutory mandate emphasizes educating consumers, educational materials are regularly created, updated, and available in print and online to reach as many consumers as possible with the most current information. Additionally, the Commission responds to telephone and written inquiries, replies to emails from the public, and updates online information on the Commission's website as necessary.

In seeking to provide practical information to condominium 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 staff honors requests to speak whenever possible, keeps current on the law and issues affecting owners, and focuses its educational materials on timely and relevant topics.

Rulemaking, HAR Chapter 53 – The Commission implemented HAR chapter 53 (Fees Relating to Boards and Commissions) for 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 2019 was significant for the consultants in preparing for the January 1, 2019, repeal of HRS chapter 514A and its ramifications. In fall FY 2019, condominium consultants and Commission staff met as a group to discuss significant project development issues facing the consultants.

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 Maui and Kona this FY. This event gives neighbor island residents a chance to personally discuss condominium development and governance 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 Commission also updated its website this FY to permit easier navigation for consumers.

The Commission's email subscription provides consumers with current information quarterly 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 toward 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 programs.

Division and Department Program – The Commission coordinated activities and programs of mutual concern within the DCCA for the 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 the Hawaii State Public Library System 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 2020 PROGRAM OF WORK

Condominium Laws and Education – The Commission will continue to implement the legislative repeal of HRS chapter 514A, effective January 1, 2019, pursuant to Act 181, SLH 2017, and Act 223, SLH 2019, which gives developers of HRS chapter 514A projects another year, until July 1, 2020, to transfer its unsold units into HRS chapter 514B. The Commission will update the condominium community on relevant changes, including proposals made in the 2020 legislative session, to the condominium law and will post information on the Commission’s website, its quarterly email notices, and in the Condominium and Real Estate Bulletins of these changes and 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 revise as necessary 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 pro-

cured providers and community outreach at public events. Where appropriate, referrals to other groups or agencies will be made. Through its educational efforts, the Commission will inform owners about the current law and 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 with the “safe harbor” transitioning for those holding unsold HRS chapter 514A condominium units pursuant to Act 223 SLH 2019, as well as continue the issuance of effective dates for public reports under HRS chapter 514B. With the help of stakeholder organizations, other governmental agencies, and 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 reviewing 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 public reports available for public

viewing and copying to disc via the Commission's website. The Commission will compile information and Commission decisions on public reports and related 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 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 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 overseeing and administering this program, and a procured independent contractor will complete the layout and design of the bulletin.

Condominium Mediation and Voluntary Binding Arbitration Program – Through the CETF, the Commission will subsidize and monitor the ongoing delivery by private providers of the mediation and voluntary binding arbitration programs as well as the annual procurement of these contracts. Staff will work with all procured providers to present educational seminars about alternative dispute resolution to condominium boards of directors and unit owners. Staff will collect information and statistics on dispute resolution

tools for educational and annual report purposes.

Condominium Association Registration – Staff will administer the online registration of condominium associations, including reviewing and updating registration policies, procedures, and appeals regarding 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 from individuals and government agencies. The Commission will post completed condominium association registration materials online for electronic access by interested persons.

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 necessary on timely and relevant topics. It will continue administering CETF subsidies for Commission-approved seminars where funds are available. Staff will 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.

Ad Hoc Committee on Condominium Education and Research – The CRC will administer this group, which reviews, makes recommendations, and assists in the development, update, administration and delivery of condominium education to the general condominium community. The FY 20 meeting is sched-

uled for August 2019.

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

Rulemaking, HAR Chapters 107 and 119 – The Commission will continue the rulemaking process for HAR chapters 107 (Rules Relating to Horizontal Property Regimes) and 119 (Condominiums). The proposed rules will be reviewed 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 on 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 summarize all relevant acts and resolutions proposed in the 2020 legislative session and implement any pertinent requirements. The Commission will also implement all condominium-related legislation from the 2019 session.

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

Neighbor Island Outreach – The Commission will hold 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 the fund, and administers fund investment. The Commission will monitor the use of 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 grow its 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, HAR Chapter 53 – The Commission will monitor, review, research, and make recommendations on amendments to HAR chapter 53 (Fees Relating to Boards and Commissions) through coordination with the 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 related to the ongoing implementation of HRS chapter 514B. The project consultants' forum for FY 20 will be held in fall 2019 or early 2020.

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 any 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 and property management firms 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 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 of 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 educational 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 the DCCA and the Department of the Attorney General, both of which provide services to the Commission, the CETF, and condominium project registration.

Division and Department Program – The Commission will coordinate activities and programs of mutual concern within the DCCA for the 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 the areas of condominium governance and project development. Staff and commissioners will take advantage of training and educational opportunities provided by the Real Estate Educators Association, ARELLO, CAI Hawaii, HCCA, 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 and arbitration 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, 2019 (Unaudited)	FY 2019 Expenditures and Encumbrances (Unaudited)
ASSETS Cash In State Treasury \$1,554,98 Total Assets 1,554,982	I. Operations Personnel \$473,429 Supplies 3,111 Equipment Rentals and Maintenance 8,084 Dues and Subscriptions 2,710 Total Opera- \$487,334
LIABILITIES AND FUND BALANCE Liabilities Payables (46,274) Fund Balance Reserve for Encumbrances 3,535 Unreserved 1,597,721 Balance 1,601,256 Total Liabilities and Fund Bal- \$1,554,98	II. Direct Licensee Education Neighbor Islands Outreach 2,298 Annual Report/Quarterly Bulletin 37,899 Programs 49,942 Total Direct Licensee Education 90,139 III. Indirect Licensee Education License Renewals 0 Interactive Participation w/ 29,330 Total Indirect Licensee Education 29,330 Total Expenditures and Encumbrances \$606,804
Revenues and Expenditures For the Year Ending June 30, 2019 (Unaudited)	
Revenues Fees \$1,394,51 Interest Income 15,480 Total Revenues 1,409,993 Expenditures 603,269 Excess (deficiency) of revenues over expenditures 806,724 Fund Balance Beginning of Year 794,532 End of Year \$1,601,25	

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, 2019 (Unaudited)	FY 2019 Recovery Fund Payments												
	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Case No.</th> <th style="text-align: left; border-bottom: 1px solid black;">Licensee(s)</th> <th style="text-align: left; border-bottom: 1px solid black;">Amount</th> </tr> </thead> <tbody> <tr> <td style="padding-left: 20px;">Cash</td> <td>None</td> <td></td> </tr> <tr> <td style="padding-left: 40px;">In State Treasury</td> <td></td> <td style="text-align: right;">\$907,440</td> </tr> <tr> <td style="padding-left: 20px;">Total Assets</td> <td></td> <td style="text-align: right;"><u>\$907,440</u></td> </tr> </tbody> </table>	Case No.	Licensee(s)	Amount	Cash	None		In State Treasury		\$907,440	Total Assets		<u>\$907,440</u>
Case No.	Licensee(s)	Amount											
Cash	None												
In State Treasury		\$907,440											
Total Assets		<u>\$907,440</u>											
LIABILITIES AND FUND BALANCE													
Liabilities													
Payables	<u>(\$3,096)</u>												
Total Liabilities	(3,096)												
Fund Balance													
Reserve for encumbrance	472												
Unreserved	<u>910,064</u>												
Fund Balance	910,536												
Total Liabilities and Fund Bal-	<u>\$907,440</u>												
Revenues and Expenditures													
For the Year Ending June 30, 2019													
(Unaudited)													
Revenues													
Fees	\$127,348												
Expenditures													
Operations	51,049												
Legal Services	42,124												
Claims													
Total Expenditures	<u>93,173</u>												
Excess (deficiency) of reve- over expenditures	34,175												
Fund Balance													
Beginning of Year	<u>876,360</u>												
End of Year	<u>\$910,535</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, 2019 (Unaudited)

ASSETS	
Cash	
In State Treasury	\$2,212,778
Short term cash investments	<u>0</u>
Total Assets	<u>\$2,212,778</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Payables	(\$40,280)
Fund Balance	
Reserve for Encumbrances	\$28,234
Unreserved	<u>\$2,224,824</u>
Fund Balance	<u>\$2,253,058</u>
Total Liabilities and Fund Balance	<u>\$2,212,778</u>

FY 2019 Expenditures and Encumbrances (Unaudited)

Personnel	551,170
Supplies	4,472
Postage	6,500
Equipment Rentals/Maintenance	8,118
Education and Research	95,775
Equipment for Office	0
Staff/Commissioner Development	4,313
Resource Materials	2,408
Dues & Subscriptions	279
Mediation	67,307
Miscellaneous	<u>1,097</u>
Total Expenditures and Encumbrances	<u>\$741,439</u>

Revenues and Expenditures For the Year Ending June 30, 2019 (Unaudited)

Revenues	
Fees - Evaluative Mediation	\$226,837
Fees - AOUC Registration	\$533,870
Interest income	<u>\$20,278</u>
Total Revenues	\$780,985
Expenditures	
Excess (deficiency) of revenues over expenditures	<u>\$606,072</u>
	174,913
Fund Balance	
Beginning of Year	<u>2,185,277</u>
End of Year	<u>\$2,360,190</u>

CONDOMINIUM EDUCATION FUND FY 2020 Budget (proposed)

REVENUES	
Application and Renewal Fees	\$80,000
Interest	<u>\$12,000</u>
Total Revenues	\$92,000
EXPENDITURES	
Personnel	\$560,000
	Subtotal \$560,000
<hr/>	
Administrative Expenses	\$22,750
Condominium Program of Work	\$367,262
	Subtotal \$390,012
Total Expenditures and Budget Ceiling	\$950,012

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.