



2003 Annual Report

Real Estate Commission

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

**John Ohama, Chair
Mitchell A. Imanaka, Vice Chair
Iris R. Okawa
Patricia Choi
Peter Rice
Vern M. Yamanaka
Louis E. Abrams
Kathleen H. Kagawa
Marshall D. Chinen**

Hawaii Real Estate Commission

John Ohama
Chair
Oahu

Mitchell A. Imanaka
Vice Chair REC, and Chair, Condominium Review Committee
Oahu

Iris R. Okawa
Chair, Laws and Rules Review Committee
Oahu, Public Member

Patricia Choi
Chair, Education Review Committee
Oahu

Peter Rice
Vice Chair, Condominium Review Committee
Maui

Vern M. Yamanaka
Vice Chair, Education Review Committee
Hawaii

Louis E. Abrams
Vice Chair, Laws and Rules Review Committee
Kauai

Kathleen H. Kagawa
Oahu

Marshall D. Chinen
Oahu, Public Member

Commissioner Completing Term June 30, 2003

Patricia Choi
Chair, Education Review Committee

Commissioner Starting Term July 1, 2003

Trudy I. Nishihara
Vice Chair, Education Review Committee

The Honorable Linda Lingle, Governor, State of Hawaii and Mark E. Recktenwald Director, Department of Commerce and Consumer Affairs:



Aloha!

It is my great privilege to present you with the annual report on the state of the Real Estate Commission for 2003. The Commission currently oversees approximately 15,672 licensees. Of these, 11,548 are active licensees in the State. We also currently oversee approximately 1,460 condominium associations. Registration and fidelity bond requirements no longer apply to both Condominium Hotel Operators and Condominium Managing Agents who are active real estate brokers. This past year has seen an increase in the number of licensees which is reflective of the booming Hawaii real estate industry. While this is good news for Hawaii's economy in general, in particular, the Real Estate Commission is tasked with oversight of an industry that is experiencing the influx of neophyte agents, and the responsibilities of seeing that these inexperienced and also, the experienced real estate licensees are able to serve the consuming public in the best ways possible.

The Real Estate Commission is responsible for education, licensure and discipline of real estate agents, pre-license real estate schools, continuing education providers, condominium projects, condominium associations, condominium managing agents, and certification of pre-license courses and curriculum. It is also responsible for overseeing the development of course curriculum and examinations for broker and salesperson applicants; monitoring activities of the real estate education schools, providers, and instructors, publishing and disseminating reports; and intervening in court cases involving the real estate recovery fund.

Despite losing \$150,000.00 to the State general fund from our Real Estate Education Fund in 2003, the 2003-2004 biennium will hopefully see a new mandatory continuing education core course with a 4 hour curriculum. The Commission approved the hiring of a consultant to develop the core course and for the first time, the consultant will provide an alternative method of delivery via the internet for the core course. This mandatory core course will be part of a larger program to evaluate and update licensee education as a whole. Included in this effort will be the revision of the 20 year old prelicense broker's curriculum. The focus on continuing to improve the quality of education for the Real Estate industry will be a responsibility taken on by the Education Review Committee, headed by Vern Yamanaka, the chair of the committee, and by Trudy Nishihara, the vice-chair of the committee.

The chair of the Laws and Rules Review Committee (LRRC), Iris Okawa, continues to do an outstanding job for the commission. Commissioner Okawa is a public member who is an integral part of our ongoing relationship with ARELLO (Association of Real Estate License Law Officials). She is a member of both the Law and Education Committees of ARELLO. Louis Abrams, commissioner from Kauai, is the vice-chair of the LRRC. Commissioner Abrams is responsible for the sub-committee looking into the challenges associated with implementing rules and regulations that pertain to internet advertising and Virtual Office Websites. This committee will be busy in the next biennium keeping up with all of the new changes in the condominium laws, the changes in education, and the ever-expanding technological changes to the industry. With the very capable leadership of these two commissioners, the committee is well equipped to handle the challenges ahead. The big news from the Real Estate Commission for 2003-2004 will be the introduction of a bill to re-codify HRS 514A, the Condominium Property Regimes law. The re-codification of HRS 514A is long overdue (40+ years) and is being spearheaded by the vice-chair of the commission, Mitchell Imanaka. Mitchell also serves as the chair of the Condominium Review Committee. The vice-chair is Peter Rice from Maui. Gordon Arakaki is the staff attorney who is authoring the bill along with a volunteer "blue ribbon" panel of condominium experts. This re-codification bill will be submitted to the 2004 legislature and the Real Estate Commission humbly asks for your support.

The Real Estate Commission added four new commissioners this last year. Marshall Chinen and Kathleen Kagawa round out the 9-member Commission, and together with the veteran Commissioners, face a year that holds many long-awaited changes that can only improve the real estate industry in Hawaii. Real estate has proven itself to be one of the strong economic pillars that support our state's efforts to weather years of a difficult fiscal environment.

As in years past, the Commission is ably assisted and supported by the Director of the Department of Commerce and Consumer Affairs (DCCA), the Licensing Administrator, the Regulated Industries Complaints Office (RICO), the Attorney General's office, and the Supervising Executive Officer of the Real Estate Branch, Calvin Kimura, and the rest of the Real Estate Branch. On behalf of the commissioners, we would like to thank them all, as well as the many volunteers in the community who have given their time and expertise to contribute to an improved environment for the real estate licensee as well as the general public.

Respectfully Submitted

A handwritten signature in black ink that reads "John Chama". The signature is written in a cursive, flowing style.

Chair of the Real Estate Commission

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



Mark E. Recktenwald, Director
Lawrence M. Reifurth, Deputy Director
Noe Noe Tom, Licensing Administrator

Real Estate Branch:

Calvin Kimura, Supervising Executive Officer
Alan Taniguchi, Executive Officer
Cynthia Yee, Senior Condominium Specialist
Diane Choy Fujimura, Senior Real Estate Specialist
Lorene Kimura, Real Estate Specialist
Cheryl Leong, Condominium Specialist
David Grupen, Condominium Specialist
Gordon Arakaki, Recodification Attorney
Irene Kotaka, Secretary
Tammy Norton, Secretary
Karyn Takahashi, Clerk Stenographer
Robert Ito, Clerk
Jon Gasper, Clerk
Toalua Lavatai, Clerk Typist
Janelle Sarae, Clerk Typist
Tania Nakano, Real Estate Recovery Fund Clerk

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

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Laws and Rules Review Committee Report

The Committee, for FY 2003, led by Chair Iris R. Okawa and Vice Chair Louis Abrams, had an active year on legislation, recovery fund administration, licensing programs, and reactive issues.

Legislation

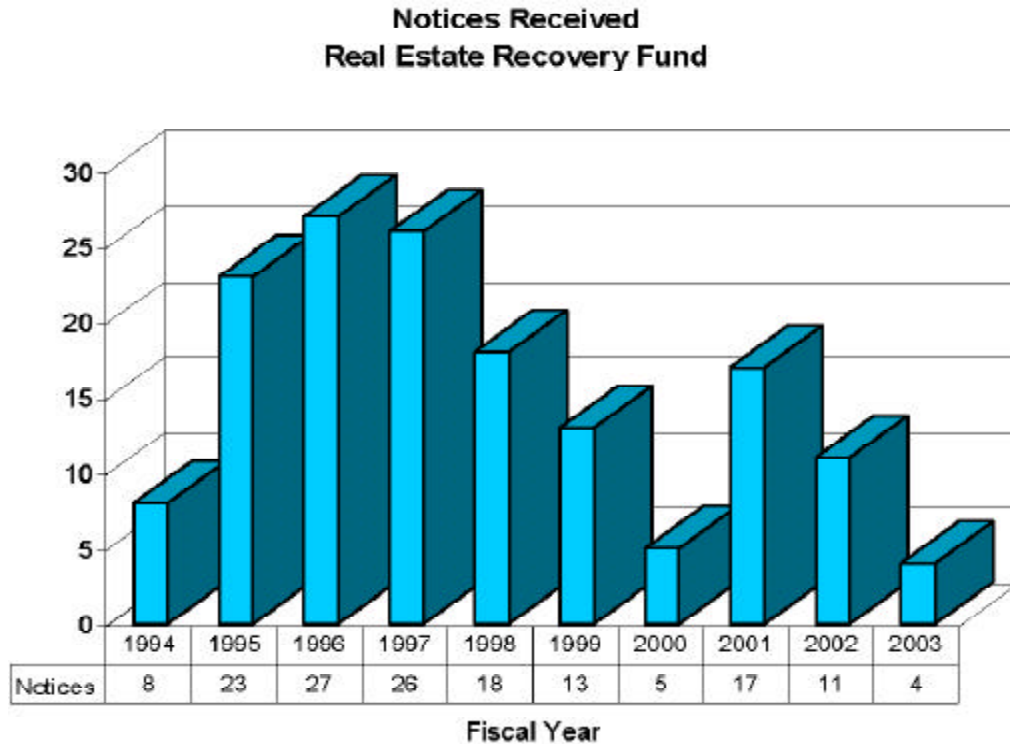
Although there were no Acts amending Chapter 467, HRS, there were other Acts that affect real estate licensees, summarized as follows:

- Act 95 requires applicants for employment as security guard, manager, or a position which allows employee access to the keys of or entry into condominium units or access to association funds to provide the Hawaii Criminal Justice Data Center with personal identifying information to

be used only for the purposes of conducting the criminal history record check.

- Act 133 and Act 226 provides clarification on the law concerning the license denial or license suspension for those with professional or vocational licenses (including real estate licensees) due to the default of a state or federal student loan. The denial or suspension is determined by the agency administering the loan.
- Act 178 authorizes the transfer of \$150,000 from the real estate education fund to the general fund.
- Act 185 requires the Department of Health and the Real Estate Commission to conduct a study and

Chart 1. Recovery Fund - Notices



report to the Legislature on the impact and feasibility of allowing condominium and cooperative housing corporation projects to become licensed as assisted living facilities for its residents.

- Act 194 amends the Landlord-Tenant Code by allowing tenants to exercise reasonable political speech.

Special Subcommittees

For this fiscal year, the Committee expanded the direction of two subcommittees and added another. The three subcommittees are as follows:

- Subcommittee on Internet Advertising and VOWs
- Subcommittee on Referral Fees and License Recognition
- Subcommittee on Property Manager Licensing and Related Issues

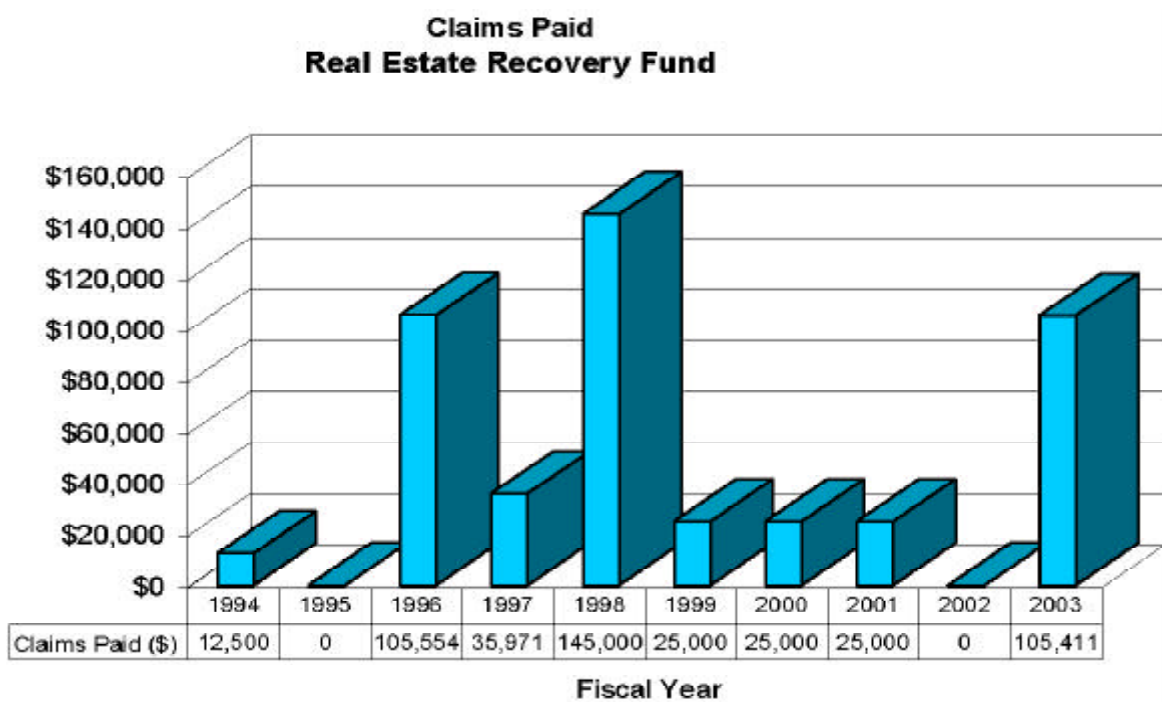
Licensing

The Commission through the Professional and Vocational Licensing Division initiated on-line renewals for real estate licensees with fees payment by credit card. About 30 percent of all real estate licensees renewed on-line, which is slightly above national average statistics for the initial on-line renewals.

Real Estate Recovery Fund

The Commission is trustee of the real estate recovery fund which is intended to provide a measure of compensation to consumers injured by the fraud, misrepresentation, or deceit of real estate licensees. One of the statutory requirements for obtaining payment from the fund is notifying the Commission of the filing of a court action that may result in payment from the fund. During FY 2003, the Commission received notification in four cases, a 6% reduction from the notices received in 2002. See Chart 1.

Chart 2. Recovery Fund - Claims Paid



In FY 2003, there were five payments paid out of the recovery fund. Since its inception in 1967, the recovery fund has paid out a total of \$1.9 million. See Chart 2.

FY 2003 Program of Work

Laws and Rules Review Committee

Real Estate Recovery Fund - Administered the statutory requirements, contracts with consultant attorneys, notice of claims, court orders for payouts, dissemination of information, financial responsibilities of the fund, records management, and the development of reports.

Rule Making, Chapter 99 - Studied, evaluated, researched, and develop rule amendments for the formal rule making process; implemented the SWAT project on rules.

Rule Making, Chapter 53, Fees - Monitor, review, research, and make recommendations on rule amendments for fees through coordination with the Licensing Administrator.

Real Estate Licensing, Registration & Certification Administration - Administered the licensing, registration, and certification requirements including applications, review, policies, procedures, appeals, subpoenas, and requests for records under OIP.

License Renewals - Administered the renewal of real estate licenses including re-registrations; implement plan, conduct workshops, and disseminate information.

Meetings - Administered the monthly committee meeting.

Advice, Education, and Referral - Responded and provided information to inquiries via telephone, walk-ins, faxes, written, emails, and through the Commission's website; printed and distributed Commission developed information; and responded to inquiries from government officials.

Neighbor Island Outreach - Held two committee meetings at neighbor island sites.

Legislative Acts and Resolutions - Reviewed, reported, and developed summary on all related acts and resolutions; implemented requirements of directly related acts and resolutions.

Legislative and Government Participation - Participated in the legislative sessions; provided briefings and acted as resource to Legislators, government officials, and staff; researched and submitted testimony on bills and resolutions including oral testimony; and assisted Legislators and government officials in responding to the community.

Interactive Participation with Organizations - Continued active participation with Hawaii, Pacific Rim, national, and international organizations and government agencies for the exchange of information and concerns, sharing of educational and research efforts, joint projects and mutual concern, training, etc.

Review of Services and Organization - Analyzed and initiated steps to improve the services provided, to streamline for effectiveness and efficiency, amendments to laws, amendments to rules, amending forms, amending the system, staffing, equipment, reorganization, etc. Conducted meetings and exchanges with Licensing Branch personnel.

Application Processing and Forms –

Studied and evaluated the processing of application forms, evaluated and amended forms and instructions; assisted in mainframe computer programming issues. Studied and reported on other electronic/computer methods to improve application processing and providing a database, including additional uses of bar coding and services offered by testing companies and others.

ARELLO National Disciplinary Action Data

Bank – Continued participation in the ARELLO National Disciplinary Action Data Bank to assist in background review of applicants and assist in consumer protection nationally.

Commissioners Education Program –

Researched and provided reference materials to Commissioners, provided orientation sessions for new Commissioners, and conduct periodic workshop for all Commissioners.

Division and Department Programs –

Coordinated and worked with PVL, DCCA, and others on any program of mutual concern, joint program with ERC and CRC.

HUD/ARELLO Fair Housing Agreement –

Administered the terms of the agreement and coordinate annual review by HUD officials. Participate with ARELLO Fair Housing Committee and work with ARELLO on the terms of the agreement.

Case Law Review Program –

Monitored, collected, and reported on case law, disciplinary actions, judgments and decisions on Hawaii court cases, federal court cases, and other states court cases; material cases to be considered for Real Estate Bulletin and website.

FY 2004 Program of Work

LAWS AND RULES REVIEW COMMITTEE

Real Estate Recovery Fund
Real Estate Licensing, Registration, &
Certification Administration
Advice, Education, and Referral
Rule Making, Chapter 99
Subcommittees
 Internet advertising/VOWS
 Referral fees/License Recognition
 Property Management and related
 issues
Meetings
Legislative and Government Participation
Interactive Participation with
Organizations
Legislative Acts and Resolutions
Neighbor Island Outreach
Licensing Renewal
Review of Services and Organization
Application Processing and Forms
ARELLO National Disciplinary Action
Data Bank
Case Law Review Program
Rule Making, Chapter 53, Fees

Administrative Actions

Disciplinary Actions

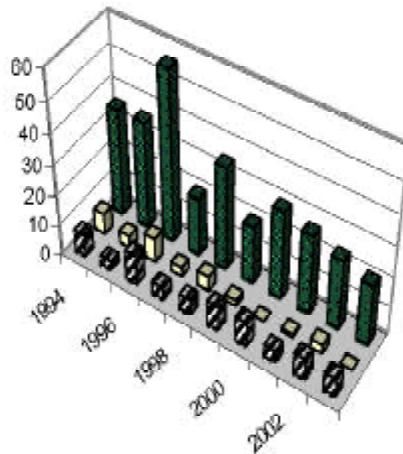
The Commission took disciplinary action against 23 licensees in FY 2003. This was a 39% decrease over the 41 licensees disciplined in FY 2002. Fines totaling \$40,250 were assessed against 20 of the licensees. Six licensees had their licenses revoked. There were no license suspensions. Table 4 provides detail on disciplinary actions and Chart 17 shows the distribution by the type of real estate activity involved in the case. Chart 16 provides historical information on the number of licensees disciplined.

Table 4. Administrative Actions

FY 2003 Administrative Actions

No. of Licensees Disciplined - By Category	
General Brokerage	9
Failure to maintain license	1
Advertising	3
Property Management	7
Crime related to profession	1
Tax Obligations	2
Total	23
Licenses Revoked	6
Licenses Suspended	0
Licenses Fined	20
Total fines	\$40,250
Licenses Subject to Other Sanctions	6

**Administrative Actions - Sanctions
FY 2003**



	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Licenses Revoked	7	3	10	4	5	8	8	4	7	6
Licenses Suspended	7	4	8	3	5	2	0	1	3	0
Licenses Fined	35	35	56	19	34	19	29	26	23	20

Chart 16. Disciplinary Actions

Disciplinary Actions 1994 - 2003

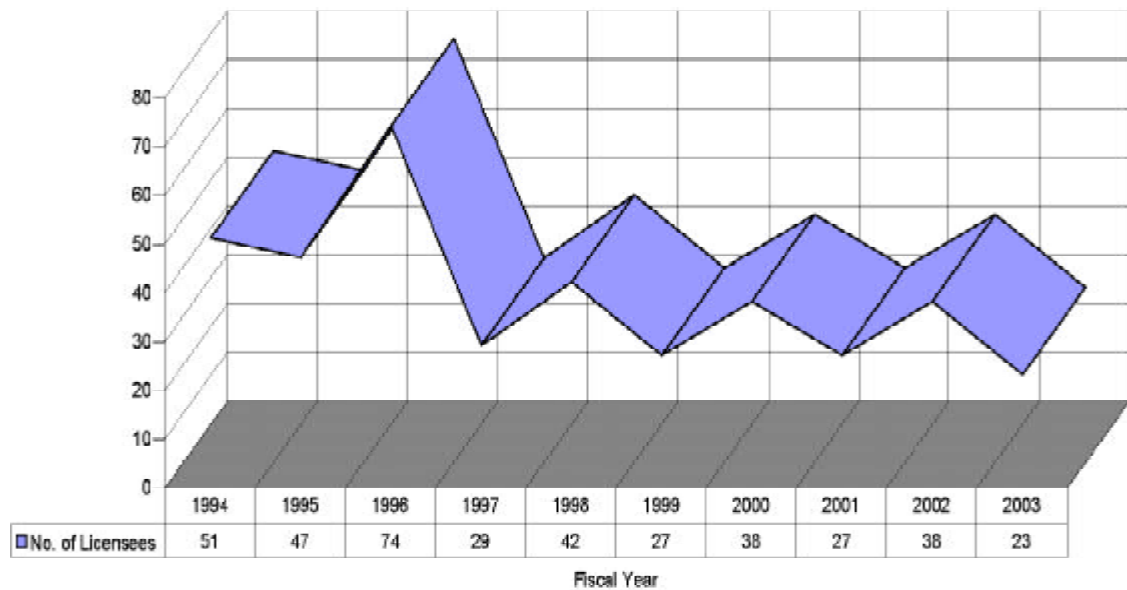
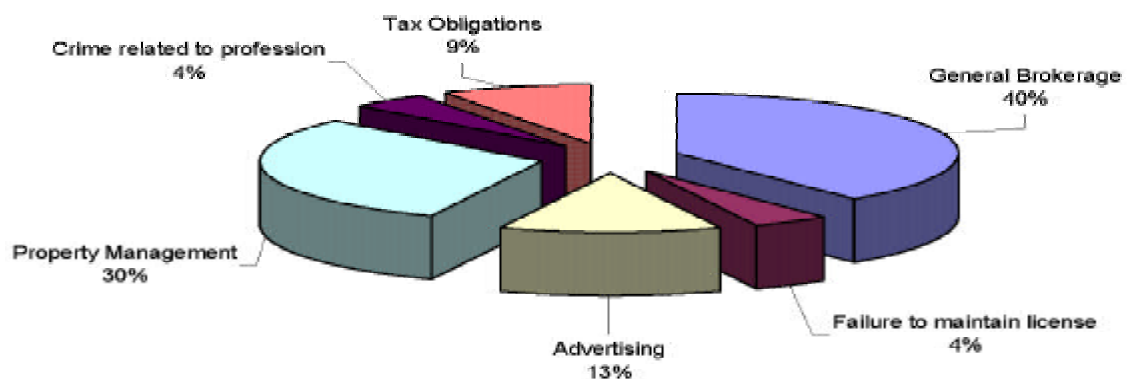


Chart 17. Disciplinary Actions By Activity

Disciplinary Actions by Activity FY 2003 (No. of Licenses)



Regulated Industries Complaints Office (RICO)

RICO receives, investigates and prosecutes complaints against real estate licensees for violations of laws and rules. Complaints have been on a general decline since 1990, and this year, after a slight rise in FY 2002, again declined by 36%. RICO received 64 real estate complaints in FY 2003, compared to 100 in FY 2002. Refer to Chart 18.

Forty-two (42) of the complaints are pending while 17 have been closed. Of the closed complaints, there was insufficient evidence in 3 cases, warning letters were issued in 7 cases, 3 cases were closed - records only, no violation was found in 2 cases, 1 case was closed

due to prior action, and legal action was taken in 1 case.

Charts 19 and 20 show the number of cases in which specific provision of law or rule were violated or alleged to be violated. The allegations are based on RICO complaints. The violations found or admitted show the number of disciplinary action cases in which the licensee(s) admitted or the hearings officer found a violation of a specific rule or law. In disciplinary actions that are concluded by settlement agreement, there often is no admission of violations.

Chart 18. RICO Complaints

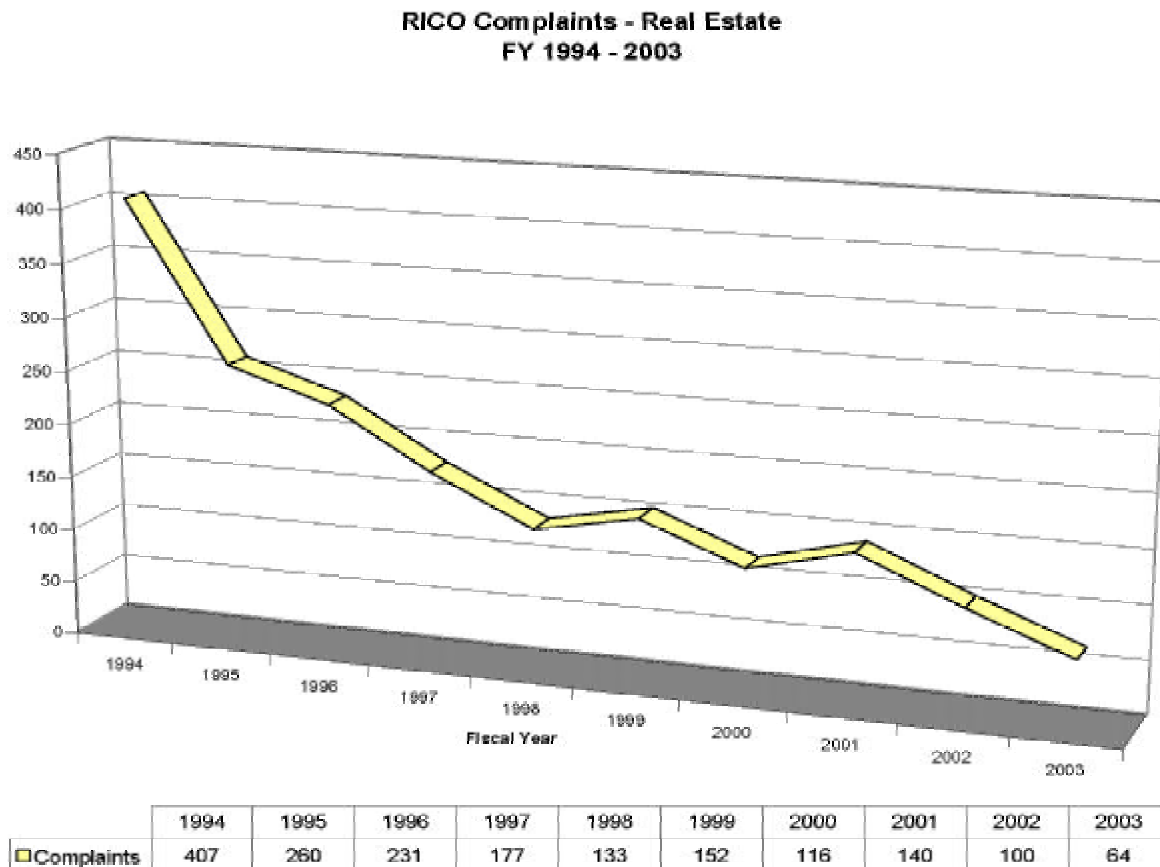
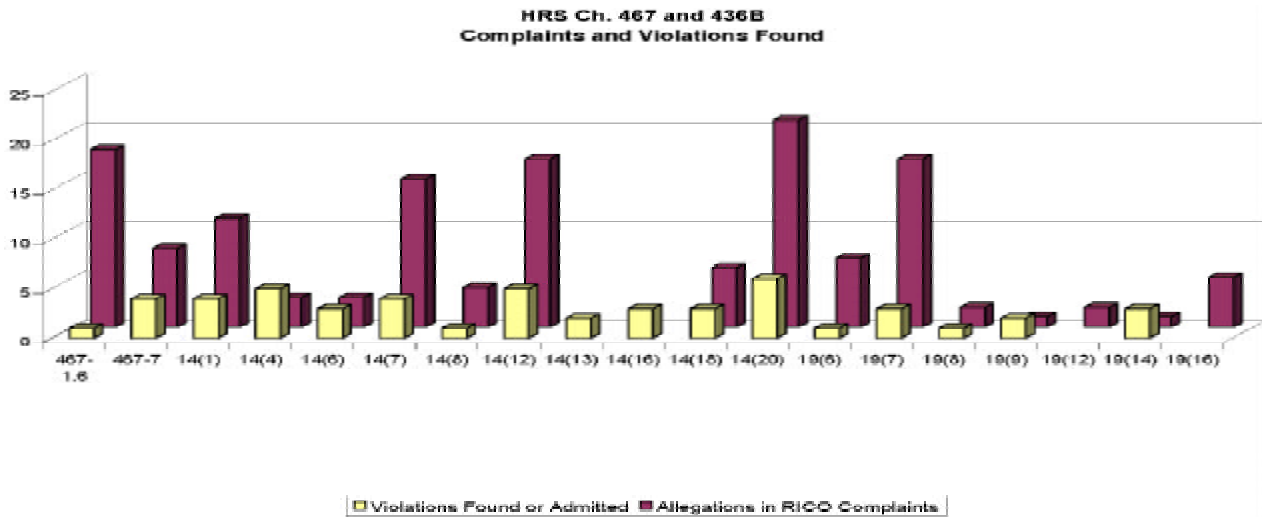
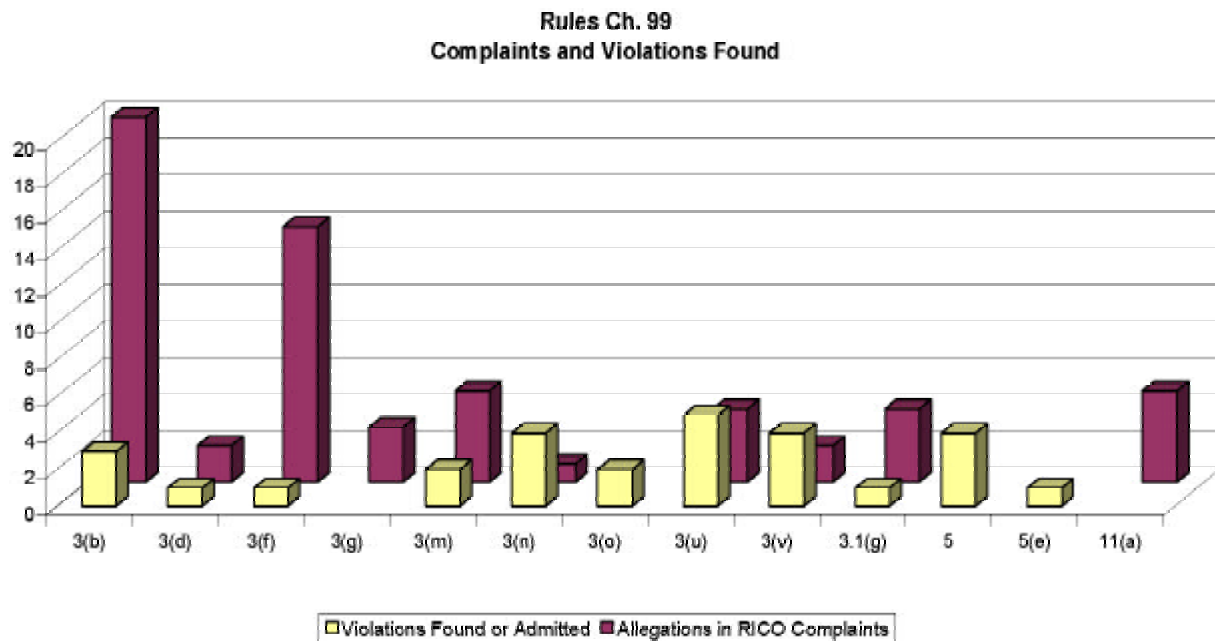


Chart 19. Statutory Violations



<p>§467-1.6 Principal broker shall have direct management and supervision of the firm and its licensees.</p> <p>§467-7 License required to act as real estate broker or salesperson.</p> <p>§467-14(1) Making any misrepresentation concerning any real estate transaction.</p> <p>§467-14(4) Without first having obtained the written consent to do so of both parties involved in any real estate transaction, acting for both the parties in connection with the transaction, or collecting or attempting to collect commissions or other compensation for the licensee's services from both of the parties.</p> <p>§467-14 (6) Salesperson acting or attempts to act as real estate broker or represents or attempts to represent any real estate broker other than the one employed or associated with.</p> <p>§467-14(7) Failing to account for moneys belonging to others.</p> <p>§467-14(8) Conduct constituting fraudulent or dishonest dealings.</p> <p>§467-14(12) Licensee fails to obtain on the contract between the parties to the real estate transaction confirmation of who the real estate broker represents.</p> <p>§467-14(13) Violating this chapter, chapters 484, 514A, 514E, or 515, or section 516-71, or the rules adopted pursuant thereto.</p> <p>§467-14(16) Converting other people's money's to the licensee's own use.</p> <p>§467-14(18) Failing to ascertain and disclose all</p>	<p>material facts concerning every property for which the licensee accepts the agency, so that the licensee may fulfill the licensee's obligation to avoid error, misrepresentation, or concealment of material facts.</p> <p>§467-14(20) Failure to maintain a reputation for or record of competency, honesty, truthfulness, financial integrity, and fair dealing.</p> <p>§436B-19(6) Aiding and abetting an unlicensed person to directly or indirectly perform activities requiring a license.</p> <p>§436B-19(7) Professional misconduct, incompetence, gross negligence, or manifest incapacity in the practice of the licensed profession or vocation.</p> <p>§436B-19(8) Failure to maintain a record or history of competency, trustworthiness, fair dealing, and financial integrity.</p> <p>§436B-19(9) Conduct or practice contrary to recognized standards of ethics for the licensed profession or vocation.</p> <p>§436B-19(12) Failure to comply, observe, or adhere to any law in a manner such that the licensing authority deems the applicant or holder to be an unfit or improper person to hold a license.</p> <p>§436B-19(14) Criminal conviction, whether by nolo contendere or otherwise, of a penal crime directly related to the qualifications, functions, or duties of the licensed profession or vocation.</p> <p>§436B-19(16) Employing, utilizing, or attempting to employ or utilize at any time any person not licensed under the licensing laws where] licensure is required.</p>
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Chart 20. Rule Violations



<p>§16-99-3(b) Licensee shall protect the public from fraud, misrepresentation, or unethical practices in the real estate field.</p>	<p>§16-99-3(u) The licensee shall not add to or modify the terms of an instrument previously signed or initiated by a party to a transaction without written consent of all the parties.</p>
<p>§16-99-3(d) Licensee shall recommend that title be examined, survey be conducted, or legal counsel be obtained when the interest of either party requires it.</p>	<p>§16-99-3(v) Licensee shall not convert other people's moneys to the licensee's own use.</p>
<p>§16-99-3(f) Licensee shall see that financial obligations and commitments are in writing.</p>	<p>§16-99-3.1(g) Licensee may not be the agent for both the buyer and the seller without obtaining the written consent of both the buyer and the seller.</p>
<p>§16-99-3(g) Licensee shall not acquire property without making the true position known in writing to the owner.</p>	<p>§16-99-5 Each individual licensee shall file with the commission and shall notify the commission of any change in writing, within ten days of the change, of a form provided by the commission.</p>
<p>§16-99-3(m) A principal broker or broker in charge shall be immediately responsible for the real estate operations conducted at the place of business.</p>	<p>§16-99-5(e) Any licensee whose license has been forfeited, suspended, revoked, or terminated shall immediately cease employment and shall return the licensee's wall certificate and identification card to the commission.</p>
<p>§16-99-3(n) A broker shall maintain a place of business located in this state at a business address registered with the commission from which the broker conducts business and where the broker's books and records are maintained.</p>	<p>§16-99-11(a) All real estate advertising and promotional materials shall include the legal name of the brokerage firm or a trade name previously registered by the brokerage firm with the business registration division and with the commission.</p>
<p>§16-99-3(o) A principal broker shall advise the commission in writing about absences of more than 30 days and designate another broker as the temporary principal broker.</p>	

Education Review Committee Report

The Committee, for FY 2003, under the leadership of Chair Patricia Choi and Vice Chair Vern Yamanaka, continued to address important and varied education issues.

Specialists' Office for the Day

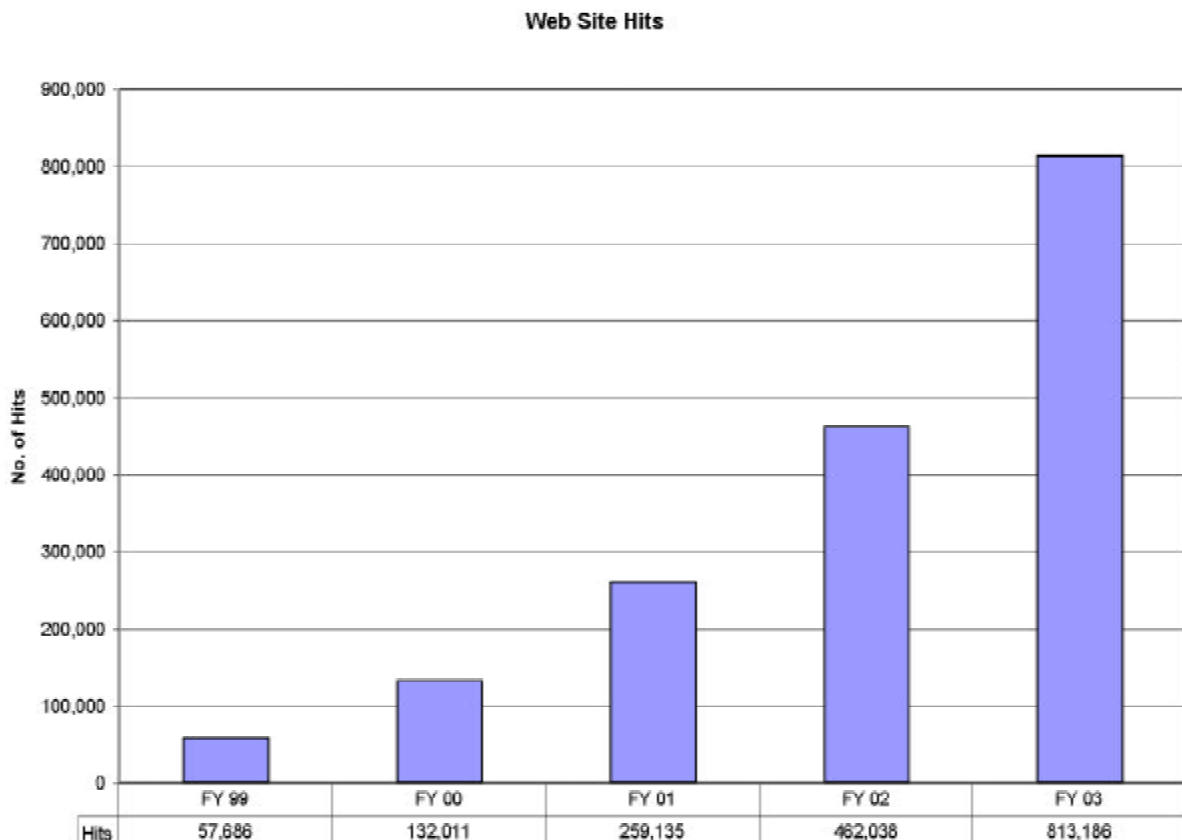
The Specialists' Office for the Day provides staff with an opportunity to meet in person with licensees, applicants, prospective licensees, and members of the public. An additional benefit when the sessions are held at the local Board of REALTORS®' offices is the opportunity to exchange information with the staff and membership of the local Boards.

The real estate specialists visited Maui and Kona in FY 2003. In November 2003, the Real Estate Branch staff visited Kauai, Maui, Kona and Hilo for license renewal workshops.

Neighbor Islands Outreach

The Commission convenes its standing committee meetings on a neighbor island two to three times a year. The committees met in Maui in January and in Kona in June. The meetings afford neighbor island licensees, government officials, and interested parties an opportunity to attend and participate in committee meetings.

Chart 3. Web Site Hits



Continuing Education

During the fiscal year, there were 97 approved CE courses, an increase over the 66 approved CE courses in the previous fiscal year, and 38 of the courses were national courses. There were 19 CE providers. CE providers offered 376 classes to 18,575 participants as compared to the previous fiscal year of 867 classes offered to 7,575 participants. The increase in number of participants are reflective of a license renewal year.

instructors. The number of approved prelicense schools increased by 2 to 14. There were 139 broker candidates and 1,601 salesperson candidates who completed the courses during the fiscal year.

During the fiscal year, there were 423 applications approved for equivalency to the prelicensing education requirement. In addition, there were 261 applications approved for prelicensing experience for broker candidates. Both types of applications more than doubled in FY 2003.

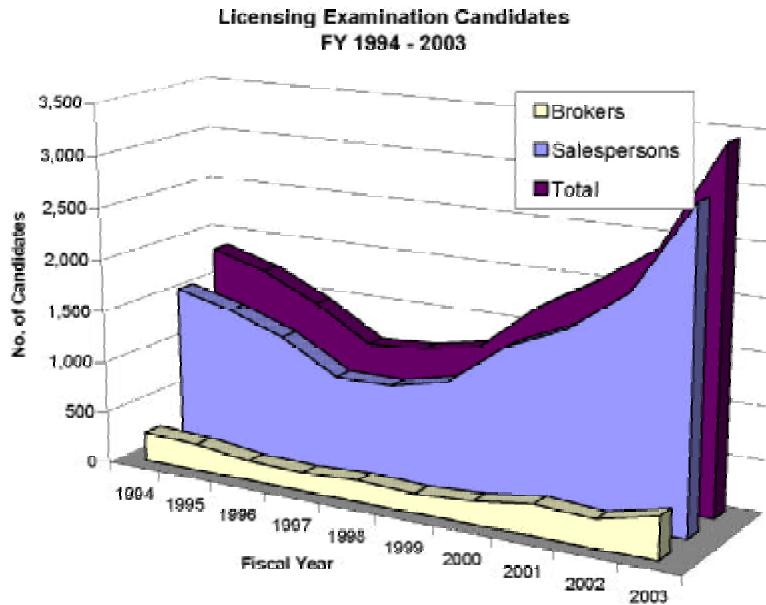
Prelicense Education and Experience

At the end of FY 2003, there were 25 certified prelicense

Real Estate Licensing Examination

CAT*ASI, the Commission's examination provider changed its name to Promissor in 2002 when Houghton Mifflin Co., a division of Vivendi Universal

Chart 4. Licensing Examination Candidates 1994 - 2003



	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Brokers	278	255	193	178	207	187	224	304	269	409
Salespersons	1,575	1,444	1,258	952	955	1,082	1,504	1,744	2,158	3,012
Total	1,853	1,699	1,451	1,130	1,162	1,269	1,728	2,048	2,427	3,421

Publishing, purchased CAT*ASI. Promissor continued offering five days a week testing in Honolulu, and twice a month testing in Waikoloa, Kahului, and Kauai. As shown in Chart 4, and Table 1, the number of examination candidates increased 71% over last fiscal year. Staff periodically monitors the examination administration on each island to assure facilities and procedures comply with Promissor and Commission policies.

Table 1. Real Estate Licensing Examination

REAL ESTATE LICENSING EXAMINATION			
	FY 2002	FY 2003	% Change
Brokers Tested	269	409	52.0%
Salespersons Tested	2158	3012	39.6%
Total Tested	2427	3421	41.0%
Brokers Pass	125	171	36.8%
Salespersons Pass	1803	1939	7.5%
Total Passed	1928	2110	9.4%
% Brokers Pass	46.5%	41.8%	
% Salespersons Pass	83.5%	64.4%	

There were 262 applications approved for equivalency to the uniform section of the examination to candidates licensed in another state who passed that state's uniform section of the examination. This represents another substantial increase over the last fiscal year's total of 186 approvals, a 29% increase.

Interactive Participation with Other Organizations

The Commission continued its participation in events sponsored by local and national organizations. In Hawaii, Commissioners and staff participated in

a number of events with the Hawaii Association of REALTORS®, Kauai Board of REALTORS®, REALTORS® Association of Maui, Hawaii Island Board of REALTORS®, and Kona Board of REALTORS®. On a national level, the Commission continued its active participation in the Association of Real Estate License Law Officials (ARELLO) and Real Estate Educators Association (REEA). Participation in national organizations offers an opportunity to learn about the latest issues, trends, and solutions in the industry and other jurisdictions.

Advice, Education, Referral

The staff continued to field an enormous number of telephone, walk-in, written inquiries, faxes, and e-mails. For real estate, the fiscal year produced 18,864 telephone inquiries, 1,417 walk-in inquiries, 14,753 written inquiries/ written requests, faxes, and 3,889 e-mails. See Chart 5.

Website Hits

The ease of access to the Commission's website, www.hawaii.gov/hirec, seven days a week and 24 hours each day for information, forms, and applications has provided over 813,186 hits during the fiscal year. This represents a dramatic 76% increase over last fiscal year's total of 462,038 hits. See Chart 3. The upsurge of website hits may have impacted the number of telephone calls, and walk-ins, as information available through these conventional means, is now readily and easily available on the Commission's website. It appears that the Commission's website is the number one communication tool with the real estate and consumer communities. Electronic access to the Real Estate Branch staff

increased dramatically. Staff expects to reflect the ease and importance of electronic communication and information dissemination in its program of work.

Publications

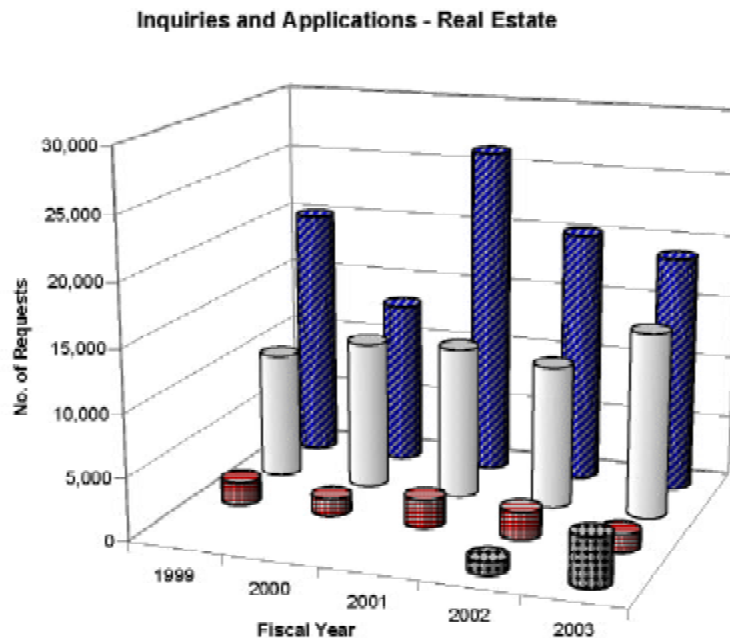
The Commission continues to publish the Hawaii Real Estate Bulletin in a traditional newsletter format that is mailed to all current licensees, Legislators, government officials, ARELLO jurisdictions, and other interested parties. It is also available in electronic format on hirec. While the Bulletin provides articles on current licensing and real estate issues, its usefulness in communicating information with immediacy has been supplanted by

hirec.

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

In contrast to the Bulletin and School Files, the Commission’s Annual

Chart 5. Inquiries and Applications



	1999	2000	2001	2002	2003
E-mail *				1,052	3,888
Walk-ins	1,852	1,400	2,241	2,185	1,417
Applications / written requests	10,072	11,770	12,068	11,343	14,753
Telephone calls	20,038	13,050	28,295	20,184	18,864

* For the period November 01 -- June 03

Report is primarily an electronic publication. A limited number of printed copies are distributed to the Legislature and Governor. Interested licensees and members of the public may download and print the report on hirec.

Licenseses

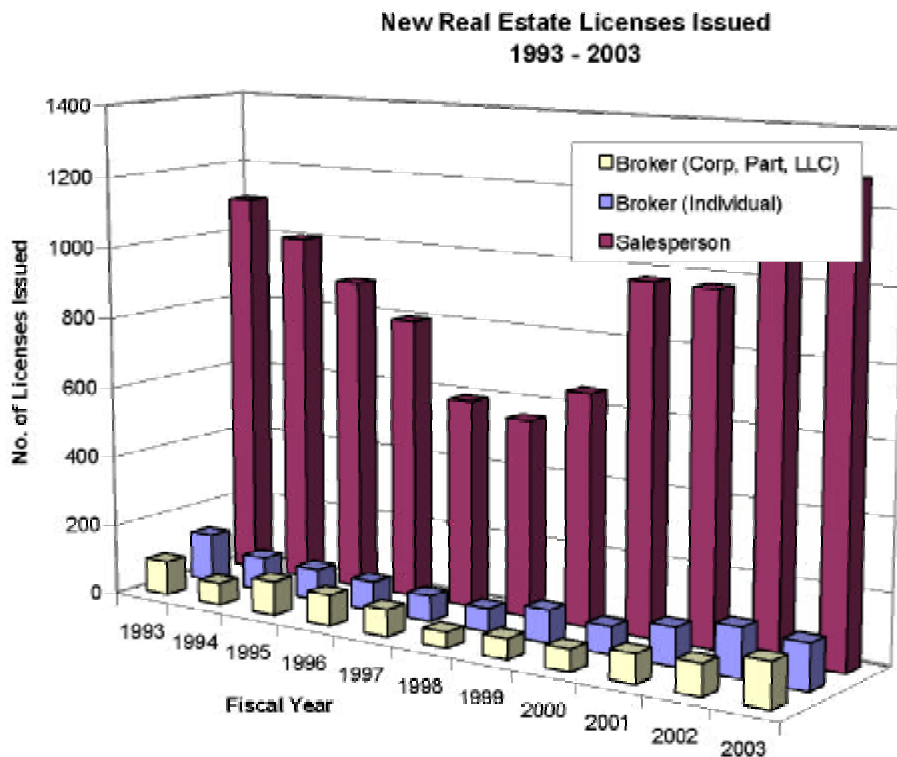
New Licenses

The number of new licenses issued in FY 2003 increased 15% over the prior fiscal year. During the year, 1,534 new licenses were issued. Individual broker licenses decreased by 7%, new salesperson licenses increased by 15%, and new entity licenses increased by 45%.

Current Licenses

The overall number of current real estate licenses decreased 2% by the end of FY 2003. In FY 2003, active licenses increased 7% over last year while inactive licenses increased 18%. There was a 5% increase of active licenses on Oahu, and modest growth on the neighbor islands with Hawaii increasing 7%, Maui 12%, and Kauai 12%. Refer to Table 2.

Chart 6. New Real Estate Licenses Issued



	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Broker (Corp, Part, LLC)	95	61	94	86	76	44	58	61	81	88	128
Broker (Individual)	135	94	88	81	71	68	92	78	107	138	128
Salesperson	1,098	997	886	793	586	553	651	971	968	1111	1278

Table 2. Current Real Estate Licensees

Current Real Estate Licensees (July 2003) by License Type and Island

	Oahu	Hawaii	Maui	Kauai	Molokai	Lanai	Other	Total
Active								
Broker	1,662	347	358	169	7	4	56	2,603
Salesperson	3,312	832	1,283	577	19	6	6	6,029
Sole Proprietor	803	113	101	45	4	1	3	1,070
Corporation, Partnership, LLC	624	120	127	49	3			923
Total Active	6,401	1,412	1,869	840	33	11	59	10,625
Inactive								
Broker	308	51	23	16	1	1	123	523
Salesperson	2,072	374	469	269	2	3	338	3,527
Corporation, Partnership, LLC	17	7	6	3			4	37
Total Inactive	2,397	432	498	288	3	4	465	4,087
Active and Inactive								
Broker	1,970	398	381	185	8	5	179	3,126
Salesperson	5,384	1,206	1,752	846	21	9	338	9,556
Sole Proprietor	803	113	101	45	4	1	3	1,070
Corporation, Partnership, LLC	641	127	133	52	3	0	4	960
Total	8,798	1,844	2,367	1,128	36	15	524	14,712

Chart 7. Real Estate Licensees - By Island

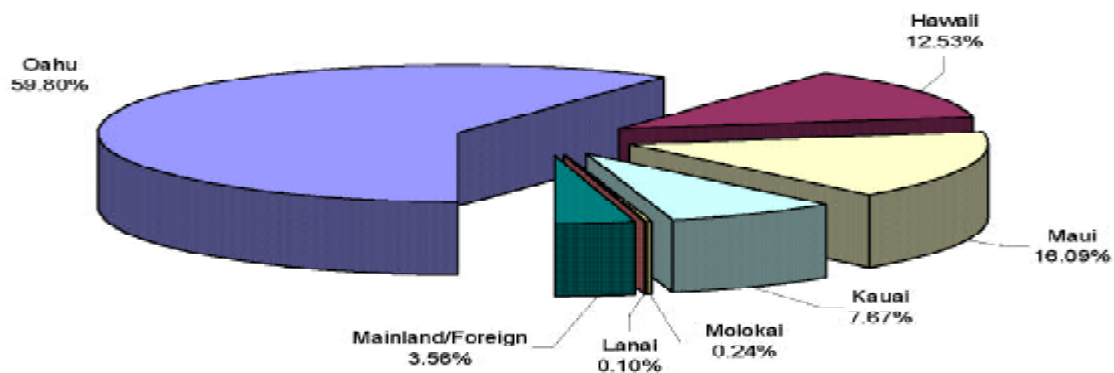
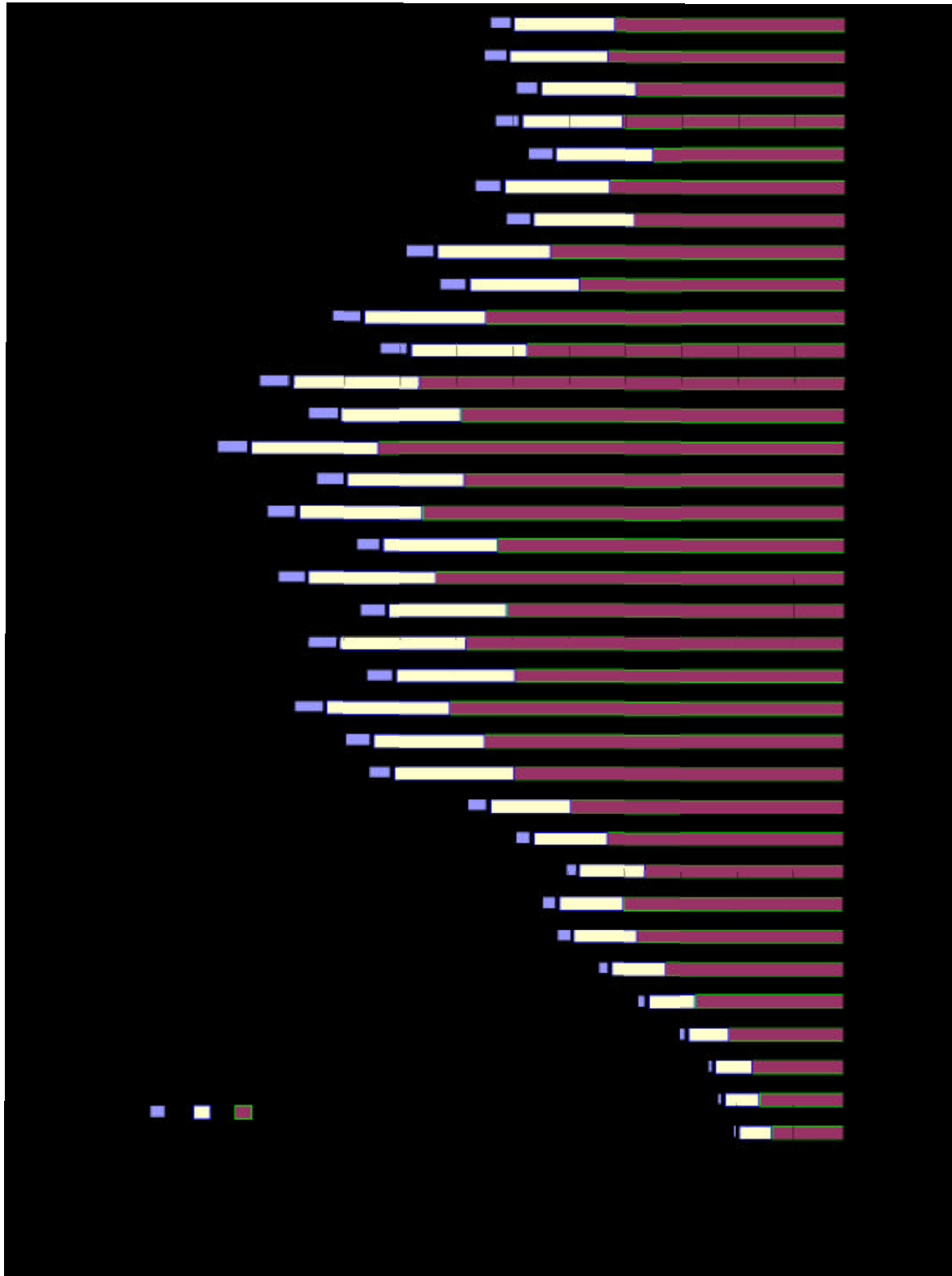
Real Estate Licensees - By Island
Active and Inactive
July 2003

Chart 8. Total Real Estate Licensees



FY 2003 Program of Work

Education Review Committee

Continuing Education 2002-2003 Core Course – Research and develop the core course on law update, rules update, and ethics for licensing biennium; and provide recommendations on the future of the core course.

Evaluation and Education System for CE and Prelicensing Instructors – In a collaboration with the Hawaii Association of REALTORS® and HARES, continue to administer evaluation system of prelicensing and continuing education instructors.

Broker Curriculum and Resources - Develop and implement amended broker curriculum.

Administration of Prelicense Education Program, Schools and Instructors – Administration of prelicense school and instructors, applications, approval process, information, renewals, certification, records management, re-evaluation, etc. Coordination of instructor's examination program. Administration of evaluation system on schools and instructors. Research, development, printing, and distribution of quarterly *School Files*, a bulletin for educators; a joint program with the Continuing Education Program.

Administration of Examinations – Administration of real estate licensing examination program, including contract administration with Promissor, information, trouble shooting, review and amendments to application booklets, periodic reports, EXPro daily exams, etc.

Administration of Continuing Education Elective Courses – Provide administrative information to elective course providers and

licensees, assist providers in submissions, review submission applications, review submitted curriculum, make recommendations, and records management.

Administration of Continuing Education Program, Providers, and Instructors – Administration of the continuing education program, providers, instructors, courses, information center, records management, etc. Research, development, printing, and distribution of quarterly *School Files*, a bulletin for educators; a joint program with Prelicense Education Program. Development, printing, and distribution of continuing education course schedule.

Real Estate Education Fund (REEF) – Maintenance and review of budget, finance, and records for REEF; preparation of monthly and annual financial statements; preparation of annual biennial budgets; and administration of fund investment programs, including contract administration and procurement code management.

Annual Report and Quarterly Bulletin – Research, development and distribution of the Commission's annual report. Research, edit, printing, and distribution of quarterly REC bulletin; and contract administration with consultant, procurement code management.

Meetings and Symposium – Plan, coordinate, and conduct monthly Education Review Committee meetings.

Advice, Education, and Referral – Provide advice, education, and referral to applicants, licensees, government

officials, consumers, public, organizations, etc., including research, reproduction, mailing, etc. Develop a distribution system of educational and informational products to each principal broker and broker in charge. Publish and distribute educational and informational materials; provide educational materials through REC website.

Neighbor Island Outreach – Hold two ERC meetings on neighbor island sites.

Interactive Participation with Organizations – Active participation with Hawaii, Pacific Rim, national and international organizations and government agencies for the exchange of information and concerns, sharing of educational and research efforts, joint projects of mutual concern, training, etc.

Real Estate Seminars – Provide for a statewide seminar for real estate licensees and/or consumers through a contractor via subsidy, sponsoring, assisting, or co-sponsoring.

Legislative Participation, Research, and Report – Research, participate, and/or report on any request by the Legislature, including resolutions, agreements, and issues of mutual concern.

Real Estate Specialist Office of the Day – Real Estate Specialists set up office at RICO neighbor island offices or other sites to provide advice, education, and referral with advanced publicity, mailouts, and appointments; upon request, provide training to RICO investigators.

Real Estate Speakership Program – Subject to State government approvals and priorities, honor request to provide a speaker, resource person, or participant in a function related to real estate education.

Instructor's Development Workshop – Development, sponsoring, coordination, and/or production of instructor development workshops for prelicensing and continuing

education instructors to meet rule requirements.

Uniform Section Equivalency of Prelicensing Examination – Administer applications on the equivalency to the uniform part of the exam, passage of the uniform part of another state's exam. Implement ASI contract provision and new law on utilizing either part of exam for different purposes.

Prelicensing Education Equivalency Administration – Administer applications for prelicensing education equivalencies including consultation with ARELLO.

Records Management – Evaluate, plan, reorganize, and implement a centralized, consistent, user friendly, computerized glossary of the existing and future records and files.

Real Estate Reference Library – Subscribe and purchase real estate reference materials for public review, study and report on the feasibility of a program through the Hawaii State Library system similar to the Condominium Review Committee's program.

New Technology Program and REC Website – Administration of in-house and network computer system, coordination with DCCA's coordinator, training of staff, purchases of hardware and software, programming, etc.

Information Distribution System – Research, development, and implementation of a centralized information distribution system for all the education products produced by the REC and HREREC; a standardized policy and procedure for distribution, purchasing, copyright, specific permission copying or generic permission copying of brochures, reports, video tapes, etc.

New Salesperson and New Broker

Startup Kits – Package and distribute startup kits to newly licensed salespersons.

Cooperative Education, Research, and Administration Program

– Actively participate and sponsor cooperative education, research and administrative programs for those persons, Branches, Divisions, Department personnel, Attorney General's Office that provide direct or indirect services to REC or are part of a real estate related program.

Division and Department Programs

– Coordinate activities and programs of mutual concern with PVL and DCCA.

Staff and Commissioners Development

– Development and training of staff and commissioners for better administration of the real estate programs. Participate in training and educational opportunities provided by REEA, ARELLO, CAI, CLEAR and other organizations.

FY 2004 Program of Work

EDUCATION REVIEW COMMITTEE

Continuing Education Core Course
Broker Curriculum and Resources
Advice, Education, and Referral
Administration of Prelicense Education Program, Schools, and Instructors
Administration of Examinations
Administration of Continuing Education Program, Providers, and Instructors
Administration of Continuing Education Elective Courses
Meetings and Symposium
Annual Report and Quarterly Bulletin
Real Estate Education Fund (REEF)
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
Real Estate Specialist Office of the Day
Real Estate Speakership Program
Prelicensing Education Equivalency
Administration Uniform Section Equivalency of Prelicensing Examination
New Technology Program and REC Website
Records Management
Information Distribution System
New Salesperson and New Broker Startup Kits
Cooperative Education, Research, and Administration Program
Division and Department Programs
Staff and Commissioners Development
Real Estate Reference Library

Condominium Review Committee

Chair Mitchell Imanaka and Vice Chair Peter Rice directed the Condominium Review Committee's 2003 fiscal year program of work.

The Condominium Review Committee (CRC) is a Commission standing committee that holds monthly public meetings in which condominium issues are presented, discussed, examined, and considered. This is a working committee that handles "nuts and bolts" issues. Developers, apartment owners, board of directors, condominium managing agents, attorneys, educators, researchers, government officials, and others with condominium concerns participate at the meetings. The responsibilities of the CRC include: registration of condominium projects by developers; condominium association (AOAO) and condominium hotel operator (CHO) registrations; and governance, education and research programs, inclusive of the programs funded under the Condominium Education Fund (CEF).

In response to Act 213 (SLH 2000), this fiscal year the CRC continued to direct a substantial portion of its program of work to implementing the Commission's workplan and timetable for recodifying the state Condominium Property Regimes law (Chapter 514A, HRS). The workplan, timetable and status reports are readily available at the Commission's website at <http://www.hawaii.gov/hirec>. As mandated by the Act, the Commission is submitting to the legislature a separate report about its recodification efforts and draft legislation.

Additionally, the CRC, without compromising consumer protection measures, continued in its efforts to minimize government involvement in those condominium governance areas legislatively intended for self governance; and streamlined the registration of condominium projects, AOAOs, and CHOs. The CRC also continued its subsidy of programs in the condominium education area in approving seminars for CEF subsidy. The CRC also continued its work on making CEF subsidized mediation services available to the neighbor island condominium communities. The Commission respectively renewed existing contracts with the Mediation Center of the Pacific, Inc., Mediation Services of Maui, Inc.; Kauai Economic Opportunity, Inc., Big Island Mediation, Inc., dba West Hawaii Mediation Services; and The Island of Hawaii YMCA (Ku'ikahi Mediation Center). In addition, the CRC continued the implementation of its ongoing programs.

The enactment of new laws at the end of the fiscal year impacted the CRC's Advice, Education, and Referral program of work item. Condominium board members, apartment owners, CMAs and interested others inquired about the following new laws: acquisition of title and responsibility of the mortgagee of record or other purchaser of the apartment to pay its share of the common expenses in a nonjudicial power of sale foreclosure; extension of the sunset date for Act 39 (SLH 2000) to December 31, 2007 allowing associations to specially assess delinquent common expenses against a purchaser who purchased a delinquent apartment from a seller holding the mortgage on the delinquent apartment; the conduct of election by mail by planned community associations with no fewer than 2,500 members; requirements for a security guard, manager and other

Condominium Apartment Owners on the Commission

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

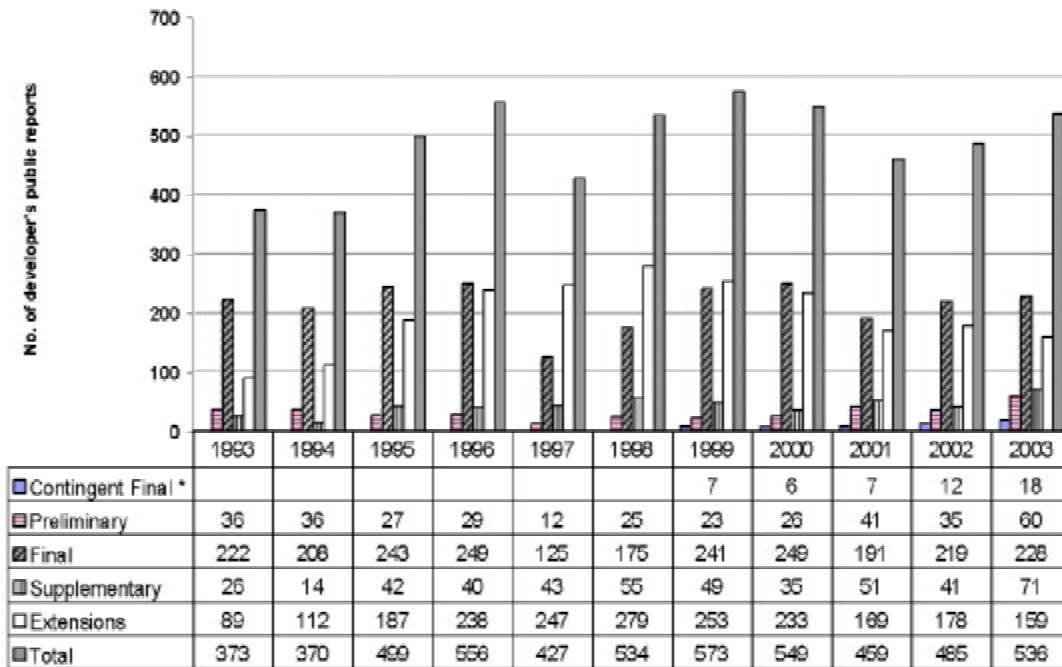
Iris R. Okawa
Peter Rice
Louis Abrams.

Commissioners **Kathleen Kagawa** and **Vern Yamanaka** are condominium apartment owners.

applicants for a position which allows employee access to the keys of or entry into units in the condominium project or access to association funds to provide the Hawaii Criminal Justice Data Center with personal identifying information for purposes of conducting the criminal history record check; the extension of the Real Estate Commission's deadline for completing the recodification of the condominium law, Chapter 514A, HRS, and expanding the membership of the recodification advisory committee; amendments to chapter 521, HRS, allowing where permitted in a rental

Chart 9. Developer's Public Reports Effective Dates Issued

**Developer's Public Reports Effective Dates Issued
 FY 1993-2003**



Note: Contingent Final Public Report effective June 16, 1997.

agreement for a single family residence, a tenant's exercise of reasonable political speech; the conduct of a study and report to the legislature about the impact and feasibility of allowing condominium and cooperative housing corporation projects to become licensed as assisted living facilities to provide assisted living services for its residents which study is to be

conducted by the Department of Health and the Real Estate Commission.

The law requires the Commission to submit to the legislature annually: (1) a summary of the programs funded during the prior fiscal year with funds from the CEF, (2) the amount of money in the fund, and (3) a copy of the budget for the current fiscal year, including summary information on programs which were funded or are to be funded. This portion of the report includes a summary of the CEF programs that have been funded for the prior fiscal year (2003) and the current fiscal year (2004).

Table 3. Condominium Project Filings

Condominium Project Filings Received -- Fiscal Years 1997 -- 2003							
New Projects	1997*	1998	1999	2000	2001	2002	2003
Residential	40	84	47	64	66	79	103
No. of Apartments Represented	1378	862	1028	1028	1642	2066	3012
Commercial and Other	25	5	11	18	15	5	10
No. of Apartments Represented	175	198	81	95	367	33	67
Agricultural	27	28	27	27	30	28	30
No. of Apartments Represented	104	83	62	51	93	74	435
Total New Projects	92	117	85	109	111	112	143
Total No. of Apartments Represented	1647	1143	1171	1174	2102	2203	3514
Conversions							
Residential	66	54	73	55	44	58	92
No. of Apartments Represented	961	666	368	342	454	591	740
Commercial and Other	6	4	11	14	4	5	20
No. of Apartments Represented	56	87	734	57	234	273	360
Agricultural	37	51	42	47	51	26	46
No. of Apartments Represented	167	130	90	120	128	27	91
Total Conversion Project	109	109	126	116	99	89	158
Total No. of Apartments Represented	1119	892	1192	519	816	891	1191
Combined New & Converted Project Filings	201	226	211	225	210	201	301
Combined No. of Apartments Represented	2765	2025	2363	1693	2918	3094	4705

*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.

Summary of Programs For Fiscal Year 2003:

Recodification of HRS Chapter 514A -

Implemented the plan and CEF budget for recodification, based on Act 213 (SLH 2000) and the 1995 Commission's report to the Legislature, "A Plan to Recodify Chapter 514A, Hawaii Revised Statutes, Condominium Property Regime." Recodification workplan and timetable available at Commission's website <http://www.hawaii.gov/hirec>. Held discussions with interested parties, carried out the directives of Act 213 (SLH 2000). Researched, discussed, exchanged, developed progress report and recommendations including draft legislation; met and discussed with various sectors of

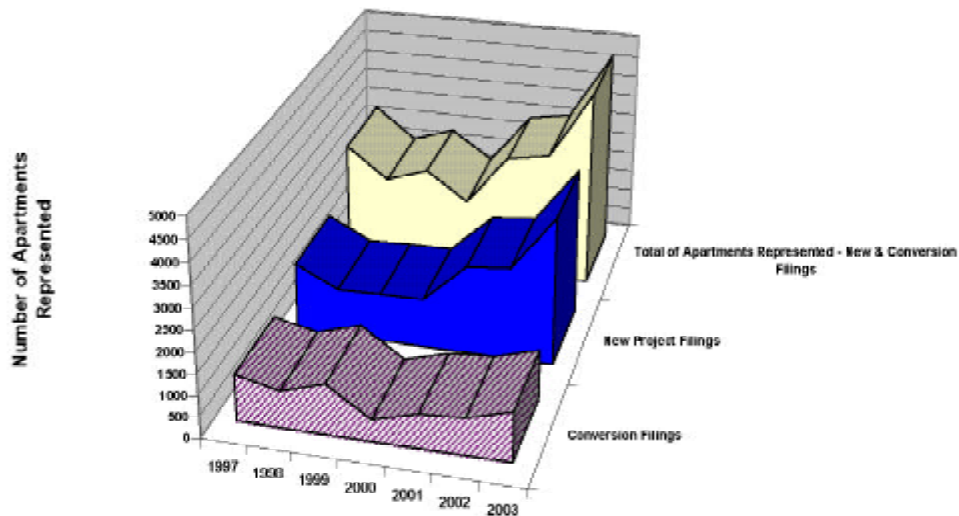
the condominium community. Interacted with various state, national, and international organizations and government entities. Provided briefings/ power point presentations to the condominium community and related other entities.

Advice, Education, and Referral -

Provided advice, education, and referrals to the condominium community, applicants, consumers, licensees, government officials, organizations, and the public. Printed and distributed copy of HRS Chapter 514A to each registered AOA. Study and report on the feasibility of providing information and advice on telephonic prerecorded messages. Maintained and improved webpage. Added section to webpage on most

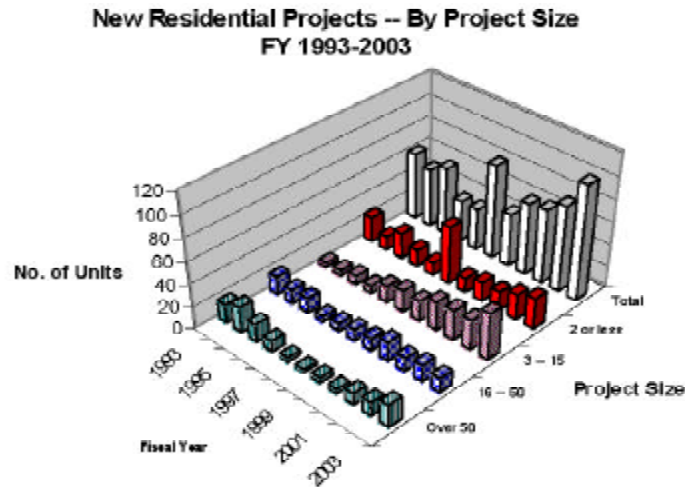
Chart 10. Number of Condominium Apartments

**Number of Condominium Apartments Represented FY 1997-2003
New and Conversion Project Filings of Developers**



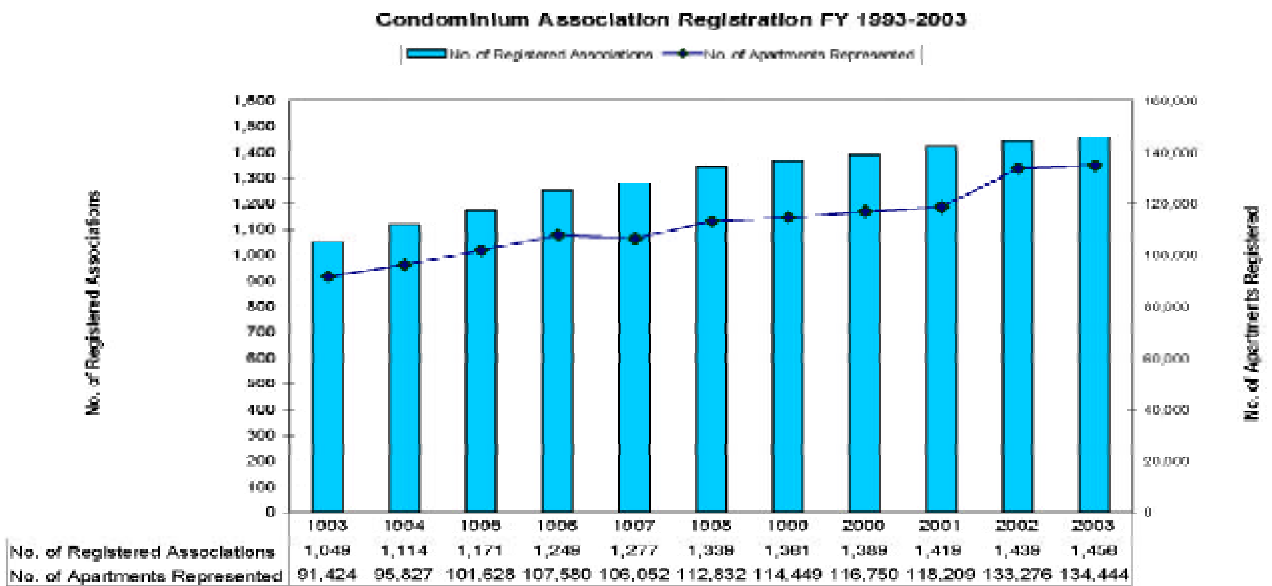
	1997	1998	1999	2000	2001	2002	2003
Conversion Filings	1118	882	1192	519	816	891	1191
New Project Filings	1647	1143	1171	1174	2102	2203	3514
Total of Apartments Represented - New & Conversion Filings	2765	2025	2363	1693	2918	3094	4705

Chart 11. New Residential Projects - By Project Size



	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Over 50	17	23	16	10	4	3	5	4	10	12	20
16 - 50	16	12	13	5	7	10	11	17	12	15	13
3 - 15	4	5	8	7	15	19	18	26	27	27	42
2 or less	23	12	23	15	11	52	13	17	17	23	28
Total	60	52	60	37	37	84	47	64	66	77	103

Chart 12. Condominium Association Registration



commonly asked questions.

Condominium Project and Developer's Public Reports -

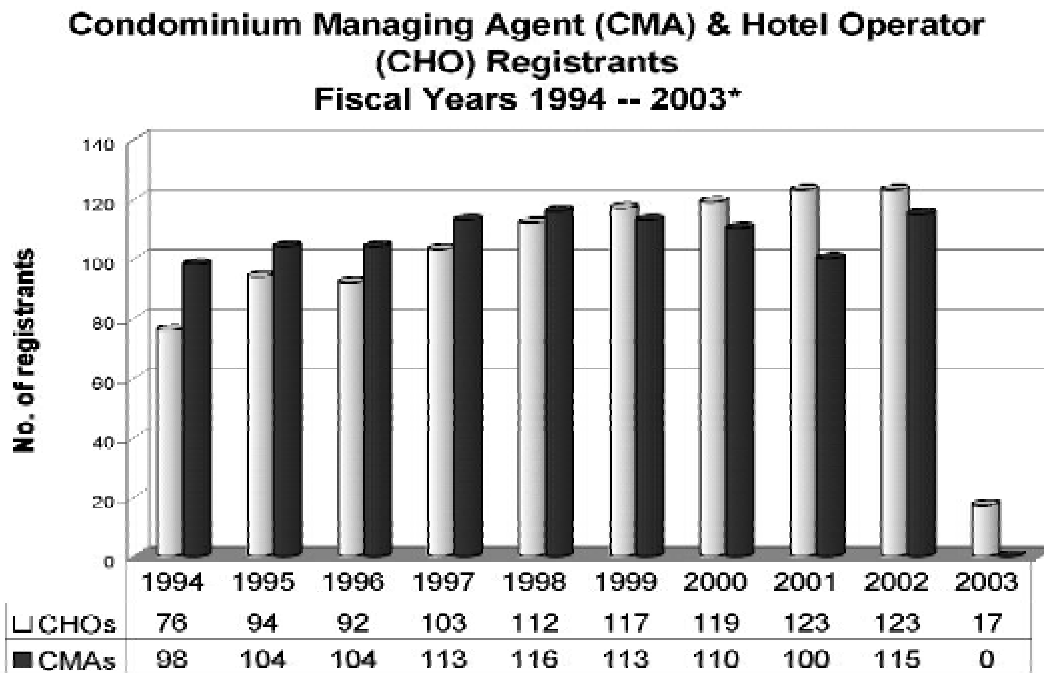
Administered registration program. Evaluated the process, records, forms, information documents, rules; coordinated with other governmental agencies, attorneys, etc., to ensure more expeditious processing and review time. Planned, developed, and administered legislative amendments needed with the Time Share Administrator. Administered consultant contracts. Updated and amended all project forms and instructions. Implemented plan of providing access to developer's public reports through compact discs (CDs), State Library locations, REC webpage etc. Made developer's public reports available for public viewing and copying to disc via a PC housed at REB. Implement plan of

listing of project with current developer's public reports on REC webpage. Implemented plan of electronic administration including scanning of documents on CDs and computerized project tracking. Studied, report and recommend a comprehensive evaluation system on the project registration and review process, including the use of evaluation forms by developers and attorneys.

Hawaii Condominium Bulletin -

Developed, wrote, edited, printed and distributed a quarterly bulletin to all registered AOAOs and CHOs, and maintained on Commission's website. Studied feasibility of providing the bulletin through electronic medium; including electronic distribution prior to hard copy distribution. Planned, developed and provided for guest articles on relevant topics. Developed

Chart 13. CMA and CHO Registrations



*Act 245 (SLH 2001) and Act 129 (SLH 2002) respectively repealed for active real estate brokers the registration and fidelity bonding requirements for CHO effective June 14, 2001 and CMA effective May 31, 2002

plan for in-house electronic publication including software determination and training. Developed and included a survey-evaluation of the bulletin plus surveyed the educational needs of the condominium community and various other Commission programs. Developed article on AOA utilizing technology for self-governance, information, discussion, exchanging documents, etc.

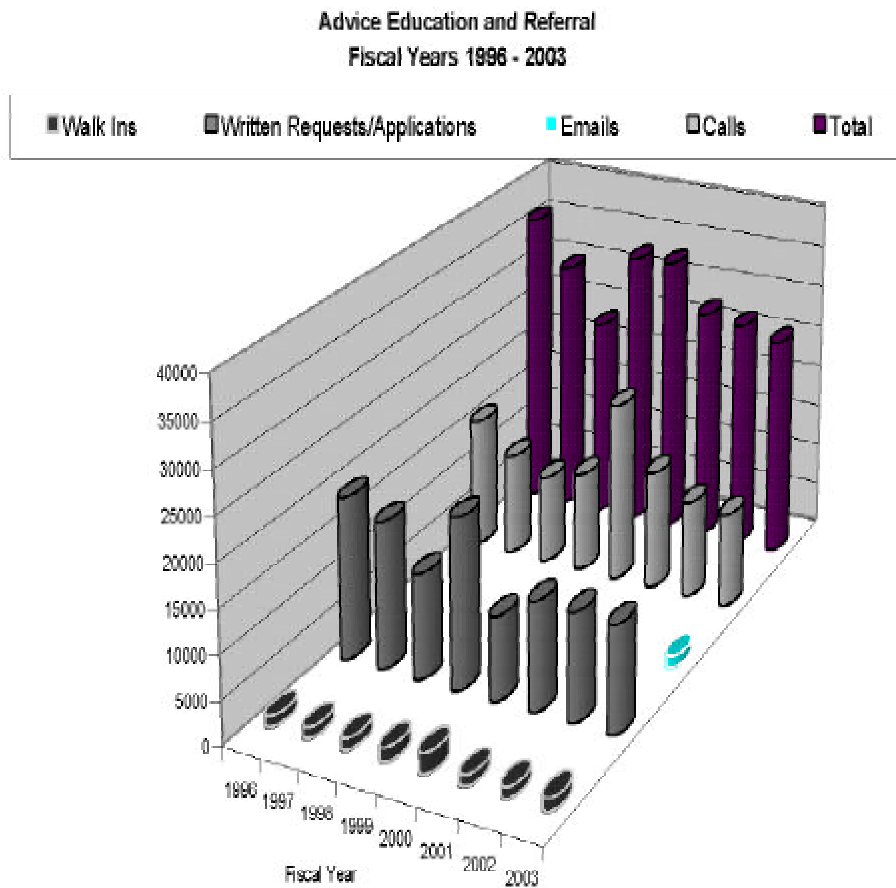
Condominium Mediation and Arbitration Program - Administered mediation programs. Researched, developed, and published a brochure on dispute resolution, mediation, arbitration including "trial de novo," and RICO program, with distribution through the Commission's webpage and upon request, a hard copy. Coordinated joint complaint/mediation program with RICO. Continued to work with Mediation Center of the Pacific to provide educational seminars to board of directors, apartment owners, CMAs on the purpose of alternative dispute resolution and mediation. Continued condominium governance mediation arrangements with additional providers. Monitored and reviewed the demand for additional consultants. Collected information and statistics for education and annual report purposes; including information and statistics relating to mandatory mediation pursuant to Act 232 (SLH 2001). Provided periodic reports to CRC on meaningful information on each case submitted for subsidy programs which is to be utilized in education programs, including Condo Bulletin and REC webpage.

Condominium Association Registration - Administered registration program. Reviewed and monitored program for improvement. Developed a paperless fidelity bond review process.

Administered reregistration filing deadline. Studied, report, and initiated electronic/computerized/Scantron/bar coding application processing recommendations, or computer generated forms with previous responses for recertification or amendments. Implemented internet re-registration. Conducted outreach program with AOAOs for "Steps to a Better Re-registration;" workshops included neighbor island sites. Administered a public list of all registered AOAOs for distribution and inclusion in Commission's webpage, including scanning of the actual registration forms in REC webpage.

Condominium Seminars and Symposium - Produced seminars for the condominium community through contracts with various providers and encouraged new providers. Developed and administered a CRC educational advisory group to provide recommendations and input about CRC educational programs; group included board members, resident managers, representatives from self managed AOAOs, CMAs, condominium organizations, and educators. Continued to administer CEF subsidies for Commission approved seminars including the following: "Legislative Update," "How the New Nonprofit Corporation Act Affects the Way Your Association Operates," "Firing Line-- Terminating Association Employees-- Do's and Don'ts," "Covering Your Assets in the Post 9 -11 Era," "Spore Wars," "Getting the Lead Out of the Golden Years," "Shrubs and Bugs," "ABC's Basic Course," and "Condo Wars." Study and report on the feasibility of a seminar on reserves, especially the cash flow funding method, collaborate with CAI - Hawaii.

Chart 14. Condominium Advice Education and Referral



	1996	1997	1998	1999	2000	2001	2002	2003
Walk Ins	1300	1200	1293	1568	2325	1235	1229	1395
Written Requests/Applications	18800	17000	12143	19635	9650	12481	12449	12217
Emails								1259
Calls	15500	12000	10348	11721	21182	13947	11387	10971
Total	35800	30200	23784	32924	33157	27863	27087	25842

Condominium Managing Agent Registration - Implemented Act 129 (SLH 2002) eliminating the CMA registration and bonding requirements for active real estate brokers; requirements were a duplicative burden for real estate brokers; consistent with real estate broker CHOs. Provided notices of the elimination to existing registrants.

Condominium Hotel Operator Registration - Implemented Act 245 (SLH 2001). Administered the biennial re-registration program for condominium hotel operator applicants. Reviewed and monitored program for improvement and problem resolutions.

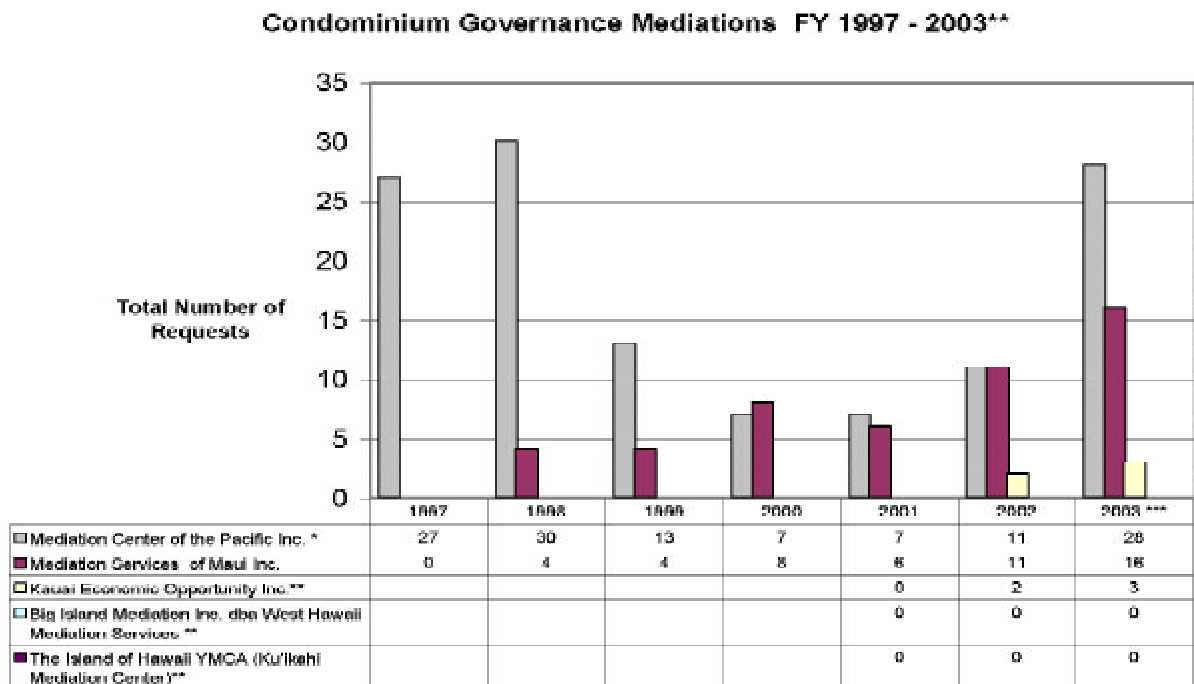
Rule-Making - Chapter 107 - Study and evaluate Chapter 107 and HRS Chapter 514A, for rule making

consistent with the recodification of HRS, Chapter 514A; consider deregulation without reducing consumer protection. Deferred formal rule making process to after the completion of recodification. Continued SWAT project to reduce or repeal regulatory burdens; work with Administration and Licensing Administrator on developing amendments for Chapter 107.

Meetings - Planned, coordinated, and conducted monthly CRC meetings. Included schedule of meetings and agendas on Commission webpage.

Government and Legislative Participation and Report - Researched, developed and distributed annual report to the Legislature on CEF programs and funds; immediately upon

Chart 15. Condominium Governance Mediations



* fka Neighborhood Justice Center of Honolulu, Inc.
 ** Note: New contracts with beginning dates of January 2001; reporting period covers January 2001 – June 30, 2001.
 ***Note: Act 232 (SLH2001) made mediation mandatory.

completion submitted to REC webpage. Provided briefings to Legislators and staff; acted as a resource. Attended hearings, provided written and oral testimony on legislative bills, and bill tracking. Responded to elected officials, inquiries and complaints, request for information, etc.

Legislative Acts and Resolutions -
Reviewed and carried out responsibilities of legislative acts and resolutions, amended public copy of HRS Chapter 514A, provided summary of condominium and related acts and resolution for Commission/staff/bulletin, etc.

Interactive Participation with Organizations - Actively participated with Hawaii, Pacific Rim, national and international organizations and government agencies and exchanged information and concerns, shared education and research efforts, joint projects of mutual concern, training, etc., through attendance, membership and participation at local, regional, national, and international meetings, including CAI, CAI Hawaii, HCAAO, HICCO, Condominium Council of Maui, IREM, ARELLO, Hawaii State Bar, and Zenkauren (Japan).

Neighbor Island Outreach -
Coordinated and conducted two CRC meetings at neighbor island sites with the ERC and the LRRC. This fiscal year the CRC meetings were scheduled for the islands of Maui (January 2003) and Hawaii (May 2003). Held meetings in collaboration with the local boards, HAR, condominium organizations, etc.

Condominium Education Fund (CEF) -
Administered fund. Prepared, maintained, and reviewed budget, finance, and records for the CEF. Prepared monthly and annual financial

statements, budget, administered fund investment. Worked with department to increase budget for funding the recodification program, personnel compensation, and additional educational programs subject to revenue projections. See page 47.

Rule-Making - Chapter 53, Fees -
Monitored and reviewed services provided in relation to fees. Develop drafts of propose rules, assist in formal rule making process with Licensing Administrator.

CPR Project Workshop and Meetings -
Conducted periodic workshops for condominium consultants for purposes of orientation and information. Alternate consultant as workshop lead and developed curriculum for the September 2003 workshop. In conjunction with the recodification of Chapter 514A, HRS, facilitated a forum for representatives of developers, attorneys, condominium consultants, CMAs, AOAO focus groups for purposes of discussing governance issues and for addressing the issues early in the life of a CPR, from initial documentation to the first AOAO meeting.

Condominium Specialists Office for the Day - Held office at various neighbor island locations to meet and discuss condominium concerns. Considered and collaborated arrangements in conjunction with a function of a condominium organization and or at a condominium organization office.

Condominium Speakership Program -
Honored requests for speaking engagements for programs concerning or related to condominium issues.

New Technology Program - Administered in-house and network computer system; including training, purchases, and DCCA and PVLD plans. Study feasibility of new technology in the storage, review, printing of developer's public reports, registration and public information. Administered Commission's webpage with long range plan of including all condominium information, forms, database, etc. plus online registration. Utilized scanning for website, storage of public information, and other programs; developed online review and use of educational materials and courses by the public.

Case Law Review Program - Monitored, collected and reported on judgments and decisions on Hawaii, federal, and other states' court cases; reported on governance and development cases; material cases to be considered for Condominium Bulletin.

Start-up Kit for New AOA's and new CMAs - Distributed start-up kit to new registered AOA's and CMAs; including public copy of HRS Chapter 514A, and rules, budget and reserves guide, board of directors guide, past condominium bulletins.

Records Management - Administered and organized all records, reference materials, reports, minutes, legislation, rules, AG opinions, contracts, etc., with applicable laws including the Uniform Information Practices Act and Records Report System. Researched options or alternative for records storage and public information.

Cooperative Education, Research, and Administrative Program - Participated in and sponsored cooperative education research and administrative programs.

Division and Department Program - Coordinated activities and programs of

mutual concern with the PVLD, RICO and the DCCA; including Director's project on deregulation; reviewed, analyzed, and coordinated positions on HRS Chapter 436B with PVLD and AG's as it relates to HRS Chapter 514A. Coordinated joint complaint/mediation program with RICO.

Staff and Commissioners Development - Developed and trained REB staff and Commissioners. Participated in training provided by CAI, ARELLO, REEA, CLEAR and other organizations. Assisted in amendments to REC Reference Book relative to CRC and its programs.

Limited Equity Cooperatives - Implemented Act 129 (SLH 2002) repealing the registration of Limited Equity Cooperatives with the Commission.

Condominium Reference Library - Maintained and updated on the Commission's webpage a catalog of all public reference materials provided to State Libraries and at REB office. Maintained and updated materials for a condominium reference library at public libraries, REB office, mediation services offices and neighbor islands. Studied and reported on the feasibility of increasing and adding new educational materials at libraries, especially in high CPR concentrated areas, collaborated with CAI-Hawaii, and consider an internet reference library system including links with REC webpage and possible licensing arrangements with national providers such as CAI.

Summary of Programs For Fiscal Year 2004:

Recodification of HRS Chapter 514A -

Implement the plan and CEF budget for recodification, based on Act 213 (SLH 2000) and the 1995 Commission's report to the Legislature, "A Plan to Recodify Chapter 514A, Hawaii Revised Statutes, Condominium Property Regime."

Recodification workplan and timetable available at Commission's website <http://www.hawaii.gov/hirec>. Hold discussions with interested parties, carry out the directives of Act 213 (SLH 2000).

Research, discuss, exchange, develop progress report and recommendations including any draft legislation; meet and discuss with various sectors of the condominium community. Interact with various state, national, and international organizations and government entities. Provide briefings/power point presentations to the condominium community and related other entities. Conduct public hearings in each county. Administer other requirements from the 2003 legislative act. Complete and submit legislative bill at least 20 days prior to start of the 2004 session, including briefings to Senate CPH Chair and House CPC Chair and other legislators and staff. Include in bill continuation of position and funding to provide education to the condominium community on the recodified law and drafting of any required rule making and development of any required resources

Advice, Education, and Referral -

Provide advice, education, and referrals to the condominium community, applicants, consumers, licensees, government officials, organizations, and the public. Print and distribute copy of HRS Chapter 514A to each registered AOA. Study and report on the feasibility of providing information and advice on telephonic

prerecorded messages. Maintain and improve webpage. Update section to webpage on most commonly asked questions. Augment delivery of advice, education, and referral, including print, media and community-based interactive efforts ("Condo Moments," "Condo Corner," two 30-minute PBS broadcasts focusing on current condominium issues). Study feasibility of a monthly on-line chat discussion with a condominium specialist on pre-selected topics; promoting self governance by providing a forum for associations to network and problem solve together.

Condominium Project and Developer's Public Reports -

Administer registration program. Evaluate the process, records, forms, information documents, rules; coordinate with other governmental agencies, attorneys, etc., to ensure more expeditious processing and review time. Plan, develop, and administer any legislative amendments needed with the Time Share Administrator. Administer consultant contracts. Update and amend all project forms and instructions. Implement plan of providing access to developer's public reports through compact discs (CDs), State Library locations, REC webpage etc. Make developer's public reports available for public viewing and copying to disc via a PC housed at REB. Implement listing of project with current developer's public reports on REC webpage. Implement plan of electronic administration including scanning of documents on CDs and computerized project tracking. Study, report and recommend a comprehensive evaluation system on the project registration and review process, including the use of evaluation forms by developers and attorneys.

Hawaii Condominium Bulletin - Develop, write, edit, print and distribute a quarterly bulletin to all registered AOAs, CMAs, CHOs, and maintain on Commission's website. Study feasibility of providing the

bulletin through electronic medium; including electronic distribution prior to hard copy distribution. Plan, develop and provide for guest articles on relevant topics. Develop plan for in-house electronic publication including software determination and training. Consider the development and inclusion of an on going survey-evaluation of the bulletin plus include surveys of various other Commission programs. Update article on AOA utilizing technology for self-governance, information, discussion, exchanging, documents, etc. Study feasibility of either increasing bulletin up to 12 pages with the addition of a developer's section, or a developer's bulletin, or a special webpage for developers.

Condominium Mediation and Arbitration Program

Administer mediation programs. Update, research, develop, and publish a brochure on dispute resolution, mediation, arbitration including "trial de novo," and RICO program, with distribution through the Commission's webpage and upon request, a hard copy. Coordinate joint complaint/mediation program with RICO. Continue to work with Mediation Center of the Pacific to provide educational seminars to board of directors, apartment owners, CMAs on the purpose of alternative dispute resolution and mediation. Continue condominium governance mediation arrangements with additional providers. Monitor and review the demand for additional consultants. Collect information and statistics for education and annual report purposes; including information and statistics relating to mandatory mediation pursuant to Act 232 (SLH 2001). Provide periodic reports to CRC on meaningful information on each case submitted for subsidy programs which is to be utilized in education programs, including Condo Bulletin and REC webpage. Study the feasibility of the CMEF funding the filing of an arbitration.

Condominium Association Registration - Administer registration program. Review and

monitor program for improvement. Develop a paperless fidelity bond review process. Administer reregistration filing deadline. Study, report, implement, maintain, and update, electronic/computerized/ Scantron/ bar coding application processing recommendations, or computer generated forms with previous responses for recertification or amendments. Maintain, and update internet re-registration. Conduct outreach program with AOAOs for "Steps to a Better Re-registration;" workshops to include neighbor island sites. Administer a public list of all registered AOAOs for distribution and inclusion in Commission's webpage, including scanning of the actual registration forms in REC webpage.

Condominium Seminars and Symposium -

Produce seminars for the condominium community through contracts with various providers and encourage new providers. Continue to administer a CRC educational advisory group to provide recommendations and input about CRC educational programs; group to include board members, resident managers, representatives from self managed AOAOs, CMAs, condominium organizations, and educators. Continue to administer CEF subsidies for Commission approved seminars including the following: "Legislative Update," "Balancing the Budget," "Money Pit or Pot of Gold," "Icebergs Ahead," "Aging In Place: How to Cope," "Annual Meetings," "Dealing with Difficult Owners," "Landscape Issues," "Aging in Place, Aging with Grace--The Next Frontier," and "Legislative Update & Recodification of 514A." Produce a seminar on reserves, especially the cash flow funding method, collaborate with CAI - Hawaii. Proactively seek additional consultants, especially on the neighbor islands.

Condominium Managing Agent

Registration - Continue to implement Act 129 (SLH 2002) eliminating the CMA registration and bonding requirements for active real estate brokers; requirements

were a duplicative burden for real estate brokers; consistent with real estate broker CHOs.

Condominium Hotel Operator

Registration - Continue to implement Act 245 (SLH 2001). Administer the biennial re-registration program for applicants. Review and monitor program for improvement and problem resolutions.

Rule-Making - Chapter 107 - Study and evaluate Chapter 107 and HRS Chapter 514A, for rule making consistent with the recodification of HRS, Chapter 514A; consider deregulation without reducing consumer protection. Defer formal rule making process to after the completion of recodification. Continue SWAT project to reduce or repeal regulatory burdens; work with Administration and Licensing Administrator on developing amendments for Chapter 107.

Meetings - Plan, coordinate, and conduct monthly CRC meetings. Include schedule of meetings and agendas on Commission webpage.

Government and Legislative

Participation and Report - Research, develop and distribute annual report to the Legislature on CEF programs and funds; immediately upon completion to be submitted to REC webpage. Provide briefings to Legislators and staff; act as a resource. Attend hearings, provide written and oral testimony on legislative bills, and bill tracking. Respond to elected officials, inquiries or complaints, request for information, etc.

Legislative Acts and Resolutions - Review and carry out responsibilities of legislative acts and resolutions, amend public copy of HRS Chapter 514A, provide summary of condominium and related acts and resolution for Commission/staff/bulletin, etc. Pursuant to Act 185 (SLH 2003),

participate with the Department of Health in conducting a study on the impact and feasibility of allowing condominium and cooperative housing corporation projects to become licensed as assisted living facilities to provide assisted living services for its residents. Submit the joint report of findings and recommendations, including propose legislation, no later than twenty days prior to the regular session of 2004.

Interactive Participation with

Organizations - Active participation with Hawaii, Pacific Rim, national and international organizations and government agencies for the exchange of information and concerns, sharing of education and research efforts, joint projects of mutual concern, training, etc., through attendance, membership and participation at local, regional, national, and international meetings, including CAI, CAI Hawaii, HCAAO, HICCO, Condominium Council of Maui, IREM, ARELLO, Hawaii State Bar, and Zenkauren (Japan).

Neighbor Island Outreach - Coordinate and conduct three CRC meetings at neighbor island sites with the ERC and the LRRC. This fiscal year the CRC meetings are scheduled for the islands of Kauai (September 2003), Maui (January 2004) and Hawaii (2004). Study holding meetings in collaboration with the local boards, HAR, condominium organizations, etc.

Condominium Education Fund (CEF)

- Administer fund. Prepare, maintain, and review of budget, finance, and records for the CEF. Prepare monthly and annual financial statements, budget, administer fund investment. Plan and work with department to increase budget for funding the recodification program, personnel compensation, and additional educational programs subject to revenue projections. Finalize contract approval and initiate administration of the terms of the contract. See page 47.

Rule-Making - Chapter 53, Fees - Monitor and review services provided in relation to fees. Develop drafts of proposed rules, assist in formal rule making process with Licensing Administrator.

CPR Project Workshop and Meetings - Conduct periodic workshops for condominium consultants for purposes of orientation and information. Alternate consultant as workshop lead and develop curriculum for the workshop date of September 2004. In conjunction with the recodification of Chapter 514A, HRS, facilitate in part a forum for representatives of developers, attorneys, condominium consultants, CMAs, AOA focus groups for purposes of discussing governance issues and how to address the issues early in the life of a CPR, from initial documentation to the first AOA meeting.

Condominium Specialists Office for the Day - Set up office at various neighbor island locations to meet and discuss condominium concerns. Consider and collaborate arrangements in conjunction with a function of a condominium organization and or at a condominium organization office.

Condominium Speakership Program - Honor requests for speaking engagements for some type of program concerning or related to condominium issues.

New Technology Program - Administer in-house and network computer system; including training, purchases, and DCCA and PVLD plans. Maintain, update the storage, review, printing of developer's public reports, registration and public information. Administer Commission's webpage with long range plan of including all condominium information, forms, database, etc. plus online registration. Utilized scanning for website, storage of public information, and other programs; develop CD ROM PC for review and use of educational materials and courses by the public. Study feasibility of purchasing a wireless PC-based

telephone conferencing equipment to facilitate participation of neighbor island condominium community and developers.

Case Law Review Program - Monitor, collect and report on judgments and decisions on Hawaii, federal, and other states' court cases; report on governance and development cases; material cases to be considered for Condominium Bulletin.

Start-up Kit for New AOAOs and new CMAs - Distribute start-up kit to new registered AOAOs; including public copy of HRS Chapter 514A, and rules, budget and reserves guide, board of directors guide, past condominium bulletins.

Records Management - Administer and organize all records, reference materials, reports, minutes, legislation, rules, AG opinions, contracts, etc., with applicable laws including the Uniform Information Practices Act and Records Report System. Research options or alternative for records storage and public information. Scan and provide electronic storage of records, including minutes.

Cooperative Education, Research, and Administrative Program - Participate in and sponsor cooperative education research and administrative programs.

Division and Department Program - Coordinate activities and programs of mutual concern with the PVLD, RICO and the DCCA; including Director's project on deregulation; review, analyze, and coordinate positions on HRS Chapter 436B with PVLD and AG's as it relates to HRS Chapter 514A. Coordinate joint complaint/mediation program with RICO.

Staff and Commissioners Development - Develop and train REB staff and Commissioners. Participate in training provided by CAI, ARELLO, REEA, CLEAR and other organizations. Assist in

amendments to REC Reference Book relative to CRC and its programs.

Condominium Reference Library - Maintain and update on the Commission's webpage a catalog of all public reference materials provided to State Libraries and at REB office. Maintain and update materials for a condominium reference library at public libraries, REB office, mediation services offices and neighbor islands. Study and report on the feasibility of increasing and adding new educational materials at libraries, especially in high CPR concentrated areas, collaborate with CAI-Hawaii, and consider an internet reference library system including links with REC webpage and possible licensing arrangements with national providers such as CAI. Update all condominium library reference materials including board of directors chapters and its printing.

REAL ESTATE EDUCATION FUND

Fund Balance As of June 30, 2003 (Unaudited)	FY 2003 Expenditures and Encumbrances (Unaudited)
ASSETS	I. Operations
Cash	Personnel \$195,772
In State Treasury \$292,340	Supplies 1,035
Short term cash investments 796,094	Postage 3,043
Investment securities (cost) 88,833	Equipment Rentals/Maintenance 5,628
Investment income due from Recovery Fund 80,831	Machinery and Equipment 5,000
Total Assets <u>1,258,098</u>	Total Operations <u>\$210,478</u>
LIABILITIES AND FUND BALANCE	II. Direct Licensee Education
Liabilities	Annual Report/Quarterly Bulletin 41,517
Payables 22,055	Neighbor Islands Outreach 589
Fund Balance	Advice, Education, Referral Programs 842
Reserve for Encumbrances 38,690	Total Direct Licensee Education <u>74,656</u>
Unreserved 1,197,352	
Balance <u>1,236,042</u>	III. Indirect Licensee Education
Total Liabilities and Fund Balance <u>\$1,258,098</u>	Interactive Participation w/Orgs. 7,513
	Dues & Subscriptions 927
Revenues and Expenditures For the Year Ended June 30, 2003 (Unaudited)	Total Indirect Licensee Education <u>8,441</u>
Revenues	Total Expenditures and Encumbrances <u>\$293,574</u>
Fees \$646,845	
Dividends and Investment 12,695	
Total Revenues <u>659,541</u>	
Expenditures 254,884	
Excess (Deficiency) of revenues over expenditures <u>404,657</u>	
Fund Balance	
Beginning of Year 831,386	
End of Year <u>\$1,236,042</u>	

Revenues and Expenditures and Encumbrances FY 1999 - 2003

	Fiscal Year				
	1999	2000	2001	2002	2003
Revenues					
Fees \$539,033	\$539,033	\$75,955	\$607,915	\$91,080	\$646,845
Investment Income 48,280	48,280	46,799	17,450	11,480	12,695
Total Revenues	<u>587,313</u>	<u>122,754</u>	<u>625,365</u>	<u>102,560</u>	<u>659,541</u>
Expenditures and Encumbrances	316,508	316,637	194,356	226,642	254,884
Excess (deficiency) over Revenues	<u>\$270,805</u>	<u>(\$193,883)</u>	<u>\$431,009</u>	<u>(\$124,082)</u>	<u>\$404,657</u>

Real Estate Recovery Fund

Fund Balance As of June 30, 2003 (Unaudited)

FY 2003 Recovery Fund Payments

		Case No.	Licensee	Amount
ASSETS				
Cash		1RC99-6177	Maxine Melchin and Melchin Realty	\$14,567
In State Treasury	\$212,246	1RC00-1391	Maxine Melchin and Melchin Realty	15,845
Short term cash investments	429,616	CV00-00564	Karen Jeffrey dba Pacific	50,000
Investment securities (cost)			Island Investments	
Total Assets	\$641,863	98-0434	Severino Galacgac	25,000
LIABILITIES AND FUND BALANCE				
Liabilities		Total Payments		\$105,411
Payables	\$3,514			
Investment income due to Real Estate Education Fund	80,831			
Fund Balance	84,345			
Unreserved	557,518			
Fund Balance	551,518			
Total Liabilities and Fund Balance	\$641,863			

Revenues and Expenditures For the Year Ended June 30, 2003 (Unaudited)

Revenues	
Fees	\$86,250
Expenditures	
Operations	24,499
Legal Services	27,267
Claims	105,411
Total Expenditures	157,177
Excess (deficiency) of revenues over expenditures	(70,927)
Fund Balance	
Beginning of Year	628,445
End of Year	\$557,518

Revenues and Expenditures and Encumbrances FY 1999 - 2003

	Fiscal Year				
	1999	2000	2001	2002	2003
Revenues					
Fees	\$44,217	\$60,200	\$64,380	\$69,495	\$86,250
Expenditures and Encumbrances					
Operations	13,960	21,477	28,399	27,414	24,499
Legal Services	33,060	9,967	21,494	25,599	27,267
Claims	25,000	25,000	25,000	0	105,411
Total Expenditures and Encumbrances	72,020	56,445	74,893	53,013	157,177
Recoveries	0	0	0	0	0
Excess (deficiency) of revenues over expenditures and encumbrances	(\$27,803)	\$3,755	(10,513)	16,482	(70,927)

Condominium Education Fund

Fund Balance As of June 30, 2003 (Unaudited)	FY 2003 Expenditures and Encumbrances (Unaudited)
ASSETS	
Cash	Personnel \$267,425
In State Treasury \$610,923	Supplies 1,105
Short term cash investments 450,000	Postage 4,000
Total Assets <u>\$1,060,923</u>	Equipment Rentals/Maintenance 6,324
	Education and Research 48,219
	Equipment for Office 691
LIABILITIES AND FUND BALANCE	Staff/Commissioner Development 1,293
Liabilities	Dues & Subscriptions 907
Payables \$34,179	Miscellaneous <u>207</u>
Fund Balance	
Reserve for Encumbrances 19,784	
Unreserved <u>1,006,959</u>	Total Expenditures and Encumbrances <u>\$330,169</u>
Fund Balance <u>1,026,744</u>	
Total Liabilities and Fund Balance <u>\$1,060,923</u>	

Revenues and Expenditures For the Year Ending June 30, 2003 (Unaudited)	
Revenues	
Fees \$419,797	
Investment income 1,761	
Total Revenues <u>421,558</u>	
Expenditures <u>322,626</u>	
Excess (deficiency) of revenues over expenditures 98,932	
Fund Balance	
Beginning of Year 927,813	
End of Year <u>\$1,026,745</u>	

FY 2004 Budget	
Personnel	\$343,920
Supplies	1,000
Postage	7,500
Equipment Rentals/Maintenance	10,000
Contingency	500
Education and Research	112,511
Equipment for Office	4,000
Staff/Commissioner Development	0
Resource Materials	500
Dues & Subscriptions	500
Miscellaneous	1,000
Recodification of Chapter 514A	<u>95,000</u>
Total Expenditures and Encumbrances	\$576,431

Revenues and Expenditures and Encumbrances FY 1999 - 2003

	Fiscal Year				
	1999	2000	2001	2002	2003
Revenues					
Fees	\$535,580	\$42,710	\$561,478	\$36,598	\$419,797
Investment Income	19,909	21,514	27,220		1,761
Total Revenues	<u>555,489</u>	<u>64,225</u>	<u>588,698</u>	<u>36,598</u>	<u>421,558</u>
Expenditures and Encumbrances					
Excess (deficiency) over Revenues	255,472	138,977	261,208	292,054	322,626
	<u>\$300,017</u>	<u>(\$74,752)</u>	<u>\$327,490</u>	<u>(\$255,456)</u>	<u>\$98,932</u>