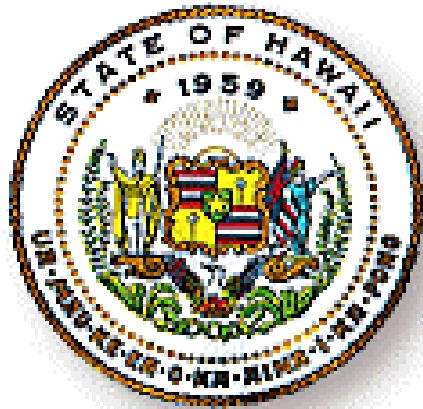


STATE OF HAWAII

HAWAII COMMUNITY-BASED ECONOMIC DEVELOPMENT  
TECHNICAL AND FINANCIAL ASSISTANCE PROGRAM



FY 2014  
ANNUAL & FINANCIAL REPORTS  
TO THE 28<sup>th</sup> LEGISLATURE

## **The Hawai'i CBED Program and Revolving Fund**

The Hawaii Alliance for Community-Based Economic Development (HACBED) was established in 1989 by a group of community development practitioners. HACBED formulated strategies for the State government to support community-based organizations (CBOs) that wanted to create economic development initiatives. These efforts resulted in program legislation to provide financial and technical assistance to local groups. The Legislature created a CBED Program in the Department of Business, Economic Development & Tourism with Act 111, SLH 1991, codified as Chapter 210D, Hawaii Revised Statutes. The legislation created the CBED Advisory Council and the CBED Revolving Fund with an appropriation of \$900,000 in 1991.



**North Kohala Community members build a taro lo'i**

Today, more than ever, Hawaii must move towards a new economy. The forces of globalization and economic transition have created great challenges in the world economy. Hawaii's isolation and dependence on tourism and fossil fuel energy have made the islands more susceptible to these effects. CBED strategies and practices can play a valuable part in the building of a new infrastructure for a more sustainable economy. The new economy is based on decentralization, networking, human resource development, innovation, soft relationships and new opportunities.

The foundation created by community-based economic development leads to long-term capacity-building for local communities and residents, and provides backward linkages to ancillary firms to sustain and

expand the main sectors of the economy. Hawaii's economy is in need of true diversification. CBED is a practical way to achieve a true restructuring of Hawaii's economy. As the old economic engines become obsolete, the state must look for new alternatives. CBED is a key strategy for not leaving behind the lower income urban and rural communities in the State of Hawaii.

**CBED: A Continuing Strategy**

Community Based Economic Development (CBED) is a strategy for addressing the needs of low-income communities. CBED has been implemented in the United States for more than 40 years, and in Hawaii for 20 years. As the dialogue about incorporating community vision and values into present day Hawaii continues, CBED stands out as an effective strategy to achieve those goals by empowering the community, increasing capacity, and conserving local resources. CBED is a proven strategy that differs from traditional economic development because it emphasizes community reinvestment and economic opportunities. It is a complete process that addresses a community’s economic and social needs. CBED strategies help maintain Hawaii’s cherished *quality of life* for its residents over the long term, while community-based organizations (CBOs) provide social services and ecosystem services that make a locality attractive to new, appropriate investment and economic development. Due to the revenue shortfalls of the State, the CBED Program has focused on partnering with other State, Federal and private agencies to help build the capacity of community-based organizations through training workshops and other events.



Shrimp farming in Waialua, Oahu

**The CBED Revolving Fund**

The Hawaii Community-Based Economic Development Revolving Fund was established to provide training and capacity-building opportunities, and invest in community economic development projects that result in measurable economic impact. Sources of revenue include repayments of loan principal, loan interest, and interest from the department’s participation in the State’s investment pool.

Beginning balance as of July 1, 2013	\$203,519.40
Revenues for fiscal year	
Loan Interest Payments	1,295.30
Loan Principal Payments	4,277.74
Investment Pool Earnings	517.18
Transfers	20,000.00
Expenditures for fiscal year - loans	(25,702.11)
Balance as of June 30, 2014	\$203,907.51

## **Community-Based Economic Development – Micro-Loan Program**

The CBED Revolving Fund allows for the CBED Program to assist eligible CBOs with financial and technical assistance. Despite limited funding, the CBED Program continues to support community efforts statewide. In 2013 – 2014 a second Community-Based Economic Development Revolving Fund loan in the amount of \$25,000.00 was made to Mr. Sing Chanthabouasith to provide capital to relocate his farm to a nearby 14-acre parcel located in Kahuku (Oahu). Specifically, funds will be used for land clearing, irrigation supplies, fertilizer and chemicals, poles, netting and mulch, and working capital. The CBED Program's Revolving Fund partnered with the Department of Agriculture's Micro-Loan Fund to provide a total \$50,000 loan --- \$25,000 each.

2013 CBED loan recipient, 45-year old entrepreneur Ken Hirata's 10-acre farm is now "open for business" and features his now certified and operational shochu-producing distillery. The Department of



**Namihana shochu distilled from Okinawan sweet potatoes**

Business, Economic Development and Tourism (DBEDT) and Department of Agriculture committed loans of \$25,000 each to help finance the Hirata's roughly \$400,000 venture. The \$25,000 loan from DBEDT is part of the Community-Based Economic Development (CBED) Micro-Loan Program.

His first *imo shochu* production of 3,000 bottles was declared ready for sale in mid-September 2013. "It's a high-end product," Ken said, "made in Japan's finest tradition. Hawaii has the best water, climate and growing conditions to help make this product

great." Ken Hirata and his wife Yumiko are now one of only two producers of shochu in the United States --- and the only shochu producer in Hawaii. Ken's first production is being marketed in Hawaii under his "Namihana" ("Wave," depicting the North Shore, and "Flower," which are in abundance around the distillery) label, but he is already looking at opportunities to export the highly sought after Hawaii-made shochu to Japan.

## **CBED's Activities**

### At Chaminade University

On Saturday, October 12, 2013 from 8:30 a.m. – 1:00 p.m. at Chaminade University's Henry Hall in Honolulu, the Department of Business, Economic Development and



Tourism (DBEDT) co-hosted the Small Business Fair, “Launch Your Dreams into Reality.” More than 200 small business owners and entrepreneurs attended the free one-day event featuring 23 business-related workshops and one-on-one business counseling, plus exhibits with vendors from Federal, State and local agencies, organizations and financial institutions.



Attendees registering at Chaminade Small Business Fair

These workshops and exhibits provide an invaluable opportunity for entrepreneurs in Hawaii to get important information on starting or growing their businesses. Attendees enjoyed a wide range of workshop topics including How to “Sell” Yourself & Your Product, Specialty Loans & Tax Breaks, Brand Imaging, Understanding Business Accounting, Exporting: The New Wave for Small Business, Filing and Paying Taxes, and many more. There were also opportunities for one-on-one business counseling provided by the Small

Business Development Center and SCORE. DBEDT co-hosted this free one-day event with partners US Small Business Administration, Chaminade University, Small Business Development Center (SBDC), Internal Revenue Service, Bank of Hawaii, and the Business Action Center.

Other exhibitors on-hand to assist, encourage and provide information to existing and future small business owners included the Minority Business Development Agency, SCORE, State Dept. of Transportation, State Department of Taxation, State Department of Health, Office of Hawaiian Affairs, Patsy T. Mink Center for Business and Leadership (*see picture at right*), Pacific Gateway center, Central Pacific Bank, Homestreet Bank and many more.



Cynthia Yamasaki of MCBL at the YWCA of Oahu

At Leeward Community College

On Saturday, February 22, 2014, the Department of Business, Economic Development and Tourism (DBEDT) co-hosted the 2014 Hawaii Small Business Spring Fair, “Launch Your Dreams into Reality” at Leeward Community College in Pearl City. The free one-day event featured more than 30 workshops and exhibits from Federal, State and local agencies and participating organizations.

Sponsored by a partnership of the Department of Business, Economic Development and Tourism with other Federal, State and other local organizations, the free workshops and exhibits provided a great opportunity for small business owners and future business owners to learn how to grow or start their businesses. More than 350 individuals registered for a wide range of workshop topics including: Show Me the Money: Financing Options, Forming and Registering Your Business, Secrets of marketing, The 24/7 Salesperson: Your Website, Getting FIT: Federal Income Taxes, and many more. In addition, SCORE provided one-on-one business counseling to more than 100 business and future business owners.



**Small Business Fair Planning Committee: from the left: Jerry Hiromoto (IRS), Debbie Luning (Ewa Beach CBDO), Jayna Uyhara (DCCA-Business Action Center), Mary Dale (SBA), Joseph Burns (Small Business Development Center), Naomi Masuno (Bank of Hawaii), Wayne Thom (DBEDT), kneeling: Ron Umehira (Dean-LCC).**

Partnering with DBEDT to bring this successful free one-day event to Hawaii’s business owners and entrepreneurs were the US Small Business Administration, the Internal Revenue Service, Leeward Community College, Small Business Development Center (SBDC), Bank of Hawaii and the Business Action Center.

Providing information and assistance were more than 30 exhibitors including agencies such as DBEDT, SCORE, State Department of Transportation, USDA Rural Development, State Department of Taxation, State Department of Health, Office of Hawaiian Affairs, Patsy T. Mink Center for Business and Leadership, Hawaii Health Connector, local banks and many more.

#### At the Hawaii Convention Center

On Tuesday, May 27, 2014 at the Hawaii Convention Center, Facebook and the Chamber of Commerce of Hawaii hosted Facebook's Small Business Boost event. Kicking off the event were special guest, Senator Brian Schatz and Ms. Bess Yount, Facebook's Small Business Expert who welcomed more than 350 attendees. Focus of the event was on helping local small business owners learn more about the resources available to small businesses in the community, combined with presentations and training sessions geared towards helping small business owners leverage the Facebook platform to grow their small businesses.

The Small Business Boost event provided an opportunity for the Department of Business, Economic Development and Tourism's CBED and Enterprise Zone (EZ) Program staff to provide information and educate the more than 350 attendees about the benefits of the department's programs which help small businesses and create and sustain full-time jobs. Other resource agencies taking part in the event included: the Department of Commerce, U.S. commercial Service, Hawaii US Export Assistance, USDA Rural Development, Social Media Club of Hawaii, Small Business Development Center, Small Business Administration Pacific Edge Magazine, and the Chamber of Commerce of Hawaii.

#### Technical Assistance

From July 1, 2013 through June 30, 2014, CBED staff facilitated, conducted or participated in more than 100 technical assistance meetings to more than 60 business owners, managers or agents, non-profit organizations, and government agencies. Technical assistance topics included, but were not limited to, community economic development and project financing, micro-loan programs, fishpond development, marketing, manufacturing, board development and more.

#### CBED's Opportunities

**CBED Loan Program** - The CBED Program staff will continue developing partnerships that help revitalize the long dormant CBED Loan Program. Entrepreneurial small businesses and community-based economic development projects to be funded by the CBED Loan Program are anticipated to support a broad range of agricultural-related businesses and projects such as small business enterprises, food security, and agricultural enterprises, including value-added business development. The CBED micro-loan fund,

technical assistance, and capacity-building initiatives will be a crucial resource for Hawaii's entrepreneurs and community-based organizations to implement or expand their businesses.

**CBED Accelerator Pilot Program** – Going forward into FY2015 CBED is developing a pilot program designed to assist community-based economic development organizations to explore establishing recurring revenue generation projects. Given the financial instability of grant-based business models, this new pilot program aims to offer qualified organizations a path to financial and thus mission sustainability.

CBED looks to work with a mentoring organization that can assist a number of qualified nonprofit community-based organizations chosen to participate in this pilot program. The mentoring organization will organize a hands-on program for up to five non-profit, community-based organizations in the planning and implementation of recurring revenue generation projects, based on best business practices.

The overall goal of the pilot program is to be a catalyst for non-profit community-based economic development organizations to reach financial, and thus, mission sustainability through innovative recurring revenue generation projects, based on best business practices.

### **CBED Advisory Council**


The Hawaii Community-Based Economic Development (CBED) Advisory Council consists of 12 members. The Director of DBEDT, the Chairperson of the Board of Agriculture, and the Chairperson of the Office of Hawaiian Affairs, or their respective designees, are ex-officio members. The Governor appoints the remaining nine members, representing each major island plus one member who has specific commercial finance experience.

The Council reviews CBED financing requests and makes its recommendations on the awarding of loans and grants, subject to the final approval of the DBEDT Director. The Council also advises the Director on program implementation and members represent their island in liaison with community-based organizations.



**Community-Based Economic Development Advisory Council**

 <p align="center"><b>Dean M. Matsukawa</b>  <b>Representative for Chair Russell</b>  <b>S. Kokubun</b>  <b>Department of Agriculture</b></p>	 <p align="center"><b>Carol M. Jung</b>  <b>CBED Advisory Council</b>  <b>Member</b>  <b>West Hawaii - Kona</b></p>	 <p align="center"><b>Sharon Y. Sakamoto</b>  <b>CBED Advisory Council</b>  <b>Member</b>  <b>Oahu</b></p>
 <p align="center"><b>Mary Ann Manahan</b>  <b>CBED Advisory Council</b>  <b>Member</b>  <b>Oahu</b></p>	 <p align="center"><b>Hans H. Chun</b>  <b>CBED Advisory Council</b>  <b>Member</b>  <b>Oahu</b></p>	<p align="center"><b>Molokai-Vacant</b></p>
<p align="center"><b>Photo Not Available</b></p> <p align="center"><b>Michael J. Murakoshi</b>  <b>CBED Advisory Council</b>  <b>Member</b>  <b>Kauai</b></p>	<p align="center"><b>Photo Not Available</b></p> <p align="center"><b>JoAnn T. Inamasu</b>  <b>CBED Advisory Council</b>  <b>Member</b>  <b>Maui County</b></p>	<p align="center"><b>Photo Not Available</b></p> <p align="center"><b>Jennifer L. Zelko</b>  <b>CBED Advisory Council</b>  <b>Member</b>  <b>East Hawaii – Hilo</b></p>

 <p><b>Dennis T. Ling</b>  <b>Representative for Director</b>  <b>Richard C. Lim</b>  <b>Department of Business</b>  <b>Economic Development &amp;</b>  <b>Tourism</b></p>	<p><b>Photo Not Available</b></p> <p><b>Colette Y. Machado</b>  <b>OHA Chairperson</b>  <b>Represented by Joda P.</b>  <b>Derrickson</b></p>	<p><b>Lanai – Vacant</b></p>
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**Conclusion**

Traditional economic development is focused on business and profit; but too many of Hawaii’s rural communities and residents do not reap the benefits or resist economic development so that Hawaii must look at alternatives for economic development. CBED is a positive program that empowers the community, strengthens the knowledge base and provides access to the resources to expand economic and social development. CBED supplies the infrastructure for long-term self-sufficiency, entrepreneurial opportunities, jobs, and revenue for Hawaii’s local communities. In the end, an expanded fund commitment to the Statewide CBED Program will serve to make Hawaii stronger by building the capacity and empowering community members, increasing self-reliance, improving stability and creating increased self-sufficiency.