Overview

The philosophy behind the Department of Business, Economic Development & Tourism’s (DBEDT) Community-Based Economic Development (CBED) program is to empower communities to improve their economic and social conditions through economic development. The CBED program provides both financial (grants and loans) and technical assistance to non-profit organizations and businesses that enable them to plan and implement economic development projects and ventures in their communities. Community economic development projects and ventures must be feasible and self-sustaining, while reflecting the values and goals of the community. CBED program activities work to realize DBEDT’s mission to support business development, create jobs, and improve Hawaii’s standard of living through economic diversification, expanding existing businesses, and attracting and developing new economic activity to the State.

The CBED Advisory Council guides the CBED program through its recommendations to DBEDT on requests for financial assistance for community-based economic development activities and enterprises. The Council members and the counties they represent who were present for this strategic planning meeting on July 15, 2016 were: Rachel James (Oahu); JoAnn Inamasu (Maui); Elvira Lo (Oahu); Kaleokalani Kuroda (Oahu) and Lyn McNeff (Maui). Jane Horike (Hawaii) was also present. There is currently a vacancy for the Kauai County seat. There are also three Hawaii State entities whose representatives are on the CBED Advisory Council and were present at this meeting: Department of Agriculture (Dean Matsukawa); Office of Hawaiian Affairs (Leona Kalima); and DBEDT (Mark Ritchie).

The following subject headings were taken verbatim from section three of the posted CBED meeting agenda outlining the strategic planning issues to be discussed. The CBED Advisory Council’s discussion, recommendations and decisions have been grouped under the appropriate agenda headings.

Mission Statement Review/Discussion

Proposed updated mission statement (2016):

“Successful community economic development integrates viable economic development projects with a community’s vision for its future health and quality of life. The CBED Program provides training and capacity-building opportunities to promote, support and
Invest in community economic development projects that result in measurable economic impact."

Although more detailed language was offered and discussed by the Council, it was agreed to keep the language broad and simple such as above so as not to unduly constrain the CBED program to pursue opportunities as they arise.

**Current Financial Status – 2016-2017**

According to the Department of Agriculture, the CBED Revolving Fund should receive roughly $500,000, most likely this fall. This is from a settlement from the Hawaii Capital Loan Program (no longer active) from a decade ago.

The Council understands that given this funding level, the CBED program must be focused and also work with partners to be effective.

**Program Challenges for 2016-2018**

The CBED program was unable to get statutory changes passed in the previous legislative session including removing the "membership-based" requirement in the CBED statute. Also, DEBDT does not have a loan officer for the CBED Program.

The Council understands the difficulty of only being able to work with membership-based non-profits and agreed that there are many non-membership-based non-profits that may be able to participate in CBED programs. The Council supported proposing legislative fixes again next year. It was suggested that the proposed changes could be reviewed at the next CBED Advisory Council meeting. The importance of partnerships was also emphasized to leverage CBED funding, and to obtain loan servicing to address the fact that DBEDT does not have a loan officer for the CBED Program.

**CBED Program Goals**

CBED Advisory Council listed the following as desired program goals.

Create jobs & opportunities (such as new businesses) in economically disadvantaged areas and empower communities to control their own economic destiny by:

1) Targeting communities in disadvantaged areas of the state such as those located in enterprise zones (EZ);

2) Supporting start-ups, business expansions, social enterprises, co-ops, and entrepreneurship;

3) Considering youth training and mentorship/apprentice programs in projects;
4) Facilitating sustainability among communities and organizations so they can continue operating;

5) Including multiple communities – by demographic, by island;

6) Leveraging program funds through partnerships;

7) Dovetailing CBED program with EZ and other state, county, federal, private programs;

8) Seeking ways CBED can uniquely impact, not replicate, what others are doing.

The Council also noted that while specific industries should not be targeted or given preference, the CBED program should consider which industries will create the most jobs and jobs requiring skilled workers.

CBED Tools/Resources/Strategies/Program Activities

In implementing the CBED program, chapter 210D, Hawaii Revised Statutes, allows DBEDT to make grants, loans and offer technical assistance.

The Council’s guidance on how to use these tools are as follows:

Grants should be used for:

- Non-profit organizations determined to be exempt from federal income tax by the IRS;
- Technical Assistance for grant writing – “Grantsmanship Center” and other resource centers for grant writing;
- Train-the-trainer programs – HANO; Hawaii Community Foundation; Hawaii County;
- Capacity-building – building a community’s financial expertise;
- Development of business mentorship programs;
- The Council suggested that grants be 10% of the CBED budget with 90% for loans and technical assistance, e.g. $500,000 budget would allocate $50,000 to grants.
Loans

- CBED could use EZ program as “filter” for guidance – geographic target areas such as Enterprise Zones;
- Consider start-ups/business growth/entrepreneurship/youth training;
- Targets for loans can include for-profits, social enterprises and cooperatives;
- Consideration towards partnerships to leverage CBED funds:
  - Department of Agriculture
  - Small Business Administration (SBA)
  - Maui Economic Opportunity (MEO)
  - Pacific Gateway
  - Office of Hawaiian Affairs (OHA)
  - Credit Unions (*Mark—HAR §15-116-6(2) provides that one requirement for a CBED loan is not being able to obtain a loan from a private or public financial institution.)*
- Contact counties to identify other organizations providing micro-loans
- Council agreed that loans should on average be $25,000, but can go as high as $100,000 depending on the project and partner(s).

Technical Assistance

For consideration:

- One Stop Centers / CBED Resources;
- Web portal site for Hawaii community-based economic development;
- Financial Information / Training;
- Business Resource Centers – SBDC, UH & Community Colleges;
- Accelerator – launched in spring of 2015. Designed to assist community-based non-profits that have an economic impact mission. Sought to diversify non-profits’ funding streams through the development of projects that generate recurring revenue.
Received 24 applications for this pilot program, but many did not qualify because they were non "membership-based." The first five nonprofit organizations to complete the program:

- Waimea Nui Community Development Corporation (Hawaii Island)
- Hawaii Tropical Fruit Growers (Hawaii Island)
- Forest Industry Association (Hawaii Island)
- Garden Island Arts Council (Kauai)
- Homestead Community Development Corporation (Kauai)

Each nonprofit received $7,000 in grant funds (non-CBED/matching funds) and one year of technical assistance to initiate projects.

Council agreed to put the program on hold until a legislative change can be made to make eligible all non-profit community-based economic development organizations and not just those that are membership-based organizations.

**Timeline for Implementation**

Planning, implementation, reporting and time period for budget allocation were not discussed since we have not received funding yet. Timelines will be included in a workplan, which will be one of the outputs developed from this strategy document.

**Outcomes/Metrics – Measuring Success**

The Advisory Council agreed on the following tracking metrics that could be used to measure success:

- Jobs created
- Jobs retained
- Earnings
- Training hours
- Revenue increases
- Local sourcing of inputs (multiplier effect)
- Satisfaction by program
- Social impact – use same metrics as partner non-profit organization
- New business created.
Kohala Meats & Deli, LLC
LOAN SUMMARY

The proposed joint loan of $50,000 will be to Kohala Meats & Deli, LLC with LLC members David and Carolyn Fuertes as co-borrowers. The loan will complete renovations of 1,592 square foot store front building located in Kohala. The intention is to create a business to sell butchered meat, deli/processed foods, as well as hot prepared foods. The business will also provide training in cooperation with Hawaii Community College for local youths to earn a certificate in butchering as well as an opportunity to learn business management.

David and Carolyn Fuertes have already invested $100,000 towards the project. The cooperating loan will be between the State Ag Loan Division and CBED with each contributing $25,000 for a total loan of $50,000. The proposed term is for 10 years with interest only for the first six months, followed by principal & interest payments. The loan will be secured by inventory, equipment and accounts with equipment valued at $61,939. The DOA portion was approved on January 19, 2017.

The store will provide a market for local livestock producers and locally grown produce and value added products. The store intends to utilize the new Big Island Mobile Slaughterhouse Unit which will be stationed close to the market making it very efficient slaughter and process the animals. The store will have the necessary meat processing equipment, cold storage and a certified kitchen to offer fresh cuts of meats as well as hot prepared foods. Area residents will have an opportunity to purchase locally grown high quality meats and produce at reasonable prices and the operation will also provide training opportunities youth in the community. The business will be an asset for the community and create new opportunities.

Your approval of the CBED portion of this joint loan is recommended.