

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM (DBEDT)

**MINUTES OF THE COMMUNITY-BASED ECONOMIC DEVELOPMENT (CBED)
ADVISORY COUNCIL MEETING**

THURSDAY, MAY 7, 2020, AT 10:00 A.M.

VIA VIRTUAL APPLICATION ZOOM: VIDEO/AUDIO CONFERENCE

Advisory Members Present were:

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| Rachel James (Chair) | - | Advisory Council Member (Oahu) |
| Jane Horike | - | Advisory Council Member (Hawaii/Hilo) |
| Kaleokalani Kuroda | - | Advisory Council Member (Oahu) |
| Dennis Ling | - | Department of Business, Economic Development & Business (DBEDT) |
| Nancy Elvira Lo | - | Advisory Council Member (Oahu) |
| Matthew Loke | - | Department of Agriculture (Oahu) |
| Ernest Matsumura | - | Advisory Council Member (Hawaii/Hilo) |
| James Patterson | - | Office of Hawaiian Affairs & Department of Agriculture (Oahu) |

Staff:

| | | |
|---------------------------|---|---------------------------|
| Margaret Ahn | - | Attorney General's Office |
| Lyle Fujikawa | - | DBEDT |
| Leslie Kawamoto | - | DBEDT |
| Mark Ritchie | - | DBEDT |
| Wayne Thom | - | DBEDT |
| Timothy Tiu | - | DBEDT |
| Selma Malcolm (Recording) | - | DBEDT |

CALL TO ORDER:

The meeting was called to order at 10:00 a.m., by Mr. Mark Ritchie who welcomed and also thanked everyone present for joining the meeting via ZOOM.

Introduction of Council Members:

Everyone was provided an opportunity to identify/introduce themselves.

APPROVAL OF MAY 24, 2019 MEETING MINUTES:

Minutes of the Meeting held on Friday, February 24, 2019, were approved on a motion by Mr. Dennis Ling and seconded by Mr. Matthew Loke.

The motion was passed unanimously.

MANAGER'S REPORT:

Report on CBED Revolving Fund & the Status of the Loans:

Mr. Thom reported on the CBED Revolving Fund and the Status of the Loans. He advised the Council that as of 6/30/2019, the CBED Revolving Fund had a total of \$448,087.

From July 1 to December 31, 2019, the Department of Business, Economic Development and Tourism (DBEDT) received approximately \$19,000 (\$17,500/principal & \$1,500/interest) from the Department of Agriculture (DOA). The total amount in the CBED Revolving Fund is approximately \$467,000.

Regarding the status of the loans, Mr. Thom indicated that currently, there are five (5) loans and they are with: Kohala Meats and Deli, LLC, Chandara Farm, Luangrath Farm, Chanthabouasith Farm and Hawaiian Agricultural Products, LLC. Of the five (5) loans, all payments are current with consistent monthly payments except the Chandra Farm loan which went in default about 2-years ago with a balance of \$23,353.52. The loan was secured by farm equipment and personal assets, i.e., automobile. Mr. Thom also indicated that it was a partnership loan between DBEDT and DOA and the Attorney General's Office is currently pursuing the default.

Mr. Kuroda pointed out the dramatic increase in the CBED revenues for Fiscal Year 2019 and questioned whether it was the result of funds received from the Legislature.

Mr. Ritchie said no and explained that DBEDT introduced a bill that was passed that allowed all the funds recovered from loan programs eliminated by the legislature such as the capital loan fund be placed into the CBED Revolving Fund rather than putting it back in the general fund. Approximately \$1/2 million was recovered from the capital loan program.

OLD BUSINESS:

A. Report on Opportunity Zone Initiative & Contract with Hawaii Community Reinvestment Corporation (HCRC) / Heather Piper:

Mr. Ritchie stated that at our last meeting in 2019, the Council recommended resources in the amount of \$75,000 for Hawaii Community Reinvestment Corporation (HCRC) to assist DBEDT with marketing and identifying projects for Hawaii's Opportunity Zones. The Opportunity Zone is a federal tax incentive program that allows investors to reinvest their capital gains into opportunity funds and make investments in low-income/economically challenged areas of the State.

Mr. Ritchie advised the Council that DBEDT and HCRC/Heather Piper the Executive Director, completed a great deal of work on the program. Two (2) projects were posted on DBEDT's website at: invest.hawaii.gov/oz and 3-4 other projects are pending and as they were gaining traction and really started to work on the program, COVID-19 occurred and dried up any investments, given highly unstable market conditions.

In a discussion with HCRC, DBEDT realized that they needed to put the projects on hold for a while given market conditions. Given this, DBEDT decided to redeploy on an emergency basis, the remaining HCRC contract funds of \$25,000 from supporting Opportunity Zone projects to working with the community-based non-profits on stabilization and recovery and in particular, assist them with applying for the Small Business Administration (SBA) Economic Injury Disaster Loan (EIDL) and the Paycheck Protection Program (PPP) funds.

Mr. Ritchie also advised the Council that a supplementary contract was done for HCRC and certain deliverables were taken out and new deliverables were added which involved assisting the non-profit organizations on a financial basis for the next couple months with their challenges as a result of COVID-19. He commented that Ms. Piper is currently participating in several webinars as well as working individually with non-profits. Mr. Ritchie also suggested that Ms. Piper be invited to the next Council meeting to give a presentation on the initial opportunity zone work and her assistance to non-profits during their challenges with COVID-19 pandemic.

Ms. Horike stated that the non-profit organizations are receiving enough assistance from COVID-19 funding and questioned whether it was possible to place the HCRC contract on hold to resume sometime in the future, starting with the 3-4 projects that are currently in the pipeline since no one else is working on opportunity zone projects.

Mr. Ritchie pointed out that DBEDT is still working on opportunity zone projects, and felt that perhaps, it's going to be later in the summer before they can resume the work fully. Also, the contract with HCRC was expiring and DBEDT had already completed 2-extensions.

Ms. Horike questioned the 2-extensions and noted that the Council should have been consulted on the decision to switch to assisting non-profits due to COVID-19. She commented that several programs and companies are already providing support to non-profit organizations as a result of COVID-19. Ms. Horike also suggested that DBEDT cancel the contract with HCRC and return the \$25,000 to the CBED budget and revisit the contract in the future.

Ms. James agreed with Ms. Horike and stated that there is meaningful work in opportunity zones and although non-profits need assistance, similarly there are several programs and entities that are providing support for them. Also, it would seem more in alignment to end the contract and resume when the opportunity zone work could be done.

Motion was made by Ms. Horike and seconded by Mr. Ling to cancel the contract with HCRC and revisit opportunity zones when the market condition is improved.

Mr. Ritchie requested a roll call vote and the following council members agreeing to the motion: Ms. Horike, Ms. James, Mr. Ling, Mr. Kuroda Mr. Loke Ms. Lo, Mr. Matsumura and Mr. Patterson.

Motion was approved unanimously.

Mr. Ling then indicated that HCRC/Ms. Piper may have incurred some expenses, but DBEDT would determine what the amount is and address it accordingly.

Mr. Ritchie informed the Council that Ms. Piper prepared a report on opportunity zones and he would submit a copy to the Council before the next meeting.

B. Update on CBED Advisory Council Member Status and Vacancies:

Mr. Ritchie advised the Council that the membership for Ms. Lo and Mr. Kuroda has been extended to 2024, another four (4) years; DBEDT is currently trying to fill a vacancy for a member from Maui (member's term has expired) and that DBEDT is drafting testimony for the two (2) members as the Legislature may resume sometime in May 2020.

NEW BUSINESS:

A. Partnering with Feed the Hunger Foundation:

Mr. Ritchie explained that Feed the Hunger Foundation is a community development financial institution that provides participation loans. The organization is very active in Hawaii. Also, DBEDT is in the process of completing a memorandum of agreement (MOA) with Feed the Hunger Foundation which is currently in the Director's Office for signature.

Ms. Horike asked if the MOA with Feed the Hunger Foundation is for a loan that the Council will be obligated to pay back. Mr. Ritchie said no and explained that DBEDT will partner with Feed the Hunger Foundation in joint participation loans, as it does with the Department of Agriculture. Each joint loan would require a separate agreement between DBEDT and Feed the Hunger Foundation. Since there is no loan officer in-house, Feed the Hunger Foundation will service the loans for DBEDT, and the loan agreement will be very similar to the Department of Agriculture's loan agreement with DBEDT.

Mr. Thom noted that CBED can do participating loans with other lenders, but due to the limitations of DBEDT, i.e., we do not have a loan officer to service those loans, we will use loan officers from our participation loan partners, such as the Department of Agriculture. Normally, DBEDT's participation loans with other lenders are split 50-50 and are micro-loans. Mr. Thom also stated that Feed the Hunger's mission is pretty much aligned with DBEDT/CBED's mission. Feed the Hunger is an international organization with the ability to process loans statewide.

Mr. Thom advised the Council that he will be sending all the background information on Feed the Hungry along with their proposed MOA.

Ms. Horike said Hawaii County is trying to work out an agreement with Hawaii Community Assets with the possibility of assisting some small businesses.

B. Request for Ratification of Loan to Hawaii Agricultural Products, LLC (\$60,000):

Mr. Thom presented a loan request from Mr. Ken Hirata of Hawaiian Agricultural Products, LLC (HAP) to the Council for ratification. The loan will be used to purchase and install additional equipment to increase the production and distribution of Hawaiian shochu, a distilled alcohol beverage made from locally grown sweet potatoes and rice. The equipment will be purchased and shipped from Japan to Honolulu.

Mr. Thom expressed that the CBED micro-loan program will partner with the Department of Agriculture's Loan Division to do a participation loan of \$120,000. DOA will put up \$60,000 and CBED the other \$60,000. Regarding the terms and security, etc., of the loan, Mr. Thom advised that the loan will be secured by the brewery equipment and personal real estate, i.e., a condominium located in Waikiki valued over \$680,000 per 2020 tax assessment value. Mr. Thom also stated that the Hawaiian Agricultural Products distillery is located between Haliewa and Waialua (Oahu) and that Mr. Hirata is assisting several small farmers by purchasing Okinawan sweet potatoes and other products to produce shochu. Mr. Thom indicated that Mr. Hirata is a very hardworking person and has invested a significant amount of time, money and knowledge in HAP and uses only Hawaii grown sweet potatoes to produce shochu. Also, the shochu is of premium quality with a very high demand and with the purchase of new stainless-steel equipment, he will be able to double his brewing capacity from 6,000 bottles of shochu per year to 12,000 per year.

Motion was made by Mr. Ling and seconded by Ms. Horike to ratify the loan of \$60,000 for Hawaiian Agricultural Products, LLC/Ken Hirata to purchase new stainless-steel equipment to increase the production and distribution of shochu.

A roll call vote was requested with the following council members agreeing to the motion: Ms. Horike, Ms. James, Mr. Kuroda, Mr. Matsumura, Ms. Lo, Mr. Ling Mr. Loke and Mr. Patterson.

Motion was approved unanimously.

C. Recommendation for Approval for a Grant for Kula No Na Poe Hawaii (KULA)

Mr. Thom presented a grant request from Kula No Na Poe Hawaii (KULA) to the Council for approval. Mr. Thom advised that the amount must not exceed \$200,000 and that KULA is a non-profit community-based organization that provides educational and health services to residents (not only the native Hawaiians but to the different ethnicity groups within the region) of Papakolea. He noted that the funds will be used to support the expansion of work to assist kupuna of Papakolea with chronic diseases, by providing training for certified community healthcare workers to take care of elderly in their homes.

Mr. Ritchie explained that the fund was appropriated by the State Legislature for the project and that money would go into the CBED revolving fund in order not to encounter any fiscal deadlines in having to deploy it.

Motion was made by Ms. Horike and seconded by Mr. Ling to put the amount not exceeding \$200,000 in the CBED Revolving Fund.

A roll call vote was requested with the following council members agreeing to the motion: Ms. Horike, Ms. James, Mr. Kuroda, Mr. Matsumura, Ms. Lo, Mr. Ling Mr. Loke and Mr. Patterson.

Motion was approved unanimously.

Motion was made by Ms. Horike and seconded by Mr. Ling to approve a grant from the CBED Revolving Fund to KULA in an amount not to exceed \$200,000.

A roll call vote was requested with the following council members agreeing to the motion: Ms. Horike, Ms. James, Mr. Kuroda, Mr. Matsumura, Ms. Lo, Mr. Ling Mr. Loke and Mr. Patterson.

Motion was approved unanimously.

Ms. James left the meeting at 11:06 a.m.

D. Approval for up to \$60,000 in Grants to provide Technical Assistance to Non-Profits:

Mr. Thom requested the Council's approval of a grant up to \$60,000 to organizations that will provide technical assistance to non-profits to assist them in accessing new grants or loans in their recovery efforts after COVID-19. The proposed grant recipients are the Hawaii Farm Bureau and other organizations that will provide technical assistance to agricultural-non-profits. Ms. Horike recommended that the request be tabled for discussion at a later meeting.

Motion was made by Ms. Horike and seconded by Mr. Patterson to table the request to approve up to \$60,000 in grants to provide technical assistance to non-profits.

A roll call vote was requested with the following council members approving the motion: Ms. Horike, Mr. Kuroda, Mr. Ling, Ms. Lo, Mr. Matsumura Mr. Loke, and Mr. Patterson.

Motion was approved unanimously.

E. Approval of up to \$25,000 to cover expenses for DBEDT to provide Technical Assistance:

Mr. Ritchie presented a request for the Council's approval of up to \$25,000 to cover expenses for DBEDT to provide technical assistance to/for Hawaii Small Business Fair, Council of Native Hawaiian Advancement, Agricultural Leadership Foundation's 2020 Hawaii Agricultural Conference and CBED Program website improvement.

Motion was made by Ms. Horike and seconded by Mr. Patterson to approve a total of up to \$25,000 to cover expenses for DBEDT to provide technical assistance to/for Hawaii Small Business Fair, Council of Native Hawaiian Advancement, Agricultural Leadership Foundation's 2020 Hawaii Agricultural Conference and CBED Program website improvement.

Mr. Ritchie requested a roll call vote with the following council members approving the motion: Ms. Horike, Mr. Kuroda, Mr. Ling, Ms. Lo, Mr. Loke, Mr. Matsumura and Mr. Patterson.

Motion was approved unanimously.

NEXT MEETING:

TBA

ADJOURNMENT:

The meeting was adjourned at 11:17 a.m., on a motion by Mr. Ling and seconded by Mr. Loke. Motion was passed unanimously.

Respectfully submitted,



Rachel James
Chair

June 15, 2020

Date