

DRAFT

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM (DBEDT)

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

TUESDAY, APRIL 19, 2022, AT 10:00 A.M.

VIA VIRTUAL APPLICATION ZOOM: VIDEO/AUDIO CONFERENCE

Advisory Members Present were:

- Casey Brown - Office of Hawaiian Affairs (Ex-Officio)
- Jane Horike - Advisory Council Member (Hawaii/Hilo)
- Kaleokalani Kuroda - Advisory Council Member (Oahu)
- Dennis Ling - Department of Business,
Economic Development & Tourism (Ex-Officio)
- Nancy Elvira Lo - Advisory Council Member (Oahu)
- Matthew Loke - Department of Agriculture (Ex-Officio)
- Ernest Matsumura - Advisory Council Member (Hawaii/Hilo)
- Teena Rasmussen - Advisory Council Member (Maui)
- Colleen McAluney - Advisory Council Member starting July 1, 2022
(Oahu/New) Non-voting
- Roberta Melton - Advisory Council Member (Kauai/New)

Guests:

- Nainoa Logan - Waianae Economic Development Council
- Lisa Pakele - Institute for Native Pacific Education and Culture

Staff:

- Elisa Amemiya - Attorney General's Office
- Bryan Yee - Attorney General's Office

- Mark Ritchie/Presided DBEDT
- Wayne Thom - DBEDT
- Lyle Fujikawa - DBEDT
- Leslie Kawamoto - DBEDT
- Timothy Tiu - DBEDT
- Selma Malcolm - DBEDT

CALL TO ORDER:

The meeting was called to order by Mr. Ritchie on Tuesday, April 19, 2022, at 10:02 a.m., via ZOOM.

▪ **Welcome Current Members and Introduction of any Guests:**

Mr. Ritchie welcomed everyone to the meeting and then conducted a rollcall of the council members. He introduced two new Council members, Ms. Colleen McAluney, representing Oahu and her membership will be effective on July 1, 2022, and Ms. Roberta Melton who is representing Kauai. Mr. Ritchie also introduced Nainoa Logan of Waianae Economic Development Council (WEDC) who would make a presentation on the loan to HB Baking, Inc., Ms. Lisa Pakele from the Institute for Native Pacific Education and Culture (INPEACE), who will be reporting on a post-event that occurred in October 2021, regarding Made in Hawaii Festival; the DBEDT staff, Ms. Elise Amemiya, the new deputy attorney general and Mr. Bryan Yee of the Attorney General's Office, transitioning Ms. Amemiya to the Council.

APPOINTMENT OF A PRESIDING OFFICER:

Mr. Ritchie announced that Ms. Rachel James had resigned from the Council as chair due to family obligations on the Mainland. He sent her an email thanking her for the hard work she had done as chair. Mr. Ritchie noted that if anyone on the council would like to contact Ms. James, her personal email is listed on the previous council members' contact sheet.

Mr. Ritchie also announced that if there were no objections, he would act as the presiding officer and at the next meeting, Council could elect a new chair and those who are interested, should advise DBEDT/CBED via email.

OLD BUSINESS:

APPROVAL OF MINUTES OF FEBRUARY 15, 2022:

Motion was made by Mr. Ling and seconded by Ms. Rasmussen to approve the Minutes of Tuesday February 15, 2022, unamended.

Roll call vote was requested, and the following Council members approved the motion: Ms. Horike, Mr. Brown, Mr. Kuroda, Mr. Ling, Mr. Matsumura, Mr. Loke, Ms. Melton and Ms. Rasmussen.

The motion was passed.

NEW BUSINESS:

1. **Approval of DBEDT/CBED Loan of \$125,000 to Lubrco, LLC of Kalihi, Honolulu for Working Capital & Equipment:**

This item was rescheduled to the next meeting in May 2022 due to the underwriting not being finished.

2. **Approval of CBED Loan of \$25,000 to HB Baking, Inc., of Chinatown, Honolulu for Equipment:**

Mr. Ritchie provided background information on the loan to HB Baking, Inc. He advised that the loan was a referral from the Home Street Bank. The underwriting for the loan was done by Waianae Economic Development Council (WEDC) which is one of DBEDT's/CBED's resource partners. Mr. Ritchie then invited Mr. Nainoa Logan of WEDC to make his presentation to the Council.

Mr. Logan reported that HB Baking, Inc., was established in 2019 out of the home of Heather Bryan and David Lukela, owners of the company, after they were furloughed from their jobs in the restaurant industry due to the pandemic.

In May 2021 they opened a retail store inside of another restaurant in Chinatown, Honolulu, and although there is no visible signage on the outside of the building, the company made about \$15,000 a month in its first year of operation. Both owners (Heather and David) are culinary chefs. Currently, HB Baking has about \$130,000 in sales and over \$123,000 in annual revenue. Their products are frozen desserts/pies that are customized to order. Once the company is fully established, they will be focusing on wholesale expansion which will include convenient stores, i.e., 7/11s, grocery and other selected partners.

Mr. Logan stated that HB Baking, Inc., main revenue streams are their retail location comprising of 92.5% of their sales and the other 7.5% is wholesale. The company sells products to Liko's Tap and Table and Restaurant XO. Mr. Logan also reported that HB Baking, Inc., gross margin is 51.3%, their profit margin is about 26.2% and direct cost margin is 35.3%. Currently, there is \$50,000 in their savings account of their business banking so, there is enough cash asset to cover the loan at a ratio of 2:1.

Mr. Logan stated that HB Baking, Inc., is requesting a loan of \$25,000 to purchase an ice cream truck to expand in the popup markets. Also, an expansion into the popup market could increase annual revenue to about 50% which is equivalent to another \$5,000 - \$6,000 every month. Mr. Logan also shared some of the risks in operating a new business and noted that profitability is one of the highest risks. But despite the risk, it is a pretty good loan and HB Baking, Inc., will hire more people as they started to expand into the wholesale and popup markets.

Mr. Ritchie noted that DBEDT/CBED is interested in the new hires as it fits the CBED target market, which is manufacturing, wholesaling and trying to help businesses in economically challenged areas of the state.

Public Testimony:

At this point, Mr. Ritchie invited members of the public to testify on the agenda items. Hearing none, he proceeded with questions and comments from the CBED Council members.

Ms. Lo joined the meeting at 10:24 a.m.

Mr. Brown thanked and commended Mr. Logan on his presentation to the Council. Other council members also expressed their appreciation to Mr. Logan for the detailed information he provided during his presentation.

Ms. Rasmussen shared her concern about HB Baking, Inc., navigating into the chain stores with such little financial backing and noted that it is unrealistic for them to enter the wholesale market at this time.

Ms. Lo supported the loan of \$25,000 to HB Baking, Inc., but she was concerned that the owners took no salary and inquired if they had other jobs that are paying their salaries.

Mr. Logan replied that Mr. Lukela is a culinary instructor at Kapiolani Community College and his teaching salary is approximately \$5,000 a month which could be their primary income in addition to what they are trying to do with the business. Ms. Bryan is working full time with the business.

At this point with no additional Council comments or questions, Mr. Ritchie requested a motion on this agenda item.

Motion was made by Mr. Matsumura and seconded by Mr. Ling to approve the DBED/CBED Loan of \$25,000 to HB Baking, Inc., for working capital and equipment.

Roll call vote was requested, and the following Council members approved the motion: Ms. Horike, Mr. Brown, Mr. Kuroda, Mr. Ling, Ms. Lo, Mr. Matsumura, Mr. Loke, Ms. Melton and Ms. Rasmussen.

The motion was unanimously approved.

3. **Approval of an Additional \$30,000 in Grants for TA for Grant Writing Program for Nonprofits:**

Mr. Ritchie requested the Council's approval of an additional \$30,000 in grants to be used for technical assistance to non-profits involved in community-based economic development. The grant program is designed for non-profits to retain qualified technical assistance for grant writing individuals to apply for federal or private foundation economic development grants. Mr. Ritchie indicated that at a previous meeting, the Council approved a grant for \$60,000 to assist companies with up to \$5,000 (with a 20% match) to provide technical assistance to pursue federal and foundation money. He explained that DBEDT/CBED had spent most of that allocation and would like to continue the program. Mr. Ritchie indicated that three companies did not use their contracts and their grant contracts had expired.

During discussion, Ms. Rasmussen asked what DBEDT/CBED could do to make sure that these monies don't expire once they are allocated.

Mr. Ritchie explained that CBED staff did try repeated through emails and phone calls to let the non-profits know that their grant contracts were close to expiring. Ms. Rasmussen said that if we put the expiration dates on report to Council, that Council members can assist in contacting non-profits whose grant contracts are close to expiring.

Mr. Ritchie will be updating the DBEDT/CBED grants for Technical Assistance spreadsheet to reflect the award date, expiration date, etc., for distribution to the Council members.

Mr. Ritchie asked for a motion on this agenda item which was approval of an additional \$30,000 for the grant writing technical assistance program for nonprofits.

Motion was made by Ms. Rasmussen and seconded by Mr. Ling to approved DBEDT/CBED Grant Funds for an additional \$30,000 in Grants for Technical Assistance for Grant Writing Program for nonprofits to retain qualified technical assistance grant-writing individuals in order to apply for federal or private foundation economic development grants.

Roll call vote was requested by Mr. Ritchie and the following Council members approved the motion: Ms. Horike, Mr. Brown, Mr. Kuroda, Mr. Ling, Ms. Lo, Mr. Matsumura, Mr. Loke, Ms. Melton and Ms. Rasmussen.

Motion was unanimously approved.

4. **Post-event Report on Technical Assistance of \$5,0000 for Booth Space and Trade Show Training to West Oahu Companies:**

Mr. Ritchie stated that Ms. Lisa Pakele will be reporting on a grant that the Council authorized in October 2021 to work with 4-5 companies in the Waianae Coast to be first time exhibitors in Made in Hawaii Festival. He then invited Ms. Pakele to present her report. Ms. Pakele reported that she works for the Institute for Native Pacific Education and Culture. They serve the West Oahu community with a variety of programs including Ho`oulu Waiwai of which she is the program manager for the business development side. She has been working with several businesses in the area to fulfill their various business needs. DBEDT/CBED has been a tremendous support and she has been working with Mr. Ritchie and Mr. Fujikawa. She stated that Ho`oulu Waiwai has been supporting businesses over the past 5-years, and in November 2021 DBEDT/CBED assisted with funds to provide training for companies to participate as first-time exhibitors in the Made in Hawaii Festival and their total sales were \$50,804.79. Information on Ms. Pakele's presentation was included in the meeting packet.

Mr. Ritchie thanked Ms. Pakele for her presentation. Members of the Council also thanked Ms. Pakele for the services that she is offering in the community.

5. **Review of the Role of the CBED Advisory Council:** (In making recommendations to the DBEDT Director on CBED loans, grants and technical assistance).

Mr. Ritchie advised that information on the role of the CBED Advisory Council is included in the meeting packet. Also, that the CBED Advisory Council should make sure that the Statute is being followed in terms of supporting Community-Based Economic Development.

Mr. Ritchie indicated that DBEDT/CBED still have the EDA funding that it received in 2021, and in order to start drawing on the funds, the revolving loan fund plan which should be updated every other year. Also, that copies of the CBED revolving loan fund plan were distributed to all Council members for review and if anyone would like another copy, please let him know. He then encouraged the Council members to start reviewing the plan. Mr. Ritchie stated that in the past, DBEDT/CBED held a half-day strategy session for grants, loans and technical assistance that the program offers and proposed another strategy session where the council could review the revolving loan fund plan. Mr. Ritchie then thanked Mr. Nainoa Logan again for the great job he had done in presenting the loan write-up to the Council for HB Baking, Inc.

Mr. Ritchie said when DBEDT/CBED presented a loan to the Council for approval, the underwriting process is already done and validated by a third-party. He explained that some lending agencies and nonprofit organizations sometimes have a loan review committee that is made up of bankers and underwriters which is not necessarily the expertise of the DBEDT/CBED Advisory Council – he would like the Council to comment as to the loan being a fit to the CBED program, i.e., look at the statute and help guide us to make the CBED program effective and successful and eventually contribute to the community-based economic development program in the state.

During discussion, Mr. Brown asked if the DBEDT/CBED annual report has an evaluation of how the goals are met by the loans. Mr. Ritchie replied that DBEDT/CBED has tried to do that but with the EDA loan requirements, he would be publishing more metrics.

Ms. Rasmussen suggested that Mr. Ritchie/DBEDT with the Council's help, could identify CDFI's or other underwriter organizations on the neighbor islands to partner with then, organize a Zoom meeting and present what our capabilities are and what we would like to have them promote. She felt a lot of them are not aware of our DBEDT/CBED programs.

Mr. Ritchie said that is a great idea and he would look into it.

Mr. Ritchie reiterated the request for the public to testify on the agenda items. Hearing none, he proceeded with questions and comments from the CBED Council members.

Mr. Kuroda asked Mr. Ritchie/DBEDT to prepare a light onboarding with a few slides to help guide the Council members on what their purposes are on the Council.

Mr. Ritchie concurred.

Ms. Rasmussen inquired about reinstating a quarterly in-person meeting. Mr. Ritchie said he would work with the attorney general's office to organize an in-person meeting.

Ms. Rasmussen asked about confidential document transfer system. DBEDT staff will look into it.

NEXT MEETING:

The next meeting will be held on Tuesday, May 17, 2022, at 10:00 a.m.

ADJOURNMENT:

The meeting was adjourned at 11:34 a.m. on a motion made by Ms. Lo and seconded by Ms. Horike.

Respectfully submitted,

Mark Ritchie

Presiding Officer

Apr 22, 2022

Date