

STATE OF HAWAII

HAWAII COMMUNITY-BASED ECONOMIC DEVELOPMENT  
TECHNICAL AND FINANCIAL ASSISTANCE PROGRAM



FY 2022  
ANNUAL & FINANCIAL REPORTS  
TO THE 32<sup>nd</sup> LEGISLATURE

As required by Section 201-10, Hawaii Revised Statutes  
and Section 201D-14, Hawaii Revised Statutes

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## **EXECUTIVE SUMMARY**

The Legislature created a Community-Based Economic Development (CBED) Program in 1991 in the Department of Business, Economic Development and Tourism (DBEDT) with Act 111, SLH 1991, codified as Chapter 210D, Hawaii Revised Statutes. As part of the statute, the CBED Advisory Council and the CBED Revolving Fund were also created.

The Council reviews CBED financing requests and makes 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 county in liaison with community-based organizations.

The Hawaii Community-Based Economic Development Revolving Fund (CBED 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. As of June 30, 2022, the CBED Revolving Fund had a balance of \$274,393.

CBED offers micro-loans usually from \$50,000 to \$125,000 to eligible small businesses that support economic development in their communities. The CBED program helps small businesses to develop viable, sustainable ventures that serve local needs and are compatible with the vision, character and cultural values of their communities. The CBED loan program supports a broad range of businesses, including agricultural producers, manufacturers and wholesalers. CBED currently has co-lending and loan servicing arrangements with the Hawaii Dept. of Agriculture (HDOA), Feed the Hunger Foundation, Hawaii Community Reinvestment Corporation and the Waianae Economic Development Council (WEDC), an "emerging Community Development Financial Institution (CDFI)".

CBED partners with various organizations to target “hard to reach” sectors of Hawaii’s business community to present information on business resources and educate community-based organizations, such as non-profits, on how to strengthen their economic development capabilities or further sustain their revenue generation initiatives.

### **CBED MISSION**

Through loans, grants and technical assistance the Community-Based Economic Development (CBED) program provides training and capacity building opportunities to promote, support, and invest in community-based development projects that result in measurable economic impact.

### **CBED ADVISORY COUNCIL**

The CBED Program is guided by an Advisory Council comprised of community leaders from around the State.

The CBED Advisory Council reviews all requests for financial assistance (loans and grants) to assess whether the proposed community-based economic development activity or enterprise is likely to achieve the purposes of the CBED program. The Council makes recommendations to DBEDT regarding the appropriateness of the proposed activity or enterprise, and DBEDT then has final authority to approve or disapprove the financial assistance.

## CBED Advisory Council Members

<b>COLLEEN MCALUNEY</b>	<b>Oahu</b> Exp: 06/30/2025
<b>TEENA RASMUSSEN</b>	<b>Maui</b> Exp: 06/30/2023
<b>JANE HORIKE</b>	<b>Hawaii</b> Exp: 06/30/2025
<b>ERNEST MATSUMURA</b>	<b>Hawaii</b> Exp: 06/30/2022
<b>KALEOKALANI KURODA</b>	<b>Oahu</b> Exp: 06/30/2023
<b>NANCY ELVIRA LO</b>	<b>Oahu</b> Exp: 06/30/2023
<b>ROBBIE MELTON</b>	<b>Kauai</b> Exp: 06/30/2026
<b>DENNIS T. LING</b> <i>Ex-Officio Representative for Director Mike McCartney Department of Business, Economic Development. &amp; Tourism</i>	<b>DBEDT Representative</b>
<b>CASEY BROWN</b> <i>Ex-Officio Representative for Chair Carmen Hulu Lindsey Office of Hawaiian Affairs</i>	<b>OHA Representative</b>
<b>MATTHEW K. LOKE</b> <i>Ex-Officio Representative for Chairperson Phyllis Shimabukuro- Geiser, Department of Agriculture</i>	<b>DOA Representative</b>

Council members bring a myriad of skills sets to the Department and the CBED Program. Skill sets of current CBED Advisory Council Members include, but are not limited to: Strategic Communications, Program Management, Community Outreach, Project Management, Government, Strategic Planning, Public Speaking, Nonprofits, Leadership, Business Strategy/Business Analytics, Financial Modeling, Process Improvement, Finance, Risk Management, Public Policy, Grants, Public Administration, Customer Service, Legislative Relations, and Policy Analysis.

During strategic planning sessions, the Council has voiced its agreement and understanding of the importance of partnerships and emphasized the need to leverage and obtain additional CBED funding and seek loan servicing services to address the fact that DBEDT does not have a loan officer to service loans made through the CBED Revolving Fund.

The CBED Advisory Council listed the following as desired program goals:

Create jobs and opportunities (such as new businesses) in economically disadvantaged areas and empower communities to control their own economic destiny by: Targeting communities in disadvantaged areas of the state such as those located in enterprise zones (EZ);

- 1) Supporting start-ups, business expansions, social enterprises, co-ops, and entrepreneurship;
- 2) Considering youth training and mentorship/apprentice programs in projects;
- 3) Facilitating sustainability among communities and organizations so they can continue operating;
- 4) Including multiple communities – by demographic, by island;
- 5) Leveraging program funds through partnerships;
- 6) Dovetailing the CBED program with the Hawaii Enterprise Zone (EZ) Program and other state, county, federal, private programs;
- 7) 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 were 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 – i.e., HANO; Hawaii Community Foundation;
- 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.

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 may include for-profits, nonprofits, social enterprises and cooperatives that produce and/or utilize community resources/products;
- Consideration towards partnerships to leverage CBED funds:
  - State Department of Agriculture
  - Hawaii Community Reinvestment
  - Feed the Hunger Fund
  - Pacific Gateway
  - Office of Hawaiian Affairs (OHA)
  - Contact counties and Federal business support agencies to identify other organizations providing micro-loans;
- Council agreed that loans could on average be as low as \$25,000 but can go as high as \$100,000 or more depending on the project and co-lending 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 – i.e., SBDC, UH & Community Colleges; Innovation Centers
- Accelerators – Designed to assist community-based non-profits that have an economic impact mission. Seek to diversify non-profits' funding streams through the development of projects that generate recurring unrestricted revenue.

### **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 businesses created



## **CBED LOAN PROGRAM – REVOLVING LOAN FUND**

The revolving fund, technical assistance, and capacity-building program initiatives will continue to be a crucial resource for Hawaii’s entrepreneurs and community-based organizations to create jobs, implement or expand their businesses, and develop sustainable revenue generating initiatives. Community-based economic development is a bottom-up approach and can play an important role in the State’s larger economic development strategy. As the assistance from the CBED Program helps rejuvenate the entrepreneurial and community economic development sectors, the CBED Program itself will also be rejuvenated.

The Hawaii CBED Revolving Fund (now called a “Special” 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, “Transfers” of revenue collections from other closed DBEDT loan programs (i.e., Capital Loan Program, Small & Large Fishing Vessel Loan Programs), and fees from community conferences and other events sponsored through the CBED Program.

<b>CBED Revolving Fund Account</b>	
Beginning balance as of July 1, 2021	\$ 479,798
Revenues for fiscal year:	
Loan Interest Payments	1,827
Loan Principal Payments	15,647
Investment Pool Earnings	121
Transfers	
Expenditures for fiscal year	(207,500)
Encumbrances	(17,474 )
Balance as of June 30, 2022	\$274,393

The CBED Revolving Fund may be used for loans, grants and technical assistance. The CBED Program focused most its efforts in FY21 on technical assistance grants to help grow and develop small businesses, job creation and non-profits seeking to diversify their

funding streams with recurring revenue-generating projects, providing assistance for accessing Federal financial assistance for COVID-19, and outreach to promote services and financial assistance available through DBEDT.

In FY 2021, the CBED Program staff applied for and was awarded a grant of one million dollars (\$1,000,000) from the U.S. Economic Development Administration (EDA) in the U.S. Department of Commerce. The one million grant was matched by a CBED commitment of \$250,000. Funds from CBED and EDA are committed to make loans to small businesses that are ready to expand their businesses, create additional jobs and can exhibit community benefits through their expansion.

The additional EDA funding into the State of Hawaii's Community-Based Economic Development Revolving Loan Fund (CBED RLF) will enable the State to move towards a more sustainable economy by: (1) supporting certain types of business activities as outlined in the Comprehensive Economic Development Strategy (CEDS); in particular, manufacturing; the diversification of agriculture and value-added agricultural production and (2) growing jobs in economically challenged areas of the State. CBED RLF loans can be used for: start-up costs and working capital; construction or improvement of facilities; purchase of equipment ; payment of production and marketing expenses, including materials, labor and services.

## **CURRENT LOANS IN FY 2022**

### *CBED Funded Loans*

**Kohala Meats & Deli** - February 2017, this is a joint loan with the Department of Business, Economic Development and Tourism's Community-Based Economic Development Program (CBED) and the State Agriculture's Loan Division (SALD). The \$50,000 joint CBED-SALD loan to Mr. David Fuertes and wife, Carolyn Fuertes, was made towards completing renovations of a 1,592 square foot leased building that houses the meat market and deli and to refurbish the chill box. Mr. and Mrs. Fuertes have contributed \$100,000 of their own funds towards the project. Terms of the loan for CBED are: \$25,000 for 10 years at 3.375% interest per annum, fixed. Payment of

principal and interest to CBED is approximately \$300/month to CBED. As of June 30, 2022, the Fuertes' owe CBED a balance of \$5,850.

**Hawaiian Agricultural Products, LLC** - Ken and wife, Yumiko Hirata continue to pay monthly on his 10-year CBED \$60,000 loan made in April, 2020, matched with a \$60,000 loan (Total \$120,000) from the State Department of Agriculture's Loan Division (SALD). CBED Revolving funds were used primarily for the purchase and installation of additional brewing and holding equipment needed to expand production and distribution of shochu made at their distillery in Haleiwa. Terms for their CBED \$60,000 loan were: 120-months; 3% interest – P + Simple Interest = \$580.00/month.

This is the second CBED loan we have approved for Hawaiian Agricultural Products. The first was made in November, 2011 for a \$25,000 CBED loan, matched by a SALD loan of \$25,000. Funds were used primarily for the purchase and installation of a boiler, the last crucial piece of equipment needed to complete the distillery. Terms for the first loan were for a 10-year loan at 3% interest. Monthly interest only payments of \$62.50 for one (1) year, followed by monthly principal and interest payments of \$264.42 until maturity. The first loan was paid in full prior to making the second loan.

#### *EDA/CBED Funded Loans*

**Re-Use Hawaii** – October, 2021, DBEDT Director approved a Community-Based Economic Development-EDA Revolving Fund loan of \$50,000 to non-profit Re-Use Hawaii to be matched with a \$50,000 loan from Hawaii Community Reinvestment Corporation (HCRC). CBED Revolving funds will be used primarily for the purchase of equipment and transportation needed to expand deconstruction, acquisition and storage, and transportation equipment.

**Haleiwa Distilling Company** – December, 2021, DBEDT Director approved a Community-Based Economic Development-EDA Revolving Fund loan of \$175,000 to Nathan Sisler, to be matched with a \$175,000 loan from the Feed The Hunger Fund (FTHF). CBED Revolving funds will be used primarily for the purchase and installation of additional brewing and holding equipment needed to expand production and distribution of whiskey, rum, liquors and gin made at his Waialua Sugar Mill distillery.

**Maika'i Health Corporation** was approved in February, 2022 for a CBED-EDA Revolving Fund loan of \$50,000, matched with an additional \$100,000 loan through a participation loan agreement between Hawaii Community Reinvestment Corporation (HCRC-\$50,000) and Hawaii Island CDFI-Lei Hoolaha (LH-\$50,000). CBED-EDA Revolving funds will be used primarily for leasehold improvements and operating capital needed towards expanding services and operations. Funding will allow Maika'i Health Corporation to retain seven (7) full-time jobs and two (2) part-time positions. Expansion of services will add additional positions which will be tracked.

**HB Baking, Inc.**, was approved in April, 2022 for a CBED-EDA Revolving Fund loan of \$25,000. CBED-EDA funds will be used primarily for the purchase of an ice cream truck to sell at pop-up markets on the Island of Oahu and any operating capital needed towards expanding services and operations. Funding supports the retention of two (2) full-time employees and two (2) part-time employees. Expansion of services will add additional positions which will be tracked.

**Lubrco, LLC**, was approved in May, 2022 for a CBED-EDA Revolving Fund loan of \$125,000. CBED-EDA funds will be used primarily for working capital and operating capital needs towards new product development, scaling production and purchase order fulfillment. Lubrco develops, processes, manufactures and packages disinfectant and cleaning solutions in Hawaii for product distribution to all islands, the Pacific Rim and North America. Funding supports the retention of five (5) full-time employees at the company's manufacturing site.

**Amro-Asian Trade, Inc.**, was approved in May, 2022 for a CBED-EDA Revolving Fund loan of \$100,000. The company operates in the General Merchandise, Non-durable business/industry within the Wholesale Trade-Non-durable Goods sector. CBED-EDA funds will be used only for the purchase of inventory. Amro-Asian Trade, Inc., offers innovative, high-speed denominating counters. Currency Discriminators and Sorters are manufactured in Japan and South Korea. Funding supports the retention of four (4) full-time employees.

**Farm Link Hawaii, Inc.**, was approved in June, 2022 for a CBED-EDA Revolving Fund loan of \$100,000, matched with an additional \$100,000 loan through a participation loan agreement between Feed the Hunger Fund. CBED-EDA funds will primarily be used for working capital. Farm Link Hawaii connects local growers and buyers via its innovative online marketplace and supply-chain infrastructure. Farm Link Hawaii connects household and commercial buyers to local farmers for delivery or pickup. The company's mission is to build a thriving, equitable food system in Hawaii by empowering local farmers and improving access to local foods. The company currently employs twenty-two (22) people. In 2021, Farm Link Hawaii purchased over \$1 million of local produce and products from over two hundred (200) local farmers and ranchers, and sold to over two thousand (2,000) unique buyers.

**Pomai Kulolo**, was approved in June, 2022 for a CBED-EDA Revolving Fund loan of \$105,000, matched with an additional \$395,000 through participations loans between Feed the Hunger Fund (\$150,000); Lei Ho`olaha (\$100,000); and the Hawaii State Department of Agriculture (\$145,000). CBED-EDA funds will primarily be used for upgrading current facilities, expanding operations, and securing a supply chain for future growth. Pomai Kulolo currently employs twenty-five employees and will create four (4) additional positions.

## **CBED TECHNICAL ASSISTANCE GRANT PROGRAM**

### **Grant Writing Technical Assistance**

In response to the COVID-19 pandemic, the Federal government has made available grant funding through the majority of Federal agencies.

On June 24, 2020, the CBED Advisory Council recommended approval for grants to provide grant writing technical assistance to nonprofit organizations with projects that are readily implementable. Projects must exhibit components that incorporate community economic development benefit and show sustainability with the ability to create and maintain jobs in the community.

#### **Applicant Requirements:**

1. Be a nonprofit organization determined to be tax exempt by the U.S. Internal Revenue Service and registered in the State of Hawaii;
2. Provide a cash match of 25% of the technical assistance request;
3. Demonstrate a community-based economic benefit if the organization's project is successful;
4. Be able to exhibit that the organization's project is advanced enough to begin implementation within a very short period of time, given sufficient funding.
5. Be ready to apply for Federal and/or private foundation grant funding (State grant funding is excluded)

In FY 2022, CBED approved five (5) new Grant Writing Technical Assistance Grants in a second round of grant funding. Two of the new grants approved were to first round organizations both of whom completed their first round of grant agreements and were very successful in obtaining community economic development funding in the first round. The Waianae Economic Development Council, in the first round of CBED funding was awarded a total of \$1,118,550 for the Waianae community; and, the Friends of Iolani Palace

were successful in obtaining grants through Federal and private foundation funding for a total of \$224,650 for their community economic development initiatives.

The remaining three (3) organizations to receive second round CBED technical assistance grant funds were: Whitmore Economic Development Group (\$5,000); Friends of Waimanalo (\$5,000); and, Common Ground Collective (\$4,500). All five organizations are anticipated to complete their grant agreements by December 31, 2022.

The CBED Technical Assistance Grant-writing Initiative, with a CBED grant of \$5,000 for the services of a grant writer, is proud to report that the Friends of Iolani Palace, led by CEO Paula Akana, in the first round of grant funding, was awarded grants totaling \$224,650 from the Foundation on Culture and the Arts (\$15,000, Bank of Hawaii (\$10,000); and the National Endowment for the Humanities (\$199,650).

## **CONCLUSION**

Community-based economic development is specifically 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 more than 25 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 local 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. In the spirit of creating "Public-Private Partnerships," the CBED Program has focused on partnering with other state,

federal and private agencies to help build the capacity of small businesses, entrepreneurs, and CBOs through training workshops, conferences, conventions, and other events.

CBED strategies and practices can play a valuable part in an overall economic development strategy for Hawaii. Specifically, CBED is a bottom-up economic development initiative that can supplement more centralized or top-down approaches. This bottom-up approach begins by sourcing economic development opportunities from local communities themselves, which can be “demographic communities” or “communities of interest.” These opportunities, which usually become projects, not only have community-backing, but usually have some form of community control. The CBED approach can help build new infrastructure for a more sustainable Hawaii economy, based on decentralization, partnerships, human resource development, and innovation.

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.