

**COMMUNITY-BASED ECONOMIC DEVELOPMENT (CBED)
ADVISORY COUNCIL MEETING
Tuesday, 17, 2023, 10:00 a.m.**

Old Business

Approval of CBED Advisory Council Meeting Minutes for
September 19, 2023

DRAFT

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM (DBEDT)

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

TUESDAY, SEPTEMBER 19, 2023, AT 10:00 A.M.

Department of Business, Economic Development and Tourism

250 South Hotel Street, 5th Floor

Conference Room 503, Honolulu, Hawaii 96813

AND VIA VIRTUAL APPLICATION ZOOM: VIDEO/AUDIO CONFERENCE

Advisory Members Present were:

Nancy Elvira Lo (Chair)	-	Advisory Council Member (Oahu)
Karen Barr	-	Advisory Council Member (Oahu)
Casey Brown	-	Office of Hawaiian Affairs (Ex-Officio)
Matthew Loke	-	Department of Agriculture (Ex-Officio)
Colleen McAluney	-	Advisory Council Member (Oahu)
Roberta Melton	-	Advisory Council Member (Kauai)
Teena Rasmussen	-	Advisory Council Member (Maui)
Dennis Ling	-	Department of Business, Economic Development & Tourism

Guests:

Aaron Ellis	-	Feed the Hunger Fund
Vicky Paresa	-	Pakini Loan Fun
Shavone Lave	-	Pakini Loan Fund
Pamela Tumpap	-	Maui Chamber of Commerce

Staff:

Elisa Amemiya	-	Attorney General's Office
Keala Pruet	-	DBEDT
Mark Ritchie	-	DBEDT
Timothy Tiu	-	DBEDT
Selma Malcolm	-	DBEDT

Apologies:

Kaleokalani Kuroda	-	Advisory Council Member (Oahu)
Jane Horike	-	Advisory Council Member (Hawaii/Hilo)

CALL TO ORDER:

Mr. Ritchie called the meeting to order on Tuesday, September 19, 2023 at 10:02 a.m.

All members and guests participated via ZOOM.

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

Mr. Ritchie welcomed and thanked all present. He asked Selma Malcolm to conduct the roll call and asked members to indicate if they were alone at their respective locations. Mr. Ritchie announced that Dennis Ling, DBEDT's Ex/Officio is present at the meeting so he's DBEDT staff.

He then introduced guests (see above), DBEDT staff and Ms. Elise Amemiya, Deputy Attorney General.

OLD BUSINESS:

Approval of Minutes of May 16, 2023:

The Minutes of May 16, 2023, meeting were distributed and reviewed by Council. Mr. Ritchie asked if there were any comments and/or corrections to the Minutes. Hearing none, he asked for a motion to approve the Minutes.

Motion was made by Mr. Brown and seconded by Ms. Lo to approve the Minutes of May 16, 2023, as presented.

A roll call vote was taken with the following Council members approving the motion: Chair Lo, Ms. Barr, Mr. Brown, Mr. Loke, Ms. McAluney, Ms. Rasmussen, Mr. Ling, Ms. Melton.

Motion to adopt the May 16, 2023 Minutes was approved unanimously.

Public Testimony:

There was no public testimony.

NEW BUSINESS:

**1. Update on Maui Disaster Relief and Business Support – Teena Rasmussen
CBED Advisory Council Member representing Maui:**

At this point, Mr. Ritchie called upon Ms. Rasmussen, the CBED Advisory Council member representing Maui County, for an update, through her perspective on the relief efforts particularly with the Business Support effort on Maui.

Ms. Rasmussen stated that the whole state woke up in a state of shock on August 9th after learning what happened to Lahaina. She said they first went through

waves of shock and now its grief that many had lost everything and despair was setting in. It's the grim reality that it's going to take years to overcome this disaster.

Ms. Rasmussen reported that the businesses in Lahaina will need commercial space to operate from, otherwise, they cannot be opened. Lahaina has lost about: 800 businesses which generated \$70 million in revenues per month, 8500 employees, 2200 housing units, 1500 accommodation units including short-term rentals, the use Lahaina's Harbor where 49 boats were sunk in or near the harbor, (there are about 78 separate objects that need to be removed by a marine salvage operation, under the coast guard command). Ms. Rasmussen indicated that all the businesses that support the marine industry are looking at least a couple years of disruption.

Ms. Rasmussen also informed the Council that Maui lost 88 transpacific flights in August, 2023. Hotel occupancy plummeted from the highs of in the 70 & the 80 percent earlier in the Summer to 20% now. The mass exodus of visitors has caused the rest of Maui's economy to be on borderline collapse which is similar to the COVID-19 experiences. Currently, there are more than 1000 people without drinking water in Up-Country Maui which is more than a month after the fire. Ms. Rasmussen also advised that the shining light through all this tragedy has been the community and the world's outpouring of support for Maui. The large donation and support has really been critical to keep their families there and specifically for businesses. SBA has a program that provides up to \$2 million per entity for a loan at 4% but its problematic because the businesses need to show that they have the means to pay back that loan. She also spoke about Governor Green's \$20 million dollar grant program that will provide \$10,000 to small businesses & \$20,000 to the larger ones. That program is being funded by \$10 million in State funds and \$5 million in Maui County funds & funds from the Hawaii Community/ Maui Strong Fund. Maui County has forgiven the property taxes for everyone in the burnt zones for at least this year. She's also had concern about the long-term effects of property insurance rates on Maui. And hoping that they can all come together and find a path forward including CBED and other organizations because it's going to be a difficult and a very long road for them.

Mr. Ritchie stated that at the next Advisory Council meeting in October, Ms. Rasmussen presentation will set the stage for certain discussions, i.e., medium business recovery, etc. Also that he and Ms. Rasmussen had a discussion on business recovery in Maui and they decided that at the Made in Festival in November 2023, they could pick up the cost of the booth space for the 132 Maui County companies that are exhibiting with the grant that the Maui Chamber of Commerce could distribute. It will be about \$450 per company for their booth space.

At this point, Mr. Ritchie inquired if there were any questions for Ms. Rasmussen.

Mr. Ling thanked Ms. Rasmussen for her presentation and indicated it shook a lot of lives, we know but we can't feel to the extent that you do. Going into the next legislative session, he will see if there are any thoughts and ideas as to how CBED could help in the medium term to help businesses and the community organizations in Maui to recover.

Ms. Rasmussen thanked Mr. Ling and noted that she has seen a lot of support that's been great from several companies, i.e., the Red Cross, Maui Strong, Oprah Fund, etc. She also indicated that there are no funds available for those who have lost their vehicles/cars and felt that is something that the state legislative should focus on.

Mr. Ritchie then asked if there were any questions before he moved on to the next item on the agenda. Hearing none, he introduced Ms. Pamela Tumpap from the Maui Chamber of Commerce.

2. Approval of CBED Grant of \$65,000 to Maui Chamber of Commerce (MCOC):

Mr. Ritchie then invited Ms. Pamela Tumpap, President, Maui Chamber of Commerce (MCOC) to make a presentation.

Ms. Tumpap stated that this is going to be the 10th annual Hawaiian Airlines Made in Maui festival. She indicated that several business owners informed her that they had lost everything. She also indicated that she previously ran Maui United Way and the Made in Maui Festival and that these event help grow businesses. With less visitor traffic, they need to watch their budget and leverage plans with foundations fundraising through MCOC. She indicated that the DBEDT/CBED relief would help the businesses that are struggling. They are looking to expand in Japan, retail, department stores, Hankyu and also with DBEDT.

Ms. Tumpap indicated that MCOC would have loved to give everybody free festival booths but that's not possible for them at this time. Also they are fundraising through Maui Chamber of Commerce to do business grants but they are looking to leverage that to strict business grants to those most impacted by the fires across the board and the DBEDT/CBED program would be a huge help.

Mr. Ritchie thanked Ms. Tumpap for her presentation and then reiterated that DBEDT/CBED would give a grant to the Maui Chamber of Commerce to cover the booth space for all 132 Maui County exhibitors including the booth space for the contingent from Molokai as well. The role of the Chamber would be to distribute these funds and provide a financial report to DBEDT/CBED.

Mr. Ritchie then asked if there were any questions.

Mr. Brown inquired if 10,000 shoppers would turn out for the festival. He then indicated that he would check with OHA for help and that he would like to discuss further assistance with Ms. Tumpap after this meeting.

Ms. Barr asked if there's a plan to encourage other groups to attend the festival and offered her assistance with various groups she is in contact with. Ms. Tumpap gave her contact information to the Council for further discussions. Contact info.: pamela@mauifestival.com; Ph. (808)269-0141.

Ms. Tumpap noted she is working with news outlets, Spectrum, building a visitor page, and negotiating special rates to participate.

At this point Mr. Ritchie asked for a motion on this agenda item.

Motion was made by Ms. Rasmussen and seconded by Ms. Melton to approve DBEDT/CBED Grant of \$65,000 to Maui Chamber of Commerce.

A roll call vote was taken with the following Council members approving the motion: Chair Lo, Ms. Barr, Mr. Brown, Mr. Loke, Ms. McAluney, Ms. Rasmussen, Mr. Ling, Ms. Melton.

Motion was approved unanimously

3. Approval of CBED Loan of \$100,000 to Samurai, Inc., a Food Manufacturing Company:

Mr. Ritchie introduced Mr. Ellis, Director of Programs at Feed the Hunger Fund to walk us through this loan of \$100,000 to Samurai, Inc. The underwriting was summarized by Mr. Ellis. He reported that Samurai Inc was declined by a bank mainly because she was new owner. The company has lots of fixed assets, is in an Enterprise Zone and TOD. The company employs 20 people and it is a woman owned company. Samurai, Inc., is a food manufacturing company, producing snacks foods. CBED will be co-lending with Feed the Hunger Fund which will also make a loan of \$100,000. The DBEDT/CBED loan will be used to purchase equipment and for working capital. The DBEDT/CBED loan will have a 7-year term with an interest rate of 4%.

At this point Mr. Ritchie asked for a motion on this agenda item.

Motion was made by Ms. Barr and seconded by Ms. Rasmussen to approve DBEDT/CBED Grant of \$100,000 to Samurai, Inc.

A roll call vote was taken with the following Council members approving the motion: Chair Lo, Ms. Barr, Mr. Brown, Mr. Loke, Ms. McAluney, Ms. Rasmussen, Mr. Ling, Ms. Melton.

Motion was approved unanimously.

NEXT MEETING:

October 17, 2023 10:00 am

ADJOURNMENT:

The meeting was adjourned at 10:50 a.m., on a motion by Ms. Rasmussen and seconded by Ms. Lo with all in favor.

Respectfully submitted,



Nancy Elvira Lo
Chair



Date

Old Business

Update on CBED Grant of \$65,000 to Maui Chamber of Commerce to distribute to Maui County exhibitors at the Made in Maui Festival, November 3-4, 2023. Funds will off-set cost of booth space for all 132 exhibitors.



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

BUSINESS
(ECONOMY, ENVIRONMENT, SOCIAL WELL BEING & CULTURE)
MATTERS



HOSTED BY:

PAMELA TUMPAP

EPISODE 127, 10/03/23, FEATURING:

ROBERT FENTON, REGIONAL ADMINISTRATOR, FEMA

MARK RITCHIE, BRANCH CHIEF, DBEDT

SPONSORED BY:



MOKULELE
A I R L I N E S

Interview with Mark Ritchie, DBEDT

Maui Business Matters

<https://www.youtube.com/watch?v=0MU34FIL0dg&list=PL3GTf2NwGQoyTA0EFUXsfeYITBBerOd4&index=123>

New Business

Recommendation/Approval of CBED Loan of \$75,000 to Kauai Fine Woodworking, a Kauai-based, furniture manufacturing company. Co-lending with Feed the Hunger Fund, which will also make a loan of \$75,000. CBED loan is to purchase equipment and for working capital. The CBED loan will have a term of 7 years with an interest rate of 5%. Underwriting review by Aaron Ellis, Director of Programs and Lending, Feed the Hunger Fund.

Ritchie, Mark J

From: mark.moran@egov.com
Sent: Friday, October 13, 2023 1:26 PM
To: Ritchie, Mark J; Wayne.K.Thom@hawaii.gov; Malcolm, Selma S; Fujikawa, Lyle H
Subject: [EXTERNAL] New submission from 2023 CBED Loan Interest Form

Company Name

Kauai Fine Woodworking LLC

Title of person acting on behalf of this business (e.g. CEO, President)

President

Name

Adam Lang

Company Contact Information

Address

5611 Kawaihau Road Unit 101
Kapaa, HI 96754
United States
[Map It](#)

Company Phone

Email

The Company Name listed above is a business and is registered to do business in the State of Hawaii and is in good standing

Yes

The Company Name listed above is current on all County, State, and Federal Tax Filings and Tax Payments.

Yes

Do you have financial statements (income statement and balance sheet) for two most recent fiscal years?

Yes

Business Information

Date Established

02/01/2018

Type of Entity

Limited Liability Company

Is business a for-profit business?

Yes

Type of Business

Manufacturer

Please describe your business

Current operations
Kauai Fine Woodworking works with architects and general contractors to design and build furniture grade cabinetry, doors and trim for high end homes. Adam creates and maintains relationships, receives specifications, makes recommendations for

modifications and facilitates the creation of CAD drawings sufficient to guide the manufacturing process. Adam personally sources and purchases all raw materials and supplies. He manages a team of shop employees to translate the engineering drawings into finished products. Projects range in size from simple kitchen cabinets, which can take only two weeks to complete, to large scale, whole room packages including trim, cabinets and doors for large homes that span nine months or longer.

Products

Adam predominantly uses lumber sourced from the mainland US according to the current design aesthetic; white oak, mahogany and teak. Adam is proficient working with locally sourced lumber when requested by a client. Stacks of raw lumber are delivered and stored for use in machining them into correct sizes. Lumber is hand fed into different machines depending on desired end result. Veneer products are requested frequently. This technique uses a hot press to adhere a thin layer of fine wood grain onto a more sturdy and less expensive, more stable, climatized substrate.

Parts are assembled into shapes, then finishing is applied. The finishing is often subcontracted to an expert finish contractor.

Adam is currently designing shop space and installing ventilation to take the finishing process in house. The final product is delivered to the client project site, and a contractor performs the installation.

Manufacturing process

Using a system based on Kan Ban Boards, Adam manages labor work flow to maximize efficiency and minimize waste.

Implementing project management software will further facilitate the ability to grow and manage much larger projects.

Profit model and cash flow

The customization of high end wood products limits the application of standardization. The shop floor is managed to meet highly detailed specifications unique to each customer's desires. Additionally, most clients demand the finest of materials. These issues naturally translate into high project costs. Jobs are estimated and contracted as either fixed price or cost plus. Tight budgeting and detailed itemization of change orders and scope departures are required to prevent loss of profit margin when a fixed price has been contracted. In a cost plus scenario, materials purchases are billed to the client with a 15% markup. Direct labor hours are billed at the current shop rate of \$150 per hour. Overhead is covered and net profit is earned via the 15% materials markup and labor margin. The model is successful already, having earned a \$98,000 profit in 2022. The goal is to scale up to meet demand and grow a thriving woodworking business.

Annual Revenue

\$1,000,000.00

Number of Employees

8

Loan Information

What loan amount are you seeking?

\$150,000.00

Have you had one turndown from a commercial lender in the past year?

Yes

What is the loan to be used for?

Purchase of equipment

What type of collateral do you have to secure a loan?

Machinery, vehicles, personal household

Terms & Conditions

- I Agree




Date	10/13/2023	Time Start	Vote via email
Location	Conference Line: Conference ID	Time End	
Participants	Committee Members	FTHF Staff	
	<input type="checkbox"/> Brett Melone <input type="checkbox"/> Phil Bachus <input type="checkbox"/> Eunice Azzani <input type="checkbox"/> Mark Murakami <input type="checkbox"/> Patti Chang <input type="checkbox"/> Vivian Pham <input type="checkbox"/> Leticia Corona	<input type="checkbox"/> Aaron Ellis <input type="checkbox"/> Mike Canale <input type="checkbox"/> Juan Santiago <input type="checkbox"/> Meche Sansores <input type="checkbox"/> Shandis Ching <input type="checkbox"/> Eric Bowman <input type="checkbox"/> Lama Chang <input type="checkbox"/> Natalie Aczon	
Attachments	Loan Write-up for <ul style="list-style-type: none"> o Kauai Fine Woodworking 		



MEETING DISCUSSION

#	Items Discussed	Notes
1.	<p>Kauai Fine Woodworking (KFW)</p> <p>https://www.instagram.com/kauaifinewoodworking/?hl=en</p> <p>Founded in 2021 by Adam Lang, Kauai Fine Woodworking (KFW) operates from the North Shore of Kauai. Adam has 23 years of experience as a carpenter, and the business is known for its dedication to producing exceptional custom woodwork, catering to both woodworking enthusiasts and aficionados of exquisite wooden artistry. This includes crafting cabinetry, designing custom doors, and creating elegant shelving units.</p> <p>The borrower is requesting a loan of \$150,000 (\$75,000 from DBEDT/CBED and \$75,000 from FTHF). The borrower will also be contributing \$17,000 of their own funds. Most of the funds will be used to purchase new equipment (\$85,000) and make leasehold improvements (\$50,000). The balance of the funds (\$32,000) will be used to consolidate existing debt.</p>	<p>KFW has a risk rating of 2 (Good).</p> <p>Pros:</p> <ul style="list-style-type: none"> - Excellent credit history - Collateral coverage is 1.47 (including DBEDT portion of financing) - Positive revenue growth - Cash positive - Target market (borrower just comes in under the 80% AMI for household of 1 in Kauai County for 2022) <p>Cons:</p> <ul style="list-style-type: none"> - Business is not within the food system. <p>Staff recommendation: is to approve a FTHF loan of \$75,000 at 5% annual interest with a 7 year term. It is anticipated that DEBDET/CBED will match this recommendation.</p> <p>Vote:</p>



#	Items Discussed	Notes
	<p>The business has been cash flow positive since inception in 2021, growing from just under \$70,000 in annual revenue to \$1,000,000 the following year. KFW anticipates ending this year with just under \$1,000,000 in revenue. The business has a net operating margin of around 20%, with the owner drawing a salary of \$60,000.</p> <p>The business currently carries \$97,619 of debt in the form of CC, business loans, vehicle loans, and equipment financing. A portion of this loan will be used to retire some of the higher interest debt (Centra Equipment financing – 17.6%), and early family and friends (Eddie Lang and Jim Littlefield) that provided start-up capital.</p> <p>The business is on a five-year lease at Kawaihau Kapahi Warehouse (5611 A Kawaihau Rd, Kapaa, HI 96746) that started in December 2022, and has an option to extend it for another 5 years.</p> 	



#	Items Discussed	Notes
	 	

#	Description	Assigned To	Date Assigned	Due Date	Date Completed	Comments
1	Action:					
2	Action:					
3						
4						
5						
6						

FTHF Risk Rating Chart

Date: 10/13/2023

Borrower: Kauai Fine Woodworking

Loan Officer: Aaron Ellis & Lama Chang

Rate each category from 1 to 5

Rating	1	2	3	4	5	Score
Personal Net Worth	\$200,001 <	\$50,001-\$200,000	1-\$50,000	0	Negative	3
GDSC	1.51 <	1.26x-1.5x	1.25x	1.10x-1.24x	<1.10x	1.97
Collateral Coverage	1.1 <	.76-1:1	.75:1	.5:1 - .74:1	<.5:1	1.47
Quick Ratio*	1.5:1 <	1.1:1 - 1.5:1	1:1	.75:1 - .99:1	<.75:1	1.54
Credit Score	700 <	651-700	621-650	600-620	<600	806
Years In Industry	> 9 year	8-9 years	4-7 years	1-3 years	0	23 years
Years of Industry Management	> 5 years	3 - 5 years	1-2 years	< 1	0	8 Years
Owners Equity Into Transaction	25%+	16-24%	10-15%	1-9%	0	14%
Business Profitability	Exceeds industry average by 50% of profitability	Profitable 3 of last 3 years	Profitable 2 of last 3 years	Profitable 1 of last 3 years	Start up - 2 years	3
Business debt ratio**	<.75:1	.89:1-.75:1	.9:1	1:1-.91:1	>1:1	1

*Quick Ratio:

(Current Assets - Inventories) / Current Liabilities

1.54

**Business debt ratio:

Total Liabilities / Total Assets

0.66

1.6 Avg.

0.66

Loan Score	1	2
1	Excellent	
2	Good	
3	Acceptable	
4	Poor	
5	Unacceptable	
6	Charge off	

Business related only

Current assets	\$	165,390
Inventories	\$	7,633
Current Liabilities	\$	102,601
Total assets	\$	327,134
Total Liabilities	\$	215,619

Next Meeting: TBD