



DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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COMMUNITY-BASED ECONOMIC DEVELOPMENT (CBED) ADVISORY COUNCIL MEETING

Thursday, May 27, 2021 at 10:00 a.m.

This meeting will be held via teleconference as authorized by the Governor's Nineteenth Supplementary Proclamation dated April 9, 2021 and Twentieth Proclamation dated May 7, 2021.

Public is invited to participate via Zoom:

<https://zoom.us/j/96067920092?pwd=OEtNcGZyclFYMzZBYTlSaHRQN3FpZz09>

Materials for this agenda and minutes for this meeting will be available at:
<https://invest.hawaii.gov/business/cbed/council-meetings-and-materials/>

Members of the public may submit written testimony
via e-mail to: DBEDT.CBED@hawaii.gov

or via postal mail to:

DBEDT- Business Development & Support Division
No.1 Capital District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawai'i 96813;
or via fax to the DBEDT at (808) 586-2589.

Please include the word "testimony" and the subject matter following the address line.
All written testimony should be **received no later than 4:30 pm on Tuesday, May 25, 2021.**

AGENDA

I. Call to Order

- Welcome current Council members and introduction of any guests

II. Manager's Report

- Approval of **February 23, 2021 meeting Minutes**

III. Old Business

1. CBED Advisory Council – update on members’ terms status & vacancies. New Council member introduction – **Ms. Tina Rasmussen (Maui)**.
2. U.S. Economic Development Administration (EDA) Grant to the **CBED Program’s Revolving Fund** - Status update. **Community-Based Economic Development Revolving Loan Fund Operating & Administrative Plan.**

IV. New Business

1. **CBED Loan Approval / Recommendation for OCR Inc, dba Small Kine Farm.**

Co-lending with the Hawaii Department of Agricultural (HDOA) which will make a loan of \$780,000. CBED Facility Loan Amount: \$50,000.

HDOA loan is to purchase the farm parcel leased from the Plant Research Corporation (PRC) consisting of 1.729-acres in Waimanalo. The purchase of the fee simple land will provide a permanent home for the organic mushroom growing operation allowing for continued development and expansion of the operation. CBED loan includes expanding production by purchasing and retrofitting two shipping containers as grow out facilities and is anticipated to expand mushroom production by 30%. The CBED loan also provides operating funds for the operation. CBED loan term of 10 years with interest rate of 3%.

2. Update and discussion on marketing plan for EDA-funded CBED Revolving Loan Fund. **CBED Loan Interest Form on website** (<https://invest.hawaii.gov/business/cbed/cbed-loan-interest-form/>).
3. Report on **CBED grants to non-profits for grant-writing** for federal funds. \$5,000 grants have been awarded to the following non-profits:
 - Pacific International Center for High Technology Research (PICHTR) - Completed
 - Kuku Kumuhanā O Anahola (KKOA)
 - Hawaii Institutes of Pacific Agriculture (HIP)
 - Kealakai Center for Pacific Strings
 - The Friends of Iolani Place
 - Ka Ohana O Kalaupapa
 - Maui Economic Development Board, Inc.
 - Waianae Economic Development Council
 - Kumano I Ke Ala
 - Friends of Waimanalo

V. Next Meeting

VI. Adjournment

If you require special assistance or auxiliary aid and/or services to participate in the public meeting process (i.e., sign language, interpreter, wheelchair accessibility, or parking designated for the disabled), please call (808) 587-2757 at least 3 business days prior to the meeting so arrangements can be made.

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM (DBEDT)

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

TUESDAY, FEBRUARY 23, 2021, AT 10:00 A.M.

VIA VIRTUAL APPLICATION ZOOM: VIDEO/AUDIO CONFERENCE

Advisory Members Present were:

Rachel James (Chair)	-	Advisory Council Member (Oahu)
Casey Brown	-	Office of Hawaiian Affairs (OHA)
Jane Horike	-	Advisory Council Member (Hawaii/Hilo)
Kaleokalani Kuroda	-	Advisory Council Member (Oahu)
Nancy Elvira Lo	-	Advisory Council Member (Oahu)
Matthew Loke	-	Department of Agriculture (HDOA)
Ernest Matsumura	-	Advisory Council Member (Hawaii/Hilo)
Mark Ritchie	-	Department of Business, Economic Development & Business (DBEDT)

Staff:

Margaret Ahn	-	Attorney General's Office
Lyle Fujikawa	-	DBEDT
Leslie Kawamoto	-	DBEDT
Wayne Thom	-	DBEDT
Timothy Tiu	-	DBEDT
Selma Malcolm	-	DBEDT

CALL TO ORDER:

The meeting was called to order by Chair James on Tuesday, February 23, 2021 at 10:06 a.m., who welcomed and thanked everyone present for joining the meeting via Zoom.

WELCOME OF CURRENT COUNCIL MEMBERS AND INTRODUCTION OF ANY GUESTS:

Members were provided the opportunity to introduce themselves.

Ms. Horike announced that she will be retiring on April 30, 2021 but will still remain on the CBED Advisory Council.

Mr. Ritchie represented DBEDT at the meeting. He asked if there were any objections to the recording of the meeting. There were no objections.

APPROVAL OF JUNE 24, 2020 MEETING MINUTES:

Motion was made by Mr. Ritchie and seconded by Ms. Horike to approve the minutes of the meeting held on Thursday, June 24, 2020, unamended.

Roll call vote was conducted by Ms. Kawamoto and the following Council members approved the motion: Mr. Brown, Ms. Horike, Mr. Kuroda, Ms. Lo, Mr. Loke, Mr. Matsuura, Mr. Ritchie and Chair James.

The motion was unanimously approved.

OLD BUSINESS:

CBED Advisory Council – Update on Member Status & Vacancies: 2

Mr. Ritchie stated that he will be contacting council members individually as some of their terms will be expiring soon but holdovers are allowed provided that we do not go over the eight (8) years which is the total number of years a council member could serve on the CBED Advisory Council. He also stated that those whose terms are expiring will be able to holdover for another legislative session or two, if they do not exceed the eight (8) years that is allowed. Regarding the two (2) vacant seats, Mr. Ritchie stated that there is the possibility that a new person representing Maui may be confirmed by the Senate in another month or two whenever they vote on the Governor's Messages nominating board members.

NEW BUSINESS:

Information and discussion on the U.S. Economic Development Administration (EDA) Loan Package to the CBED Program:

Mr. Ritchie stated that last Summer, DBEDT decided to apply for a U.S. Economic Development Administration (EDA) revolving loan fund grant because our CBED loan fund has always been under-capitalized. He said that in July 2020, DBEDT submitted an application to the EDA and the application was approved for \$1 million with a 20 percent State (DBEDT-CBED) match bringing the total to \$1.25 million in our CBED revolving loan fund. Mr. Ritchie explained that because it is federal money subject to federal regulations, the proposal that DBEDT submitted to the EDA was required to include a CBED revolving loan fund administrative plan, i.e., the Standard Operating Procedures for how we are going to loan the CBED revolving loan funds along with the EDA funds. Mr. Ritchie further explained that DBEDT is required to submit a report to the federal government twice per year on the status of the CBED revolving loan fund program in

order to assure that we are following federal regulations in addition to State statutes and administrative rules that govern our CBED program.

Discussion on and ratification of the CBED Revolving Loan Fund Operating and Administrative Plan:

A copy of the proposal that DBEDT submitted to the EDA was included in the meeting packet as an attachment with information on how CBED will handle default loans and how it will process loans, etc. Mr. Ritchie indicated that the plan was approved by the EDA but the reason for this meeting is to document in our minutes that the Advisory Council formally approves of the CBED revolving loan fund administrative plan so that EDA is able to see that it has been approved. Mr. Ritchie also indicated that he is currently working on the paperwork for the EDA grant to recapitalize the CBED revolving loan fund as one of the requirements. Modifications, etc., may be made to the plan, but we should remember that EDA has approved the plan. He explained how he prepared the proposal and he is happy to answer any questions and have discussions on what is included in the plan.

Chair James asked if the plan is available for amendments or if Council members could only ask questions for clarification, but not questions with the intent to modify the plan?

Mr. Ritchie stated that the plan could be modified but we would have to go back to EDA for approval because the plan was approved as part of the grant approval process.

Mr. Ritchie stated that in the plan, the CBED program itself does not have a loan officer, but within the Department of Business, Economic Development, and Tourism (DBEDT), we do have loan capability in DBEDT's Green Energy Market Securitization Program (GEMS). GEMS mostly provides energy related loans, however, they will also be working with CBED to assist with our underwriting and servicing of loans. We will have an exclusive DBEDT loan application, but we will also have a co-lending partnership with the Hawaii Department of Agriculture (HDOA), for which we will use HDOA's loan application and they will do the underwriting and servicing for us. CBED therefore has two (2) loan processes. The reason for that is if the loan is agriculture related, we will work with the HDOA. CBED also has a co-lending agreement with Feed the Hunger Foundation. They also do agriculture-related loans so there may be some possibilities with that. Our revolving loan fund administrative plan opens the possibilities of doing co-lending with other partners. We are keeping that option available for the future.

Mr. Brown asked if the success metrics for the program are determined by EDA or CBED. Mr. Ritchie indicated that the success metrics are determined by both EDA and CBED.

Mr. Loke pointed out that on page 7 of the CBED RLF plan, the Agricultural input production job multiplier of 3.0 is a little bit high and he wondered if it was discussed with Dr. Tien (of DBEDT's Research and Economic Analysis Division). Mr. Ritchie

indicated that it probably came from the Comprehensive Economic Development Strategy (CEDS) report but he would do some more research, discuss it with Dr. Tien again and report back.

Mr. Loke also had a follow up question regarding page 20 where the first two (2) interest rates caught his attention. He said the interest rate should be flexible. Mr. Ritchie explained that the CBED statute states that each loan shall bear a simple interest rate of not less the 3 and not more than 6 percent a year. Mr. Loke then asked if it is reversible over time or if it can be adjusted over time. Mr. Ritchie indicated that it would have to go before the legislature to be statutorily changed and currently, we are doing our loans at 3 percent. Mr. Ritchie then stated that this would be something for future agenda items where we might be able to propose statutory changes to the program with the Council's input. He reiterated that this is fixed in statute and we cannot really do anything about that.

Mr. Matsumura indicated that he likes the plan and the mission statement and noted that it is to promote the Hawaii economy to embrace innovation and it is globally competitive, dynamic and productive but he wondered if DBEDT is developing a market community needs assessment program and using the process approach to develop the plan. Mr. Matsumura also noted that he likes the bottom up approach that we are using and if DBEDT is looking into a platform hidden market here. Mr. Ritchie answered in the affirmative and noted that that will be the next step – DBEDT will be working on a plan on how to deploy the loans to make them the most effective type of loans that are going to translate into economic development. Also, we were required to use the CEDS framework that the counties worked on in 2015 but Mr. Fujioka is working with us on how we do outreach and hopefully by Summer we may be able to start travelling to neighbor islands, interacting more with the business community and communities that might be the most interested in the CBED loans. Then we can start targeting those companies. Mr. Ritchie requested the Council's input in future CBED Advisory Council meetings to frame the marketing and outreach plan because he views each Council member as an intermediary.

Mr. Ritchie indicated that our division in DBEDT is the Business Development and Support Division with 12 staff, and that the CBED loan program was very small and "off to the side" a little, but we are trying to pull it "into the middle" and have everybody in the division work on it. The other programs that we are working on in the division include export development (Hawaii State Trade Expansion Program) where we subsidize small companies to promote their products in foreign markets: assistance to manufacturers, innovation development, and other programs. We are looking at cross marketing a lot of the activities with our other programs, particularly our export development program, enterprise zone program and our manufacturing-assistance programs to try to help the manufacturers be innovative and cost effective and efficient, etc., with new products and to integrate this loan program as one economic tool in a larger toolbox that help companies.

Mr. Matsumoto mentioned that when he was in business, there were always tiers going from the manufacturer to the sales agent, wholesaler, distributor, etc., but now in terms of marketing, they are using platforms such as Alibaba and Amazon where they go directly from the manufacturer to the customer and if DBEDT had such a platform, he felt that it would be highly beneficial.

Mr. Ritchie stated that one of the things we are doing in our export development plans from a Small Business Administration (SBA) grant (partly because of the pandemic but it is also very timely) is helping companies with e-commerce and going to online platforms. We have monies available but it is a competitive process and we are working with Innovate Hawaii which is a manufacturing extension partnership and there are lots of resources out there and funds to help companies that may want to export through the different tiers as Mr. Matsumoto stated to be digital on e-commerce platform. Also, DBEDT has created a Buy Hawaii Give Aloha platform that any Hawaii company that can sell digitally can be listed on a portal site that DBEDT is promoting.

Mr. Kuroda stated that he really liked the history and objectives of the EDA grant and in his opinion, it is aligned to where we need to go as a state. He then asked if the document was written just for the EDA grant or if DBEDT had it before. Mr. Ritchie indicated that the document was written just for the EDA grant but it also allowed us to professionalize our revolving loan fund and we will have to be good on our reporting and execute on what we say we are going to do. Mr. Kuroda suggested that in the future we should revisit the document as it is a great onboarding document.

Chair James requested a motion to approve the **CBED Revolving Loan Fund Operating and Administrative Plan.**

Motion was made by Mr. Brown and seconded by Mr. Kuroda to approve the CBED Revolving Loan Fund Administrative Plan.

Roll call vote was conducted by Ms. Kawamoto and the following council members approved the motion: Mr. Brown, Ms. Horike, Mr. Kuroda, Ms. Lo, Mr. Loke, Mr. Matsuura, Mr. Ritchie, and Chair James.

Motion was passed unanimously.

MANAGER'S REPORT:

Report on Status of the Current CBED Loans:

Mr. Thom reported on the status of current CBED loans. He stated that currently, there are five (5) active loans and of the five (5) loans, one is in default and currently with the Attorney General's office; one was closed out earlier this year and the borrower was given a new loan.

Mr. Thom reported on the loans as follows:

- **Chanthabouasith Farm** loan was made for \$25,000 and the ending balance as 1/31/2021 was \$1,419.50. Payment on this loan should be completed in 2021.
- **Luangrath Farm** loan ending balance as of 1/31/2021 was \$1,140.06. Payment on this loan should be completed in 2021 as well.
- **Chandra Farm** loan is in default is currently with the Attorney General's Office to pursue the default.
- **Kohala Meats and Deli, LLC** loan of \$25,000 has an ending balance as of 1/31/2021 of \$12,487.67.
- **Hawaiian Agricultural Products, LLC** initial loan was paid off. A new loan for \$60,000 was made in 2020 and as of 1/31/2021, the balance remaining was \$56,967.04.

Ms. Lo asked if there were any new prospective loan applicants and how do we reach out to people to let them know that this type of loan is available at DBEDT.

Mr. Thom indicated that DBEDT is currently developing a new set of loan applications which are in the draft stage, to be used to solicit new loans, also that the Department of Agriculture provides certain recommendations and DBEDT will be working with their loan officers on prospective loans. He also indicated that there are some other possibilities but because of the COVID-19 restrictions, it has been difficult to go out on the road and meet with new loan applicants to look at what they want to do but he's hoping the restrictions will get more lenient this year.

Mr. Ritchie indicated that DBEDT is preparing an aggressive outreach program with an updated website to include a loan inquiry/interest form, but it has been difficult during the pandemic because we have not been able to go to business events where we talk to companies on a one-on-one basis about our CBED loan program. Currently, we are revising our application and setting up the marketing aspect of it. Mr. Ritchie also indicated that realistically, he is looking at late Spring to early Summer to start a more aggressive outreach and hopefully he will be able to visit the neighboring islands, attend various business events and then work with our partners in the counties, i.e., the Small Business Development Center and SBA, etc., as marketing intermediaries. Mr. Ritchie mentioned that the SBA has already been very helpful by inviting DBEDT on their zoom calls.

Mr. Ritchie stated that he is working on the EDA paperwork but felt that most companies are looking at the second cycle of SBA PPP and EIDL loans as those loans can be forgiven as there is a grant element attached to them.

Ms. Lo stated that there are several small businesses, some of them are farmers and some are agriculture related businesses that are not qualified to apply for the second round of the SBA PPP loans and wondered if DBEDT/CBED could assist some of them.

Mr. Ritchie said that DBEDT is aware of that and he has been talking with the SBA via zoom about the CBED programs, etc.

Mr. Ritchie indicated that for the next meeting, we will be looking at our marketing strategy, outreach strategy, our new revised loan applications, and our loan partners, including the Department of Agriculture.

Mr. Ritchie then thanked everyone for attending the meeting especially Mr. Brown from the Office of Hawaiian Affairs (OHA) and noted that OHA has a loan program and DBEDT would try to do co-lending with them as well, in addition to the Department of Agriculture.

NEXT MEETING:

TBA

ADJOURNMENT:

The meeting was adjourned at 10:56 a.m., on a motion by Mr. Ritchie and seconded by Ms. Horike.

Roll call vote was conducted by Ms. Kawamoto and the following Council members approved the motion: Mr. Brown, Ms. Horike, Mr. Kuroda, Ms. Lo, Mr. Loke, Mr. Matsuura, Mr. Ritchie and Chair James.

Motion was unanimously approved.

Respectfully submitted,



Rachel James
Chair

Mar 29, 2021

Date

CBED Advisory Council Members

Horike, Jane	Hawaii Hilo	E-mail:	jhorike@gmail.com
	Exp: 6/30/2021		
James, Rachel	Oahu	E-mail:	rachel.hi.james@gmail.com
	Exp: 6/30/2021		
Kuroda, Kaleokalani	Oahu	E-mail:	kkuroda@hawaiiusafcu.com
	Exp: 6/30/23		
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Lo, Nancy Elvira	Oahu	E-mail:	elviral@msn.com
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	Exp: 6/30/2022		
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Statement of
MIKE MCCARTNEY
Director
Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM

Friday, April 9, 2021
3:00 PM
State Capitol, Conference Room 224
and Videoconference

in consideration of
GM 666

Submitting for consideration and confirmation to the Community-Based Economic Development Advisory Council, Gubernatorial Nominee, TEENA RASMUSSEN, for a term to expire 06-30-2023.

Chair Wakai, Vice Chair Misalucha and members of the Committee. The Department of Business, Economic Development, and Tourism (DBEDT) strongly supports GM 666, which submits for consideration and confirmation to the Community-Based Economic Development (CBED) Advisory Council, Gubernatorial Nominee, **Ms. Teena Rasmussen**, for a term to expire 06-30-2023.

The CBED Program was created by the Legislature for the purpose of establishing a program of technical assistance and financial assistance for community-based organizations to assist in the establishment and development of community-based enterprises in the State. Among other duties, the CBED Advisory Council makes recommendations to the department regarding the appropriateness of proposed activity or enterprise, and the department then has the final authority to approve or disapprove loan and grant applications for assistance.

Teena Rasmussen served as the Director of the Office of Economic Development for the County of Maui for eight years. During her tenure, she oversaw an \$80 million portfolio of economic development grants, accomplished projects in energy, film, agriculture, tourism, workforce development, and business development.

Under her leadership, the Made In Maui County Festival, the Maui Energy Conference, the Hawaii Small Business Conference and the Molokai Business Conference were founded. Teena successfully led the County of Maui in participating in international events such as the Goyang International Horticulture Show in Goyang, South Korea; the Philadelphia Flower Show

in Philadelphia, PA; and the Asia Pacific Economic Cooperation (APEC) Conference in Honolulu in 2011.

Teena and her husband founded and operated a diversified agriculture company, Paradise Flower Farms, Inc., on the island of Maui. Over its 35-year history, the company grew to become the largest lei flower farm in Hawai'i, spanning 50 acres and employing 33 people. It serviced the Hawaii market and shipped fresh flower lei throughout the mainland US and Canada. She and her husband sold the business in 2015.

During her 40+ years as a resident of Maui, Teena has generously given her time to nonprofits and education-based institutions, as well as dedicated a great deal of her expertise to business and industry advocacy.

Teena served on the University of Hawaii Board of Regents for four years in which she chaired the Community College Committee and was the UH representative to the national American Association of Community College Trustees from 2010-2012.

Teena has been a long-time member of the Maui County Farm Bureau, the Hawai'i Tropical Flower Council, and the Hawai'i Floral and Nursery Association, and was inducted into the American Academy of Floriculture (AAF) for Lifetime Achievement in 2008.

Teena served on the Small Business Administration Advisory Council for 10 years, the Governor's Small Business Advisory Council for 3 years, was Vice-Chair of the Maui County Salary Commission, and served as the Mayor's representative on the Maui Economic Development Board for 8 years.

Her service to the Tri-Agency Board of Aloha House, Maui Youth and Family Services, and Malama Family Recovery spanned 10 years through 2017, and she chaired their signature fundraiser "Growing Dreams" for 7 years.

Ms. Rasmussen's depth of understanding about all sectors of industry in Hawai'i's economy has been achieved through decades of interaction through her public and private sector experiences and collaboration with a network of community partners engaged in the work of economic development and advocacy. The experience, skills, and commitment Ms. Rasmussen brings to the CBED Program and CBED Advisory Council will prove invaluable to our State, Department and our communities.

We humbly ask for your favorable consideration and confirmation of **Ms. Teena Rasmussen** to the CBED Advisory Council.

Thank you for the opportunity to provide these comments.

**State of Hawaii
Department of Agriculture
Agricultural Loan Division**

May 25, 2021

**Board of Agriculture
Honolulu, Hawaii**

Subject: Loan Presentation

APPLICANT:

Fung Yang
59-589B Ke Iki Rd.
Haleiwa, HI 96712

OCR Inc. dba Small Kine Farm
P.O. Box 600
Kailua, HI 96734

**CLASSIFICATION
& ELIGIBILITY**

The applicants meet the general eligibility requirements of section 155-10 and as a "Qualified Farmer" as cited in 155-1 of the Hawaii Revised Statutes. OCR Inc. dba Small Kine Farm (OCR) has been operating as a S-Corporation since January 10, 2006 and currently has five (5) employees. Fung Yang is the sole stockholder for OCR and has been a Hawaii resident since 2004.

COMMODITY:

Organic Mushrooms

CREDIT HISTORY:

SEE EXHIBIT A (CONFIDENTIAL)

**OTHER STATE
AGRICULTURAL
LOANS:**

None

**LOAN REQUEST
& PURPOSE:**

\$780,000 Class A Farm Ownership Loan

Loan Breakdown

\$ 30,000	Down Payment
\$ 50,000	EDA/CBED, Facility
<u>\$780,000</u>	SALD, Class-A
\$860,000	Total Purchase price

To purchase the farm parcel leased from the Plant Research Corporation (PRC) consisting of 1.729-acres in Waimanalo. The purchase of the fee simple land will provide a permanent home for the operation allowing for continued development and expansion of the operation. The applicant will be contributing a down payment and the remainder of the land purchase will be jointly funded by the State Agricultural Loan Division (SALD) and the State Community Business Economic Development (CBED) in conjunction with an EDA program grant

\$45,000 Class C Direct Operating

Loan Breakdown

\$35,000	Purchase/retrofit 2 grow out containers
<u>\$10,000</u>	<u>Operating funds</u>
\$45,000	Total Request

This loan will expand production by purchasing and retrofitting two shipping containers as grow out facilities and is anticipated to expand mushroom production by 30%. The loan also provides operating funds for the operation.

TERMS:

Class A - Farm Ownership (SALD)

Amount:	\$780,000
Term:	30 years
Interest:	3.00%
Repayment:	Monthly principal and interest payments of \$3,289.00 until maturity.

EDA - CBED Facility Loan

Amount: \$50,000
Term: 10 years
Interest: 3.00%
Repayment: Monthly principal and interest payments of \$483.00 until maturity.

Class C – Operating Loan

Amount: \$45,000
Term: 10 years
Interest: 3.00%
Repayment: Monthly principal and interest payments of \$435.00 until maturity.

SECURITY:

The SALD Class-A loan and Class C loan will be secured by the following:

- A first mortgage on property located at 41-829 A Kakaina Street in Waimanalo and identified as TMK: (1) 4-1-025-009-000 consisting of 1.729-acres with a 2021 land Tax Assessment Value of \$1,056,900.
- Junior UCC blanket security interest and financing statement in accounts receivable, inventory, and farm equipment. Priority position is held by USDA Farm Service Agency (FSA) for its 3 loans. A specific interest will be taken on the equipment being purchased.

Shown below is the loan to value ratios (LTV):

$$\frac{\$780,000 \text{ (SALD Class A)} + \$45,000 \text{ (Class C)}}{\$1,056,900 \text{ (TAV)}} = 78\%$$

The loan to value based solely on the real estate, meets the statutory requirement of 85% loan to value. No value was placed on the equipment and chattels due to the lien position and term of the Class A loan.

**REPAYMENT
ABILITY:**

SEE EXHIBIT A (CONFIDENTIAL)

INSURANCE:

Hazard insurance with the State named as first mortgagee.
Commercial Liability Insurance.
Keyman life insurance for Mr. Yang of \$250,000.

**BACKGROUND/
MANAGEMENT
ABILITY:**

Mr. Fung Yang's education includes a 1994 bachelor's degree from the University of Hawaii (UH) in Meteorology. He has worked for various companies in Hong Kong, California and Hawaii including work as the Vice President of Marketing and Sales for Applied Dental Inc. in California and was the Vice President of Excellent Engineering Electronics, Inc. In 2004, Mr. Yang moved back to Honolulu working for VR Mergers & Acquisitions and starting Nuinalu.com LLC, a real estate investment company.

Oahu Community Recycling Inc. (OCR) was registered with the Honolulu Department of Commerce and Consumer Affairs (DCCA) by owner Fung Yang on January 10, 2006 as an agricultural composting company. Later that year Mr. Yang visited an Oregon organic mushroom farm and was introduced to genus Agaricus mushroom cultivation, better known as Portabella and Cremini mushroom farming. Mr. Yang was so inspired by the process that in May of 2007, he began building a 500 sq. ft. test facility to experiment and grow organic mushroom in an old Waimanalo warehouse. He later expanded his operation to a 10,000 sq. ft facility on the same lot.

In 2009, OCR was awarded a three year \$500,000 USDA Small Business Innovation Research Grant to develop growth substrates for mushrooms from local organic waste. In 2015, OCR began to position itself as an organic Portabella and Cremini mushroom producer by adopting "Small Kine Farm" (SKF) as its business trade name. After ten years of experimenting and testing, Mr. Yang expanded

For informational purposes shown below is the overall loan to value ratio for both SALD loans and FSA loans. Included in the value is the equipment/containers that will be purchased and the market value of the farm equipment. It should be noted that some of the valued collateral have limited life.

Loan to Value Ratio $\frac{\$780,000(\text{Class A}) + \$45,000 (\text{Class C}) + \$73,411(\text{FSA})}{\$1,056,900 (\text{RE}) + \$289,800 (\text{Equip}) + \$35,000 (\text{new})} = 65\%$

The farm equipment valued at \$289,800 and includes 2 Bobcat skid loaders, 3 20' containers, 5 40' containers, delivery vehicles, 2 walk-in coolers, 2 commercial fridges, 4 Solar A/C Units, heat sealers and tunnels, hydro foggers, power converters, and misc. equipment. Not included in the valuation is a Toyota Forklift that is financed by Servco.

The CBED loan will be secured with the following:

- A second mortgage on property identified as TMK: (1) 4-1-025-009-000 (1.729-acres) with a 2021 Tax Assessment Value of \$1,056,900.
- Junior UCC blanket security interest and financing statement in accounts receivable, livestock, inventory, and farm equipment. Priority position is held by USDA Farm Service Agency (FSA).

$\frac{\$825,000 (\text{SALD loans}) + \$50,000 (\text{CBED})}{\$1,056,900 (\text{TAV})} = 83\%$

The overall loan total value for all the proposed state loans based solely on the real estate value.

GUARANTORS: NONE

FINANCIAL
CONDITION: SEE EXHIBIT A (CONFIDENTIAL)

his operation and began selling his mushroom to restaurants and organic retailers.

SKF uses local "green waste" such as coconut tree cuttings as the base for compost substrate material to cultivate Agaricus mushrooms. The Portobello mushrooms typically grow to 5.5" in diameter with Cremini mushrooms being smaller in size. Mr. Yang consulted with several specialists including Dr. Theodore J.K. Radovich, Department of Tropical Plants and Soil Science, UH, Dr. George Wong, Associate Professor of Botany, UH and noted mushroom specialist Dr. David Beyer, Penn State University.

By using proprietary, innovative, and sustainable practices, SKF produces high quality organic and food safety certified mushrooms for local restaurants, natural food stores, farmer markets and retailers with no seasonal variations. SKF's zero waste agriculture model uses recycled materials for inputs and creates no irrigation runoff, no soil nutrient depletion and minimal land requirements. The result is an environmentally responsible local agricultural product that can compete directly with mainland competitors on price as well as quality.

SUMMARY:

Mr. Yang is an experienced mushroom farmer with an organized system and the necessary equipment for efficient mushroom production. He has the education and business background to successfully operate the farm. The organic mushroom operation utilizes local compost waste products from his recycling operation to provide the necessary substrate material to raise mushrooms. The farm has pivoted during COVID-19 pandemic to transition its markets from primarily restaurants to farmer's markets, community supported agriculture and specialty grocery retailers. Once the economy improves, the company will be in a great position to supply both restaurants and specialty grocery retailers making it a more diversified operation.

The proposed loan will allow Mr. Yang the opportunity to purchase the farmland at less than the market price and expand his mushroom operation. Having the ownership of the land will allow him to build equity and begin making permanent capital improvements for the property. More than 2.3 million pounds of Agaricus mushrooms were

imported into the state in 2006 and 2007. Increasing production of locally grown food products would reduce the number of imported products reducing Hawaii's carbon footprint, increasing food self-sufficiency and provide Hawaii consumers with the freshest possible products.

The loans will be well secured with real estate, farm equipment and inventory. The loans are further supported by the Mr. Yang's excellent credit history and the farm's historical and projected cash flow.

TURNDOWNS:

First Hawaiian Bank and Bank of Hawaii denied the loan request for the following reasons:

- Bank does not finance vacant ag. land
- Requires a 25% down payment for commercial loan

RECOMMENDATIONS: This loan is recommended for approval based on the applicant's farming experience, financial management ability, collateral offered, and excellent credit history.

Date Recommended by:

5/6/21

Dean M. Matsukawa
for Wayne S. Takamine
Business Loan Officer I

Date Reviewed and concurred by:

5/6/21

Dean M. Matsukawa
Dean M. Matsukawa
Division Administrator

Date Approved for Submission

5/7/2021

Phyllis Shimabukuro-Geiser
Phyllis Shimabukuro-Geiser
Chairperson, Board of Agriculture



Business Development and Support Division

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CBED Loan Interest Form

2021 CBED Loan Interest Form

- Company Name*

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

- Name

 First Last

- **Company Contact Information**

- Address*

 Street Address Address Line 2 City State /
Province / Region ZIP / Postal Code

- Country
- Company Phone*

- Email*

- Fax (if any)

- Website (if any)

• Business Information

- Date Established*

Date Format: MM slash DD slash YYYY

- Type of Entity*

- Sole Proprietorship
- Partnership / LLP
- Limited Liability Company
- C-Corporation
- Joint Venture
- S-Corporation

- Is business a for-profit business?*

-

- Yes

-

- • No

- Type of Business

- Manufacturer
- Wholesaler
- Agricultural
- Retail

• Please describe your business*

• Annual Revenue*

• Number of Employees*

• Loan Information

• What loan amount are you seeking?*

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

• Yes

•

No

• What is the loan to be used for?*

- Start-up costs
- Working capital
- Purchase, construction, or improvement of facilities
- Purchase of equipment
- Payment of production and marketing expenses including materials, labor, and services
-

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

CBED Grants for TA for Federal Grant-Writing Assistance

Organization	Award Letter	CBED LOA	Exp Date	Deliverables			Federal or Foundation Grant	Organization Description	Federal or Foundation Grant(s) to be used for:
				ISL \$2,500.00 Grant writer contract	ZITU \$2,000.00 Federal Grant + Mail	JTO \$500.00 Award Notice/Letter			
Pacific International Center for High Technology Research (PICHTR)	y-9/7/20	yes Start Date: 9/21/2020	12/31/20	Date Paid: 10/14/2020				Letter of Agreement Expired.	
Kukulu Kumuhana O Anahola (KKOA)	y-10/15/2020	yes Start Date: 10/4/2020	06/30/21	Date Paid: 5/17/2021			\$5,000.00		
Hawaii Institutes of Pacific Agriculture (HIP)	y-10/15/2020	yes Start Date: 10/4/2020	06/30/21	Date Paid: 01/27/2021			\$5,000.00		
Kealakai Center for Pacific Strings	y-2/26/2021	yes Start Date: 12/15/2020	06/30/21				\$5,000.00		
The Friends Of Iolani Place	y-1/28/2021	yes Start Date: 2/25/2021	12/31/2021				\$5,000.00		
Ka Ohana O Kalaupapa	y-1/29/2021	yes Start Date: 5/11/2021	12/31/2021						
Maui Economic Development Board, Inc.	y-2/2/2021	yes Start Date: 2/20/2021	12/31/2021				\$5,000.00		
Waianae Economic Development Council	y-1/29/2021	yes Start Date: 2/25/2021	12/31/2021	Date Paid: 03/20/2021			\$5,000.00		
Rainbow tribal culture	no	no							

CBED \$5,000 Grants (\$1,250 match) for TA for Federal Grant-Writing Assistance (May 18, 2021)

Note: \$50,000 committed so far out of the \$60,000 approved by the CBED Advisory Council. Seven applications rejected so far by the Evaluation Committee.

Organization & Description	Grant Applying for
<p>Pacific International Center for High Technology Research (PICHTR) The Pacific International Center for High Technology Research (PICHTR) was established by the 1983 Legislature and, originally managed within the University of Hawaii for administrative purposes, was incorporated in 1985 as an independent Hawaii-based not-for-profit. The organization’s vision: Become a leader in planning, development, evaluation and deployment of place-based sustainable practices to facilitate their adoption and implementation throughout Hawaii and Asia Pacific. https://www.pichtr.org/about/</p>	<p>Atherton Family Foundation & HEI to assist communities and local businesses in preparing for climate change and rising sea levels and identify environmental threats to Hawaii’s shoreline communities, and small local businesses.</p>
<p>Kukulu Kumuhana O Anahola (KKOA) Kauai-based non-profit providing safe places and safe spaces to deter suicide by BUILDING life skills to strengthen one’s identity through Hawaiian values, EMPOWERING individuals to successfully manage their future and ESTABLISHING a healthy, sustainable & thriving Hawaiian community. http://www.kkoa</p>	<p>US Department of Agriculture Community Food Project Competitive Grant Program; ANA Social & Economic Development Strategies (SEDS); USDA Economic Impact Initiative Grants</p>
<p>Hawaii Institute of Pacific Agriculture (HIP) Oahu and Hawaii Island-based non-profit that practices and teaches ecologically conscious agriculture, empowering individuals and communities to cultivate alternative systems of living that restore human and environmental health. https://www.hipagriculture.org/</p>	<p>US Department of Agriculture - 7 CFR Part 3570, Subpart A; Community Facilities Direct Loan & Grant Program.</p>
<p>KEALAKAI CENTER FOR PACIFIC STRING TRADITIONS KEALAKAI CENTER FOR PACIFIC STRING TRADITIONS’ mission is to educate the public about the pacific regions role in the evolution of stringed instrument design and related music styles. www.kcpstrings.com</p>	<p>National Endowment for the Humanities</p>
<p>The Friends of Iolani Palace It is the mission of the Friends of Iolani Palace to preserve, restore, and protect this wahi pana (celebrated place) for local residents and people from around the world. By sharing, we perpetuate the history of the Hawaiian Kingdom through this living restoration known as Iolani Palace. https://www.iolanipalace.org/contact/the-friends-of-iolani-palace/</p>	<p>Historic Preservation Fund</p>

<p>Ka Ohana O Kalaupapa Ka 'Ohana O Kalaupapa was established in August, 2003, as a nonprofit organization at the request of the Kalaupapa residents. The 'Ohana is dedicated to promoting the value and dignity of every individual who was taken from their family and forcibly isolated on the Kalaupapa peninsula due to government policies regarding leprosy (now also called Hansen's disease). https://www.kalaupapaohana.org/who-we-are</p>	US Department of Health & Human Services -2021-ACF-ANA (Administration for Native Americans)-Social Economic Development Strategies
<p>Maui Economic Development Board, Inc. Established in 1982, the Maui Economic Development Board, is a 501 (c) (3) nonprofit organization dedicated to achieving a balanced economy in Maui County. The MEDB team focus includes technology-related industries such as agri-tech, energy, and healthcare. The project will identify and promote Native Hawaiian businesses in the State of Hawaii, establish shared office spaces (in partnership with the Office of Hawaiian Affairs), provide outreach services into the Native Hawaiian community, conduct training and technical assistance (using online and in-person events), and provide training for the four Native Hawaiian Chambers of Commerce. https://www.medb.org/</p>	US Department of Health & Human Services (Social and Economic Development Strategies (SEDS))
<p>Waianae Economic Development Council The Waianae Economic Development Council is a 501(c)(3) community development corporation with a mission to expand economic opportunities for community residents. The organization's strategies include supporting start-up and existing businesses in need of development services and/or financing. Activities include weekly networking coffee hours, monthly business training workshops and a quarterly small business symposium. http://www.thewedc.com/</p>	US Department of Health & Human Services -2021-ACF-ANA (Administration for Native Americans)-Social Economic Development Strategies
<p>Kumano I Ke Ala Kauai-based non-profit committed to the mission of empowering and uplifting the marginalized people of West Kauai through community-based programming focusing on building a skilled agricultural workforce and fostering increased local food production. Overall strategy is to increase food security and provide economic opportunities to the local population. https://www.kumanoikeala.org/</p>	US Department of Health & Human Services (Social and Economic Development Strategies (SEDS))

Friends of Waimanalo

Non-profit serving the mission as a workforce development resource in the areas of Agriculture, Building and Trades and Digital Media seeking to acquire land and structure to conduct agribusiness operations for Industrial Hemp Farming and Processing and Companion Food Crops to Educate Train and Assist Hawaii Farmers in agricultural projects. The result of the operations provide a Hawaii Based Product, wood and building materials for home building and Education and support for Farmers both present and future.

<https://www.friendsofwaimanalo.com/>

US Department of Agriculture
Rural Business Cooperative
Service (Rural Business
Development Grant Programs
for Fiscal Year 2021)