

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM (DBEDT)

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

THURSDAY, MAY 27, 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 (Oahu)
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 (Oahu)
Dennis Ling	-	Department of Business, Economic Development & Business (DBEDT)
Ernest Matsumura	-	Advisory Council Member (Hawaii/Hilo)
Teena Rasmussen	-	Advisory Council Member (Maui)

Guests:

Aldric Ulep	-	House Finance Committee
Ryan Hamadon	-	Hawaii Green Infrastructure Authority (HGIA)
Wayne Takamine	-	Department of Agriculture (DOA)
Aldric Ulep	-	House Finance Committee
Gwen Yamamoto-Lau	-	Hawaii Green Infrastructure (HGIA)

Staff:

Margaret Ahn	-	Attorney General's Office
Marlene Hiraoka	-	DBEDT
Leslie Kawamoto	-	DBEDT
Mark Ritchie	-	DBEDT
Wayne Thom	-	DBEDT
Timothy Tiu	-	DBEDT
Selma Malcolm	-	DBEDT

CALL TO ORDER:

The meeting was called to order by Chair James on Thursday, May 27, 2021, at 10:04 a.m.

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

Chair James welcomed and thanked everyone present for joining the meeting via Zoom. She then asked that they introduce themselves.

Ms. Horike announced that she is now retired and was joining the meeting from her home in Hilo.

Mr. Ritchie asked if there were any objections to the recording of the meeting. Hearing none, he proceeded with the recording.

APPROVAL OF FEBRUARY 23, 2021 MEETING MINUTES:

Chair James requested a motion to approve the Minutes of Tuesday, February 23, 2021, with the following modifications by Mr. Matsumura: Under “New Business,” page 4, second paragraph – line 6: “an e-commerce platform marketing” was inserted before “into.” Motion to approve the Minutes with modifications was made by Mr. Ling and seconded by Ms. Horike.

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

The motion was unanimously approved.

OLD BUSINESS:

**1. CBED Advisory Council – Update on Members’ Terms Status & Vacancies
New Council Member Introduction – Ms. Teena Rasmussen (Maui):**

Chair James welcomed Ms. Teena Rasmussen, a new Council member and requested a brief introduction. Mr. Ritchie then noted that a copy of the testimony that DBEDT submitted to the Senate for Ms. Rasmussen’s confirmation was included in the meeting material.

Ms. Rasmussen shared history of her extensive work experience. She served on several committees in various positions such as the Director of the Office of Economic Development for the County of Maui for eight years under Mayor Arakawa; the University of Hawaii Board of Regents for four years and on the Community College Committee. Ms. Rasmussen also served on the Small Business Administrative Advisory Council and the Hawaii Floral and Nursery Association and was inducted into the American Academy of Floriculture for Lifetime Achievement in 2008. She is the former vice-chair and co-owner of Paradise Flower Farms, and she has volunteered on state boards, federal commissions’ boards, non-profit boards, etc. Currently, Ms. Rasmussen is a partner at Skog Rasmussen, LLC, a community and economic development consulting company that works on new and existing businesses, specifically on federal

development consulting company that works on new and existing businesses, specifically on federal and foundational grant seeking, grant writing with agencies to secure funding. She is also working with Jeanne Skog on community outreach for development.

Ms. Rasmussen said when she was at the County of Maui, she worked closely with DBEDT on the Enterprise Zone program and it is a great opportunity to bring her experience to the CBED Advisory Council. She is also looking forward to work with all the council members and with DBEDT again.

2. U.S. Economic Development Administration (EDA) Grant to the CBED Program's Revolving Fund -Status Update;

Mr. Ritchie gave an update on the U.S. Economic Development Administration (EDA) grant of \$1 million to the CBED Revolving Loan Fund with a \$1/4 million match from the State (DBEDT-CBED). He stated that the paperwork that DBEDT submitted to the EDA was approved and we are officially ready to start doing "drawdowns," i.e., start making loans. Mr. Ritchie said the reason for this meeting is to look at our first loan with our co-lending partner, the Hawaii Department of Agriculture (HDOA.) Also, the paperwork that DBEDT is required to submit to EDA for each loan has been reviewed. He also made reference to the CBED Revolving Loan Fund (RLF) Administrative and Operating Plan which is our Standard Operation Procedures (SOPs) for running the DBEDT-CBED loan program.

Mr. Brown asked if DBEDT's operating plan was tied to the Comprehensive Economic Development Strategy (CEDs) framework and how often the CEDs is updated.

Ms. Horike said the CEDs framework is currently being updated and it is updated every 5-years.

Mr. Ritchie suggested that if anyone had any ideas and/or information on how the CBED RLF Administrative and Operating Plan should be updated in the future, they should contact him and he would keep that information in a folder to use at the appropriate time.

Ms. Horike asked if DBEDT's loan application forms were posted online.

Mr. Ritchie said DBEDT will be using the Hawaii Department of Agriculture's (HDOA) loan application forms. Also, HDOA will be doing the underwriting and servicing aspects of agriculture related or value-added food processing related loans. Currently, DBEDT-CBED is working with Ms. Yamamoto-Lau and Mr. Hamadon of Hawaii Green Infrastructure Authority (HGIA) within DBEDT, to finalize our own "stand-alone" CBED loan application form, based on the HDOA forms, for non-agricultural related loans. HGIA will also assist CBED with the underwriting and servicing aspects of those loans.

Mr. Ritchie suggested that for the next council meeting, he would like to have a presentation and invite Ms. Yamamoto-Lau and Mr. Hamadon back to discuss the marketing of the CBED loans to non-agriculture sectors.

NEW BUSINESS:

1. CBED Loan Approval/Recommendation for Oahu Community Recycling, (OCR) Inc, dba Small Kine Farm:

Mr. Wayne Takamine, Business Loan Officer for the Hawaii Department of Agriculture Agricultural Loan Division (HDOA-ALD), reported on a loan request for Mr. Fung Yang, owner of Oahu Community Recycling (OCR), Inc., dba Small Kine Farm. Mr. Takamine stated that OCR, Inc., dba Small Kine Farm grows organic mushrooms on agriculture land (fee simple) consisting of 1.729 acres in Waimanalo. He said that the current landowner, Plant Research Corporation and OCR, Inc., dba Small Kine Farm have entered into a land purchase agreement that will provide the farm a permanent home and allow future development and expansion of its farming operations.

Mr. Takamine also reported that the land purchase will be jointly funded by HDOA-ALD and DBEDT-CBED using funds from the EDA grant. He then gave a breakdown of the loan. He said that the total purchase price of the land is \$860,000 which consists of a \$30,000 down payment offered by Mr. Fung Yang of OCR, Inc., dba Small Kine Farm; \$50,000 by DBEDT-CBED with funds provided by EDA; and \$780,000 by HDOA-ALD participating Class-A land purchase loan.

The loan terms are as follows:

- The \$50,000 DBEDT-CBED loan has an interest rate of 3% and a term of 10 years with the monthly principal and interest payments of \$483.
- The \$780,000 HDOA-ALD loan also has an interest rate of 3% and a term of 30 years with the monthly principal and interest payments of \$3,289.

Mr. Takamine stated that the package was presented to the Board of Agriculture and included a \$45,000 operational loan to purchase two (2) shipping containers to be retrofitted for mushroom growth and \$10,000 for operating funds. That part of the loan has already been approved and it should increase production by 30%. The amount of the land purchase loan is \$830,000, excluding the down payment of \$30,000.

Regarding security of the property, Mr. Takamine reported that \$875,000 will be secured by a first mortgage on 1.729 acres located at 41-829-A Kakaina Street in Waimanalo and identified as TMK 1-4-1-025-090-000 with a 2021 land tax assessment value of \$1,056,900. Also, HDOA-ALD and DBEDT-CBED will have a Junior UCC blanket

security interest and financing statement in accounts receivable, livestock, inventory, and farm equipment. The U.S. Department of Agriculture's Farm Service Agency (FSA) will have the primary position to secure its loans. A specific security interest will be obtained in the equipment to be purchased. Mr. Takamine said the farm equipment includes 6-20ft. shipping containers, 4-40ft. containers with a 12-ft. and 40-ft. containers used for germinating the mushrooms and the containers have been modified with computer automated climate control during the various stages of mushroom cultivation. An appraisal was done on March 31st and it showed that the equipment was in good condition and the estimated value was about \$314,811. The loans are secured by the real estate debt service and provided by projections and historic cash flow. Mr. Takamine then requested the Council's approval of the DBEDT-CBED portion of the loan.

Mr. Takamine confirmed that the HDOA-ALD portion of the loan was already approved and they did not use the DBEDT-CBED funds because they wanted to make sure that the HDOA's Agricultural Loan Division had secured the collateral under their own name for the State of Hawaii.

Mr. Takamine stated that there were three loans by the FSA under \$5,000 each and two of them are about to mature. There are also some Payroll Protection Plan (PPP) loans that will be forgiven but there is one loan that will be held-on as a UCC primary. Mr. Takamine expressed that the loan to value ratio on all of the loans including the FSA loan is 65%. The loans for their Class-A is \$78,000 plus \$45,000 for the operational loan and \$73,411 for FSA which is secured by \$1,056,900 for the real estate, \$289,800 for equipment and \$35,000 for new equipment that will be acquired.

Mr. Brown said in terms of the Council's approval, recommendations for a loan like this is aligned with CBED's strategy based on the presentation. But, is this "the best of the bunch" in terms of that evaluation, and does this Council rely on the CBED team's evaluation process to determine that?

Mr. Takamine emphasized that HDOA provided DBEDT-CBED with information about the loan and DBEDT-CBED was very impressed with the stats because they felt it was in alignment with their program so he proceeded with it. Also, last year the Council approved a loan for a brewery company in Haliewa that HDOA-ALD funded with CBED so, there is a little commonality there.

Mr. Ritchie noted that the HDOA presented DBEDT-CBED with a potential co-lending opportunity and our part is to look at the CBED elements of it. It has to show community economic impact, such as they are using local inputs to produce a product that would provide employment in an economically challenged area. The underwriting, etc., is done

by Mr. Takamine and his team and we are confident from a financial point of view that it is a worthwhile loan.

Mr. Takamine then asked if the Council had any questions about Mr. Yang's organic mushroom farm.

Ms. Rasmussen then inquired about Mr. Yang's current market since he lost the restaurant market due to the COVID-19 pandemic and was selling at the farmer's markets, Tamura's market, etc. Also, will he be pivoting back to restaurants now that things are opening up and where does he see his big growth happening – what kind of sector?

Mr. Takamine said that OCR, Inc., dba Small Kine Farm is an excellent recycling company that received a \$500,000 grant to further explore mushroom growing in Hawaii. He noted that Mr. Yang started his business several years ago and his primary customers were high-end restaurants and they all liked his products, but during the pandemic, that market kind of went away so he transitioned to farmer's markets and specialty grocery retailers. When the economy improves, Mr. Yang will be in a great position to supply both the restaurants and specialty grocery retailers. Presently, Mr. Yang is working to increase his production to meet demand because he is the only certified organic mushroom producer in Hawaii and fortunately, DBEDT-CBED received that EDA funding which helps to make the loan possible.

Ms. Rasmussen asked if Mr. Yang was exporting his organic mushroom to the other islands. Mr. Takamine said he believed Mr. Yang is working with large distributors who would take care of the distribution on the different islands.

At this point, Chair James thanked Mr. Takamine for his presentation then requested a motion to approve co-lending with the Hawaii Department of Agriculture's loan amount of \$780,000 and DBEDT-CBED loan of \$50,000 to Oahu Community Recycling, Inc. (OCR), dba Small Kine Farm.

Motion was made by Mr. Ling and seconded by Ms. Lo to approve the DBEDT-CBED \$50,000 loan to Oahu Community Recycling, Inc. (OCR), dba Small Kine Farm.

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

The motion was unanimously approved.

Mr. Ritchie on behalf of the DBEDT staff thanked Mr. Takamine for his presentation.

2. **Update/Discussion on Marketing Plan for EDA-Funded CBED Revolving Fund.**
CBED Loan Interest Form on Website at: <https://investhawaii.gov/business/cbed/cbed-loan-interest-form/>.

Mr. Ritchie informed the Council that DBEDT is preparing a marketing plan for the EDA's funding of the CBED revolving loan fund and at the time of the meeting, his colleagues (Jamie Lum and Lyle Fujikawa) were giving a presentation with the Small Business Administration (SBA) on the CBED Loan Program. Also, DBEDT has another meeting scheduled in two weeks with the Small Business Development Center (SBDC) counselors to do a "deep dive" into the CBED loan program. He stated that the SBDC counselors usually meet twice per month and they work on a one-on-one basis directly with businesses. DBEDT wants to provide them with enough information so they can have an understanding of what businesses might be the appropriate applicants for the CBED loan.

Mr. Ritchie also noted that in addition to working with intermediaries, he would like to do more outreach at various business events on the neighbor islands and hopefully, he will be able to do that during the Fall. But, for the next month or two, DBEDT will be working with our intermediary groups that are actually working with businesses on the ground, such as the Farm Bureau. He suggested that at the next meeting, the Council would take a "deeper dive" into the loan program to look at the type of businesses that are appropriate businesses for the CBED loan. As we enter into the Summer, DBEDT will try to prepare a written marketing plan to see what kind of events we can start doing. We'll add this as an agenda item to review at the next Council meeting.

Ms. Rasmussen said she noticed that the fund is targeted towards agriculture, manufacturing and wholesaling and considering all the sectors of the CEDS she was wondering why DBEDT is only focusing on those three sectors. Mr. Ritchie responded that we are only focusing on these sectors, but that doesn't limit us just to those sectors. What is more important is that there is a community economic development impact as a result of the loan and this usually happens in these sectors. CEDS also has tourism as a major sector, but we don't get involved in that sector because we have the HTA. We could consider a retail store for example if say they were selling only locally sourced products produced by the surrounding community. We also try to integrate the CBED loan program with our other DBEDT-BDSD programs such as Enterprise Zones, and HiSTEP (export development). Ms. Rasmussen followed up asking are we overlapping with HDOA? Mr. Ritchie replied that rather than overlapping they were leveraging each other's funds since funds are limited for both organizations. Lastly, the CBED statute actually mentions agricultural production as a target for loans, but we will not compete with HDOA for loans, only co-lend.

At this point, Mr. Thom pointed out that a CBED Loan Interest Form was prepared and posted on DBEDT's website at: <https://investhawaii.gov/business/cbed/cbed-loan-interest-form/>. He then encouraged the members of the Council especially those who are

residing on the neighbor islands to direct anyone they think might be qualified to the DBEDT website to fill out the form. Mr. Ritchie indicated that it is not a prequalification form, and recently it was edited to request permission from potential applicants to indicate if DBEDT could share their information/form with the Hawaii Department of Agriculture's Agricultural Loan Division and also with the Small Business Development Center (SBDC). If the businesses are not appropriate for a CBED loan, then they could work with the SBDC on one-on-one business counseling. Perhaps within a year or so, they may be ready for a CBED loan.

3. Report on CBED Grants to Non-Profits for Grant-Writing for Federal Funds:

Mr. Ritchie shared background information on the CBED non-profit grant writing for federal funds. He said at a previous Council meeting, \$60,000 was approved in grants to non-profits that had some sort of community economic impact for grant-writing services to go after federal funding, and the review committee for these grants was made up of DBEDT's staff including Ms. Marlene Hiraoka.

Mr. Thom reported that DBEDT-CBED received a total of 18 applications from non-profit organizations for technical assistance for grant writing for federal funds. Of the 18 applications, ten of them were approved and already received their award letters while seven were denied as not meeting the basic community economic development criteria for this CBED grant and one was withdrawn. He said the first request we received was from the Pacific International Center for High Technology Research (PICHTR). Their agreement ended on December 31, 2020. Using the DBEDT-CBED \$5,000 grant (along with 20% cash match) for grant writing assistance, PICHTR was successful in receiving awards of \$35,000 in grant funds from two private foundations to do a study of "how the rising sea levels would affect Hawaii businesses on the shore area. Two organizations - Kukulu Kumuhana O Anahola and the Hawaii Institutes of Pacific Agriculture - have so far received 50% of their grant (\$2,500) because they sent in their first deliverable which was the contract between the grant writer and the organization. For the other organizations (see list in meeting packet) that were approved, we are waiting for further required documentation before disbursing the grant funds.

Mr. Ritchie advised the Council that DBEDT-CBED is still accepting applications for the grant award because \$10,000 of the \$60,000 is still available.

NEXT MEETING:

TBA

ADJOURNMENT:

The meeting was adjourned at 11:09 a.m.

Respectfully submitted,



Rachel James
Chair

Jun 9, 2021

Date