

DRAFT

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM (DBEDT)

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

TUESDAY, NOVEMBER 15, 2022, 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)
Jane Horike	-	Advisory Council Member (Hawaii/Hilo)
Kaleokalani Kuroda	-	Advisory Council Member (Oahu)
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)
Mark Ritchie for Dennis Ling, (Ex-Officio)	-	Department of Business, Economic Development & Tourism

Guests:

Nainoa Logan	-	Waianae Economic Development Council (WEDC)
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Staff:

Elisa Amemiya	-	Attorney General's Office
Lyle Fujikawa	-	DBEDT
Wayne Thom	-	DBEDT
Timothy Tiu	-	DBEDT
Selma Malcolm	-	DBEDT

CALL TO ORDER:

Ms. Lo called the meeting to order on Tuesday, November 15, 2022 at 10:04 a.m.
All members and guests participated via ZOOM.

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

Chair Lo welcomed all present. She then invited Mr. Ritchie to introduce Ms. Karen Barr of Pacific Gateway, our new Advisory Council member.

Council members then introduced themselves and indicated if they were alone at their respective locations, per Sunshine Law.

Ms. Lo also introduced Mr. Nainoa Logan, Program Director of Waianae Economic Development Council (WEDC) and underwriter of the DBEDT/CBED loan of \$100,000 for Kauai Kim Chee, LLC that will be considered for recommendation for approval during the meeting. Also Ms. Elise Amemiya, Deputy Attorney General and the DBEDT staff. Mr. Ritchie then announced that he was the DBEDT's Ex-Officio representing Dennis Ling who was on vacation.

OLD BUSINESS:

APPROVAL OF MINUTES OF OCTOBER 18, 2022:

The Minutes of October 18, 2022, meeting were distributed and reviewed by Council. Chair Lo asked if there were any comments and/or corrections to the Minutes. Hearing none, she asked for a motion to approve the Minutes.

Motion was made by Mr. Ritchie and seconded by Ms. Horike to approve the Minutes of October 18, 2022, as presented.

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

Motion to adopt the October 18, 2022, Minutes was approved unanimously.

NEW BUSINESS:

Public Testimony:

There was no public testimony.

1. Recommendation/Approval of CBED Loan of \$100,000 to Kauai Kim Chee, LLC:

Mr. Ritchie indicated that Kauai Kim Chee, LLC of Lihue Kauai is requesting a DBEDT/CBED loan of \$100,000 to be used for working capital and equipment. This is a co-lending with Waianae Economic Development Council (WEDC) which is making an additional loan of \$30,000. Chair Lo then invited Mr. Logan of WEDC who prepared the underwriting aspect on this loan to make his presentation.

Mr. Logan reported that Kauai Kim Chee, LLC is a small local owned business that manufactures and distributes wholesale food, retail products and also provides food to go. The company is owned by a Native Hawaiian family and it is located

on Kauai. It was established in 2015 by Mr. Ferdinand Dosono who is currently an advisor to the company since he has passed it on to his two (2) sons, Isaiah and Aaron Dosono. Mr. Logan advised that their primary products are Korean style Kimchee, Namasu and Pickled Daikon and these products are found at local farmers' markets, restaurants (Duke's & Keoki's Paradise), ABC Stores, Foodland/Sack n Save and Times Supermarkets on Kauai.

Mr. Logan advised that Kauai Kim Chee, LLC is requesting a total loan of \$130,000 which is a co-lending loan between DBEDT/CBED and WEDC. (DBEDT/CBED-\$100,000 & WEDC-\$30,000). Currently, they have four (4) employees – two (2) full-time and two (2) part-time. Mr. Logan also advised that the bulk of the loan, 65%, will be used to purchase a new fully equipped Food Truck, one (1) Hoshizaki 2-door refrigerator to expand their wholesale operations into Oahu and increase their presence at "pop-up" markets and community events. Also, that it is anticipated that this will increase their direct-to-consumer to 38% and their total revenues by 60%.

Mr. Logan expressed that Kauai Kim Chee, LLC is an established and recognized brand on Kauai. They were approached by certain restaurants on Oahu; Long's Drug Store/CVS and COSTCO on Kauai for wholesale opportunities. He also expressed that Kauai Kim Chee, LLC has the potential to expand, but they need the capacity to be able to store some of their food.

Mr. Logan reported that the company's revenue has increased by an average of 18% over a 3-year period (2019 – 2021). Also that their cost-of-goods were increased by 64% due to inflation, which affected their profitability. However, 2022 is on track to increase their profit margin by 44%. Mr. Logan conveyed that Kauai Kim Chee LLC will be using a home and two (2) vehicles as collateral for the loan. Their annual revenue is around \$257,000 and their total net assets are \$130,000.

Mr. Logan believes that Kauai Kim Chee has a great opportunity to grow into a seven-figure company with the proper strategic plan and focused efforts. He said that the company will need to mechanize certain process to improve productivity. And once that is achieved, they will have the ability to expand, hire more employees and convert part-time into full-time employees. Mr. Logan also expressed that this is a good loan with the collateral to match and recommended an approval of the loan. Mr. Logan then asked if there were any questions and/or comments.

During discussion, Ms. Rasmussen asked if Kauai Kim Chee, LLC would increase its wholesale capacity after the new equipment (food truck & refrigerator) is installed.

Mr. Logan replied that there will be an increased capacity of around 60% with additional refrigeration. Further discussion involved business strategy regarding wholesale versus retail sales.

Mr. Ritchie indicated that with all of our DBEDT/CBED loans, we want to make sure that we have technical assistance support to try to help companies like Kauai Kim Chee, LLC that are in the process of scaling up and work with them to be successful, i.e., the CBED program requests a 6-month checkup to look at how they are progressing, etc.

Mr. Brown thanked Mr. Logan for the loan writeup and expressed his agreement with his (Logan's) assessment of Kauai Kim Chee, LLC. He also expressed that the company seems to have opportunity and growth but they really need to focus so they don't spread themselves thin. Based on the loan writeup, Mr. Brown enquired if there was a percentage growth rate projected for the net profit. Mr. Logan answered in the negative and that TA should involve upgrading their bookkeeping and accounting.

At this point, Mr. Logan asked if there were anything in the loan writeup that the Council would like to see more of in the future. Mr. Brown stated that possibly, those key line items as the entire financial statement is not needed. Mr. Logan answered in the affirmative.

Mr. Thom noted that there is a large demand in Kauai for the products that Kauai Kim Chee, LLC is producing and that their expansion to meet the kind of demands is great and the loan of \$130,000 is just the first step. He also felt that is where we should be helping to meet their demand of Longs/CVS and possible COSTCO. Mr. Ritchie stated that that is what DBEDT's/CBED's program is about.

At this point, Ms. Lo asked for a motion to approve this agenda item.

Motion was made by Ms. Horike and seconded by Ms. Melton to recommend to the DBEDT Director the approval of a DBEDT/CBED loan of \$100,000 to Kauai Kim Chee, LLC to be used for equipment and working capital.

A roll call vote was requested, with the following Council members approving the Motion: Chair Lo, Ms. Barr, Mr. Brown, Ms. Horike, Mr. Kuroda, Mr. Loke, Ms. McAluney, Ms. Melton, Ms. Rasmussen and Mr. Ritchie.

The motion was unanimously approved.

Update on Number of Loans in Portfolio and EDA Drawdowns:

Mr. Ritchie presented a list of the loans that DBEDT/CBED is using the EDA funds for. He stated that DBEDT/CBED has until March 2024 to complete the entire drawdown and after that entire fund is deployed, DBEDT/CBED could go after another EDA grant. Mr. Ritchie will provide more dashboard information at the next Council meeting, possibly early in the New Year.

Ms. Rasmussen advised that the new EDA person representing the Hawaii Region is Keoki Noji and he is also from Hawaii. Mr Ritchie said that DBEDT would try to meet with him possibly in the new year.

Mr. Ritchie and Chair Lo thanked everyone for all their great support and also wished everyone a Happy Thanksgiving and a Happy Holiday Season. Mr. Ritchie then expressed that he is looking forward to a good 2023 for the DBEDT/CBED Loan Program.

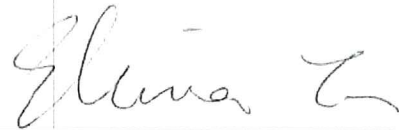
NEXT MEETING:

Tuesday 10:00 am January 17, 2023

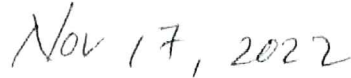
ADJOURNMENT:

The meeting was adjourned at 10:44 a.m.

Respectfully submitted,



Nancy Elvira Lo
Chair



Date