

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 reversable 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