

**COMMUNITY-BASED ECONOMIC DEVELOPMENT (CBED)
ADVISORY COUNCIL MEETING
Tuesday, May 21, 2024, 10:00 a.m.**

Old Business

Approval of CBED Advisory Council Meeting Minutes for
February 20, 2024

DRAFT

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM (DBEDT)

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

TUESDAY, FEBRUARY 20, 2024, AT 10:00 A.M.

HCDA Building, First Floor

547 Queen Street, Honolulu, Hawaii 96821

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)
Mark Ritchie For	-	Department of Business,
Dennis Ling (Ex-Officio)	-	Economic Development & Tourism (DBEDT)

Guests:

Aaron Ellis	-	Feed the Hunger Fund
Lei Riedel	-	Pakini Loan Fund

Staff:

Elisa Amemiya	-	Attorney General's Office
Timothy Tiu	-	DBEDT
Jason Ushijima	-	DBEDT
Selma Malcolm	-	DBEDT

Apologies:

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

CALL TO ORDER:

Mr. Ritchie called the meeting to order on Tuesday, February 20, 2024, at 10:03 a.m. All members and guests participated via ZOOM.

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

Mr. Ritchie welcomed all present. A roll call vote was conducted, and members indicated if they were alone at their respective locations. Mr. Ritchie announced that he's DBEDT's Ex/Officio in place of Mr. Dennis Ling.

Mr. Ritchie introduced Mr. Aaron Ellis, Director of Programs and Lending at Feed the Hunger Fund (FTHF), Ms. Lei Riedel of Pakini Loan Fund, Ms. Amemiya, Deputy Attorney General and DBEDT staff.

OLD BUSINESS:

Approval of Minutes of January 16, 2024:

Minutes of the January 16, 2024, meeting were distributed and reviewed by Council. Mr. Ritchie asked if there were any comments and/or corrections to the Minutes. There were none and he asked for a motion to approve the Minutes.

Motion was made by Ms. Rasmussen and seconded by Mr. Brown to approve the Minutes of January 16, 2024, 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. Melton, Ms. Rasmussen and Mr. Ritche.

Motion to adopt the January 16, 2024, Minutes was approved unanimously.

Public Testimony:

There was no public testimony.

NEW BUSINESS:

Approval of CBED Loan of \$25,000 to Samurai, Inc.

DBEDT/CBED has a co-lending opportunity with Feed the Hunger Fund (FTHF) which will also make a loan of \$25,000 to Samurai, Inc., a manufacturing company based in the Kalihi area of Honolulu in an Enterprise Zone. The loan will be used to purchase more equipment (in-line printer, a conveyor belt system, and flash freezer). The term of the loan is 4 years with an interest rate of 6 percent.

Mr. Ritchie stated that he approached Mr. Ellis of FTHF to see if FTHF would be interested in this follow-on loan after Samurai approached CBED. FTHF agreed to the follow-on loan, and it has already been approved by the FTHF loan committee. Mr. Ritchie invited Mr. Ellis to walk the Council through the loan underwriting.

Mr. Ellis reported that in 2023 DBEDT/CBED and FTHF made a co-loan of \$200,000 (split 50/50) to Samurai, Inc., to update their facility. The company is located in Kalihi, Honolulu and employs 20 people. Mr. Ellis stated that the original founder, Mr. Gilbert Yamada retired in 2023 and sold his equity to Roselyn Funakoshi, a longtime employee/manager. He stated that the site lease was renewed in March 2023 for 5 years with a renewal extension of an additional 5 years.

Mr. Ellis stated that Ms. Funakoshi is requesting a loan of \$50,000. The loan will be a joint loan between DBEDT/CBED (\$25,000) & FTHF (\$25,000) to purchase automated production equipment that will increase efficiency and reduce costs. He noted that Samurai, Inc., has a history of managing debt well and the collateral coverage for this debt including both DBEDT/CBED and FTHF is 1.96.

The company was turned down for a loan by the Hawaii USA Federal Credit Union.

Mr. Ritchie asked for a motion to approve this agenda item.

Motion was made by Chair Lo and seconded by Ms. Melton to recommend DBEDT Director approval of a DBEDT/CBED loan of \$25,000 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. Melton, Ms. Rasmussen and Mr. Ritche.

The motion was approved unanimously. Mr. Ritchie thanked everyone for attending the meeting and Mr. Ellis for his presentation.

NEXT MEETING:

March 19, 2024

ADJOURNMENT:

The meeting was adjourned at 10:20a.m., on a motion by Chair Lo and seconded by Ms. Melton.

Respectfully submitted,



February 23, 2024

For Nancy Elvira Lo, Chair

Date

New Business

Review of Loan Dashboard and CBED Financials

CBED Financials (as of Q1 2024)

CBED EDA Account \$226,495.93 (interest, principal minus admin servicing fees)

CBED State Account \$258,847.30

EDA RLF Grant \$1,250,000.00 (\$1 million EDA, \$250,000 state match)

Total Capital Deployed

\$1,285,000.00

Principal Paid to Date

\$218,552.68

Principal Balance

\$1,066,447.32

CBED EDA RLF *Updated as of May 8, 2024*
 Dashboard 2021-2024

<u>Loan Number</u>	<u>Servicing Partner</u>	<u>Borrower</u>	<u>Loan Amount</u>	<u>% Interest Rate</u>	<u>Term (months)</u>
CBED007 EDA-21	HCRC	Re-Use Hawaii	50,000	3	60
CBED008 EDA-22	FTHF	Haleiwa Distilling Company	175,000	3	84
CBED009 EDA-22	HCRC	Maikai Health Corp	50,000	5	36
CBED010 EDA-22	WEDC	HB Baking LLC	25,000	3	36
CBED011 EDA-22	WEDC	Lubrco LLC	125,000	4	120
CBED012 EDA-22	WEDC	Amro-Asian Trade, Inc.	100,000	5	36
CBED013 EDA-22	FTHF	Farm Link Hawaii	100,000	3	84
CBED014 EDA-22	FTHF	Pomai Kulolo	105,000	6	60
CBED015 EDA-22	WEDC	Holoholo Tree Service LLC	45,000	6	48
CBED016 EDA-22	WEDC	Kauai Kim Chee LLC	100,000	4	48
CBED017 EDA-23	FTHF	Koko Kai Foods LLC	60,000	4	84
CBED018 EDA-23	FTHF	Samurai, Inc.	100,000	4	84
CBED019 EDA-23	WEDC	OCR, Inc dba Small Kine Farm	50,000	3	120
CBED020 EDA-23	FTHF	Kauai Fine Woodworking	75,000	5	84
CBED021 EDA-24	FTHF	Samurai, Inc.	25,000	6	48
CBED022 EDA-24	FTHF	C&C Tropicals	100,000	5	60
		Total Deployed	1,285,000		

Loan Metrics

<u>Borrower</u>	Pre-Loan Jobs	Jobs Created	Jobs Saved	Industry	Enterprise Zone	Rural Area (967XX)	Not CCH
Re-Use Hawaii	35	5	20	Wholesaler/Construction	yes	no	no
Haleiwa Distilling Company	1	14	1	Mfg/AG	yes	yes	no
Maikai Health Corp	2	8	2	Healthcare	yes	yes	yes
HB Baking LLC	2	2	2	Wholesaler	no	no	no
Lubrco LLC	7	4	1	Mfg	yes	no	no
Amro-Asian Trade, Inc.	4	2	4	Mfg/Wholesaler	yes	no	no
Farm Link Hawaii	20	0	20	Wholesaler/AG	yes	no	no/yes*
Pomai Kulolo	25	4	25	Wholesaler/AG	yes	yes	no/yes*
Holoholo Tree Service LLC	2	3	2	Service/AG	yes	yes	no
Kauai Kim Chee LLC	4	2	2	Mfg/AG	yes	yes	yes
Koko Kai Foods, LLC	3	1	3	Mfg/AG	no	no	no
Samurai, Inc.	10	0	10	Mfg/AG	yes	no	no
OCR Inc. dba Small Kine Farm	5	0	5	AG	yes	yes	no
Kauai Fine Woodworking	8	2	8	Mfg	yes	yes	yes
Samurai, Inc. (2)	10	0	10	Mfg/AG	yes	no	no
C&C Tropicals	18	1	18	AG	yes	yes	yes

156.00 48.00 133.00

*based in CCH
but neighbor
island impact

Additional Metrics

8 Woman-owned Businesses

4 Native Hawaiian-owned Businesses

1 Veteran-owner Business

New Business

Overview of Co-lending Partnerships and Loan Servicing
Agreements

Co-Lending Partnerships and Loan Servicing Agreements

Hawaii Community Reinvestment Corporation (HCRC)
(<https://www.hcrchawaii.com/>)

2 Loans and 2 Loan Servicing Agreements

Feed the Hunger Fund (FTHF)
(<https://www.feed-hunger.com/>)

8 Loans and 8 Loan Servicing Agreements

Waianae Economic Development Council/The Pakini Loan Fund
(<https://www.thewedc.com> <https://pakiniloanfund.org>)

3 Loans and 6 Loan Servicing Agreements

Hawaii Department of Agriculture
(<https://hdoa.hawaii.gov/ag/>)

2 Loans and 0 Loan Servicing Agreements

New Business

Presentation from Patti Chang, Chief Executive Officer, Feed
the Hunger Fund

New Business

Update on Grant for Micro-Lending, Lei Riedel, Director, the
Pakini Loan Fund

New Business

Discussion and Recommendation on Pursuing Additional
Funds from EDA for CBED Loans

Economic Adjustment Assistance Revolving Loan Fund (RLF) Program

What is a Revolving Loan Fund award?

EDA makes Economic Adjustment Assistance (EAA) grant awards to establish revolving loan funds (RLFs) that make loans to businesses that cannot otherwise obtain traditional bank financing. These loans provide access to capital as gap financing that enables small businesses to grow and lead to new employment opportunities with competitive wages and benefits. Each RLF Recipient must develop and maintain an RLF plan to demonstrate how the fund fits specific economic development goals and how it will adequately administer the RLF throughout its lifecycle.

The economic development priorities of each revolving loan fund (RLF) are defined in the RLF Plan that guides the lending strategy within its defined lending area. Most RLFs make general business loans focused on creating and retaining jobs while leveraging other sources of capital, while some RLFs focus lending on certain sectors or industries.

Who may apply for an EAA award to operate an RLF?

Entities eligible to apply for an EAA award to establish an RLF include a State, county, city, or other political subdivision of a State; Indian tribe; EDA-approved district organization; institution of higher education; and public or private non-profit organization. While individuals and for-profit entities are not eligible for an EAA award to establish an RLF, individuals and for-profit entities are eligible to apply for and receive loans from an RLF established by an eligible entity.

Who is eligible to receive an RLF loan?

Potential borrowers must demonstrate that credit is not otherwise available on terms and conditions that permit the completion or successful operation of the activity to be financed. RLF loans most often focus on working capital loans for operating expenses, EDA regulations for RLFs restrict uses of capital to loans for economic development purposes.

What are the award requirements for EDA-funded RLFs?

EDA's RLF Standard Terms and Conditions (STCs) govern each EDA RLF Award as part of the award conditions, along with a specialized set called the Specific (or Special) Award Conditions that are tailored for that particular grant. EDA's current RLF STCs are available at [RLF Standard Terms and Conditions](#).

EDA regulations for RLF awards are codified at [13 CFR chapter III, part 307, subpart B](#).

The RLF Recipient's obligation to manage the RLF continues in perpetuity because, absent statutory authority providing otherwise, under current law the Federal Interest in the RLF never expires.

EDA's RLF regulations establish the Risk Analysis System, which is designed to provide more efficient oversight of the RLF Program. The Risk Analysis System was finalized and implemented in 2018 and is available here along with responses to related public comments. ([PDF](#))

What does the EDA RLF portfolio look like?

EDA RLF award amounts generally range from \$500,000 to \$2.0 million. The EDA RLF portfolio consists of more than 500 active RLFs nationwide, with a combined EDA investment of more than \$840 million. The RLF portfolio currently has a combined capital base of approximately \$935 million (includes EDA investment plus grantee matching funds plus capitalized income). RLFs have made over 45,000 loans and created or retained over 733,000 jobs over the lifetime of the program.

How do I get more information on how to apply?

Please see the [FY 2020 Public Works and Economic Adjustment Assistance Programs Notice of Funding Opportunity \(PWEAA NOFO\)](#). To discuss any project proposals in further detail, contact your EDA [Regional Office](#).



New Business

Discussion and Recommendation on Any Changes in Mission
for Possible Second Fund

LOANS TO HELP BUSINESSES

WHAT WE DO – LOANS TO HELP BUSINESSES

CBED offers loans to eligible small businesses that support economic development in their communities. We strive to help small businesses to develop viable, sustainable business ventures that serve local needs and are compatible with the vision, character and cultural values of their communities. We especially focus on those involved in expanding their businesses in **Agricultural and Food Production & Manufacturing and Wholesaling**. The CBED loan program can support small businesses with loans usually in the range of \$50,000 to \$125,000.

Eligibility Requirements

- Must be a registered business in the State of Hawaii
- Loan proceeds must result in an economic development outcome
- Show turn-down from one (1) financial institution
- Must have been in business for at least two years
- Must have the financial ability to re-pay the loan

Loans may be used for:

- Working capital
- Construction or improvement of facilities
- Purchase of equipment
- Payment of production and marketing expenses including materials, labor and services

Term: Up to 10 years

Interest Rate: 3% - 10%