

DRAFT

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM (DBEDT)

MINUTES OF THE COMMUNITY-BASED ECONOMIC PROGRAM
ADVISORY COUNCIL MEETING (C-BED)
FRIDAY, MAY 24, 2019, AT 10:00 A.M.
NO. 1 CAPITOL DISTRICT BUILDING, 250 S. HOTEL ST., ROOM 436
HONOLULU, HAWAII 96813

Advisory Members Present were:

Jane Horike	-	Advisory Council Member (Hawaii/Hilo)
JoAnn Inamasu	-	Advisory Council Member (Maui)
Rachel James	-	Advisory Council Member (Oahu)
Kaleokalani Kuroda	-	Advisory Council Member (Oahu)
Nancy Elvira Lo	-	Advisory Council Member (Oahu)
Matthew Loke	-	Department of Agriculture (Oahu)
Ernest Matsumura	-	Advisory Council Member (Hawaii/Hilo)
James Patterson	-	Office of Hawaiian Affairs & Department of Agriculture (Oahu)

Guests:

Riley Fujisaki	-	Representative Luke's Office
Ramona Mullahey	-	Department of Housing & Urban Development
Heather Piper	-	Hawaii Community Reinvestment Corporation (HCRC)
Albert Vargas	-	Representative Luke's Office

Staff:

Margaret Ahn	-	Attorney General's Office
Lyle Fujikawa	-	DBEDT
Leslie Kawamoto	-	DBEDT
Dennis Ling	-	DBEDT
Mark Ritchie	-	DBEDT
Randy Tanaka	-	DBEDT
Wayne Thom	-	DBEDT
Selma Malcolm (Recording)	-	DBEDT

CALL TO ORDER:

The meeting was called to order at 10:02 a.m., by Mr. Mark Ritchie who welcomed everyone present and asked that they introduced themselves.

Introduction of Council Members:

Everyone present was provided an opportunity to introduce themselves.

Mr. Ritchie noted that the main purpose of the CBED Advisory Council is to review CBED financing requests and make recommendations on the awarding of loans and grants and advise on program implementation, etc.

APPROVAL OF FEBRUARY 24, 2017 MEETING MINUTES:

Minutes of the Meeting held on Friday, February 24, 2017, were approved on a motion by Ms. Jane Horike and seconded by Ms. JoAnn Inamasu.

The motion was passed unanimously.

MANAGER'S REPORT:

Report on CBED Revolving Fund & the Status of the Loans:

Mr. Thom reported on the CBED Revolving Fund and the Status of each Loan, including the dates when the last payment would be due:

- 1) Kohala Meat & Deli, LLC (Hawaii Island) loan balance is \$25,000 that would end April 2027.
- 2) Chanthabouasith Farm loan balance of \$12,106 would end July 2021.
- 3) Luangrath Farm Agricultural loan balance of \$14,007 would end February 2021.
- 4) Hawaiian Agricultural Products loan balance \$23,245 due December 2021.
- 5) Chandara Farms loan balance of \$23,254 is currently in default. The Department of Agriculture is pursuing the default along with the Attorney General's Office. DBEDT is currently waiting for an updated report from the Attorney General's Office.

Mr. Thom also reported that as of 12/31/2018, the CBED Revolving Fund had a total of \$566,228.90.

Mr. Ling advised that the Chandara Farms' Loan was a Participation Loan between the Department of Agriculture (DOA) and the Department of Business Economic Development and Tourism (DBEDT) for \$50,000. (\$25,000 – DOA and \$25,00 – DBEDT/CBED). While explaining the relationship between DOA and DBEDT, Mr. Ling said that DOA is currently

our only loan partner and the loan officers for the CBED Program as DBEDT does not at this time have a loan officer. DOA assists with due diligence, risk assessment analysis, scrutinization of applications, etc.

OLD BUSINESS:

A. Review & Comment on Possible Future Participation Loan with Community Development Financial Institutions:

Mr. Ritchie advised that DBEDT is seeking to partner with organizations that would service loans for a small fee. DBEDT currently has an MOU with the Department of Agriculture (DOA) which serves as the loan officer for DBEDT-DOA loans. The Council reviewed a list of potential partners for non-agricultural loans, i.e., Pacific Gateway, Maui Economic Opportunity (MEO) (requested Ms. Inamasu assistance with MEO); HEDCO, Feed the Hunger Foundation, First Foundation Bank and the Office of Hawaiian Affairs (OHA) (there's no formal agreement with OHA). Mr. Ritchie stated that the micro-loan programs would be relaunched and asked if there were any other financial organizations the Council felt would be interested in the Micro-Loan Program and in Co-lending with DBEDT.

The Council reviewed background information on several non-government entities. Mr. Thom noted that 2-years ago, the Micro-Loan Programs were unknown, but currently, several Micro-Loan Programs are available including Hawaii Community Assets, Council of Native Hawaiian Advancement and some are pursuing CDFI licensing for new market tax credits. He suggested that if Council is aware of any financial agencies, CDFI's, Micro-Loan Programs in their respective areas that would be potential co-loan partners with DBEDT to provide him with their contact information to reach out to them. DBEDT/Thom is currently working with Mr. Kuhio Lewis, Executive Director of CNHA regarding partnership and DBEDT will participate in their upcoming convention. During discussion, Ms. Piper stated that Hawaii Community Reinvestment Corporation (HCRC) formed a Community Lending Collaborative and the first meeting was held during the week of May 13th on Non-Government Loan Funds and offered to share that information with the Council. Meetings will be held regularly to discuss their lending products.

At this point, Mr. Randy Tanaka, Deputy Director of DBEDT joined the meeting and introduced himself. He told the Council members about the Director's support for the CBED program.

Mr. Ritchie said in the future, DBEDT will be working more with the for-profit companies where the loans have community impact, i.e., sourcing the inputs to their

products locally and increasing employment in distressed areas, etc. He requested input and guidance from the Council and encouraged them to submit ideas to DBEDT Staff (Thom/Ritchie.)

Vacant Council Seat: Mr. Ritchie advised that there is one (1) vacant Council Seat for a representative from the County of Kauai. Applications are to be submitted to Sharon Ibarra at Boards and Commission.

NEW BUSINESS:

A. CBED Micro-Laon Program – Marketing & Outreach:

Mr. Ritchie said for two (2) consecutive years, DBEDT requested funds from the Legislature for CBED Revolving Fund without success. Then in 2018, a bill was introduced, and the law was passed that allowed all the funds recovered from the non-performing loan programs such as the Capital Loan Program and other loan programs to be placed into the CBED Revolving Fund since their missions were similar. He also stated that funding is available to resuscitate the CBED Programs.

Information/Brochures were distributed on the CBED Micro-Loan Program.

Mr. Fujikawa gave a PowerPoint presentation on the Division's Website that is being updated to produce a more robust and easily accessible site. The purpose is to promote loan programs, target a wider audience; increase social media (Facebook, etc.,) activities, provide easy navigation and possibly link-up with eligible organizations (with Council assistance) to attract the right clientele and grab the attention of viewers with the potential of increasing/capturing a large number of client emails. Further updates will be done including working on the Calendar of Events.

Mr. Thom reported that CBED is currently working with the Census Bureau to gather data on the homeless in hard to access areas such as Waianae Community. He asked if the Council knew of anyone who is working with Census Bureau and require support they should refer them to DBEDT/Thom.

B. Opportunity Zone (OZ) Program Presentation:

Mr. Ritchie and Ms. Piper did a presentation on Opportunity Zone (OZ). Mr. Ritchie defined the OZs. He said the OZ is an Economic Development Tool (Tax Sheltered) that uses Federal Tax Incentives to direct investment capital to underserved low income areas and the targeted communities called Opportunity Zones. He explained that the Tool/Tax Sheltered is for people, corporations or high net worth individuals that have Capital Gains

and that the Capital Gains could be placed in an opportunity fund that invests in a low-income Census Tracts in the United States. The OZ was established as part of the Tax Cut and Job Acts at the end of 2017 that was passed under reconciliation (a special budget) and this does not require a lot of reporting, data collection and metrics. The purpose is to revitalize certain Census Tracts and encourage entrepreneurship in the Zones including improvement of distressed areas, new housing development, expansion funding for businesses, etc. The entry barrier for this program is low as people with Capital Gain could form an LLC as an opportunity fund which is tracked though Federal Tax Forms. Mr. Ritchie also explained how the Zones were selected.

C. CBED Grant Application Review and Recommendation: Hawaii Community Reinvestment Corporation (HCRC- up to \$75,000):

Mr. Richie said that Hawaii Community Reinvestment Corporation proposed to convene five (5) in-person workshops throughout the State of Hawaii and would facilitate one-on-one consulting to prepare about 14-18 projects in Hawaii's Opportunity Zones to be "investment ready" to approach Opportunity Funds. The Projects would have a community economic benefit and over a 3-month period, HCRC would provide technical assistance to qualified business owners and property owners to assist with producing an "Investment Ready Business Plan". The Plans would be presented by the businesses and would be available to DBEDT to share with Opportunity Funds looking to invest in Hawaii Opportunity Zone. Mr. Richie requested the Council's guidance. During discussion, Ms. Lo asked who she should contact if the Chamber of Commerce Quad-Chamber (Ethnic Chamber comprised Japanese, Chinese, Korean and Philippine) would like to organize a workshop on CBED/OZ to assist its members. Mr. Ritchie stated that DBEDT and HCRC would be happy to assist.

Ms. Piper gave a synopsis on her educational background and her work experience. She has over 25-years of work experience in the banking industry and has been working with Hawaii Community Reinvestment Corporation (HCRC) for the past three (3) years. She also provided background information on HCRC. She advised that HCRC is a community-based non-profit corporation formed in 1990 with help of the Federal Reserve Bank to facilitate affordable housing, community development and economic development throughout the State of Hawaii by providing innovative financing, training and consulting services. HCRC would make the loans and banks could also participate.

Motion was made by Ms. Rachel James and seconded by Mr. Dennis Ling to recommend that the Council work with Ms. Heather Piper of the Hawaii Community Reinvestment Corporation with the CBED grant application for up to \$75,000.

The motion was passed unanimously.

Council asked where would DBEDT see its biggest opportunity of the three (3) types of investment options, i.e., equity, real estate and equipment.

DBEDT would focus on company and housing investment/real estate type.

Council took a short break.

D. CBED Grant Application with Hawaii Farm Bureau for up to \$10,000:

Mr. Thom presented the CBED grant application for the Hawaii Farm Bureau (HFB) for review and approval of up to \$10,000 for DBEDT to attend various HFB meetings.

Motion was made by Ms. Rachel James and seconded by Ms. Jane Horike for approval of up to \$10,000 for DBEDT Staff to attend the following activities: Whitmore Village and West Oahu County Farm Bureau Meeting in June 2019; Farm Bureau Convention on Maui October 29-30, 2019; South Oahu County Farm Bureau Meeting in September 2019; Cattle Ranchers Association Meeting on Kona in September 2019 and the Nursery Association Meeting in Hilo in October 2019.

The motion was passed unanimously.

E. DBEDT Technical Assistance for Small Outreach Event for up to \$15,000:

Mr. Thom presented DBED Technical Assistance grant application for review and approval of up to \$15,000 for various outreach events included the Hawaii Small Business Fair. He stated that the last event was held on May 4, 2019 at the Leeward Community College with over 120 attendees, 25 different workshops, 33 exhibitors included Federal and State Agencies, Counties and private. The Fair is held annually between Leeward Community College and Honolulu Community College but will be moved to other counties in the future.

As opposed to seeking approval at Council meetings:

Motion was made by Mr. Dennis Ling and seconded by Ms. Nancy Elvira Lo requesting approval for DBEDT Staff to report to the Council for expenditure made from CBED funds for the purposes of technical assistance, outreach and other administrative matters on an annual basis.

The motion was passed unanimously.

ELECTION OF CHAIR:

A motion was made by Ms. Jane Horike and seconded by Mr. Kaleokalani Kuroda to nominate Ms. Rachel James as Chair of the Community-Based Economic Development Program Advisory Council to serve for two (2) years. There were no other nominations.

The motion was passed unanimously.

NEXT MEETING:

TBA

Mr. Ritchie thanked everyone for attending the meeting.

ADJOURNMENT:

The meeting was adjourned at 12:29 p.m. on a motion by Mr. Dennis Ling and seconded by Mr. Matthew Loke.

The motion was passed unanimously.

Respectfully submitted,



Rachel James
Chair

August 22, 2019

Date