

JAN 22 2008

A BILL FOR AN ACT

RELATING TO COMMUNITY-BASED ECONOMIC DEVELOPMENT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that the business
2 community, nonprofit organizations, and other entrepreneurs
3 require a functional, service-oriented agency that is readily
4 available to provide business counseling, financial backing, and
5 general support to foster real community-based economic
6 development for the various products and services demonstrating
7 and embracing Hawaii's diversified economy.

8 The Hawaii community-based economic development technical
9 and financial assistance program in the department of business,
10 economic development, and tourism, was established for this
11 purpose. The legislature established the community-based
12 economic development program in Act 111, Session Laws of Hawaii
13 1991, codified as chapter 210D, Hawaii Revised Statutes, to
14 provide financial assistance to community-based businesses and
15 enterprises through low-interest loans and grants to qualifying
16 applicants.

17 The purposes of this Act are to:

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- 1 (1) Amend the definition of "community of interest" to
2 better conform the wording to the preceding definition
3 of "community of identity;"
- 4 (2) Amend wording to expand the opportunities for the
5 community-based economic development revolving fund to
6 access additional funding from other sources, and
7 insure the deposit of other funding into the
8 community-based economic development revolving fund;
- 9 (3) Adjust loan maximum to reflect current available
10 funding; and
- 11 (4) Clarify the definition of eligible grant recipients.

12 SECTION 2. Section 210D-2, Hawaii Revised Statutes, is
13 amended by amending the definition of "community of interest" to
14 read as follows:

15 "Community of interest" means a group of people who may
16 not live in the same geographic area but who are bound together
17 through a common economic interest such as coffee growers or an
18 aquaculture cooperative."

19 SECTION 3. Section 210D-4, Hawaii Revised Statutes, is
20 amended to read as follows:

21 "**§210D-4 Hawaii community-based economic development**
22 **revolving fund; established.** There is established a revolving

1 fund to be known as the Hawaii community-based economic
2 development revolving fund from which moneys shall be loaned[7]
3 or granted by the department under this chapter. All moneys
4 appropriated to the fund by the legislature, received as
5 repayments of loans, payments of interest or fees, [~~received as~~
6 ~~royalties,~~] and all other moneys received by the fund from any
7 other source shall be deposited into the revolving fund and used
8 for the purposes of this chapter. The department may use all
9 appropriations and other moneys in the revolving fund not
10 appropriated for a designated purpose to make grants or loans[7
11 ~~provided that at no time shall the department reallocate funds~~
12 ~~from the loan program to the grant program so that insufficient~~
13 ~~funds remain available to make loans]."~~

14 SECTION 4. Section 210D-6, Hawaii Revised Statutes, is
15 amended to read as follows:

16 "[~~+~~]**\$210D-6[~~+~~]** **Compensation and expenses of members.** All
17 members shall serve without compensation, but may be reimbursed
18 [~~from the fund~~] for any actual and necessary expenses, including
19 travel expenses, incurred in carrying out their official duties."

20 SECTION 5. Section 210D-8, Hawaii Revised Statutes, is
21 amended to read as follows:

1 "§210D-8 Powers and duties. The department shall have the
2 necessary powers to carry out the purposes of this chapter,
3 including the following:

4 (1) With advice from the council, prescribe the
5 qualifications for eligibility of applicants for loans
6 and grants;

7 (2) With advice from the council, establish preferences
8 and priorities in determining eligibility for
9 financial assistance;

10 (3) Establish the conditions, consistent with the purpose
11 of this chapter, for the awarding of financial
12 assistance;

13 (4) Provide for inspection at reasonable hours of
14 facilities, books, and records of a community-based
15 organization which has applied for or has been awarded
16 financial assistance and require the submission of
17 progress and final reports;

18 (5) Provide loans[7] and grants for community-based
19 economic development activities and community-based
20 enterprises for purposes consistent with this chapter;

21 (6) Determine the necessity for and the extent of security
22 required in a loan;

- 1 (7) Prescribe and provide appropriate management
- 2 counseling and monitoring of business activities;
- 3 (8) Administer the Hawaii community-based economic
- 4 development revolving fund;
- 5 (9) Include in its budget for subsequent fiscal periods
- 6 amounts necessary to effectuate the purposes of this
- 7 chapter;
- 8 (10) Participate in loans made to qualified persons by
- 9 private lenders;
- 10 (11) Establish interest rates chargeable by the State for
- 11 direct and participation loans; and
- 12 (12) Adopt rules pursuant to chapter 91 to implement this
- 13 chapter."

14 SECTION 6. Section 210D-10, Hawaii Revised Statutes, is
15 amended to read as follows:

16 "**§210D-10 Terms of loans.** Loans shall be made to qualified
17 applicants with the following terms and conditions:

- 18 (1) The amount of the outstanding balance on all loans
- 19 issued under this chapter to any one applicant at any
- 20 one time shall not exceed [~~\$500,000~~]; \$250,000;
- 21 (2) The maximum term of a loan shall not exceed ten years;

1 (3) Each loan shall bear simple interest at a rate of not
2 less than three and not more than [~~ten~~] six per cent a
3 year, depending on the nature of the loan; and

4 (5) The commencement date for the repayment of the first
5 installment on principal and interest of each loan may
6 be deferred by the director of business, economic
7 development, and tourism for a period not to exceed
8 two years."

9 SECTION 7. Section 210D-11, Hawaii Revised Statutes, is
10 amended by amending subsection (b) to read as follows:

11 (b) To receive a grant hereunder for community-based
12 economic development activities or development of a community-
13 based enterprise, an applicant shall:

14 (1) Be either:

15 (A) A profit subsidiary of a non profit community-
16 based organization incorporated under the laws of
17 the State; or

18 (B) A nonprofit community-based organization
19 determined to be exempt from federal income
20 taxation by the Internal Revenue Service; or

21 (C) A cooperative association.

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1 (2) In the case of a non profit organization, have a
2 governing board whose members have no material
3 conflict of interest and serve without compensation,
4 have bylaws or policies which describe the manner in
5 which business is conducted and policies relating to
6 nepotism and management of potential conflict of
7 interest situations, and employ or contract with no
8 two or more members of a family or kin of the first or
9 second degree unless specifically permitted by the
10 department;

11 (3) Agree to make available to the department all records
12 the applicant may have relating to the operation of
13 the community-based enterprise, to allow state
14 agencies to monitor the applicant's compliance with
15 the purpose of this chapter; and

16 (4) Establish, to the satisfaction of the department, that
17 sufficient funds are available for the effective
18 operation of the activity, business, or enterprise for
19 the purpose for which the grant is awarded."

20 SECTION 8. Statutory material to be repealed is bracketed
21 and stricken. New statutory material is underscored.

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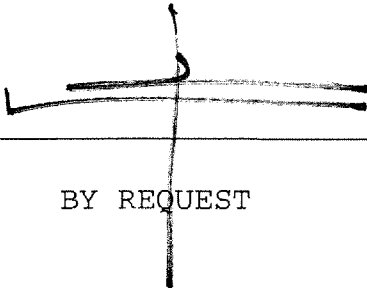
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1 SECTION 9. This Act shall take effect July 1, 2008.

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INTRODUCED BY: _____

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4

BY REQUEST

Report Title:

Community-Based Economic Development: Technical Adjustments.

Description:

Updates sections of Chapter 210D, Hawaii Revised Statutes, which created the Hawaii Community-Based Economic Development (CBED) Program, the Hawaii Community-Based Economic Development Revolving Fund, and the CBED Advisory Council; allows for smaller CBED loans, and reduces the maximum interest rate on these loans.

JUSTIFICATION SHEET

DEPARTMENT: Business, Economic Development, and Tourism

TITLE: A BILL FOR AN ACT RELATING TO COMMUNITY-BASED ECONOMIC DEVELOPMENT.

PURPOSE: To make technical and "housekeeping" revisions to chapter 210D, Hawaii Revised Statutes, in order to update and improve the provision of services established by the chapter.

MEANS: Amend Sections 210D-2, 210D-4, 210D-6, 210D-8, 210D-10, and 210D-11(b), Hawaii Revised Statutes.

JUSTIFICATION: Due to changing financial conditions of the State that affect financial assistance provided for community-based economic development, and the changing challenges faced by distressed communities throughout Hawaii, it is imperative that chapter 210D, Hawaii Revised Statutes, be revised to keep pace with the changes and needs of Hawaii's most needy communities.

Impact on the public: Increase the ability of the community-based economic development revolving fund to leverage existing state funds from sources of funding other than state general funds, and better clarify for eligible communities the definitions and intent of the statute.

Impact on the department and other agencies:
None.

GENERAL FUND: None.

OTHER FUNDS: None.

PPBS PROGRAM DESIGNATION: N/A.

OTHER AFFECTED

AGENCIES: None.

EFFECTIVE DATE: July 1, 2008.