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# 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 1990, 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 purpose of this Act is to:



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 and

10 (3) Adjust loan maximum to reflect current available  
11 funding.

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  
20 duties."

21 SECTION 5. Section 210D-8, Hawaii Revised Statutes, is  
22 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  
17 qualified 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           (4) 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. Statutory material to be repealed is bracketed  
10          and stricken. New statutory material is underscored.

11          SECTION 8. This Act shall take effect July 1, 2008.



**Report Title:**

Community-Based Economic Development; Loans

**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. (SD1)

