
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 diverse economy.

8 The legislature further finds that the Hawaii community-
9 based economic development technical and financial assistance
10 program in the department of business, economic development, and
11 tourism was established for this purpose. The community-based
12 economic development program was established by Act 111, Session
13 Laws of Hawaii 1990, to provide financial assistance to
14 community-based businesses and enterprises through low-interest
15 loans and grants to qualifying applicants.

16 The purpose of this Act is to update and improve the
17 services provided by the community-based economic development
18 program.



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

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

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

10 **"§210D-4 Hawaii community-based economic development**
11 **revolving fund; established.** There is established a revolving
12 fund to be known as the Hawaii community-based economic
13 development revolving fund from which moneys shall be loaned[~~7~~]
14 or granted by the department under this chapter. All moneys
15 appropriated to the fund by the legislature, received as
16 repayments of loans, payments of interest or fees, [~~received as~~
17 ~~royalties~~7] and all moneys received by the fund from any other
18 source shall be deposited into the revolving fund and used for
19 the purposes of this chapter. The department may use all
20 appropriations and other moneys in the revolving fund not
21 appropriated for a designated purpose to make grants or loans[~~7~~
22 ~~provided that at no time shall the department reallocate funds~~



1 ~~from the loan program to the grant program so that insufficient~~
2 ~~funds remain available to make loans]."~~

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

5 "[~~+~~]**§210D-6**[~~+~~] **Compensation and expenses of members.** All
6 members shall serve without compensation, but may be reimbursed
7 [~~from the fund~~] for any actual and necessary expenses, including
8 travel expenses, incurred in carrying out their official
9 duties."

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

12 "**§210D-8 Powers and duties.** The department shall have the
13 necessary powers to carry out the purposes of this chapter,
14 including the following:

- 15 (1) With advice from the council, prescribe the
16 qualifications for eligibility of applicants for loans
17 and grants;
- 18 (2) With advice from the council, establish preferences
19 and priorities in determining eligibility for
20 financial assistance;



- 1 (3) Establish the conditions, consistent with the purpose
2 of this chapter, for the awarding of financial
3 assistance;
- 4 (4) Provide for inspection at reasonable hours of
5 facilities, books, and records of a community-based
6 organization [~~which~~] that has applied for or has been
7 awarded financial assistance and require the
8 submission of progress and final reports;
- 9 (5) Provide loans[7] and grants for community-based
10 economic development activities and community-based
11 enterprises for purposes consistent with this chapter;
- 12 (6) Determine the necessity for and the extent of security
13 required in a loan;
- 14 (7) Prescribe and provide appropriate management
15 counseling and monitoring of business activities;
- 16 (8) Administer the Hawaii community-based economic
17 development revolving fund;
- 18 (9) Include in its budget for subsequent fiscal periods
19 amounts necessary to effectuate the purposes of this
20 chapter;
- 21 (10) Participate in loans made to qualified persons by
22 private lenders;



1 (11) Establish interest rates chargeable by the State for
2 direct and participation loans; and

3 (12) Adopt rules pursuant to chapter 91 to implement this
4 chapter."

5 SECTION 6. Section 210D-9, Hawaii Revised Statutes, is
6 amended to read as follows:

7 "**§210D-9 Loans; limitation and terms.** Loans made under
8 this chapter shall be for the purposes and in accordance with
9 the terms specified in paragraphs (1) and (2) and shall be made
10 only to applicants who meet the eligibility requirements
11 specified therein.

12 (1) Community-based enterprise establishment and
13 improvement loans may be made to provide for:

14 (A) The start-up costs, purchase or improvement of a
15 community-based enterprise or working capital;

16 and

17 (B) The purchase, construction, or improvement of
18 facilities; and

19 (2) Operating loans may be made to carry on and improve an
20 existing enterprise, including:

21 (A) The purchase of equipment; and



1 (B) The payment of production and marketing expenses
2 including materials, labor, and services.

3 The loans shall be for an amount not to exceed [~~\$500,000~~
4 \$250,000 and for a term not to exceed ten years."

5 SECTION 7. Section 210D-10, Hawaii Revised Statutes, is
6 amended to read as follows:

7 "**§210D-10 Terms of loans.** Loans shall be made to
8 qualified applicants with the following terms and conditions:

- 9 (1) The amount of the outstanding balance on all loans
10 issued under this chapter to any one applicant at any
11 one time shall not exceed [~~\$500,000,~~] \$250,000;
- 12 (2) The maximum term of a loan shall not exceed ten years;
- 13 (3) Each loan shall bear simple interest at a rate of not
14 less than three and not more than [~~ten~~] six per cent a
15 year, depending on the nature of the loan; and
- 16 (4) The commencement date for the repayment of the first
17 installment on principal and interest of each loan may
18 be deferred by the director of business, economic
19 development, and tourism for a period not to exceed
20 two years."

21 SECTION 8. Section 210D-11, Hawaii Revised Statutes, is
22 amended by amending subsection (b) to read as follows:



1 " (b) To receive a grant hereunder for community-based
2 economic development activities or development of a community-
3 based enterprise, an applicant shall:

4 (1) Be either:

5 (A) A profit subsidiary of a nonprofit community-
6 based organization incorporated under the laws of
7 the State; [~~or~~]

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

11 (C) A cooperative association[~~-~~];

12 (2) In the case of a nonprofit organization, have a
13 governing board whose members have no material
14 conflict of interest and serve without compensation,
15 have bylaws or policies [~~which~~] that describe the
16 manner in which business is conducted and policies
17 relating to nepotism and management of potential
18 conflict of interest situations, and employ or
19 contract with no two or more members of a family or
20 kin of the first or second degree unless specifically
21 permitted by the department;



1 (3) Agree to make available to the department all records
2 the applicant may have relating to the operation of
3 the community-based enterprise, to allow state
4 agencies to monitor the applicant's compliance with
5 the purpose of this chapter; and

6 (4) Establish, to the satisfaction of the department, that
7 sufficient funds are available for the effective
8 operation of the activity, business, or enterprise for
9 the purpose for which the grant is awarded."

10 SECTION 9. Statutory material to be repealed is bracketed
11 and stricken. New statutory material is underscored.

12 SECTION 10. This Act shall take effect on July 1, 2009.



Report Title:

Community-Based Economic Development; Technical Adjustments

Description:

Updates the services provided by the community-based economic development technical and financial assistance program. (HB1207 HD1)

