
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.



1 The purpose of this Act is to update and improve services
2 provided by the community-based economic development technical
3 and financial assistance program.

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

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

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

13 **"§210D-4 Hawaii community-based economic development**
14 **revolving fund; established.** There is established a revolving
15 fund to be known as the Hawaii community-based economic
16 development revolving fund from which moneys shall be loaned[7]
17 or granted by the department under this chapter. All moneys
18 appropriated to the fund by the legislature, received as
19 repayments of loans, payments of interest or fees, [~~received as~~
20 ~~royalties,~~] and all other moneys received by the fund from any
21 other source shall be deposited into the revolving fund and used
22 for the purposes of this chapter. The department may use all



1 appropriations and other moneys in the revolving fund not
2 appropriated for a designated purpose to make grants or loans [~~7~~
3 ~~provided that at no time shall the department reallocate funds~~
4 ~~from the loan program to the grant program so that insufficient~~
5 ~~funds remain available to make loans~~]."

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

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

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

15 "**§210D-8 Powers and duties.** The department shall have the
16 necessary powers to carry out the purposes of this chapter,
17 including the following:

18 (1) With advice from the council, prescribe the
19 qualifications for eligibility of applicants for loans
20 and grants;



- 1 (2) With advice from the council, establish preferences
2 and priorities in determining eligibility for
3 financial assistance;
- 4 (3) Establish the conditions, consistent with the purpose
5 of this chapter, for the awarding of financial
6 assistance;
- 7 (4) Provide for inspection at reasonable hours of
8 facilities, books, and records of a community-based
9 organization [~~which~~] that has applied for or has been
10 awarded financial assistance and require the
11 submission of progress and final reports;
- 12 (5) Provide loans[7] and grants for community-based
13 economic development activities and community-based
14 enterprises for purposes consistent with this chapter;
- 15 (6) Determine the necessity for and the extent of security
16 required in a loan;
- 17 (7) Prescribe and provide appropriate management
18 counseling and monitoring of business activities;
- 19 (8) Administer the Hawaii community-based economic
20 development revolving fund;



- 1 (9) Include in its budget for subsequent fiscal periods
- 2 amounts necessary to effectuate the purposes of this
- 3 chapter;
- 4 (10) Participate in loans made to qualified persons by
- 5 private lenders;
- 6 (11) Establish interest rates chargeable by the State for
- 7 direct and participation loans; and
- 8 (12) Adopt rules pursuant to chapter 91 to implement this
- 9 chapter."

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

12 "**§210D-9 Loans; limitation and terms.** Loans made under
13 this chapter shall be for the purposes and in accordance with
14 the terms specified in paragraphs (1) and (2) and shall be made
15 only to applicants who meet the eligibility requirements
16 specified therein.

- 17 (1) Community-based enterprise establishment and
- 18 improvement loans may be made to provide for:
 - 19 (A) The start-up costs, purchase or improvement of a
 - 20 community-based enterprise or working capital;
 - 21 and



1 (B) The purchase, construction, or improvement of
2 facilities; and

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

5 (A) The purchase of equipment; and

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

8 The loans shall be for an amount not to exceed [~~\$500,000~~
9 \$250,000 and for a term not to exceed ten years."

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

12 "**§210D-10 Terms of loans.** Loans shall be made to
13 qualified applicants with the following terms and conditions:

14 (1) The amount of the outstanding balance on all loans
15 issued under this chapter to any one applicant at any
16 one time shall not exceed [~~\$500,000;~~ \$250,000;

17 (2) The maximum term of a loan shall not exceed ten years;

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

21 (4) The commencement date for the repayment of the first
22 installment on principal and interest of each loan may



1 be deferred by the director of business, economic
2 development, and tourism for a period not to exceed
3 two years."

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

6 "(b) To receive a grant [~~hereunder~~] under this section for
7 community-based economic development activities or development
8 of a community-based enterprise, an applicant shall:

9 (1) Be either:

10 (A) A profit subsidiary of a nonprofit community-
11 based organization incorporated under the laws of
12 the State; [~~or~~]

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

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

17 (2) In the case of a nonprofit organization, have a
18 governing board whose members have no material
19 conflict of interest and serve without compensation,
20 have bylaws or policies [~~which~~] that describe the
21 manner in which business is conducted and policies
22 relating to nepotism and management of potential



1 conflict of interest situations, and employ or
2 contract with no two or more members of a family or
3 kin of the first or second degree unless specifically
4 permitted by the department;

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

10 (4) Establish, to the satisfaction of the department, that
11 sufficient funds are available for the effective
12 operation of the activity, business, or enterprise for
13 the purpose for which the grant is awarded."

14 SECTION 9. Statutory material to be repealed is bracketed
15 and stricken. New statutory material is underscored.

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



Report Title:

Community-Based Economic Development; Technical Adjustments

Description:

Authorizes the Hawaii Community-based Economic Development Revolving Fund to receive funding from any source. Repeals prohibition on reallocation of funds from loan program to grant program and reduces the maximum interest rate on the loans from 10 percent to 6 percent. Reduces limit on applicant's total loan balance from \$500,000 to \$250,000. Deletes requirement that the revolving fund be used to reimburse advisory council members for expenses. (SB91 HD1)

