



**DEPARTMENT OF BUSINESS,  
ECONOMIC DEVELOPMENT & TOURISM**

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Statement of  
**THEODORE E. LIU**  
Director

Department of Business, Economic Development, and Tourism  
before the

**HOUSE COMMITTEE ON FINANCE**

Wednesday, April 1, 2009

1:00 PM

State Capitol, Conference Room 308

in consideration of

**SB 91 SD2 HD1**

**RELATING TO COMMUNITY-BASED ECONOMIC DEVELOPMENT.**

Chair Oshiro, Vice-Chair Lee and Committee members:

The department supports the passage of SB 91 SD2 HD1. This bill makes technical and “housekeeping” revisions to sections of Chapter 210D, Hawaii Revised Statutes, which created the Hawaii Community-Based Economic Development (CBED) Program, the Hawaii Community-Based Development Revolving Fund, and the CBED Advisory Council.

The purpose of this measure is to update and improve the provision of CBED services by:

- Permitting the CBED Revolving Fund to access additional funding from other sources besides the State’s General Funds, and to deposit these outside funds into the CBED Revolving Fund.
- Allowing for smaller CBED loans, and reducing the maximum interest rate on these loans. A smaller CBED loan maximum of \$250,000 is recommended because of limited funds available. Currently the CBED loan maximum stands at \$500,000. The interest rate will be reduced from a maximum 10% simple interest to 6%.
- Deleting the prohibition against reallocating loan funds to the grant program that could cause an insufficient availability of funds to make loans.
- Clarifying the definition of “community of interest” to mean “a group of people who may not live in the same geographic area, but who are bound

together through a common economic interest, e.g coffee growers, aquaculture cooperatives, Pacific Island crafters, etc.”

Due to the constrained financial conditions of the State that affect financial assistance for community-based economic development, and the evolving challenges faced by distressed communities throughout Hawaii, it is imperative that Chapter 210D, Hawaii Revised Statutes, be revised to keep pace with those challenges and needs of our most distressed communities. Facing the severe budget shortfalls of the next biennium, it is imperative that we take full advantage of opportunities to leverage limited State resources by accessing Federal and other private resources.

Thank you for the opportunity to offer these comments.

# HACBED

Community Voice, Collective Action

Hawai`i Alliance for Community-Based Economic Development  
677 Ala Moana Blvd., Suite 702 Honolulu, HI 96813  
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## Board Members

### *President*

Jason Okuhama (*at large*)  
Managing Partner,  
Commercial & Business  
Lending

### *Vice President*

Akoni Akana (*Maui*)  
Executive Director,  
Friends of Moku`ula

### *Secretary*

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Community Development &  
CRA Manager  
American Savings Bank

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Asset Building Coalition &  
*Chaminade University*

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Public Charter School

Kukui & Gary Maunakea-Forth  
(*O`ahu*)  
WCRC/Mala Ai`Opio (MA`O)

Tommy Otake (*at large*)  
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## HACBED Staff

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House Committee on Finance  
Wednesday April 1, 2009 @ 1:00pm  
Conference Room 308

## **SB91, SD2, HD1 – SUPPORTING THE INTENT**

### RELATING TO COMMUNITY-BASED ECONOMIC DEVELOPMENT

Chair Oshiro and committee members

Thank you for the opportunity to provide testimony supporting the intent **SB 91, SD2, HD1** which would primarily allow the Hawaii community-based economic development fund to obtain funds from other sources. HACBED also supports the intent of **SB91, SD2, HD1** based on the following merits.

- Authorize the Hawaii community-based economic development revolving fund to receive funding from any source;
- Repeal prohibition on reallocation of funds from loan program to grant program;
- Reduce the maximum interest rate on loans from 10% to 6%;
- Changes Loan amount to an unspecified number.
- Amends the definition of “*Community of Interest*” to allow for a broader representation of persons who share a common economic interest.

HACBED is confident that **SB 91, SD2, HD1** will not only remove barriers for community-based economic development projects, but will also increase the state’s ability to respond to the needs of Hawaii’s communities’ through increased opportunities for community-based ventures. The introduction of **SB 91, SD2, HD1** comes at a critical time in Hawaii’s economic history, dovetailing important changes to current HRS culminating in greater financial flexibility on the part of the Hawaii community-based economic development revolving fund and providing greater incentives for communities-based organizations to grow their mission and expand their services and reach.

We believe that State support for CBED projects for communities is crucial because they are:

- Addressing critical social and community issues through initiatives with economic impact getting to the “double bottom line”;
- Leveraging limited resources through creative public, private, and community partnerships; and
- Empowering families and communities to have choice and control over their own futures.

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Community Voice, Collective Action

Thank you for the opportunity to provide this testimony.

Sincerely

Brent Dillabaugh  
Policy Director

# HACBED

Community Voice, Collective Action

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March 30, 2009

Chair Marcus Oshiro  
Committee on Finance  
Hawaii State House of Representatives  
State Capitol, Conference Room 308  
Honolulu, HI 96813

RE: Senate Bill 91, SD 2, HD 1, Relating to Community-Based Economic Development

Dear Chair Oshiro and members of the House Finance Committee:

On behalf of the Hawaii Alliance of Nonprofit Organizations (HANO), I would like to express full support of SB 91, SD 2 HD 1.

While much of the bill language makes technical clarifications to the HRS chapter governing CBED activities and allows for more favorable conditions for loaning and granting CBED monies, we are most supportive in particular of the modification that allows the CBED revolving fund to receive additional revenue from other sources besides the state general fund. The additional leveraged resources to be secured from federal and private foundation sources will be distributed to community groups at a time when state support is diminishing and the need for economic development and stimulus is at its greatest.

HANO unites and strengthens the nonprofit sector as a collective force to improve the quality of life in Hawaii. It works in the areas of leadership and convenings; advocacy and public policy; research and information; communications; professional development; and products and services for its members to ensure best practices and standards of excellence in the nonprofit sector.

As a past grant recipient of CBED, we can attest to the impact that CBED support had on our ability as a statewide nonprofit sector intermediary to provide economic development and build capacity in the nonprofit community on all major islands.

We look forward to your favorable consideration of this bill. Thank you for the opportunity to provide written testimony.

Mahalo,  
Lisa Maruyama  
President and CEO

## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**sent:** Tuesday, March 31, 2009 9:50 AM  
**To:** FINTestimony  
**Cc:** deanmatsukawa@hotmail.com  
**Subject:** Testimony for SB91 on 4/1/2009 1:00:00 PM

**Attachments:** CBED Presentation.doc



CBED

resentation.doc (29 K

Testimony for FIN 4/1/2009 1:00:00 PM SB91

Conference room: 308  
Testifier position: support  
Testifier will be present: No  
Submitted by: Dean Matsukawa  
Organization: CBED Advisory Committee  
Address: 45-573 Duncan Drive Kaneohe, Hawaii  
Phone: 808 218-2429  
E-mail: deanmatsukawa@hotmail.com  
Submitted on: 3/31/2009

Comments:

CBED Presentation  
January 19, 2005

Overview:

The Agricultural Loan Division operates the State's Agriculture and Aquaculture Loan Program. The program is self sufficient with interest collections covering operating expenses and principal collected is relented to new borrowers. Since the program is not profit driven it can take more risks and devote more time to assist borrowers, it still needs to make decent loans to revolve the fund and remain solvent. The annual budget for agricultural loans are \$4.5 million per fiscal year and \$500,000 for aquacultural loans.

The Division has 7 loan officer positions to cover the entire State along with two support staff and has offices on Oahu, Hilo and Kona. The Oahu office services Kauai, Molokai and Maui. Currently the program has 6 loan officer positions filled and our Kona loan officer is helping out by covering Maui. The program's portfolio is approximately \$20 million and has programs for new farmers, qualified or experienced farmers, part-time farmers, aquaculturists, food manufacturers who use local agricultural products and farm cooperatives. In addition the program also has an emergency loan program which is activated by a disaster proclamation from the Governor.

Program Notes:

The programs loan limits are \$100,000 for new farmers, \$800,000 for operating loans and \$800,000 for capital improvement or acquisition loans for qualified farmers, \$25,000 operating loans are available for part-time farmers. Aquaculture loan limits are \$400,000 for operating and \$400,000 for capital improvement, Food Manufacturer and Cooperative loan limits are \$300,000 for operating purposes and \$500,000 for equipment, capital improvement or acquisition loans.

Maximum operating loan terms are 10 years except for Food Manufacturers and Cooperative loan which have terms of 7 years. Maximum capital improvement or acquisition loan terms are 40 years except for Food Manufacturers and Cooperative loans which have terms of 20 years,

The program also has soil and water conservation loans for individuals and associations which can be used for drainage, conservation, and water development. The loan limits are \$35,000 for individuals and \$200,000 for associations. Terms are 20 years for individuals and 40 years for associations. For associations to qualify 60% of its members must be qualified farmers.

Interest rates for the loans are 6% for New Farmer loans and 5% for aquaculture loans. Interest rates for the Qualified farmers, Food Manufacturers and Cooperatives are set at



1% below prime and are determined twice a year on January 1, and July 1. Rates are fixed for the duration of the loan and based on the date of approval by the Board of Agriculture. The current rate which was set on January 1, 2005 is 4.25% and will remain in effect until June 30, 2005. Interest rates for emergency loans are set at 3%.

The program is able to participate in loans with the Bank with the State providing a share of the loan funds which can be up to 75% of the loan amount up provided that the amount does not exceed the maximum loan amount in each class of loan. If the loan is to refinance existing loans from the participating lender the State's share cannot exceed 50%. The blending of rates with the State's portion of the loan usually at a lower rate than the bank's portion improves cash flow reducing risks. In addition the Division can provide its expertise in agricultural lending. The program caps the bank's interest rate to 2% above its prime rate. The Bank and the State share in the collateral in proportion to their loan funds. The benefit to the State are that we are able to stretch our limited funding, provide a greater pool of funds to the agricultural and aquacultural communities and hopefully make the commercial lender more comfortable with agriculture.

The State is also able to guaranty the bank's loan up to 90% of the principal amount. The guaranty fees are 1% for loans of \$75,000 or less and for loans with a maturity of less than 12 months. The guaranty fees are 2% for loans above \$75,000 or have a maturity of greater than 1 year.

The State is also able to cooperate with lenders on loans with each lender making separate loans to complete the project. Provided there is sufficient collateral the State may be able to take a junior position. In this case there would be separate loans and loan documents.