
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, non-profit 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 make technical statutory
17 revisions to update and improve the provision of services
18 provided by the community-based economic development 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,~~] 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[~~r~~] 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-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 7. 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;



Report Title:

Community-Based Economic Development; Technical Adjustments

Description:

Amends sections of chapter 210D, HRS (relating to community-based economic development), to update the provision of services provided by the community-based economic development technical and financial assistance program.

