

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

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LUIS P. SALAVERIA
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December 6, 2016

DEPT. COMM. NO. 63

The Honorable Ronald D. Kouchi,
President and Members
of the Senate
Twenty-Eighth State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Joseph M. Souki,
Speaker and Members of the
House of Representatives
Twenty-Eighth State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kouchi, Speaker Souki, and Members of the Legislature:

For your information and consideration, I am transmitting a copy of the State of Hawaii Community-Based Economic Development Technical Assistance Annual Report, as required by Section 201-10, Hawaii Revised Statutes. In accordance with Section 93-16, Hawaii Revised Statutes, I am also informing you that the report may be viewed electronically at: <http://dbedt.hawaii.gov/overview/annual-reports-reports-to-the-legislature/>.

Sincerely,



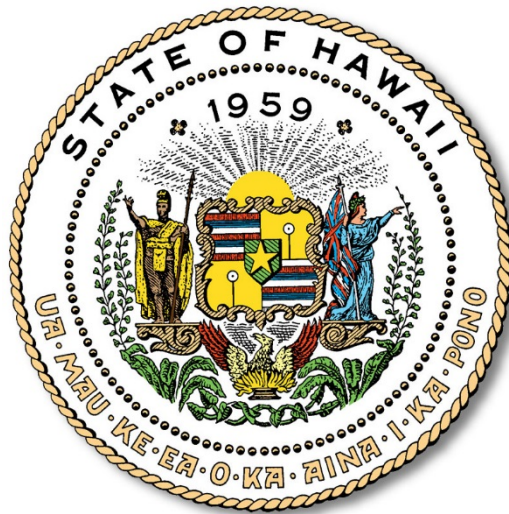
Luis P. Salaveria

Enclosure

c: Legislative Reference Bureau

STATE OF HAWAII

HAWAII COMMUNITY-BASED ECONOMIC DEVELOPMENT
TECHNICAL AND FINANCIAL ASSISTANCE PROGRAM



FY 2016
ANNUAL & FINANCIAL REPORTS
TO THE 29th LEGISLATURE

Executive Summary

The Legislature created a Community-Based Economic Development (CBED) Program in 1991 in the Department of Business, Economic Development & Tourism (DBEDT) with Act 111, SLH 1991, codified as Chapter 210D, Hawaii Revised Statutes. As part of the statute the CBED Advisory Council and the CBED Revolving Fund were also created.

The Council reviews CBED financing requests and makes its recommendations on the awarding of loans and grants, subject to the final approval of the DBEDT Director. The Council also advises the Director on program implementation and members represent their island in liaison with community-based organizations.

The Hawaii Community-Based Economic Development Revolving Fund (CBED Revolving Fund) was established to provide training and capacity-building opportunities, and invest in community economic development projects that result in measurable economic impact. Sources of revenue include repayments of loan principal, loan interest, and interest from the department's participation in the State's investment pool.

Beginning balance as of July 1, 2015	\$158,434
Revenues for fiscal year	
Loan Interest Payments	2,021
Loan Principal Payments	12,056
Investment Pool Earnings	
Transfers	
Expenditures for fiscal year - loans	(61,425)
Encumbrances (CBED Accelerator)	(10,000)
Balance as of June 30, 2016	\$101,086

The CBED Revolving Fund may be used specifically for loans, grants and technical assistance. The CBED Program has focused most of its recent efforts on 1) loans to small businesses that have expansion plans or projects with a community economic impact;

and, 2) Technical assistance that can grow small businesses and non-profits seeking to diversify their funding streams with recurring revenue-generating projects.

Through the CBED Revolving Fund, the CBED Program may assist eligible community-based organizations (CBOs) with financial and/or technical assistance. The CBED Program continues to support community efforts statewide. In FY2016 the CBED Revolving Fund continued its partnership with the Department of Agriculture's Micro-Loan Fund on each of the four agricultural business loans (\$25,000 CBED investment in each loan) made in 2013 through 2015.

The total number of CBO's, Co-ops, and Small Businesses assisted in FY 2015 held steady at more than 500 through the co-sponsorship of the two per year Hawaii Small Business Fairs and other outreach initiatives on all major islands providing business training workshops and technical assistance. DBEDT co-hosted two "Launch Your Dreams into Reality" Hawaii Small Business Fairs in 2015 and 2016, both at UH Community Colleges. More than 500 small business owners, entrepreneurs, and community organizations attended the two events. The *free* one-day events held at both Honolulu Community College and Leeward Community College featured a combined 56 business-related workshops, one-on-one business counseling sessions conducted by the Hawaii Small Business Development Center and SCORE, and exhibits with more than 40 business resource exhibitors from Federal, State and local agencies, private non-profit organizations and financial institutions (CDFIs).

In the spring of 2015, the CBED AcceleratorTM was launched. This new program is designed to assist community-based non-profits that have an economic impact mission. The program specifically seeks to diversify non-profits' funding streams through the development of projects that generate recurring revenue. DBEDT launched the accelerator and selected, through an RFP process, CNHA-Technical Assistance Services to administer the program and work with five non-profits on their recurring revenue generating projects.

Fifteen (15) months after establishing the Community-Based Economic Development (CBED) Accelerator Program to assist with financial and technical assistance, milestones achieved for the five (5) non-profit organizations selected include, but are not limited to:

1. **Waimea Nui Community Development Corporation** – Secured land lease; developed website; created a fee schedule for land plots; developed plot application forms; developed digital membership database file; and developed social media kit.
2. **Hawaii Tropical Fruit Growers** – Developed a website; created social media guide; completed Board training on social media and website maintenance; developed an action plan for data management.
3. **Hawaii Forest Industry Association** – Coordinated a community outreach plan; completed research and development of a Saw Mill Social Enterprise; completed an inventory of timber for the Saw Mill project; completed a feasibility analysis and business plan for the Saw Mill Project.
4. **Garden Island Arts Council** – Organized an (Arts) Advisory Council; developed 2-3 products through the Advisory Council; developed a Marketing and Outreach Plan; implemented a pilot product development initiative.
5. **Homestead Community Development Corporation** – Coordinated and recruited retail shop employees from homestead association members; hired a graphic designer; developed 2-3 new products; collaborated with Small Business mentor/consultant to advise on business development; completed business operations & accounting training; implemented a start-up business and training facility.

The CBED Program staff continues to develop program strategy and partnerships that help revitalize the CBED Program’s Loan, Grant and Technical Assistance initiatives that support DBEDT’s goals. Entrepreneurial small businesses and community-based economic development initiatives to be funded by the CBED Program and Revolving Fund are anticipated to support a broad range of agricultural-related and urban businesses and projects such as small business manufacturing enterprises, food security, and agricultural enterprises, including value-added business development and manufacturing. The CBED Micro-Loan Fund, technical assistance, and capacity-building program initiatives will continue to be a crucial resource for Hawaii’s entrepreneurs and

community-based organizations to implement or expand their businesses and revenue generating initiatives. Community-based economic development is a bottom-up approach and can play an important role in the State's larger economic development strategy. As the assistance from the CBED Program helps rejuvenate the entrepreneurial and community economic development sectors, the CBED Program itself will also be rejuvenated.

The CBED Revolving Fund

The Hawaii Alliance for Community-Based Economic Development (HACBED) was established in 1989 by a group of community development practitioners. HACBED formulated strategies for the State government to support community-based organizations (CBOs) that wanted to create economic development initiatives. These efforts resulted in program legislation to provide financial and technical assistance to local groups. The Legislature created a Community-based Economic Development (CBED) Program in the Department of Business, Economic Development & Tourism (DBEDT) with Act 111, SLH 1991, codified as Chapter 210D, Hawaii Revised Statutes. The legislation created the CBED Advisory Council and the CBED Revolving Fund with an appropriation of \$900,000 in 1991. Today, more than ever, Hawaii must move towards a new economy. The forces of globalization and economic transition have created great challenges in the world economy. Hawaii's isolation and dependence on tourism and fossil fuel energy have made the islands more susceptible to these effects.

CBED strategies and practices can play a valuable part in an overall economic development strategy for Hawaii. Specifically, CBED is a bottom-up economic development initiative that can supplement more centralized or top-down approaches. This bottom-up approach begins by sourcing economic development opportunities from local communities themselves, which can be "demographic communities" or "communities of interest." These opportunities, which usually become projects, then not only have community-backing, but usually some form of community control. The CBED

approach can help build new infrastructure for a more sustainable Hawaii economy, based on decentralization, partnerships, human resource development, and innovation.

The foundation created by community-based economic development leads to long-term capacity-building for local communities and residents, and provides backward linkages to ancillary firms to sustain and expand the main sectors of the economy. Hawaii’s economy is in need of true diversification. CBED is a practical way to achieve a true restructuring of Hawaii’s economy. As the old economic engines become obsolete, the state must look for new alternatives. CBED is a key strategy for not leaving behind the lower income urban and rural communities in the State of Hawaii.

The Hawaii Community-Based Economic Development Revolving Fund was established to provide training and capacity-building opportunities, and invest in community economic development projects that result in measurable economic impact. Sources of revenue include repayments of loan principal, loan interest, and interest from the department’s participation in the State’s investment pool.

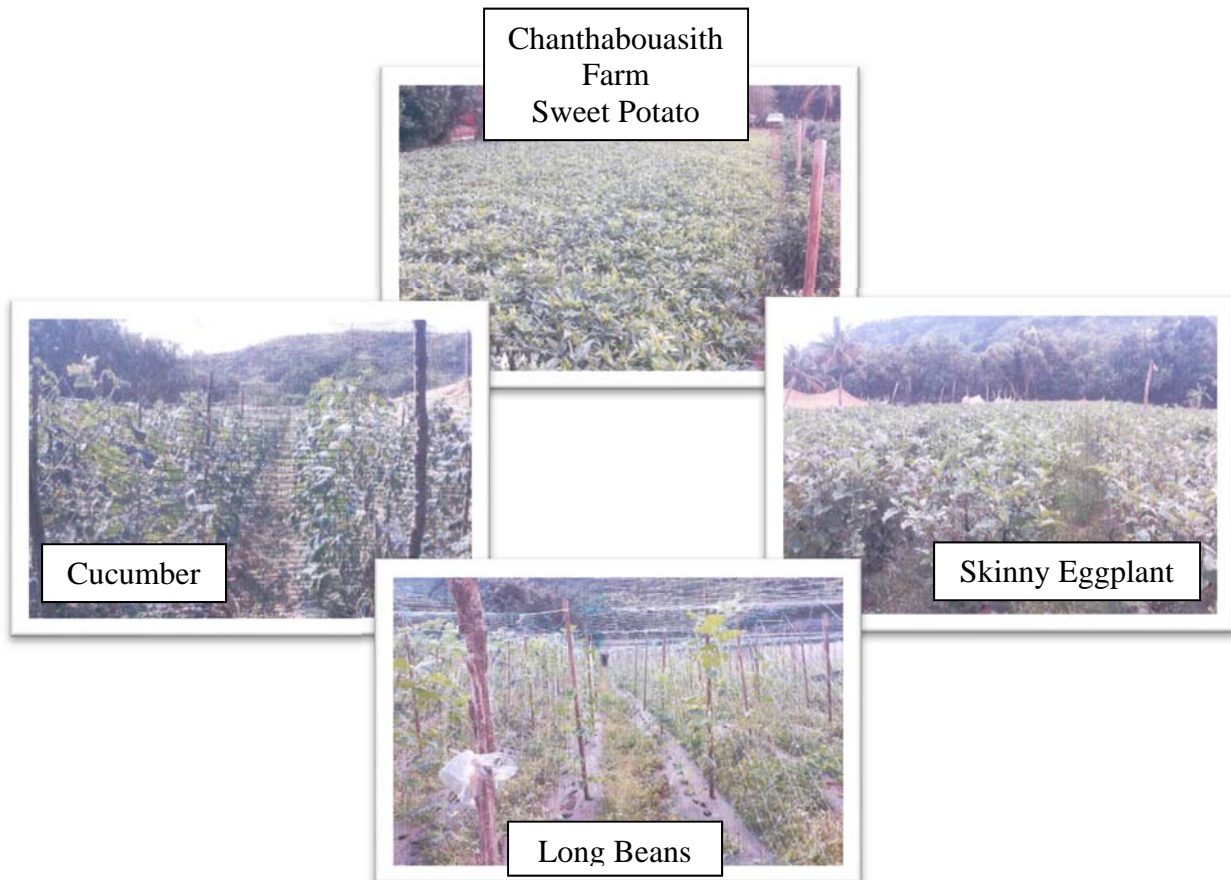
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CBED REVOLVING LOAN REPORT

Borrower name (last, first) / Loan no.	Loan amount	Loan Purpose	Present balance
Chanthabouasith, Sing CBED 2-13	\$25,000	Provide capital to relocate his farm to a nearby 14-acre parcel located in Kahuku.	\$17,915.09

Mr. Chanthabouasith was able to successfully relocate his Kahuku farm in 2013 and in subsequent visits, the new farm has been found to be operating well and is very productive with a wide variety of crops being grown such as sequa, eggplant, sweet potato, long beans, chili pepper, okra, bittermelon, jackfruit, bananas, cucumber, taro and long squash. His produce is sold at his retail vegetable stall at the Kam Swap Meet and to a vegetable wholesaler. This loan is performing well and payments are current.



Borrower name (last, first) / Loan no.	Loan amount	Loan Purpose	Present balance
Luangrath, Ounheauane CBED 3-15	\$25,000	Provide working capital and funds to purchase farm supplies to expand farm production to an adjacent 8-acre parcel.	\$21,059.32
Mr. Luangrath was successfully able to put the 8-acre parcel into production with a variety of crops such as sweet peppers, tomatoes, long beans, string beans, eggplant, and cucumbers. Besides providing additional production area, the land allows Mr. Luangrath to properly rotate his crops, which helps to improve the productivity of his crops and reduce the incidence of disease and pests. This loan is performing well and payments are current.			
Borrower name (last, first) / Loan no.	Loan amount	Loan Purpose	Present balance
Chandara, Khammouane CBED 4-15	\$25,000	Provide funds for farm supplies and working capital needed to expand crop production.	\$23,353.62
Loan funds were disbursed in July 2015 and division staff learned in November 2015 that Mr. Chandara had sold his farm and equipment to another farmer. Due to an inability to contact Mr. Chandara, this case was referred to an investigator with the Department of the Attorney General in January 2016 for assistance in tracking the debtor.			

Borrower name (last, first) / Loan no.		Loan amount	Loan Purpose	Present balance
Hawaiian Agricultural Products, LLC, Hirata, Ken and Yumiko CBED 1-11	\$25,000	Finance the purchase and installation of a steam boiler for a shochu distillery.		\$17,827.51
<p>The distillery began production of shochu in 2013 and it is currently producing at its capacity of approximately 6,500 bottles per year. The distillery is operating well and kept in immaculate condition. Owner Ken Hirata reports that approximately 80% of his bottles are sold at a retail price of \$39.00 each with the remainder sold at the wholesale price of \$27.00 per bottle. He has developed a second product which is a pineapple-sweet potato shochu called Namihana-Banzai Strength #1, which was released in December 2015. This loan is performing well and payments are current.</p>				



CBED: A Continuing Strategy

Community-based economic development is specifically a strategy for addressing the needs of low-income communities. CBED has been implemented in the United States for more than 40 years, and in Hawaii for 20 years. As the dialogue about incorporating community vision and values into present day Hawaii continues, CBED stands out as an effective strategy to achieve those goals by empowering the community, increasing capacity, and conserving local resources. CBED is a proven strategy that differs from traditional economic development because it emphasizes community reinvestment and local economic opportunities. It is a complete process that addresses a community's economic and social needs. CBED strategies help maintain Hawaii's cherished *quality of life* for its residents over the long term, while CBOs provide social services and ecosystem services that make a locality attractive to new, appropriate investment and economic development. In the spirit of creating "Public-Private Partnerships", the CBED Program has focused on partnering with other State, Federal and private agencies to help build the capacity of community-based organizations through training workshops and other events.

CBED's Technical Assistance Activities



2015 Business Fair Exhibitors

The number of Community-Based Organizations, Co-ops, and Small Businesses assisted held steady in FY 2016 at more than 500 through the co-sponsorship of the Hawaii Small Business Fairs and other outreach initiatives on all major islands providing business

training workshops and technical assistance.

On Saturday, August 8, 2015 at Honolulu Community College, DBEDT co-hosted the 2015 Hawaii Small Business Fair, “Launch Your Dreams into Reality.”

Nearly 300 business owners and individuals with start-up ideas and businesses benefitted from a day spent at the no cost Hawaii Small Business Fair, held on Saturday, August 8th at Honolulu Community College (HCC). Co-hosted by DBEDT, attendees enjoyed a



wide range of thirty (30) business workshop topics that included: Copyrights, Patents & Trademarks, Financing Your Business, Professional Networking, and Tax Tips for Small Business, and much more. SCORE professionals were on hand to provide small business owners and entrepreneurs free,

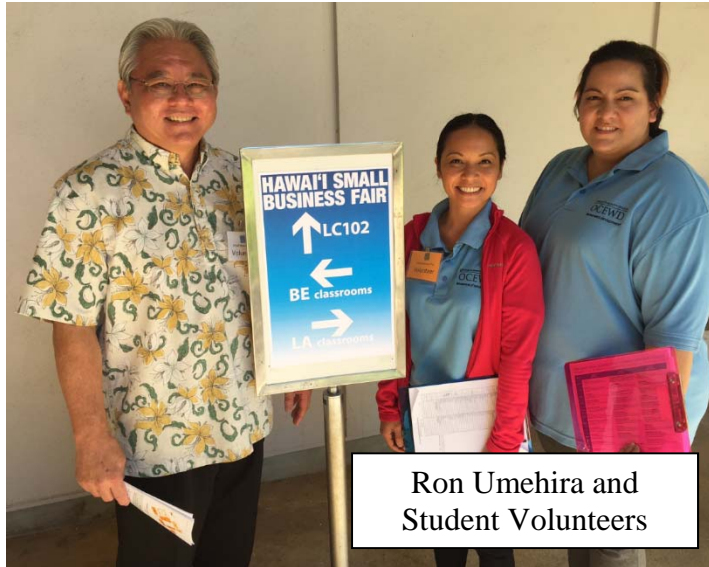
invaluable one-on-one business counseling while a wide-range of more than thirty support agencies, financial institutions and other were also on hand to provide business resources and information.

Recently added to the bi-annual Fair’s workshop schedule were the "Industry Insights" workshops which presented a deeper review of Fashion, Retail, and Food industries, covered in a two-hour session. Leading the “Industry Insights” workshops were Melissa May White, co-founder of the Hawaii Fashion Incubator (HIFI), Poni Askew (Street Grindz), Chef Lee Shinsato (KCC Culinary Program Instructor), and Peter Oshiro (State

Department of Health). These industry experts guided attendees through best practices and what it takes to be successful in these industries.

Comments provided by attendees were almost uniformly positive -

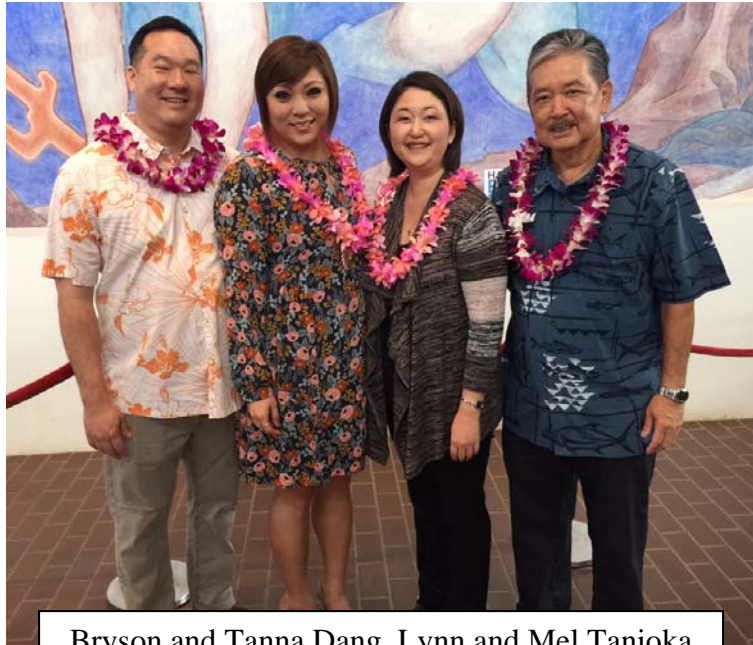
- “I was impressed with the turnout and the quality of the guest speakers. I really learned a lot from all three workshops I attended.”
- “Great service for the community.”
- “Excellent workshops, excellent vendors. Thank you!!”
- “Very valuable information.”
- “It was great! I look forward to the next fair.”



On Saturday, February 20, 2016 DBEDT again co-hosted the bi-annual Hawaii Small Business Fair, “Launch Your Dreams Into Reality” at Leeward Community College. The **free** one-day event featured 29 workshops and over 30 exhibitors from federal, state and local agencies and non-profit organizations. It was attended by more than 250 business owners and entrepreneurs interested in expanding or starting their own businesses.

These free workshops and exhibits provided an opportunity for small business owners and future business owners to learn to grow or start their business.

Attendees enjoyed a wide range of workshop topics that included Industry Insights modules focused on Tech Start-Ups, Manufacturing in Hawaii and Agriculture Start-Ups. Other courses included: Financing Options; Starting a Food Truck Business; Social Media Marketing; Federal Income Taxes; and Copyrights, Patents, and Trademarks. One-on-one business counseling was also offered by SCORE.



Bryson and Tanna Dang, Lynn and Mel Tanioka

The fair closed with a ‘Secrets to Success’ presentation featuring the owners of Tanioka’s Seafood & Catering of Waipahu, and local clothing boutique Eden in Love. Participants heard from these successful entrepreneurs about their challenges and milestones as small business owners.

Through a partnership between the Department of Business, Economic Development and Tourism and other Federal, State, and a local CDFI, the free workshops and exhibits provided a great opportunity for more than 500 small business owners, future business owners, and community organizations to learn how to grow or start a businesses.

Business resource exhibitors provided information and assistance that included more than 40 different agencies and organizations including agencies such as DBEDT, SCORE, State Department of Transportation, USDA Rural Development, State Department of Taxation, State Department of Health, Office of Hawaiian Affairs, Patsy T. Mink Center for Business and Leadership, local banks and many more.



Small Business Fair Planning Committee: from the left: Jerry Hiromoto (IRS), Debbie Luning (Ewa Beach CBDO), Jayna Uyehara (DCCA-Business Action Center), Mary Dale (SBA), Joseph Burns (Small Business Development Center), Naomi Masuno (Bank of Hawaii), Wayne Thom (DBEDT), kneeling: Ron Umehira (Dean-LCC).

CBED Accelerator™ Program



In the spring of 2015, the CBED Accelerator™ was launched. This new program is designed to assist community-based non-profits that have an economic impact mission. The program specifically seeks to diversify non-profits' funding streams through the development of projects that generate recurring revenue.

DBEDT launched the accelerator and selected through an RFP process CNHA-Technical Assistance Services to administer the program and work with five non-profits on their recurring revenue generating projects. CNHA-TAS is a division of CNHA, a national network of Native Hawaiian Organizations, providing assistance in accessing capital and technical resources. Its mission is to enhance the cultural, economic, political, and community development of Native Hawaiians.

Fifteen (15) months after establishing the Community-Based Economic Development (CBED) Accelerator Program to assist with financial and technical assistance, results for the five (5) non-profit organizations assisted include, but are not limited to:

1. **Waimea Nui Community Development Corporation** – Secured land lease; developed website; created a fee schedule for land plots; developed plot application forms; developed digital membership database file; and developed social media kit.
2. **Hawaii Tropical Fruit Growers** – Developed a website; created social media guide; completed Board training on social media and website maintenance; developed an action plan for data management.
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CBED Advisory Council

The CBED Advisory Council consists of 12 members. The Director of DBEDT, the Chairperson of the Board of Agriculture, and the Chairperson of the Office of Hawaiian Affairs, or their respective designees, are ex-officio members. The Governor appoints the remaining nine members, representing each major island plus one member who has specific commercial finance experience.

The Council reviews CBED financing requests and makes its recommendations on the awarding of loans and grants, subject to the final approval of the DBEDT Director. The Council also advises the Director on program implementation and members represent their island in liaison with community-based organizations.

Council members bring a myriad of skills sets to the Department and the CBED Program. Skill sets of current CBED Advisory Council Member include, but are not limited to: Strategic Communications, Program Management, Community Outreach, Project Management, Government, Strategic Planning, Public Speaking, Nonprofits, Leadership, Business Strategy/Business Analytics, Financial Modeling, Process Improvement, Finance, Risk Management, Public Policy, Grants, Public Administration, Customer Service, Legislative Relations, and Policy Analysis.

Current CBED Advisory Council Members:



Mr. Dean M. Matsukawa, Representative for Chair Russell S. Kokubun,
Department of Agriculture (DOA)



Mr. James Patterson, Representative for Chair Robert K. Lindsey, Jr.,
Office of Hawaiian Affairs (OHA)



Mr. Dennis T. Ling, Representative for Director Luis Salaveria, Department of
Business Economic Development & Tourism (DBEDT)



Ms. Rachel James, CBED Advisory Council Member (Oahu)



Ms. Elvira Lo, CBED Advisory Council Member (Oahu)



Mr. Kaleokalani Kuroda, CBED Advisory Council Member (Oahu)



Ms. JoAnn Inamasu, CBED Advisory Council Member (Maui)



Ms. Lyn McNeff, CBED Advisory Council Member (Maui)



Ms. Jane Horike, CBED Advisory Council Member (County of Hawaii)



Mr. Mark J. Ritchie, Dept. of Business, Economic Development & Tourism
Branch Chief, Business Support Branch
CBED Staff



Mr. Wayne Thom, Dept. of Business, Economic Development & Tourism
Manager, Community Economic Development
CBED Staff

In this next year (FY 2017), the CBED Program staff plans to utilize the tremendous amount of expertise of the CBED Advisory Council to develop a **CBED Strategic Plan** that focuses the programs resources to maximize both financial and technical assistance that will more efficiently enable communities to plan, implement, and better measure effectiveness of economic development projects and ventures in communities. The development of this Strategic Plan will also work to further realize the Department's mission to support business development, create jobs, and improve Hawaii's standard of living through economic diversification, expanding existing businesses, and attracting and developing new economic activity to the State.

Council Members will be asked to re-evaluate the current **CBED Mission Statement**, develop a common CBED **Council Vision** for Hawaii's communities, update program **Goals**, revisit program **Resources**, identify and update areas of **Technical Assistance**, identify new organizations in Hawaii regions that may benefit from participation in the **New CBED Accelerator Program**, plan and develop strategies for **Leveraging New Partnerships**, plan and develop a **CBED Program Action Plan**, and develop new **Metrics and Reporting Procedures** to better measure success.

Conclusion

Traditional top-down economic development is focused on business and profit; but many of Hawaii's rural and disadvantaged urban communities and residents do not reap the benefits or resist a centralized approach to economic development. Hawaii must look at alternatives for economic development in these communities. CBED is a positive program that empowers the community, strengthens the knowledge base and provides access to the resources to expand economic and social development. CBED supplies the infrastructure for long-term self-sufficiency, entrepreneurial opportunities, jobs, and revenue for Hawaii's local communities. Community-based economic development is a bottom-up approach and can play an important role in the State's overall economic development strategy. An expanded fund commitment to the Statewide CBED Program serves to make Hawaii stronger by empowering communities and increasing self-sufficiency and economic diversification.

