



DEPT. COMM. NO. 52

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December 4, 2017

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

The Honorable Scott K. Saiki,
Speaker and Members of the
House of Representatives
Twenty-Ninth State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kouchi, Speaker Saiki, 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 and Assistance Program's 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/>.

If you have any questions, please contact Mark Ritchie at (808) 587-2785 or mark.j.ritchie@hawaii.gov.

Sincerely,

Luis P. Salaveria

Enclosure

STATE OF HAWAII

HAWAII COMMUNITY-BASED ECONOMIC DEVELOPMENT TECHNICAL AND FINANCIAL ASSISTANCE PROGRAM



FY 2017 ANNUAL & FINANCIAL REPORTS TO THE 29th LEGISLATURE

As required by Section 201-10, Hawaii Revised Statutes
and Section 201D-14, Hawaii Revised Statutes

CBED Program Annual Report 2017

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 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, 2016	\$111,086
Revenues for fiscal year	
Loan Interest Payments	\$ 831
Loan Principal Payments	\$4,835
Investment Pool Earnings	
Transfers	\$35,000
Expenditures for fiscal year - loans	(\$36,443)
Encumbrances (CBED Accelerator)	
Balance as of June 30, 2016	\$115,310

The CBED Revolving Fund may be used 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 FY 2017, the CBED Revolving Fund continued its partnership with the Department of Agriculture's Micro-Loan Fund, servicing each of the four earlier agricultural business loans made in 2013 through 2015. For FY 2017, the CBED Program and Advisory Council approved an additional micro-loan of \$25,000 to Kohala Meats & Deli, LLC, which was matched by the DOA's micro-loan fund for an additional \$25,000, for a total of \$50,000.

The total number of CBO's, cooperatives, and small businesses assisted in FY 2017 increased to more than 1,000 through the co-sponsorship of the biannual Hawaii Small Business Fair and Small Business Resources Fair held in conjunction with the Council for Native Hawaiian Advancement's (CNHA) Annual Convention, plus other outreach initiatives on all major islands providing business training and informational workshops.

DBEDT co-hosted two (2) "Launch Your Dreams into Reality" Hawaii Small Business Fairs in FY 2017, 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 Honolulu Community College and Leeward Community College, featured a combined 41 business-related workshops, one-on-one business counseling sessions conducted by the Hawaii Small Business Development Center and SCORE, and exhibits with more than 43 business resource exhibitors from federal, state and local agencies, private non-profit organizations and community development financial institutions (CDFIs).

The CNHA's 16th Annual Convention at the Waikiki Sheraton Hotel and Resort boasted more than 450 attendees, with 22 sponsors, 109 organizations represented, 30 dynamic

speakers, 38 Native Hawaiian vendors, and 20 business resource agencies and organizations.

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 revolving 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.

COMMUNITY-BASED ECONOMIC DEVELOPMENT PROGRAM

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 toward 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, not only have community-backing, but usually have 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 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 fees from community conferences and other events sponsored through the CBED Program.

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The CBED Revolving Fund may be used for loans, grants and technical assistance. The CBED Program has focused most of its efforts on 1) loans to small businesses that have expansion plans or projects with a community economic impact; and, 2) technical assistance that can help grow small businesses and non-profits seeking to diversify their funding streams with recurring revenue-generating projects.

CBED Revolving Loan Report

Borrower name (last, first) / Loan no.	Loan amount	Loan Purpose	Present balance
Kohala Meats & Deli, LLC CBED 005-17	\$25,000	Provide capital to complete renovations of 1,592 square feet of storefront located in Kohala, Hawaii.	\$25,000

The intention of the business owners is to create a business to sell butchered meat, deli/processed foods, as well as hot prepared foods. The business will also provide training in cooperation with Hawaii Community College for local youths to earn a certificate in butchering as well as an opportunity to learn business management.

The store will provide a market for local livestock producers and locally grown produce and value-added products. The store intends to utilize the new Big Island Mobile Slaughterhouse Unit, which will be stationed close to the market making it very efficient to slaughter and process the animals. The store will have the necessary meat processing equipment, cold storage and a certified kitchen - to offer fresh cuts of meats as well as hot prepared foods. Area residents will have an opportunity to purchase locally grown, high quality meats and produce at reasonable prices. The operation will also provide training opportunities for youth in the community. The business will be an asset for the community and create new opportunities.

Carolyn Fuertes at current Kohala site



Future Kohala Meats & Deli



Deli work area



Refrigerator & freezer area



Other CBED Loans

In 2015, CBED loan funds provided capital to the Chandara Farm to purchase farm supplies and working capital needed to expand crop production. In November 2015, CBED staff were informed by the Department of Agriculture's Loan Division that Mr. Chandara had sold his farm and equipment to another farmer. In January 2016, due to the inability to contact Mr. Chandara, the case was referred to an investigator with the Department of the Attorney General for assistance in tracking the debtor.

In 2015, CBED loan funds provided capital to the Luangrath Farm to purchase farm supplies to expand farm production to an adjacent 8-acre parcel. 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. This loan is performing well and payments are current.

In 2013, CBED loan funds provided capital to relocate the Chanthabouasith Farm to a larger 14-acre parcel located in Kahuku. The new farm is operating well and is very productive with a wide variety of crops such as sequa, eggplant, sweet potato, long beans, chili pepper, okra, bittermelon, jackfruit, bananas, cucumber, taro and long squash. This loan is performing well and payments are current.

In 2011, CBED loan funds provided capital to Hawaiian Agricultural Products, LLC and business owners, Mr. and Mrs. Ken Hirata, to finance the purchase and installation of a steam boiler for a shochu distillery. The distillery began production of shochu in 2013. It is currently producing at its capacity of approximately 6,500 bottles per year. This loan is performing well and payments are current.

CBED: Technical Assistance Activities

The number of community-based organizations, cooperatives, and small businesses assisted increased twofold in FY 2017, to more than 1,000 through the co-sponsorship of the Hawaii Small Business Fairs, CNHA's 16th Annual Convention – Business Resource Fair, and other outreach initiatives on all major islands to provide business information and training workshops.



Attendees of the fairs and workshops were offered a wide range of business 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. A wide-range of more than thirty support agencies, financial institutions and others were also on hand to provide business resources and information.



FY2017 Business Fair at HCC
Business Resource Exhibitors

Comments provided by attendees were consistently 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.”

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





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 CBOs through training workshops and other events.

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 county and major islands plus one member who has specific commercial finance experience.

The Council reviews CBED financing requests and makes 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 Members 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.

In July 2016, in a strategic planning session, the Council voiced its agreement and understanding of the importance of partnerships, and emphasized the need to leverage CBED funding and obtain loan servicing to address the fact that DBEDT does not have a loan officer to service the CBED Program's Revolving Fund.

CBED Advisory Council listed the following as desired program goals:

Create jobs & opportunities (such as new businesses) in economically disadvantaged areas and empower communities to control their own economic destiny by:

- 1) Targeting communities in disadvantaged areas of the state such as those located in enterprise zones (EZ);
- 2) Supporting start-ups, business expansions, social enterprises, co-ops, and entrepreneurship;
- 3) Considering youth training and mentorship/apprentice programs in projects;
- 4) Facilitating sustainability among communities and organizations so they can continue operating;
- 5) Including multiple communities – by demographic, by island;
- 6) Leveraging program funds through partnerships;
- 7) Dovetailing CBED program with EZ and other state, county, federal, private programs;
- 8) Seeking ways CBED can uniquely impact, not replicate, what others are doing.

The Council also noted that while specific industries should not be targeted or given preference, the CBED program should consider which industries will create the most jobs and jobs requiring skilled workers.

CBED Tools/Resources/Strategies/Program Activities

In implementing the CBED program, chapter 210D, Hawaii Revised Statutes, allows DBEDT to make grants, loans and offer technical assistance.

The Council's guidance on how to use these tools were as follows:

Grants should be used for:

- Non-profit organizations determined to be exempt from federal income tax by the IRS;
- Technical Assistance for grant writing – “Grantsmanship Center” and other resource centers for grant writing;
- Train-the-trainer programs – i.e., HANO; Hawaii Community Foundation; Hawaii County;
- Capacity-building – building a community's financial expertise;
- Development of business mentorship programs;
- The Council suggested that grants be 10% of the CBED budget with 90% for loans and technical assistance, e.g. \$500,000 budget would allocate \$50,000 to grants.

Loans:

- CBED could use EZ program as “filter” for guidance – geographic target areas such as Enterprise Zones;
- Consider start-ups/business growth/entrepreneurship/youth training;

- Targets for loans can include for-profits, social enterprises and cooperatives that produce and/or utilize community resources/products;
- Consideration towards partnerships to leverage CBED funds:
 - Department of Agriculture
 - Small Business Administration (SBA)
 - Maui Economic Opportunity (MEO)
 - Pacific Gateway
 - Office of Hawaiian Affairs (OHA)
 - Contact counties to identify other organizations providing micro-loans;
- Council agreed that loans should on average be \$25,000, but can go as high as \$100,000 depending on the project and partner(s).

Technical Assistance:

For consideration:

- One Stop Centers/CBED Resources;
- Web portal site for Hawaii community-based economic development;
- Financial Information/Training;
- Business Resource Centers – SBDC, UH & Community Colleges;
- Accelerators – Designed to assist community-based non-profits that have an economic impact mission. Seek to diversify non-profits’ funding streams through the development of projects that generate recurring unrestricted revenue.

Outcomes/metrics-Measuring Success

The Advisory Council agreed on the following tracking metrics that could be used to measure success:

- Jobs created
- Jobs retained
- Earnings
- Training hours

- Revenue increases
- Local sourcing of inputs (multiplier effect)
- Satisfaction by program
- Social impact – use same metrics as partner non-profit organization
- New businesses created

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 Colette Y. Machado, 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)
Chair



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
Community Economic Development (CED) Manager
CBED Staff

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. CBED 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.