

STATE OF HAWAII

HAWAII COMMUNITY-BASED ECONOMIC DEVELOPMENT
TECHNICAL AND FINANCIAL ASSISTANCE PROGRAM



FY 2015
ANNUAL & FINANCIAL REPORTS
TO THE 28th LEGISLATURE

Executive Summary

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.

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, 2014	\$203,907
Revenues for fiscal year	
Loan Interest Payments	1,272
Loan Principal Payments	5,997
Investment Pool Earnings	517
Transfers	20,000
Expenditures for fiscal year - loans	(72,969)
Encumbrances (CBED Accelerator)	(70,000)
Balance as of June 30, 2015	\$88,724

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 assists eligible community-based organizations (CBOs) with financial and technical assistance. The CBED Program continues to support community efforts statewide. In 2014 – 2015 two CBED Revolving Fund loans were made, each for \$25,000.00 for a total of \$50,000. The CBED Program's

Revolving Fund partnered with the Department of Agriculture's Micro-Loan Fund to provide an additional \$50,000 towards the two CBED loans --- \$25,000 each.

The first loan was made to Mr. Khammouane Chandara, a qualified farmer located in Laie, Oahu. The requested loan provided Mr. Chandara with funds to expand his crop production and fully utilize his farm lands. He has established markets for his vegetables and strong demand to absorb the increase in crop volume. Mr. Chandara has been successfully operating his farm in the Laie, Oahu for the past 13 years and is also located in one of the State's Enterprise Zones. The farm currently employs three (3) workers. The farm expansion will further the State's goal of being more self-sufficient in food production and spurring economic development in rural communities.

A second loan was made to Mr. Ounheuane Luangrath, a very capable farmer, who has a reputation as a quality grower. His farm is also located in Laie, Oahu. He has diversified his crops to increase income and reduce reliance on one crop. His farm has been operating in the Laie area of Oahu for the past 16 years, and is located in one of the State's Enterprise Zones.

A 2013 CBED loan recipient, 47-year old entrepreneur Ken Hirata's 10-acre farm has successfully "*opened for business,*" featuring his now certified and operational shochu-producing distillery. DBEDT and Department of Agriculture committed loans of \$25,000 each to help finance the Hirata's roughly \$400,000 venture. Mr. Hirata and his wife, Yumiko are one of only two producers of shochu in the United States --- and the only (commercial) shochu producer in Hawaii. The shochu is being marketed in Hawaii under his brand "*Namihana,*" and is now available in some of Hawaii's finest restaurants such as Roy's, Alan Wong's, Japengo in the Hyatt Waikiki, and Hoku's in the Kahala Resort, and many more.

The number of CBO's, Co-ops, and Small Businesses assisted increased by 200% in FY 2015 to more than 400 through the sponsorship of the Hawaii Small Business Fairs and

other outreach initiatives providing business training workshops and technical assistance. DBEDT co-hosted two “Launch Your Dreams into Reality” Hawaii Small Business Fairs in 2014, both at UH Community Colleges. More than 200 small business owners, entrepreneurs, and community organizations attended each event. The free one-day event at Honolulu Community College featured more than 20 business-related workshops and one-on-one business counseling sessions, plus exhibits with vendors from Federal, State and local agencies, organizations and financial institutions. The second fair hosted by Leeward Community College, featured more than 30 workshops and exhibits from Federal, State and local agencies and participating organizations to provide information and resources to local businesses and entrepreneurs seeking to start their own ventures.

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.

The CBED Program staff will continue developing partnerships that help revitalize the CBED Loan Program. Entrepreneurial small businesses and community-based economic development projects to be funded by the CBED Loan Program are anticipated to support a broad range of agricultural-related and urban businesses and projects such as small business enterprises, food security, and agricultural enterprises, including value-added business development. The CBED micro-loan fund, technical assistance, and capacity-building initiatives will be a crucial resource for Hawaii’s entrepreneurs and community-based organizations to implement or expand their businesses. Community-based economic development is a bottom-up approach and can play an important role in the State’s larger economic development strategy.

CBED Background

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 on community control. The CBED approach can build new infrastructure for a more sustainable Hawaii economy, based on decentralization, networking, 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.

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.

The CBED Revolving Fund

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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The CBED Revolving Fund can 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 grow small businesses and non-profits seeking to diversify their funding streams with recurring revenue-generating projects.

CBED Micro-Loan Program

The CBED Revolving Fund allows for the CBED Program to assist eligible CBOs with financial and technical assistance. The CBED Program continues to support community efforts statewide. In 2014 – 2015 two Community-Based Economic Development Revolving Fund loans were made, each for \$25,000.00 for a total of \$50,000. The CBED Program’s Revolving Fund partnered with the Department of Agriculture’s Micro-Loan Fund to provide an additional \$50,000 towards the two CBED loans --- \$25,000 each.

The first loan was made to Mr. Khammouane Chandara, a qualified farmer located in Laie, Oahu. The requested loan provided Mr. Chandara with funds to expand his crop production and fully utilize his farm lands. He has established markets for his vegetables and strong demand to absorb the increase in crop volume. Mr. Chandara has been successfully operating his farm in the Laie, Oahu for the past 13 years and is located in one of the State’s Enterprise Zones. The farm is located in the State’s Enterprise Zone and currently employs

three workers. Mr. Chandara is a proven and capable farmer and has handled his previous State loans in a responsible manner. The farm has the necessary acreage and equipment to operate in an efficient manner. With 32 acres of available production area, he should be able to achieve his sales projections and generate sufficient income to repay the proposed loans. The farm expansion will further the State’s goal of being more self-sufficient in food production and spurring economic development in rural communities.

CBED’s second loan was made to Mr. Ounheuane Luangrath, a very capable farmer, who has a reputation as a quality grower. His farm is also located in Laie, Oahu. He has diversified his crops to increase income and reduce reliance on one crop. Mr. Luangrath has established markets to handle the increase in crop production and sufficient farm equipment and vehicles to operate efficiently. His farm has been operating in the Laie area of Oahu for the past 16 years, and is located in one of the State’s Enterprise Zones. The farm expansion will further the State’s goal of being more self-sufficient in food production and spurring economic development in rural communities.

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Namihana shochu distilled from Okinawan sweet potatoes

producing distillery. DBEDT and the Hawaii Department of Agriculture committed loans of \$25,000 each to help finance the Hirata’s roughly \$400,000 venture.

His fifth *imo shochu* production of 3,000 bottles was declared ready for sale in mid-year 2015. “It’s a high-end product,” Mr. Hirata said, “made in Japan’s finest tradition.” Mr. Hirata

and his wife Yumiko are one of only two producers of shochu in the United States --- and

the only (commercial) shochu producer in Hawaii. The shochu is being marketed in Hawaii under his brand “*Namihana*,” and is now available in some of Hawaii’s finest restaurants such as Roy’s, Alan Wong’s, Japengo in the Hyatt Waikiki, and Hoku’s in the Kahala Resort, and many more.

The CBED Program staff will continue developing partnerships that help revitalize the long dormant CBED Loan Program. Entrepreneurial small businesses and community-based economic development projects to be funded by the CBED Loan Program are anticipated to support a broad range of agricultural-related and urban businesses and projects such as small business enterprises, food security, and agricultural enterprises, including value-added business development. The CBED micro-loan fund, technical assistance, and capacity-building initiatives will be a crucial resource for Hawaii’s entrepreneurs and community-based organizations to implement or expand their businesses.

CBED’s Technical Assistance Activities



Keynote Speakers at Small Business Fair

The number of Community-Based Organizations, Co-ops, and Small Businesses assisted increased by 200% in FY 2015 to more than 400 through the sponsorship of the Hawaii Small Business Fairs and other outreach initiatives providing business training workshops and technical assistance.

On Saturday, August 23, 2014 at Honolulu Community College, the DBEDT co-hosted the 2014 Hawaii Small Business Fair, “Launch Your Dreams into Reality.” More than 200 small business owners, entrepreneurs, and community organizations attended the free one-day event in 2014 at

Honolulu Community College. This event featured more than 20 business-related workshops and one-on-one business counseling sessions, plus exhibits with vendors from Federal, State and local agencies, organizations and financial institutions.

Attendees enjoyed a wide range of workshop topics including How to “Sell” Yourself & Your Product, Specialty Loans & Tax Breaks, Social Media Marketing, Understanding Business Accounting, Exporting: The New Wave for Small Business, Filing and Paying Taxes, and many more. There will also be opportunities for one-on-one business counseling provided by the Small Business Development Center and SCORE.

DBEDT co-hosted this free one-day event with partners US Small Business Administration, Honolulu Community College, Small Business Development Center (SBDC), Internal Revenue Service, Bank of Hawaii, and the Business Action Center, and Argosy University.

On Saturday, February 21, 2015 DBEDT again co-hosted the bi-annual Hawaii Small Business Fair, “Launch Your Dreams Into Reality” this time at Leeward Community College. The free one-day event featured more than 30 workshops and exhibits from Federal, State and local agencies and participating organizations to provide information and resources to local businesses and entrepreneurs seeking to start their own ventures.. Sponsored through a partnership of the Department of Business, Economic Development and Tourism with other Federal, State and other local organizations, the free workshops and exhibits provided a great opportunity for more than 200 small business owners, future business owners, and community organizations to learn how to grow or start a businesses. A wide range of workshop topics were offered - including: Show Me the Money: Financing Options; Forming and Registering Your Business; Secrets of Marketing; The 24/7 Salesperson: Your Website; Getting FIT: Federal Income Taxes, and many more. In addition, SCORE provided one-on-one business counseling.

Partnering with DBEDT to offer this successful free one-day event were the US Small Business Administration, the Internal Revenue Service, Leeward Community College, the Hawaii Small Business Development Center (SBDC), Bank of Hawaii and the Business Action Center, Argosy University.

Providing information and assistance included more than 30 exhibitors 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.

The first five nonprofit organizations selected CBED Accelerator™ are:

Waimea Nui Community Development Corporation (Hawaii Island)

Hawaii Tropical Fruit Growers (Hawaii Island)

Hawaii Forest Industry Association (Hawaii Island)

Garden Island Arts Council (Kauai)

Homestead Community Development Corporation (Kauai).

Each nonprofit submitted a plan to use \$7,000 in grant money and a year of Technical Assistance to initiate projects that will increase unrestricted funding for the organization.

CNHA-TAS President & CEO, Michelle Kauhane said, “We look forward to working with these five non-profits to help them realize their recurring revenue generation projects thus enabling them to fulfill their community development missions.”

Mark J. Ritchie, Branch Chief of the Business Support Branch of DBEDT, said “We are excited to launch the CBED Accelerator™ in partnership with CNHA-Technical Assistance Services. Community-based nonprofit organizations are increasingly becoming key economic development drivers, so we hope this program will assist them in creating revenue streams to supplement their traditional grant funding.”

Over the course of a year, CNHA-TAS will develop a customized plan for each of the five nonprofits. Each plan will help prepare the nonprofits to launch their new projects by mitigating obstacles and by assisting with business planning. While the five participants are varied in industry and approach to revenue generation, all have identified the strengths of their new endeavors and the gaps to success they look forward to closing. The five projects will focus on agriculture, food production, forest industry enterprise, creative artist interaction, and retail development.

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.

Current CBED Advisory Council Members:

Dean M. Matsukawa, Representative for Chair Russell S. Kokubun, Department of Agriculture

Joda P. Derrickson, Representative for Colette Y. Machado, Office of Hawaiian Affairs

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

Sharon Y. Sakamoto, CBED Advisory Council Member (Oahu)

Hans H. Chun, CBED Advisory Council Member, (Oahu)

Mary Ann Manahan, CBED Advisory Council Member, (Oahu)

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

Jennifer L. Zelko, CBED Advisory Council Member, (Hawaii Island)

Michael J. Murakoshi, CBED Advisory Council Member, (Kauai)

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.