1. **Program Summary**

The Legislature created a Community-Based Economic Development (CBED) Program in 1991 in the Department of Business, Economic Development and 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. (Note: for clarity in this report we will use the term CBED Special Fund for the CBED program funding. The state legislature has also proposed this nomenclature in the last legislative session. The CBED Revolving Loan Fund will refer just to the loan component of the CBED Program).

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 Special Fund (CBED Special Fund) was established to provide training and capacity-building opportunities and invest in community economic development projects that result in measurable economic impact. Specifically, the CBED Special Fund can be used for grants, loans and technical assistance. Sources of revenue for the fund include repayments of loan principal, loan interest, any program activity where DBEDT charges for participation and interest from the department’s participation in the state’s investment pool. As of June 30, 2021, the CBED Special Fund had a balance of $581,504 with an additional $1 million available specifically for small business loans from the Economic Development Administration (EDA) with a state match of $250,000. This small business loan program is called the CBED Revolving Loan Fund (CBED RLF).

1.1 **CBED Mission**

Through loans, grants and technical assistance the Community Based Economic Development (CBED) program provides training and capacity building opportunities to promote, support, and invest in community-based development projects that result in
measurable economic impact.

1.2 What we do

1.2.1 Loans to help businesses
CBED offers loans usually from $50,000 to $125,000 to eligible small businesses that support economic development in their communities. The CBED Program strives to help small businesses to develop viable, sustainable ventures that serve local needs and are compatible with the vision, character and cultural values of their communities. The CBED revolving loan program, (CBED RLF) supports a broad range of business expansions but focuses primarily on agricultural and value-added agricultural production, wholesaling and manufacturing businesses. In order to leverage resources CBED prioritizes co-lending opportunities with resource partners. Currently, through co-lending arrangements CBED works with the Hawaii Dept. of Agriculture (HDOA), Feed the Hunger Foundation (FTHF), and the Hawaii Community Reinvestment Corporation (HCRC) to execute and service loans.

1.2.2 Offer technical assistance & business resource information
CBED targets “hard to reach” sectors of Hawaii’s business community to present information on business resources and educate community-based organizations on how to strengthen their economic development capabilities or further sustain their revenue generation initiatives. Currently CBED works with several resource partners on technical assistance and anticipates negotiating and working with CDFIs in Hawaii to support our mission throughout rural and hard-to-reach areas of the State.

1.3 How we do our work
The CBED Program is guided by an Advisory Council https://invest.hawaii.gov/business/cbed/advisory-council-members/ comprised of community leaders from around the State. Periodic meetings are held to make recommendations on loans and grants and usually an annual meeting is held to discuss results, decide on current activities and to adjust strategy as needed.
1.4 Current Loans Summary, FY 2021

Due to the restrictions enacted via the Governor’s emergency proclamations regarding COVID-19, no new loans were made as visiting with potential loan applicants at their business sites and one-on-one interviews were halted or restricted. However, in FY 2021, two (2) of the five (5) remaining CBED loan accounts completed their loan terms and closed their accounts as “Paid-In-Full.”

The total number of community-based organizations (CBO’s), cooperatives, and small businesses assisted in FY 2021 numbered more than twenty-five (25) and mainly consisted of collaborative virtual (Zoom) outreach efforts between the CBED Program staff and various Federal and local agencies and local nonprofit organizations. CBO’s received information regarding small business resources through virtual workshops supported by agencies and organizations such as the U.S. Small Business Administration (SBA), Waianae Economic Development Council (WEDC), Hawaii Technology Corporation (HTDC), and the Hawaii Small Business Development Centers (HSBDC).

The CBED RLF, technical assistance, and capacity-building program initiatives will continue to be a crucial resource for Hawaii’s entrepreneurs and community-based organizations to create jobs, implement or expand their businesses, and develop sustainable revenue generating initiatives.

2. Community-Based Economic Development

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.

3. **CBED Special Fund Account FY 2021**

The Hawaii CBED Special 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, “Transfers” of revenue collections from other closed DBEDT loan programs (i.e., Capital Loan Program, Small & Large Fishing Vessel Loan Programs), and fees from community conferences and other events sponsored through the CBED Program.

<table>
<thead>
<tr>
<th>CBED Special Fund Account</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning balance as of July 1, 2020</td>
<td>$628,819</td>
</tr>
<tr>
<td>Revenues for fiscal year:</td>
<td></td>
</tr>
<tr>
<td>Loan Interest Payments</td>
<td>$ 2,247.06</td>
</tr>
<tr>
<td>Loan Principal Payments</td>
<td>$15,557.46</td>
</tr>
<tr>
<td>Investment Pool Earnings</td>
<td></td>
</tr>
<tr>
<td>Transfers</td>
<td></td>
</tr>
<tr>
<td>Expenditures for fiscal year</td>
<td>($31,388)</td>
</tr>
<tr>
<td>Encumbrances</td>
<td>($30,007)</td>
</tr>
<tr>
<td>Balance as of June 30, 2020</td>
<td>$581,504</td>
</tr>
</tbody>
</table>
The CBED Special Fund may be used for loans, grants and technical assistance. The CBED Program focused most its efforts in FY21 on technical assistance grants to help grow and develop small businesses, job creation and non-profits seeking to diversify their funding streams with recurring revenue-generating projects, providing assistance for accessing Federal financial assistance for COVID-19, and outreach to promote services and financial assistance available through DBEDT.

4. **CBED Awarded $1,000,000 EDA Grant for Small Business Loans**

In FY 2021, the CBED Program staff applied for and was awarded a grant of one million dollars ($1,000,000) from the U.S. Economic Development Administration (EDA) in the U.S. Department of Commerce. The one million dollar grant was matched by a CBED commitment of $250,000. Funds from CBED and EDA are committed to make loans to small businesses that are ready to expand their businesses, create additional jobs and can exhibit community benefits through their expansion.

The additional EDA funding into the State of Hawaii’s Community-Based Economic Development Revolving Loan Fund (CBED RLF) will enable the State to move towards a more sustainable economy by: (1) supporting certain types of business activities as outlined in the Comprehensive Economic Development Strategy (CEDS); in particular, manufacturing; the diversification of agriculture and value-added agricultural production and (2) growing jobs in economically challenged areas of the State. CBED RLF loans can be used for: start-up costs and working capital; construction or improvement of facilities; purchase of equipment; payment of production and marketing expenses, including materials, labor and services.

5. **CBED: Technical Assistance Activities**

5.1 **Grant Writing Technical Assistance**

In response to the COVID-19 pandemic, the Federal government has made available grant funding through the majority of Federal agencies.
On June 24, 2020, the CBED Advisory Council recommended approval for grants to provide grant writing technical assistance to nonprofit organizations with projects that are readily implementable. Projects must exhibit components that incorporate community economic development benefit and show sustainability with the ability to create and maintain jobs in the community.

In FY 2021, CBED approved eleven (11) applications from community nonprofit organizations for grants up to $5,000 for grant writing technical assistance.

Applicant Requirements:
1. Be a nonprofit organization determined to be tax exempt by the U.S. Internal Revenue Service and registered in the State of Hawaii;
2. Provide a cash match of 25% of the technical assistance request;
3. Demonstrate a community-based economic benefit if the organization’s project is successful;
4. Be able to exhibit that the organization’s project is advanced enough to begin implementation within a very short period of time, given sufficient funding.
5. Be ready to apply for Federal and/or private foundation grant funding (State grant funding is excluded)

5.1.1 Success Profile of Grant Writing Applicant

The CBED Technical Assistance Grant-writing Initiative, with a CBED grant of $5,000 for the services of a grant writer, is proud to report that the Waianae Economic Development Council (WEDC), led by President Joseph Lapilio and representative community leaders from the Waianae Coast – Makaha, Waianae, Maili, and Nanakuli, was awarded a 3-Year grant totaling $1,118,550.00 from the Federal Department of Health and Human Services, Administration for Children and Families. Matching funds and in-kind contributions include an additional $97,764.00 for a total of $1,216,314.00 for small business development and financial literacy training on the Waianae Coast. The Waianae Economic Development Council (WEDC) project will put $1,216,314.00 into the Waianae Coast economy over next three (3) years with the development of an emerging Native Hawaiian Community Development Financial Institution (CDFI)
targeting the Waianae Coast and small business development. This CDFI will provide community members with the tools and knowledge to create employment opportunities for themselves and others, consequently increasing income of Native Hawaiian households. The CDFI will offer all community members financial literacy and entrepreneurial courses as well as assist them in accessing capital for business start-up and expansion.

The development of a CDFI – a micro-loan program - providing financial assistance to small businesses wanting to expand, financial literacy and entrepreneurial educational courses to Waianae Coast entrepreneurs and residents in need of business assistance – addresses the Governor’s priorities in the areas of (1) Economic Development & Diversification and (2) business assistance to Native Hawaiian & Other Cultures. Over the next two to three years, CBED will work closely with WEDC to support the sustainability of their “emerging CDFI.”

6. 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 more than 25 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 Community-Based Organizations (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
small businesses, entrepreneurs, and CBOs through training workshops, conferences, conventions, and other events.

7. CBED Advisory Council
The CBED Advisory Council consists of 10 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 seven members, representing all counties 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.


During strategic planning sessions, the Council has voiced its agreement and understanding of the importance of partnerships and emphasized the need to leverage and obtain additional CBED funding and seek loan servicing services to address the fact that DBEDT does not have a loan officer to service loans made through the CBED Revolving Fund.

The 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:
Targeting communities in disadvantaged areas of the state such as those located in enterprise zones (EZ);

1) Supporting start-ups, business expansions, social enterprises, co-ops, and entrepreneurship;
2) Considering youth training and mentorship/apprentice programs in projects;
3) Facilitating sustainability among communities and organizations so they can continue operating;
4) Including multiple communities – by demographic, by island;
5) Leveraging program funds through partnerships;
6) Dovetailing CBED program with EZ and other state, county, federal, private programs;
7) 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.

8. Current CBED Advisory Council Members

Mr. Matthew K. Loke, Representative for Chair Phyllis Shimabukuro-Geiser
Department of Agriculture (DOA)
Mr. Casey K. Brown, Representative for Chair Carmen Hulu Lindsey
Office of Hawaiian Affairs (OHA)

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

Ms. Rachel James, Chair - CBED Advisory Council (Oahu)

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

Mr. Kaleokalani Kuroda, CBED Advisory Council Member (Oahu-Financial)
Ms. Teena Rasmussen, CBED Advisory Council Member (Maui)

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

Mr. Ernest Matsumura, CBED Advisory Council Member (Hawaii Island)

VACANT, CBED Advisory Council Member

VACANT, CBED Advisory Council Member (Kauai)
9. 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 may 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 or more 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 – i.e., SBDC, UH & Community Colleges; Innovation Centers
- 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.

*CBED Program Annual Report 2021*
10. 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

11. 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. 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 plays 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. For more information on DBEDT’s CBED Program go to:

CBED Program Annual Report 2021
-14-