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# A BILL FOR AN ACT

RELATING TO COMMUNITY-BASED ECONOMIC DEVELOPMENT.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that the business  
2 community, nonprofit organizations, and other entrepreneurs  
3 require a functional, service-oriented agency that is readily  
4 available to provide business counseling, financial backing, and  
5 general support to foster real community-based economic  
6 development for the various products and services demonstrating  
7 and embracing Hawaii's diversified economy.

8           The Hawaii community-based economic development technical  
9 and financial assistance program in the department of business,  
10 economic development, and tourism, was established for this  
11 purpose. The legislature established the community-based  
12 economic development program in Act 111, Session Laws of Hawaii  
13 1990, codified as chapter 210D, Hawaii Revised Statutes, to  
14 provide financial assistance to community-based businesses and  
15 enterprises through low-interest loans and grants to qualifying  
16 applicants.

17           The purpose of this Act is to:

1 (1) Amend the definition of "community of interest" to  
2 better conform the wording to the preceding definition  
3 of "community of identity";

4 (2) Expand opportunities for the Hawaii community-based  
5 economic development revolving fund to access  
6 additional funding from other sources and ensure the  
7 deposit of other funding into the Hawaii community-  
8 based economic development revolving fund;

9 (3) Adjust the maximum total outstanding loan balance  
10 allowed to reflect current available funding; and

11 (4) Reduce the maximum interest rate for loans.

12 SECTION 2. Section 210D-2, Hawaii Revised Statutes, is  
13 amended by amending the definition of "community of interest" to  
14 read as follows:

15 "Community of interest" means a group of people who may  
16 not live in the same geographic area but who are bound together  
17 through a common economic interest such as coffee growers or an  
18 aquaculture cooperative."

19 SECTION 3. Section 210D-4, Hawaii Revised Statutes, is  
20 amended to read as follows:

21 "**§210D-4 Hawaii community-based economic development**  
22 **revolving fund; established.** There is established a revolving

1 fund to be known as the Hawaii community-based economic  
2 development revolving fund from which moneys shall be loaned[~~7~~]  
3 or granted by the department under this chapter. All moneys  
4 appropriated to the fund by the legislature, received as  
5 repayments of loans, payments of interest or fees, [~~received as~~  
6 ~~royalties,~~] and all other moneys received by the fund from any  
7 other source shall be deposited into the revolving fund and used  
8 for the purposes of this chapter. The department may use all  
9 appropriations and other moneys in the revolving fund not  
10 appropriated for a designated purpose to make grants or loans[~~7~~  
11 ~~provided that at no time shall the department reallocate funds~~  
12 ~~from the loan program to the grant program so that insufficient~~  
13 ~~funds remain available to make loans]."~~

14 SECTION 4. Section 210D-6, Hawaii Revised Statutes, is  
15 amended to read as follows:

16 "[~~+~~]**S210D-6**[~~+~~] **Compensation and expenses of members.** All  
17 members shall serve without compensation, but may be reimbursed  
18 [~~from the fund~~] for any actual and necessary expenses, including  
19 travel expenses, incurred in carrying out their official  
20 duties."

21 SECTION 5. Section 210D-9, Hawaii Revised Statutes, is  
22 amended to read as follows:

1           **"§210D-9 Loans; limitation and terms.** Loans made under  
2 this chapter shall be for the purposes and in accordance with  
3 the terms specified in paragraphs (1) and (2) and shall be made  
4 only to applicants who meet the eligibility requirements  
5 specified therein.

6           (1) Community-based enterprise establishment and  
7 improvement loans may be made to provide for:

8           (A) The start-up costs, purchase or improvement of a  
9 community-based enterprise or working capital;  
10 and

11           (B) The purchase, construction, or improvement of  
12 facilities; and

13           (2) Operating loans may be made to carry on and improve an  
14 existing enterprise, including:

15           (A) The purchase of equipment; and

16           (B) The payment of production and marketing expenses  
17 including materials, labor, and services.

18           The loans shall be for an amount not to exceed [~~\$500,000~~]  
19 \$\_\_\_\_\_ and for a term not to exceed ten years."

20           SECTION 6. Section 210D-10, Hawaii Revised Statutes, is  
21 amended to read as follows:

1           "**§210D-10 Terms of loans.** Loans shall be made to  
2 qualified applicants with the following terms and conditions:

3           (1) The amount of the outstanding balance on all loans  
4           issued under this chapter to any one applicant at any  
5           one time shall not exceed [~~\$500,000;~~] \$ \_\_\_\_\_ ;

6           (2) The maximum term of a loan shall not exceed ten years;

7           (3) Each loan shall bear simple interest at a rate of not  
8           less than three and not more than [~~ten~~] six per cent a  
9           year, depending on the nature of the loan; and

10          (4) The commencement date for the repayment of the first  
11          installment on principal and interest of each loan may  
12          be deferred by the director of business, economic  
13          development, and tourism for a period not to exceed  
14          two years."

15          SECTION 7. Section 210D-11, Hawaii Revised Statutes, is  
16 amended by amending subsection (b) to read as follows:

17          "(b) To receive a grant [~~hereunder~~] under this section for  
18 community-based economic development activities or development  
19 of a community- based enterprise, an applicant shall:

20          (1) Be either:

- 1 (A) A profit subsidiary of a nonprofit community-  
2 based organization incorporated under the laws of  
3 the State; [~~or~~]
- 4 (B) A nonprofit community-based organization  
5 determined to be [~~exempt from federal income~~  
6 ~~taxation~~] a nonprofit organization by the  
7 Internal Revenue Service; or
- 8 (C) A cooperative association[~~-~~];
- 9 (2) In the case of a nonprofit organization, have a  
10 governing board whose members have no material  
11 conflict of interest and serve without compensation,  
12 have bylaws or policies [~~which~~] that describe the  
13 manner in which business is conducted and policies  
14 relating to nepotism and management of potential  
15 conflict of interest situations, and employ or  
16 contract with no two or more members of a family or  
17 kin of the first or second degree unless specifically  
18 permitted by the department;
- 19 (3) Agree to make available to the department all records  
20 the applicant may have relating to the operation of  
21 the community-based enterprise, to allow state

1 agencies to monitor the applicant's compliance with  
2 the purpose of this chapter; and  
3 (4) Establish, to the satisfaction of the department, that  
4 sufficient funds are available for the effective  
5 operation of the activity, business, or enterprise for  
6 the purpose for which the grant is awarded."

7 SECTION 8. Statutory material to be repealed is bracketed  
8 and stricken. New statutory material is underscored.

9 SECTION 9. This Act shall take effect on July 1, 2050.

**Report Title:**

Community-Based Economic Development; Loans

**Description:**

Authorizes the Hawaii community-based economic development revolving fund to receive funding from any source. Repeals prohibition on reallocation of funds from loan program to grant program and reduces the maximum interest rate on the loans from 10% to 6%. Reduces limit on applicant's total loan balance from \$500,000 to an unspecified amount. Deletes requirement that advisory council members be reimbursed for expenses from the revolving fund. Clarifies nonprofit determination. (SD2)