

STATE OF HAWAII

HAWAII COMMUNITY-BASED ECONOMIC DEVELOPMENT TECHNICAL AND FINANCIAL ASSISTANCE PROGRAM



ANNUAL REPORT TO THE TWENTY-THIRD LEGISLATURE

2004 - 2005

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HAWAII COMMUNITY-BASED ECONOMIC DEVELOPMENT TECHNICAL & FINANCIAL ASSISTANCE PROGRAM

EXECUTIVE SUMMARY

This report covers the work done during fiscal year 2005 (FY05) in a program started in 1989, when a group of community development practitioners established the Hawaii Alliance for Community-Based Economic Development (HACBED) and identified ways the State could support community groups striving to create economic development opportunities. The result was legislation providing financial and technical assistance for community economic development initiatives. Act 111, SLH 1990, and later Act 192, SLH 1996, codified as Chapter 210D, HRS established the Community-Based Economic Development (CBED) Program, the CBED Advisory Council, and the CBED Revolving Fund within the Department of Business, Economic Development & Tourism (DBEDT).

The CBED Advisory Council consists of nine citizens from across the State, appointed by the Governor, as well as three ex-officio voting members including the Director of Business, Economic Development & Tourism; the Chairperson of the Board of Agriculture; and the Chairperson of the Office of Hawaiian Affairs, or their respective designees. The Council reviews CBED financing requests and makes recommendations on grant and loan awards, for final approval by the DBEDT Director. The Council also advises the Director on program implementation and members liaise with community-based organizations (CBOs) on the islands they represent.

Since its inception, CBED's grant and loan revolving fund and technical assistance program has committed more than \$3,825,345 to more than 160 CBOs statewide. Approximately 58 percent of program funds were distributed to the Neighbor Islands.

Fiscal Year 2005

In fiscal year 2005, the following non-profit community organizations (CBOs) received CBED grants and loans totaling \$171,295:

Planning and Organizational Development (POD) Grants:

• Waianae Business Center	\$15,000
• High Tech Quest	\$10,000
• Ho`omau Ke Ola (Waianae)	\$10,000
• Hui O Kuapa (Molokai)	\$12,200
• Lanakila Rehabilitation Center, Inc.	\$10,000
• The ARC of Hilo	\$10,000
• Kona Pacific Farmers Cooperative	\$15,000
• Hawaii State Farm Bureau	\$24,345

Project Matching (PMG) Grants:

• Kona Historical Society	\$ 5,000
• Hamakua Music Festival	\$15,000
• Hale Ku`ai Cooperative	\$24,750
• Council For Native Hawaiian Advancement	\$20,000

Technical Assistance Agreements (Non-Grant):

• Volunteer Legal Services Hawaii (VLSH)	\$ 6,500
• Hawaii Alliance for Community-Based Economic Development	\$24,500

(HACBED)

To plan, develop and conduct 600 hours of one-on-one technical assistance to community-based organizations in need in order to build capacity in areas such as: fiscal management, program administration, organizational management, business planning, strategic planning and more..

Since its inception, each dollar from the CBED Program has been matched by more than 11 dollars from over 30 different public, private and community financing sources.

In FY2005, the CBED Program co-sponsored twenty-nine (29) one and two day community-based organizational training workshops that began in September 2004 through June 2005. Over 800 individuals representing more than 370 community organizations and agencies from all major islands attended training sessions to increase economic literacy. CBED's technical assistance helps to build and strengthen a CBO's capacity and skill level, while its financial assistance supports the development and implementation of community economic development projects. CBED remains essential for Hawaii's communities as it serves an implementing role in building new economic activities and assisting in the diversification of Hawaii's economy.

1. Number of jobs generated by community-based organizations (CBO):

FY2005

Planned: 180 Actual: 173

FY2006

Projected: 105

2. Number of CBOs seeking technical/financial assistance:

FY2005

Planned: 1200 Actual: 1200

FY2006

Projected: 400

3. Number of workshops and conferences providing technical assistance to CBOs:

FY2005

Planned: 24 Actual: 29

FY2006

Projected: 25

Successful community-based economic development integrates viable economic projects to promote a community's vision for its future health and quality of life. The CBED Program provides training and capacity-building opportunities that promotes, supports, and invests in community-based economic development projects that result in measurable economic impact. Program staff continues to collaborate with Federal, State and private economic development funders and technical assistance providers to develop more efficient lines of communication between agencies and control duplication of services.

Financial and technical assistance to eligible Community organizations enables them to plan and implement economic development projects and ventures that provide employment opportunities, builds economic capacity, strengthens identity, and helps to retain and create cultural anchors. Financial support for community economic development increases the number of jobs, creates additional new businesses and assists in expanding established businesses in Hawaii's communities. There are more than five thousand nonprofits registered in the State of Hawaii. The Program anticipates a significant increase in the number of community organizations seeking technical and financial assistance in the coming years.. Continued funding will assure the Program is able to provide training and capacity building opportunities to promote, support, and invest in community-based development projects that result in measurable economic impact.

THE CBED STRATEGY

*Hawaii Community-Based Economic Development (CBED)
Technical and Financial Assistance Program*



Community-based economic development (CBED) is a strategy for addressing low-income community needs that has been implemented in various forms throughout the United States for over 35 years. CBED differs from other theories of economic development by emphasizing increased community control over its own economic resources through the establishment of community institutions. By assisting in the creation and development of these non-profit, community-controlled organizations, CBED helps to build the skill level or capacity of the community with the goal of assisting the community to become more economically self-sufficient. There is also evidence that nurturing community-based institutions can create viable economic ventures and reduce dependence on social welfare programs.



CBED ventures are designed by and for community residents, with the aim of serving and empowering the entire community, including low-income residents who are not significantly assisted by other economic development strategies. CBED attempts to create healthy communities by lessening dependency upon forces beyond community control, and by addressing the needs of community members who have difficulty in participating in the larger economy due either to a lack of marketable skills or the unavailability of appropriate jobs. In short, CBED uses economically-viable projects to promote community stability and human resources development.

The meaning of “community” in community-based economic development can be defined in a variety of ways. Originally, groups practicing community economic development were located on the East Coast of the U.S. mainland, in neighborhoods with a cultural identity, but which were organized primarily on a geographic rather than a cultural basis. The geography of the neighborhood defined the community. On the mainland’s West Coast, groups are organized more often by cultural, economic or perhaps some category of disadvantage (e.g., low-income women, the homeless, youth, or those unable to get financing to start a business). In Hawaii, for CBED purposes, a community is defined as any group affiliated by geography, ethnicity or common economic interest. What is most often

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Laotian Community Center of Hawaii

*Hawaii Community-Based Economic Development (CBED)
Technical and Financial Assistance Program*

present in CBED is some attempt to create a “sense of community” among a group of participants so that they will provide each other with mutual support toward common goals that transcend their individual self-interest and which will economically empower the entire group.

Frequently, community economic development groups do not have a long-term strategy. When groups first get involved with economic development, the focus is mostly on the group’s overall vision rather than on the feasibility of a project. Most groups are not interested in traditional business practices. They may be resistant to focusing on the “bottom line” and instead look to achieving social, cultural or educational goals.

The key characteristic of a healthy community economic development program is a long term *vision* that encompasses individual projects that are economically *feasible* and *self-sustaining* (to the extent necessary to achieve the goals of the project), which cumulatively improve the *community* as a whole.

HAWAII CBED PROGRAM AND REVOLVING FUND

In 1989, a group of community development practitioners established the Hawaii Alliance for Community-Based Economic Development (HACBED) and identified ways that State government could support community-based groups striving to create economic development opportunities. The result was program legislation to provide financial and technical assistance to community economic development initiatives.



Ka’ala Learning Center, Wai’anae

In creating the CBED program, it was found that conventional financial institutions traditionally did not provide capital access to community-based enterprises, especially those in distressed or at-risk communities. HACBED envisioned a State-supported program that would pursue two primary goals:

- invest in the development of community-based organizations (CBOs) that create opportunities for economic diversification and stabilization for communities; and

- increase community economic self-determination by encouraging locally-initiated efforts to provide employment opportunities, build economic capacity, strengthen identity, and retain and create cultural anchors.

A well-developed CBED program requires a two-pronged approach including technical assistance for community skills-building and financial assistance in the form of direct loans and non-repayable grants to community-controlled organizations and enterprises.

A CBED program in the Department of Business, Economic Development & Tourism (DBEDT) was created by the Legislature as Act 111, SLH 1990, codified as Chapter 210D, Hawaii Revised Statutes. This legislation established the CBED Program, the CBED Advisory Council, and the CBED Revolving Fund. Act 192, SLH 1995 amended the original legislation to clarify program definitions and functions, and increase the number of CBED Advisory Council members to include permanent representation from the Office of Hawaiian Affairs.

Since its inception, CBED's grant and loan revolving fund and technical assistance program has committed more than \$3.8 million to more than 160 community-based organizations statewide. Close to 58 percent of the program funds were distributed to the Neighbor Islands.

CBED ADVISORY COUNCIL

The Hawaii Community-Based Economic Development (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 financial 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 CBOs.

COMMUNITY-BASED ECONOMIC DEVELOPMENT
ADVISORY COUNCIL
2005



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PROGRAM FUNDING

The enabling CBED legislation appropriated \$900,000 (Act 111, SLH 1990) to establish the Hawaii CBED Revolving Fund in 1991 with a total of \$430,000 transferred to the Revolving

Fund. Since then, there have been annual appropriations of \$50,000 (Section 5, Act 296 SLH 1991) since FY91 – FY92 with a total of \$50,000 transferred to the Revolving Fund for that fiscal year. In FY92 – FY93, \$600,560 was the actual legislation appropriation but due to budget restrictions for that fiscal year, a total amount of \$390,615 was transferred to the Revolving Fund. In FY93 - FY94, \$368,230 (Section 3, Act 289, SLH 1993) was the actual legislation appropriation with a reduced \$333,530 total transferred to the Revolving Fund due to CBED administrative spending cap imposed on the revolving fund by the Legislature as well as a Legislative proviso of an additional \$150,000 for Ka'u district for that fiscal year. In FY94 – FY95, \$518,230 (Act 252, SLH 1994) was the actual legislation appropriation reduced to \$375,000 due to an annual \$550,000 expenditure cap imposed on the program funds by the Legislature for that fiscal year. In FY95 – FY96, \$350,000 (Act 287, SLH 1995) was the actual legislation appropriation reduced to \$205,000 due to the Governor's \$100,000 restriction for that fiscal year. In FY96 – FY97, \$280,000 (Act 287, SLH 1996) was the actual legislation appropriation reduced to \$160,000 due to the Governor's \$30,000 restriction for that fiscal year. In FY97 – FY98, \$250,000 was the actual legislation appropriation reduced to \$180,000 due to the Governor's \$70,000 restriction for that fiscal year. In FY98 – FY99, \$65,000 (Act) was the actual legislation appropriation with a total of \$49,000 transferred to the Revolving Fund. In FY99 – FY00, \$65,000 (Act) was the actual legislation appropriation with a total of \$15,000 transferred to the Revolving Fund. Among the modifications that have occurred over the years were a legislative funding categorization in 1990, the inclusion of administrative costs in the appropriations beginning in 1993, and a number of budget restrictions. This resulted in the transfer of \$1,784,145 of the \$2,687,000 legislatively appropriated to the CBED Revolving Fund since 1991. In 1994, the Legislature earmarked \$150,000 in additional funding for Ka'u District on the Big Island. As of June 30, 2005, there was \$309,3421 in the CBED Revolving Fund. CBED funds enable communities to plan and implement economic development projects and ventures that provide employment opportunities, builds economic capacity, strengthens identity, and helps to retain and create cultural anchors.

2005 PROGRAM RESULTS

In FY2005, 12 CBOs (community-based organizations) received \$171,295 in CBED Program grants. This total will be matched by an estimated \$1.8 million from over 30 other funding sources, resulting in over \$1.9 million for economic development projects statewide. Since its inception, each dollar from the CBED Program has been matched by more than 11 dollars from over 30 different public, private and community financing sources.

In FY2005, the CBED Program co-sponsored twenty-nine (29) one and two day community-based organizational training workshops that began in September 2004 and extended through June 2005. Over 800 individuals representing more than 371 community organizations and agencies from all major islands attended training sessions to increase economic literacy. CBED's technical assistance helps to build and strengthen a CBO's capacity and skill level, while its financial assistance supports the development and implementation of community development projects. CBED remains essential for Hawaii's communities as it serves an implementing role in building new economic activities and assisting in the diversification of Hawaii's economy.

Number of jobs generated by community-based organizations (CBO):

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Number of CBOs seeking technical/financial assistance:

<u>FY2005</u>	<u>FY2006</u>
Planned: 1200 Actual: 1200	Projected: 400

Number of workshops and conferences providing technical assistance to CBOs:

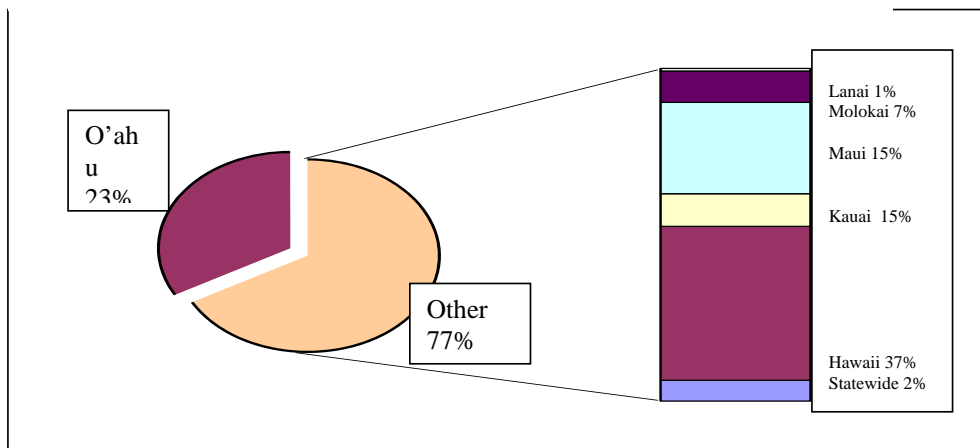
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Successful community-based economic development integrates viable economic projects to promote a community’s vision for its future health and quality of life. The CBED Program’s training and capacity-building activities support opportunities to promote and invest in community-based economic development projects that result in measurable economic impact. Program staff continues to collaborate with Federal, State and private economic development funders and technical assistance providers to develop more efficient lines of communication between agencies to control duplication of services.

OVERALL PROGRAM RESULTS: 1991–2005

Over the period 1991–2003, a total of \$3,492,350 from the Hawaii CBED Revolving Fund has been committed to 148 community-based organizations (CBOs) statewide. Attention was given to providing equitable statewide distribution of grant awards. Figure 1 graphically illustrates the percent of total funds committed by island.

Figure 1: Percent of Total Funds Committed by Island



Since the program's inception, 111 of the organizations received \$7,500 - \$15,000 planning and organizational grants. Another 37 of the CBOs are implementing business ventures through project matching grants. In FY2003, funded CBOs report potentially leveraging every CBED project dollar with an average of eleven additional dollars from over 30 different public, private, and community financing sources. This has resulted in additional resources being applied to community economic development. In rural areas that were once dependent on sugar plantations, there has been an increased awareness and connection of communities to the economy.

TECHNICAL ASSISTANCE

Community-based economic development includes both financial and technical services to CBOs. While the CBED revolving grant and loan fund addresses a heretofore unmet need, it is by no means complete. Technical assistance is a major component in community capacity-building and organizational success. To address this requirement, CBED co-sponsored a series of seventeen (17) CBO training workshops and one (1) statewide conference in FY2003. The main objectives of the training were to assist participants in developing stronger, more stable, community-based economic development organizations; help them develop the capacity to analyze, plan, implement, and evaluate specific projects; and assist them in identifying and securing additional funding and technical resources to implement those projects. This type of training helps to protect and increase the State's "return-on- investment."



'98 CBED Conference

Volunteer Legal Services Hawaii (VLSH) workshop training, co-sponsored by the CBED Program, the City and County of Honolulu, the Hawaii Community Foundation, the Kauai Economic Development Board, and in-kind support from the Hawaii Alliance for Community-Based Economic Development and Queen Liliuokalani Children's Center, serving areas of Maui, Molokai, Kauai, Hilo, W. Hawaii, Honolulu, Kapolei, Waianae, and Windward Oahu. Participation in the workshops are primarily focused on community-based non-profit

organizations serving the low-income population in Hawaii's communities. Topics for the 2003 sessions included: *How to Incorporate; How To Obtain Tax-Exempt Status; Organizational Management and Responsibilities; Fundraising Basics; Building Organizational Resources and Strategic Planning.*

The Community Connection - 2003, 9 two-day workshops, co-sponsored by CBED, the City and County of Honolulu and the Office of Hawaiian Affairs, is a multi-tracked training program addressing the different skill levels and topics. Topics include business feasibility and planning for nonprofit and cooperative organizations, community economic development strategies, financial management, grant and project proposal development.

Council for Native Hawaiian Advancement Conference, a conference co-sponsored by CBED – Department of Business, Economic Development and Tourism, Bank of Hawaii, American Savings Bank, First Hawaiian Bank, The James and Abigail Campbell Foundation, The Queens Health Systems, CH2M HILL, McCorriston Miller Mukai MacKinnon LLP, Carlsmith Ball LLP, Federal Home Loan Bank of Seattle, USDA Rural Development, Rural Community Assistance Corporation, Hawaii Medical Services Association, RM Towill Corporation, First Nations Oweesta Corporation, Hawaii Tourism Authority, OHA, DHHL and Kamehameha Schools, featured training tracks that addressed: Hawaiian Self-Determination; The Community Reinvestment Act; Loan Funds for Small Business and Nonprofits; Affordable Housing; Managing the Media; Hula Preservation; Ceded Lands Issues; Health; Financial Management for Nonprofits; and Making of a Constitution. Attendees numbered more than 450 with speakers and participants. Native residents of eight Hawaiian Islands, numbering over 200, made up more than half of the conference's attendee list.

CONCLUSION

CBED's technical and financial assistance program helps to support and empower Hawaii's communities in economic development. CBED plays an important role in assisting communities to achieve their goals and vision through economic development. It gives communities the opportunity to gain valuable small business skills and build capacity.

Moreover, CBED financially supports feasible projects and ventures that meet its communities' values and vision for the future. The outcome of most CBED-funded projects is job creation, establishment or expansion of new ventures and projects in Hawaii, creation of plans to work with, and communities that have become more empowered.