

AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Board of Directors meeting held on February 26, 2020
1849 Auiki Street, Honolulu, Hawaii 96819

Members Present:

Sandra Kato-Klutke, Kauai Member (Chairperson)
Lloyd Haraguchi, Member-At-Large
Kevin Hopkins, Hawaii Island Member
Yukio Kitagawa, Member-At-Large
Douglas Schenk, Maui Member
Warren Watanabe, Member-At-Large
Phyllis Shimabukuro-Geiser, Chairperson, Board of Agriculture
Kaleo Manuel, Designated Representative, DLNR, Ex-Officio Member
Mary Alice Evans, Designated Representative, DBEDT, Ex-Officio Member

Absent:

Leilyn Koev, Member-At-Large

Counsel Present:

Andrew Goff, Deputy Attorney General

Guests Present:

Mr. Mike Faye, Kekaha Agricultural Association
Mr. Mark Ishmael, County of Kauai
Mr. Mark Stoutemyer, Corteva Agriscience

Staff Present:

James Nakatani, Executive Director
Myra Kaichi, Sr. Executive Assistant
Lynn Owan, Administrative Services Officer
Ken Nakamoto, Property Manager
Todd Low, Special Projects, Aquaculture Development, HDOA

A. Call to Order.

Chairperson Kato-Klutke called the meeting to order at 9:00 a.m.

Chair introduced Ms. Mary Alice Evans from DBEDT and Lori Nakamura from ADC. Mr. Nakatani introduced property manager, Mr. Lyle Roe, who is stationed at the Whitmore office. Mr. Roe has a farming background and his initial focus is to look at small farm operations. He produces a monthly report which you can request via email.

B. Approval of minutes from the December 11, 2019 meeting.

Motion moved and seconded to approve minutes.

AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Board of Directors meeting held on February 26, 2020

Page 2 of 7

Chair asked for any corrections to the minutes. No corrections raised. Chair noted that Ms. Leilyn Koev was present at the December 11, 2019 meeting. Ms. Koev's name will be added and the revised minutes will be posted.

Vote: Approved, 9-0.

- C. Request for approval to issue a Lease Agreement to AgTech Pacific for warehouse space and auxiliary land, located at Whitmore, Oahu, Tax Map Key (1) 7-1-02-09 (por.)

Mr. Ken Nakamoto presented testimony as submitted. Staff recommends approval. Motion moved and seconded.

Mr. Schenk asked about their business hours. Mr. Nakamoto stated they are open Monday – Saturday. Customer ingress/egress is via the auxiliary area.

Chair asked what the monthly rent is and if tenant pays property taxes. Rent is approximately \$3,500/month. Mr. Nakamoto stated that AgTech does not pay property taxes since that is by TMK which is calculated by acre (not square footage), and also, ADC is exempt. AgTech pays Dole for water. They are a good tenant and their account is current. They service a lot of our farmers.

Vote: Approved, 9-0.

- D. Request for Approval to Re-Issue a Revocable Permit to Manoa Honey Company for storage space in Whitmore, Oahu; Tax Map Key (1) 7-1-02-09 (por.)

Mr. Ken Nakamoto presented testimony as submitted. Staff recommends approval. Motion moved and seconded.

Mr. Hopkins asked why the rates are different for this tenant vs. AgTech's rate. Mr. Nakamoto explained that this space is warehouse/storage space and AgTech's is for commercial use.

As mentioned previously, tenant has expressed interest in moving his processing operation from Wahiawa town to the Whitmore area; ADC has not received any formal proposal as of yet.

Chair asked where his hives are located. Mr. Nakamoto stated they are in various neighborhoods - Waianae, Diamond Head, Koko Head.

Mr. Manuel asked how many tenants are in the warehouse. Mr. Nakamoto stated there are 2, one of which is Manoa Honey.

Vote: Approved, 9-0.

AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Board of Directors meeting held on February 26, 2020

Page 3 of 7

- E. Request for Approval to Re-Issue a Revocable Permit to Oceanic Companies, Inc. for a covered parking area in Whitmore, Oahu; Tax Map Key (1) 7-1-02-04 (por.)

Mr. Ken Nakamoto presented testimony as submitted. Staff recommends approval. Motion moved and seconded. There were no questions posed.

Vote: Approved, 9-0.

- F. Request for approval to issue a License Agreement to Poohala Farms, LLC for land in Waiialua, Oahu; Tax Map Key (1) 6-5-02-01.

Mr. Ken Nakamoto presented testimony as submitted. Staff recommends approval. Mr. Nakamoto stated that ADC will follow-up on the licensee's renewal of their conservation plan. Motion moved and seconded.

Mr. Nakamoto explained that the adjacent parcel is owned by the tenant on which he has his goat farm, dairy and creamery. The Wahiawa ditch passes through his private farm.

Ms. Shimabukuro-Geiser asked, if in 5 years ADC needs to relocate Poohala, does ADC have alternative land for their operation? Mr. Nakamoto responded, possibly; Poohala will need to apply for it and follow the usual process. He confirmed that the tenant is aware of the uncertainty of the disposition of the parcel.

Mr. Schenk asked if there is a provision for crop damage. Mr. Nakamoto stated there will be a provision should the wastewater project impact the current agreement.

Mr. Manuel asked about the ditch. Mr. Nakamoto explained that the tenant's source of water is from the Wahiawa ditch which tunnels under ADC property and daylights on the adjacent Poohala-owned property. They have a water agreement with Dole.

Vote: Approved, 9-0.

- G. Request for approval of request by Senter Petroleum, under Revocable Permit No. 7299, to install a security fence around their underground tanks, Kekaha, Kauai, Tax Map Key (4)1-2-02-01 (por.)

Ms. Lynn Owan presented testimony as submitted. Staff recommends approval. Motion moved and seconded.

Mr. Manuel asked about the location of the tanks. Ms. Owan stated they are near what is called the carpenter shop, across the street from the old sugar mill. There have been no issues with the tanks. Clarification was made that the tanks are above-ground.

Ms. Shimabukuro-Geiser asked that staff's recommendation item 1 be amended as follows:
Building an 8-ft high fence around the above-ground storage tanks and gasoline tanks as shown in the approved building plans.

Vote to amend recommendation: Approved, 9-0.

Vote to approve recommendation with amendments: Approved, 9-0.

AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Board of Directors meeting held on February 26, 2020

Page 4 of 7

- H. Request for conditional approval of the issuance of new right of entry and soil-removal agreement to County of Kauai, Tax Map Key (4)1-2-02-001 (por) and the termination of License No. LI-K1103 to County of Kauai and Waste Management of Hawaii, Inc.

Ms. Myra Kaichi presented testimony as submitted. Staff recommends approval. Additional information on the calculation of net value of topsoil was provided. Kekaha Agriculture Association calculated a net value of \$6.40/cubic yard. The County of Kauai calculated it at \$5.18/cubic yard. The difference between the two values was split and therefore \$5.80 is the recommendation. Motion moved and seconded.

Mr. Schenk asked how much soil is available in the mud press and where is it located. Mr. Mike Faye of Kekaha Agriculture Association (KAA) stated there is a lot of soil available in the mud press. The site is just outside of Kekaha and to access it, the trucks are able to use roads outside of the community to avoid traversing past schools, etc. Distance to/from the site to the landfill is approximately 1.5 miles.

Mr. Haraguchi asked about the condition of the soil in the mud press. Mr. Faye stated the soil is ideal for what the County of Kauai wants to use it for but it is not ideal for agricultural use; it has too many rocks in it.

Mr. Hopkins asked about the \$2,000/month to KAA. Ms. Kaichi explained that the \$2,000/month is an access fee that COK pays to KAA based on a historic arrangement; money is used to maintain the roads on the property. It is separate from the soil removal fee.

Mr. Manuel asked if the total amount of soil to be excavated (based on the 5 year estimate), is there enough available in the mud press? Mr. Faye stated, yes.

Mr. Mark Ishmael of the County of Kauai (COK) presented COK's request to set the royalty rate at \$5.00/cubic yard. Their calculation of Best Management Practices (BMP) cost estimate is higher than KAA's mainly because of the NPDES requirements COK needs to meet.

Mr. Manuel asked for KAA's response to COK's \$5.00 request. Mr. Faye stated he does not have a strong objection to it but does stand by his calculations.

Mr. Nakatani clarified that if COK had to go outside to purchase the soil, it would be approximately \$10/cubic yard plus transportation; double what ADC would charge.

Mr. Schenk asked about the term of the request given the uncertainty of the costs to comply with NPDES requirements; 5 years seem long.

Mr. Manuel suggested using the \$5.18/cubic yard rate and building-in a caveat that the situation will be re-visited when actual expenses incurred are available. Mr. Faye asked that the caveat also apply to KAA as they have to comply with more strict requirements and may also incur unexpected costs. Ms. Kaichi clarified that COK is operating under a general construction permit while ADC will be operating under the Clean Water Act. The Court has determined that ADC needs to obtain an NPDES permit and has 2 years to obtain the permit. ADC will also have unknown costs to manage any additional contamination that may enter ADC's land and may eventually be discharged.

AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Board of Directors meeting held on February 26, 2020

Page 5 of 7

Ms. Kaichi amends her recommendation to add that the subject be revisited as numbers become more concrete and we have empirical data to adjust the royalty rate as needed. She recommends the rate be set at \$5.80 for an initial 2-year period. Motion moved and seconded.

Mr. Hopkins made a motion to amend recommendation item 3.

COK will pay a royalty of \$2.60/cubic yard to ADC and \$2.60/cubic yard to KAA for a total royalty of \$5.20/cubic yard. Royalties to be revisited in 2 years, after review of actual costs as presented by ADC, KAA and COK.

Vote to amend recommendation: Approved, 9-0.

Vote to approve recommendation with amendments: Approved, 9-0.

- I. Request for approval of a farmer incubator pilot program on 38 acres of Pioneer Hi-Bred International, Inc. land in Kekaha, Kauai, Tax Map Key (4)1-2-02-001 (por.)

Ms. Myra Kaichi presented testimony as submitted. Staff recommends approval. Motion moved and seconded.

Mr. Schenk asked for background on the project. Mr. Mark Stoutemyer of Corteva Agriscience explained that on Oahu they have a great partnership with GoFarm Hawaii and have donated 30 acres to that program to incubate farmers. Graduates of that program are now leasing land from Corteva and are feeding into the farm to state initiatives. They want to expand their program to Kauai but since they lease the land, an alternative model needs to be utilized. This model is unique in that Corteva will help small farmers help reach profitability by subsidizing a lot of the costs for them. If successful, this model could be used elsewhere.

Mr. Manuel asked about the water source for this project. Mr. Stoutemyer confirmed that it is from Kekaha ditch and will be wet land. Mr. Mike Faye of KAA stated that KAA strongly supports the program.

Ms. Shimabukuro-Geiser was pleased that this is food-production related project.

Chair inquired about item (a) under Corteva's responsibilities. Mr. Kaichi explained that the specific vehicle has not yet been determined. It will likely be similar to a sublicense but a lot of the responsibilities will not be applicable to the farmer but to Corteva so a hybrid type of agreement is being considered.

Chair asked if this project was offered to the community. Mr. Stoutemyer explained that for this pilot program, they wanted to partner with farmers that they are familiar with that have good track records, given the liabilities. Through this project, they'd like to develop a model and then they hope that others will pick up on the model and help other farmers.

Mr. Hopkins suggested seeking help from the Universities for technical assistance.

AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Board of Directors meeting held on February 26, 2020

Page 6 of 7

Chair asked for clarification on the recommendation. Ms. Kaichi explained that the recommendation is to approve the allowance of Corteva/Pioneer to let the farmers onto their land, to use their land, rent free, under a yet-to-be-determined agreement.

Recommendation amended as follows:

*Staff recommends that this board approve the farmer incubator pilot program **and disposition** to be established and administered by Pioneer Hi-Bred International, Inc. and Corteva Agriscience using approximately 38 acres of lands currently licensed to Pioneer in LI-K0803.*

Ms. Shimabukuro-Geiser stated that in the Act 100 report, the ADC section notes ‘discretion for training’ which she thinks may apply in this situation and it also reflects ADC’s mission. Mr. Manuel suggested building-in an evaluation period of 2 years for the training program in the agreement. Motion moved and seconded.

Vote to amend recommendation: Approved, 9-0.

Vote to approve recommendation with amendments: Approved, 9-0.

- J. Discussion on the Board’s powers, duties, privileges, immunities, and liabilities regarding Ohana Best vs. State of Hawaii, Agribusiness Development Corporation and James Nakatani in his individual capacity and as Executive Director of ADC, Civil No. 19-1-1640-10, Circuit Court, State of Hawaii.

“The Board may go into executive session, pursuant to H.R.S. §92-5(a)(4), to consult with the board’s attorney on questions and issues pertaining to the board’s powers, duties, privileges, immunities, and liabilities.”

Motion moved and seconded to move to Executive Session.

The Board emerged from Executive Session without any action.

- K. Executive Director’s Reports and Updates:

1. Whitmore

- a. ADC Property Manager – Mr. Nakatani commended Mr. Roe for doing a great job out at Whitmore. He has been out in the field several times a week looking at hazardous conditions, pesticide containers, sanitation, etc.
- b. Enforcement Sweeps – Refer to submission.

2. Kekaha

- a. Umi’s Farm – Impressive farming being done at Umi’s Farm. The trellising of trees is an interesting method.
- b. Kiko Road – Refer to submission.

AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Board of Directors meeting held on February 26, 2020

Page 7 of 7

3. Todd Low – Thank you to Mr. Todd Low for his role as acting secretary while ADC was without a secretary.
4. Strategic Plan – Mr. Nakatani reminded members to send him their input on the material he sent out. Please submit your responses in 15 days.
5. Other items - Mr. Manuel asked if there is a plan to place a property manager on Kauai. Mr. Nakatani answered that yes, ADC is learning what works best and would like to place an asset manager out there. Mr. Manuel mentioned having a person like Mr. Nakamoto who does a good job participating in neighborhood board meetings would be good for ADC on Kauai. Mr. Nakatani shared that a PR firm is being hired to help us with community outreach and will provide ADC guidance.

L. Adjourn

The meeting was adjourned at 11:56 a.m.

Respectfully submitted,

Lori Nakamura

Lori Nakamura
ADC Executive Secretary