

**AGRIBUSINESS DEVELOPMENT CORPORATION**

Minutes of the Board of Directors Meeting held Virtually on February 24, 2021  
Via Zoom Teleconference

*Considering the evolving COVID-19 situation, protecting the health and welfare of the community is of utmost concern. As such, the meeting was held remotely, with Board members, Staff and Applicants participating via Zoom meeting venue.*

**Members Present, virtually:**

Sandra Kato-Klutke, Kauai County Member (Chairperson)  
Mary Alice Evans, Designated Representative, DBEDT, Ex-Officio Member  
Lloyd Haraguchi, Member-At-Large (Joined via phone at 9:05 a.m.<sup>o</sup>)  
Kevin Hopkins, Hawaii County Member  
Frederick Lau, City & County of Honolulu Member  
Kaleo Manuel, Designated Representative, DLNR, Ex-Officio Member  
Douglas Schenk, Maui County Member  
Karen Seddon, Member-At-Large  
Phyllis Shimabukuro-Geiser, Chairperson, Board of Agriculture, Ex-Officio Member  
Warren Watanabe, Member-At-Large (Joined at 9:08 a.m.<sup>+</sup>)

**Counsel Present, virtually:**

Jodi Yi, Deputy Attorney General

**Staff Present, virtually:**

James Nakatani, Executive Director  
Myra Kaichi, Sr. Executive Assistant  
Ken Nakamoto, Project Manager  
Lyle Roe, Property Manager  
Lori Nakamura, Executive Secretary

**Guests Present, virtually:**

Shelley Choy, Hemp Coordinator, Hawaii Department of Agriculture  
Clint Boone, CEO, Root Wise  
Scotty Reis-Moniz, President, Friends of Waimanalo

A. Call to Order

Chairperson Kato-Klutke called the virtual meeting to order at 9:04 a.m.

B. Roll Call

Ms. Kaichi conducted a roll call of the Board; eight members present (Sandra Kato-Klutke, Mary Alice Evans, Kevin Hopkins, Fred Lau, Kaleo Manuel, Douglas Schenk, Karen Seddon, Phyllis Shimabukuro-Geiser). This also serves as a roll call vote. For each subsequent vote, the Chair will ask if there are any objections. If there are none, motion will be carried on the same basis as this initial roll call. <sup>o</sup>Note that Mr. Haraguchi was initially in the public room of this meeting so not able to answer his roll call.

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Motion to take item O (Auditor's Report), out of order: M.A. Evans / Second: K. Manuel  
Chair Kato-Klutke asked for comments from the public. There were none.

Hearing no further comments or questions, motion carried.

Vote: Approved, 8-0

C. Approval of minutes from the December 16, 2020 virtual meeting

Motion to approve: M.A. Evans / Second: K. Seddon

Chair asked for comments from the public. There were none.

Chair asked for comments from the Board. Hearing no comments, motion carried.

Vote: Approved, 8-0

D. Request for Approval to Exercise Option to Extend the Term of Lease No. LE-WM1717 Issued to the Whitmore Economic Development Group in Whitmore, Oahu, for Two Years, Tax Map Key (1) 7-1-002-004 (por)

Mr. Watanabe joined the meeting at 9:08 a.m.

Motion to approve: D. Schenk / Second: M.A. Evans

Chair asked for comments from the public. There were none.

Chair asked for comments from the Board. Hearing none, motion carried.

Vote: Approved, 9-0<sup>+</sup> (Warren Watanabe joined the meeting)

E. Request for Approval to Issue a Right of Entry to the Honolulu Police Department for 1 Acre of Land in Whitmore, Oahu, Tax Map Key (1) 7-1-002-009 (por)

Motion to approve: M.A. Evans / Second: D. Schenk

Chair asked for comments from the public. There were none.

Chair asked for comments from the Board. Hearing none, motion carried.

Vote: Approved, 9-0

F. Request for Approval to Issue a Month-to-Month Revocable Permit to Loan Loan for 60 Acres, More or Less, in Waialua, Oahu, for One Year, Tax Map Key (1) 6-5-001-044 (por)

Motion to approve: W. Watanabe / Second: M.A. Evans

Chair asked for comments from the public. There were none.

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Mr. Manuel asked about access to water. Mr. Roe stated that farmer's water user agreement is with Dole (holdover tenant) which utilizes water from the Wahiawa ditch.

Ms. Shimabukuro-Geiser asked if ADC is confident that they are able to work with this new tenant to clean up the property and become compliant. Mr. Roe answered that he believes that he will comply and has been responsive. Mr. Roe has shared the inspection report with him, and he will do a follow-up inspection. Also, he is on a month-to-month arrangement and we are keeping their rental rate as what they had with Dole. Ms. Shimabukuro-Geiser also asked about the fire pit. Mr. Roe has made Mr. Lovan aware he is to dispense with the fire pit and use another method to dispose of his trash.

Mr. Hopkins asked about their agricultural progress. Mr. Roe stated that 18 acres is a planted orchard; the trees appear to be in good health. The other 40 acres (amendment issued in August 2020) will be diversified ag – they are just getting started with that. There is some cabbage planted but the rest is being worked on.

Mr. Lau asked about the \$1,900.00 deposit amount – is that a normal security deposit for ADC? Mr. Roe will check on that and get back to him.

Hearing no further comments or objections, motion carried.

Vote: Approved, 9-0

- G. Request for Approval to Issue a Land License to Kelena Farms, Inc. for Agricultural Purposes, in Paalaa Uka, Oahu, Tax Map Keys (1) 6-5-002-011; (1) 6-5-002-006; (1) 6-5-002-008; and (1) 6-5-001-046

Motion to approve: M.A. Evans / Second: P. Shimabukuro-Geiser

Chair Kato-Klutke asked for comments from the public. There were none.

Mr. Manuel asked about usage of Dole well #25. He noted that if there's a transfer of title or use of the well, water usage must be permitted and reported. Mr. Nakatani stated that everything is recorded and reported to CWRM. There is no transfer of title.

Hearing no further comments or questions, motion carried.

Vote: Approved, 9-0

- H. Request for Approval to Issue a Land License to Waikele Farms, Inc. for Agricultural Purposes, in Kunia, Oahu, Tax Map Keys (1) 9-4-012-001 & 003

Motion to approve: M.A. Evans / Second: K. Seddon

Chair Kato-Klutke asked for comments from the public. There were none.

Ms. Evans asked why the remaining acreage is inaccessible - is it sloped? Mr. Nakamoto explained that the road to access the remaining acreage is a National Security Association ("NSA") and public utilities road. ADC is currently in discussion with both parties to work out an arrangement for access. Ms. Evans asked if access is via Kunia Road; Mr. Nakamoto confirmed that is correct. Chair Kato-

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Klutke asked if we would be charging them for the total acreage or just the 16 usable acres. Mr. Nakamoto answered that they will be charged for the tillable acreage at this point; as land becomes accessible to the farmer, they will be charged accordingly.

Mr. Manuel asked about the water source for this parcel. Mr. Nakamoto said it has not been determined yet. There are several options: Schofield R1, Waiahole ditch. The farmer would be responsible for their own access and obtaining a permit. Mr. Nakatani added that the primary water source for that area is Schofield R1. The secondary water source would be a well, but it is unlikely that a well will be used. Mr. Manuel has reservations that the applicant will be responsible for determining the water source; he prefers that the water source be explicitly stated in the submittal. Also, the permit process takes longer on Oahu. His vote would be with reservations. Ms. Evans supported Mr. Manuel's reservations. She raised the question of the installation of the waterline under Kunia Road; whether it could possibly require an environmental assessment. Mr. Nakatani asked Mr. Manuel and Ms. Evans to write-up their concerns so we can address them with the farmer; he doesn't understand their concerns. Mr. Manuel requested a deferral until the water source is determined; if the water source is Schofield R1, there is no problem. Ms. Evans offered an amendment that we issue a Right of Entry (ROE) or a month-to-month at a reduced lease rental until water access has been secured.

Mr. Nakamoto stated we do issue ROEs as standard practice to allow the farmer to get ready and to give them time to obtain their permits. Ms. Evan asked if the applicant currently has a ROE; Mr. Nakamoto answered, no. Ms. Evans asked if the Executive Director can issue a ROE for this parcel without having to go back to the Board? Mr. Nakamoto answered, yes. Given that, Ms. Evans stated she withdraws her recommendation of an amendment. Mr. Nakatani asked that, given our lengthy approval process, could a ROE be issued to let the farmer start, on the condition that he is using R1 water.

Ms. Kaichi shared that there is a map that shows an extensive proposed plan for irrigation which we can share with the Board. This will be the first area on the ewa side of Kunia Road that they will be using R1 water. Mr. Manuel said it would be helpful to have that information in the submittal. Ms. Kaichi said the farmer plans to share water with HARC via Kunia Water Association. Mr. Manuel would like to see Kunia Ag Association do a presentation in a future meeting as they have permits regulating how much water they are using from Waiahole ditch. Without more detail, Mr. Manuel states that it is hard for him to give his support without an identified water source. Mr. Nakatani clarified that this will not be water from Waiahole ditch or the domestic wells in Kunia Villages. He believes they will be using R1 water coming from the other side of Kunia Road.

Chair Kato-Klutke would like a section for water added to future submittals indicating the source, how much they will be using, how much they will be paying, etc. Mr. Manuel is in agreement with adding the information on water. Mr. Schenk also agreed that the information be included in future submittals.

Hearing no further comments or questions, motion carried.

Vote: Approved, 9-0, K. Manuel with reservations

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- I. Request for Approval to Renew Revocable Permit No. 7299 Issued to Senter Petroleum for 0.5 Acres, More or Less, in Kekaha, Kauai, for One Year, Tax Map Key (4) 1-2-002-001 (por)

~~Motion to approve: D. Schenk / Second: M.A. Evans (withdrawn during discussion)~~

Motion to approve, with notation\*: K. Hopkins / Second: M.A. Evans

*\*Notation to submittal that their account is not current due to an accounting issue.*

*\*\*Subsequent to the meeting, ADC was able to confirm that the payments were received.*

Chair asked for comments from the public. There were none.

Mr. Roe provided an update on the status of rent payments since the preparation of this submittal. In 2020, Senter began making electronic payments. However, our fiscal office can find no evidence of the payments so Senter has been asked to provide ACH information and to go back to making payments via paper checks. Because of this, their account is technically in arrears until the payments can be located. Chair Kato-Klutke asked Mr. Roe to trace the payments so we can ensure the monies are credited to ADC's account. Mr. Roe stated that our fiscal office is currently working on this. He pointed out that prior to the electronic payments, Senter's account was current and they are good tenants; the property is clean and well kept.

Chair Kato-Klutke asked what Senter's response was to the question to make paper checks. Mr. Roe explained that the tenant has their treasury department involved to clear this up. Ms. Kaichi stated that the missing payments are beyond ADC's control and appear to be a government accounting issue. We don't have the personnel and the time to track the electronic payments so if the Board tells us that we can only accept paper checks we can pass this on to our tenants to avoid this problem.

Mr. Hopkins asked for clarification on whether this is something that can be fixed by having our own accountant. Ms. Kaichi explained that ADC is attached to DOA, so we need to account for every dime received and spent through DOA; and it is preferred and safer that ADC be attached to a department. Chair Kato-Klutke asked if the Board would like to take this matter up after this agenda item. Ms. Evans said that this is an administrative matter that should be under the purview of the Executive Director and staff, and not a matter for the Board.

Mr. Manuel asked about Senter's business and if/how it is related to agriculture. Mr. Roe explained that this is a holdover from DLNR, so they are grandfathered in. Mr. Manuel questioned what our strategy for is addressing the holdover tenants and if they fit in with ADC's mission. Chair Kato-Klutke explained that there are no gas stations where all of our Kekaha acreage is located. All of our large and small tenants utilize Senter's gas station, so it is a necessity to our agricultural community in Kekaha, and also to the heavy equipment companies outside of Kekaha. Mr. Manuel stated that making that information explicit in our submittals would be helpful. Mr. Roe responded that he will be sure that this type of information is included in future submittals.

Chair Kato-Klutke asked if we can make this for longer than one year. Mr. Roe explained that revocable permits are year-to-year. He shared that Senter is interested in adding some lines in addition to installing a fence (approved at February 2020 Board meeting). In order to make those improvements, Senter has expressed interest in obtaining a longer-term license.

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Ms. Shimabukuro-Geiser stated that the DOA fiscal office is understaffed due to the hiring freeze brought on by the pandemic. She asked if the original motion can be amended as she would like to consider approval contingent upon ED confirmation of deposits and permittee is in good standing. Mr. Schenk agreed with that and withdrew his motion to accept until we can find the payment. Ms. Kaichi reminded the Board that this is a month-to-month permit and we believe that the government is the problem and not the tenant. If it turns out that the tenant is the problem, we can terminate their permit in 30 days. She explained that it doesn't make sense to not approve the RP if we believe the problem is a system issue, particularly since they are month-to-month. Ms. Evans agreed and doesn't see a problem with issuing a revocable permit. She doesn't want to withdraw her second to the motion. Mr. Roe reiterated that prior to the electronic payments, they were current with their rent payments.

Mr. Hopkins asked to clarify the status of the motion to approve. Chair stated that we need to start the motion to approve process again as Mr. Schenk has withdrawn his motion. Mr. Hopkins said he would like to introduce his motion to approve with the statement that account status needs to be verified. Chair asked if we need to withdraw the original second before proceeding. Original motions are withdrawn. Ms. Yi (deputy attorney general) confirmed that the motion process can start again.

Mr. Hopkins' motion is to approve with addition of notation in the submission that they are not current; electronic transfer payment may be causing problems with accounting. Ms. Evans seconded the motion.

Chair asked if there were any objections. Hearing no objections, motion carried.

Vote: Approved, 9-0

- J. Request for Approval for Establishment of the Whitmore Development and Recommendation Investigative Committee Pursuant to Article 4, Section 3 of the ADC Bylaws and HRS Section 92-2.5(b)(1)

Chair Kato-Klutke recited the following,

I am creating an investigative Whitmore Development and Recommendation Committee in accordance with Article 4 of the ADC Bylaws and Hawaii Revised Statutes section 92-2.5(b)(1).

The purpose of this Investigative Committee is to assist ADC in developing a request for proposal for the development of the ADC lands in Whitmore Village. The scope of the Investigative Committee will be the following:

- First, it should develop criteria for the qualification and selection of potential lessee/developer.
- Second, it should develop a fair and effective solicitation processes for the submission of proposals.
- Third, identify economic development incentives, as well as, ADC incentives to attract and retain developers.
- and last, develop the Request for Proposal framework.

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I intend to appoint two Board members and one outside member to the Investigative Committee. Mr. Nakamoto and Mr. Roe will assist the Investigative Committee in their tasks.

Each member of the committee is authorized to take all actions necessary and to work with ADC staff to ensure that all actions of the committee is conducted in accordance with Chapter 92, HRS, and is within its defined scope. The committee shall elect a committee chairperson.

The committee chairperson will present all resulting findings and recommendations to the entire ADC board at a duly noticed board meeting.

No decision on any of the recommendations of the committee will be allowed until the findings and recommendations of the committee are duly noticed to be discussed at a future meeting of the ADC board.

Motion to approve: M.A. Evans / Second: W. Watanabe

Chair asked for comments from the public. There were none.

Chair asked if there were any questions or objections. Hearing none, motion carried.

Vote: Approved, 9-0

K. Request to Adopt the ADC Tenant Review and Recommendation Committee's Findings and Recommendations for Developing a Solicitation to Interested Farmers

Motion to approve: P. Shimabukuro-Geiser / Second: K. Hopkins

Chair asked for comments from the public. There were none.

Mr. Nakamoto pointed out that on page 13 of the submittal, there may be more than one site visit due to the COVID-19 restrictions on groups. He is conferring with our deputy attorney general and may conduct multiple site visits depending on the number of respondents.

Chair asked if there were any objections. Hearing no objections, motion carried.

Vote: Approved, 9-0

L. Presentation by Ms. Shelley Choy of the Hawaii Department of Agriculture Regarding Hemp

Ms. Choy is the Hemp Coordinator at the Department of Agriculture and gave an overview on the subject. Hemp (low THC oriented varietal) and marijuana (high THC oriented varietal) are the same species of plant. The only way to tell one from the other is with a laboratory test; visually they are indistinguishable. Growers are required to have a license from the United States Department of Agriculture (USDA) and must comply with USDA licensing, reporting, and testing based on national USDA requirements.

*Refer to the HDOA Website for more information: <http://hdoa.hawaii.gov/hemp/>*

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Some of the community concerns about hemp farms are:

- Do not like the potential of male cannabis pollen flying around.
- Security concerns because visually, hemp looks like marijuana.
- Additional 2-6 hours of lighting is needed which may bother the surrounding neighbors.
- Fan noise from the greenhouse.
- Odor of cannabis which may be unpleasant to some people.

Chair Kato-Klutke asked how many hemp growers there are in Hawaii? Ms. Choy stated that as of December 4, 2020, there were 55. Chair then asked if they are all in production. Ms. Choy answered, probably not.

Mr. Lau asked where CBD falls into this. Ms. Choy explained that if they are growing for flower, they are growing for CBD. It can be grown both indoor or outdoor; it depends on the flower they wish to produce.

Mr. Manuel asked if ADC has any tenants currently growing or proposing to grow hemp, and what is ADC's strategy for supporting the growing of hemp? Chair Kato-Klutke said we don't have any tenants currently growing hemp. Mr. Roe explained that we asked Ms. Choy to do a presentation to familiarize the Board with the subject in preparation for the next presentation by Friends of Waimanalo. Mr. Roe confirmed that ADC does not have any tenants currently growing hemp.

Mr. Hopkins said that it is important to recognize that proposing to grow hemp in Hawaii is experimental; he warned that we need to be cautious as a Board as to what we agree to. Ms. Evans asked how long it takes for a flower of a hemp plant to grow to maturity where it can be harvested and sent to be manufactured for CBD oil. Ms. Choy said, at a minimum, 16 weeks, depending on the variety of plant. Also, there is a need for time to dry. Ms. Evans asked if a one-year revocable permit would be adequate to harvest at least one crop of hemp. Ms. Choy responded that she thinks that would work.

Chair Kato-Klutke asked how the hemp farm on Kauai is doing. Ms. Choy has not been in touch with them recently but agronomically they were doing well; they have their own processing facility. Chair Kato-Klutke asked about the steps involved in growing hemp. Ms. Choy said if you are growing for cannabinoid extraction you will need a place to harvest, to dry it without growing mold (or have a processor that can accept wet material), and to store it until they find a processor. Chair asked if the hemp can be moved after it is cut and dried to another facility within the islands? Ms. Choy explained that currently, you can move harvested hemp from licensed person to licensed person or can export out of state. To get a processing license you would also need a USDA hemp producer license to be able to move between grower and processor, or grower and another grower, for processing, or out of state.

M. Presentation by Mr. Scott Reis-Moniz of the Friends of Waimanalo Regarding a Proposed Hemp Project in Whitmore

Mr. Reis-Moniz explained that Friends of Waimanalo has been working with communities in Hawaii for four years implementing programs such as training, trades, teaching, certifications, and getting people into jobs. Root Wise has been in business over 20 years, in 22 states and in 20 nations.



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A video titled, *Industrial Hemp – Revitalization of Hawaii’s Agribusiness*, a partnership between Friends of Waimanalo and Root Wise was shared.

Mr. Hopkins asked who is funding this initiative? Mr. Reis-Moniz answered that they have several potential investors who are waiting for him to secure the land. He explained that they need the land first – if they can show a letter of intent, that would help. They do have potential private funders and Kamehameha Schools is also interested in them.

Ms. Shimabukuro-Geiser asked how many acres they are looking at leasing. Mr. Reis-Moniz answered, 200 acres to start; to show proof of concept. She then asked if Friends of Waimanalo would be applying for the USDA hemp license. He answered that this is a partnership, so Root Wise would be the one applying for the license as they are a for-profit company, and Friends of Waimanalo works within the community as the non-profit organization.

Mr. Schenk asked how long does it take to obtain a license from USDA, and once you’re able to get a license, how long is the term? Are there any security requirements? Mr. Boone explained that this is an annual license and each state is a little different; ~~Hawaii gives out their licenses quarterly.~~ Ms. Choy clarified that the current process is an annual license which is good for 3 years. He said that there is no fencing requirement but there are rules on distances from residences and schools, between 250–500 feet, depending on the county. He wants to utilize the Hawaii climate so will not have noise from indoor greenhouses and they will follow standard operating practices so as not to disturb the community with light pollution. Mr. Boone stated that they have several current licenses and are ready to start growing.

Ms. Shimabukuro-Geiser asked Mr. Reis-Moniz about the programs mentioned in the video, i.e. job training, workforce development, and culinary activity. She stated that ADC lands are zoned as agriculture so will those programs be related to agriculture? Mr. Reis-Moniz explained that a majority will be a transition; they already have pipelines in place. They already partner with the various unions. They can do the training in offsite offices, community centers, and they have traveling classes where they go to the schools and community centers. The instructors come from the university and community colleges, all of whom have over 20 years of experience in their fields. They will find a community partner in the area so that the community gets the benefits of what they are providing.

Mr. Nakatani explained that this has yet to be vetted by the Board and the community, but the attractiveness of this program is the benefit and development of the community. Whitmore is a challenging area and this project will bring jobs to the community; the idea of hemp is secondary. For ADC, this is the benefit. Mr. Nakatani mentioned that Friends of Waimanalo has been working with DBEDT and he asked Ms. Evans to share her comments. Ms. Evans said that she is a resident of Waimanalo and can attest to Mr. Reis-Moniz’s devotion to helping communities. She is very familiar with his commitment to human resource development of youth and other challenged communities.

Chair Kato-Klutke asked if the entire 200 acres would be planted at once? And do they follow the land or do crop rotation? Mr. Boone stated that he likes to rotate the crops, i.e. 50 acres a week at a time; that helps spread out the harvest. This provides a more consistent, steady supply.

Mr. Reis-Moniz emphasized the vision for agricultural hemp in Hawaii -- to have the first processing plant for byproducts to use for building homes. Hemp wood is termite proof, mold proof and fire

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retardant. Not only will they be processing wood for the homes, but they will be teaching our youth how to build homes. We will have material on island and can avoid the costly shipping costs. They will create jobs and Hawaii can be self-sufficient and not reliant on industries such as tourism which we learned during COVID is not stable. He pointed out that Mr. Boone is also a long-time contractor and that's how he connected with him – not because of the CBD but because of his desire to help the people of Hawaii.

Mr. Schenk asked when will they be ready? Mr. Boone stated they are ready now. Once they have the land, they can finalize their funding. He has moved to Hawaii and brought with him equipment and is ready to go. Mr. Reis-Moniz said they have other private land and have partnered with other farms, but not in this format. They really want to help this community, like they do in Waimanalo.

Mr. Schenk asked if they are currently growing hemp in Hawaii. Mr. Boone replied that they have partnered with other local farms providing equipment, consulting, or genetics, or have a team member helping them grow. Mr. Reis-Moniz shared that Dr. Harry Ako is a part of their Board and lends his expertise and experience.

Mr. Hopkins asked if we will be getting a proposal for this project. Chair Kato-Klutke said Mr. Roe will work with them on that.

### O. Review and Discussion on the Legislative Auditors' "Audit of the Agribusiness Development Corporation", Report No. 21-01, submitted to the Legislature on January 14, 2021

(K. Seddon left the meeting and returned a few minutes later)

Chair asked for public testimony. There was none.

Chair asked for comments from the Board or any items they object to on the list of recommendations.

Mr. Hopkins asked how ADC is supposed to pay for these 34 items, much less complete these 34 items with staff stretched thin as it is? Mr. Manuel said other agencies prepare for situations such as fulfilling recommendations with budget planning. He asked what does ADC's financial situation look like? Given the current budget situation, we will have to think outside of the box.

Chair Kato-Klutke asked what items the Board can tackle? Mr. Manuel would like to hear from staff on their strategy to guide the prioritization process. Then the Board can come up with a plan to address or not address the items.

Ms. Evans said that the premise the legislature established when they created ADC was flawed. The idea that an agency with very limited staffing and very limited resources could revitalize the state's export agricultural industry was flawed in its conception. The premise in the statute needs to be revised to reflect the scope of resources that are available and the changing conditions in Hawaii's agricultural industry.

Ms. Shimabukuro-Geiser would like to hear from staff. The Board needs to be informed of what staff has already done and which items are unrealistic so the Board can offer guidance and support.

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Mr. Schenk said the list is “overwhelming” and the items need to be prioritized; suggested that staff take the first stab at it. Once that’s done, then the board can discuss and agree on what the priorities are, maybe we can only do the top 3 or 5 items, depending on our resources.

Mr. Lau agreed that the list needs to be prioritized but he also thinks there are a lot of overlapping responsibilities with DOA and they need to work together with ADC. He referenced the audit report from 2007 that has the same findings as this audit. Back then, DOA used to gather information on products coming into Hawaii and what their market value was, which was helpful to farmers, but that is no longer being done and that is part of the market analysis listed in the recommendations. ADC has been a leader in water and land development and that’s the way it should be; CTAHR should be research and development; and DOA should handle marketing and regulatory functions of the group. He suggested that we separate this list out and figure out what our priorities are to come to a focused list.

Mr. Watanabe agreed with Mr. Lau. He asked what other agencies/organizations can provide some of this information? It may be readily available. Is it really a role of ADC to do a market analysis? For example, #4. Isn’t DOA doing that? We need to look at other agencies, work with CTAHR and see what they have. One of the inefficiencies of government is duplication of efforts.

Mr. Schenk stated that ADC does many things well but the audit doesn’t recognize that. If we go through the prioritization exercise, we owe them a response on what we are capable of doing and not capable of doing. Mr. Hopkins agreed. He thinks we should focus on: 1) what does the Board need to do, 2) what can staff potentially do, and 3) for the rest of the items, can others do them and what would it cost? For any remaining items, do we work with DOA or do we hire consultants to do them?

Ms. Shimabukuro-Geiser recommends that the Board read, if they haven’t already, chapter 163[D] which describes the creation of ADC and what was envisioned. It is very broad as the original intent was for ADC to have the flexibility to do what it needs to do, quickly. She would like to see from staff, what they have worked on, what they have completed and prioritization. For the Board’s information, there is a bill, HB1271, which is moving on the House side, to dissolve ADC.

Mr. Haraguchi stated that he had been in attendance since the meeting started but he was in the public room, initially. He asked about items such as marketing, data analysis, many which can be considered duplicative. He asked Ms. Shimabukuro-Geiser if DOA is doing these things. She responded that yes, DOA has a marketing development branch. She thinks the reason marketing is mentioned in the audit is that it is written in the statute. Mr. Haraguchi asked if our response to those items can simply be, ‘provided by DOA’ and move forward through the list. Ms. Shimabukuro-Geiser said she thinks so -- staff can identify which items they collaborate with sister agencies such as DOA, CTAHR, DBEDT, etc.

Mr. Haraguchi asked about items #15 and #16 -- do we need approval from BOA? Ms. Shimabukuro-Geiser explained that former BOA Chair Kunimoto delegated the authority to the ADC board since there was representation by DBEDT, DLNR, and BOA; it was a duplication of efforts. She asked Ms. Kaichi to provide more clarity on the delegation. Ms. Kaichi confirmed that in lieu of going to two Boards with the same project, Chair Kunimoto delegated that approval to the ADC Board.

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Mr. Haraguchi reiterated that a lot of the recommendations can be responded to with simple answers as they have already been addressed in some form. This will save staff time in responding to each item.

Ms. Evans stated that the staff and Board do not have to respond to the auditor until a request for status update is issued which is normally a year from now. We have time to formulate a response and work on prioritization. She said the Chair might want to consider a permitted interaction group (“PIG”) to work on specific recommendations.

Mr. Haraguchi mentioned the letter from Senator Dela Cruz letter to the Board. He asked who is doing the response letter? Chair Kato-Klutke asked what is the due date of the response? Mr. Manuel later noted that no deadline for a response is mentioned in the letter from Senator Dela Cruz.

Chair Kato-Klutke asked that we do a follow-up meeting with the Board to discuss only the audit. Mr. Lau agreed and wanted to point out that the original statute 163[D] was written in 1994 and is obsolete; the auditor is quoting from the old statute. In ADC’s 2018 and 2019 reports to the legislature, they clearly state the mission of ADC and we should all read the two reports as it shows that we are accomplishing the mission very well. Ms. Evans agreed with Mr. Lau.

(Mr. Lau exited the meeting and returned a few minutes later).

Mr. Hopkins asked if there are any restrictions on board members, as individuals, submitting testimony to the legislature. Ms. Yi confirmed that Board members may submit testimony as an individual.

Chair Kato-Klutke halted the discussion and asked if the Board wants to have another meeting with staff to go over audit only. Mr. Schenk and Mr. Haraguchi agreed. Chair then asked for thoughts from staff. Mr. Nakatani asked what is the goal of this separate meeting? He said he needs guidelines on what the Board wants staff to prepare. Chair Kato-Klutke said we need to prioritize the list of recommendations (high, low, medium priority) to meet the Board’s responsibility in directing staff on improving ADC.

Mr. Nakatani asked for more clarification on what is being asked of staff. Many of the items can already be marked completed – there’s a water study, transportation study, and land study. Almost nine of the items can be eliminated as duplication of efforts. He asked for direction on what the Board hopes to accomplish with a separate meeting. He asked what are the Board’s priorities? If the Board wants written comments, he can do that and send it out to the Board for review. He suggested that the Board look at their own recommendations and address those items for discussion first.

Mr. Schenk agreed with Mr. Nakatani. He would like to see an action plan by the Board, too, prior to a meeting. This will allow for a more productive meeting on all sides.

(Ms. Evans left the meeting)

Mr. Haraguchi agreed as well. He asked Mr. Nakatani for a list of things that can be collaborated with other departments and we can set those items aside and concentrate on the other issues that need to be addressed.

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Mr. Lau agreed with Mr. Nakatani and thinks that the Board look specifically at items 29-33 and address them. If there any concerns with the other 28 items, the Board can bring them up. Mr. Haraguchi agreed that the Board concentrate on the Board of Directors' issues.

Ms. Seddon asked for clarification that the only way for the Board to discuss the Board section is to have a Board meeting. Ms. Yi confirmed that it does have to be discussed at a Board meeting unless it was at a PIG type of meeting.

(Mr. Hopkins left the meeting.)

Ms. Yi recommended a 10-minute break at this point. Chair Kato-Klutke concurred.

*The Board took a 10-minute recess. Meeting called back to order at 12:00 p.m.*

All Board present with the exception of Ms. Evans.

Chair Kato-Klutke asked Ms. Seddon if she thinks there should be a meeting to discuss the audit. Ms. Seddon answered yes, and that there should be two pieces to the meeting: 1) the Board section and, 2) discussion of the ADC section. She recommends that staff utilize a matrix indicating the status of each item and have the Board review it prior to the meeting so prioritization can occur. She thinks we should do this now instead of putting it off.

Chair Kato-Klutke agreed with Ms. Seddon. Chair stated we will schedule a Board meeting in March specifically to discuss the audit, broken up into two sections as suggested by Ms. Seddon.

N. Update on Ohana Best, LLC vs. State of Hawaii, et al., Civ. No. 19-1-1640-10

*"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."*

P. Annual Performance Evaluation of the Executive Director (continued from December 16, 2020, Item G)

*"The Board may go into executive session, pursuant to H.R.S. §92-5(a)(2), to consider the evaluation of an officer or employee where consideration of matters affecting privacy will be involved, and 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."*

Chair asked for public testimony on item N and item P. There were none.

Motion to enter Executive Session: L. Haraguchi / Second: D. Schenk

Chair Kato-Klutke asked if the public had any questions on the Board entering into executive session. There were none.

The Board emerged from executive session at 12:49 p.m. A roll call was taken. Eight members were present (Sandra Kato-Klutke, Mary Alice Evans, Kevin Hopkins, Kaleo Manuel, Douglas Schenk,

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Karen Seddon, Phyllis Shimabukuro-Geiser, Warren Watanabe). Mr. Haraguchi re-joined at 12:52 p.m.

Chair asked for a motion to accept the annual performance evaluation of the Executive Director, as reflected in the executive session minutes of December 16, 2020, to retain the Executive Director at his current rate of pay.

Motion to approve: P. Shimabukuro-Geiser / Second: M.A. Evans

Chair Kato-Klutke asked for testimony from the public. There was none.

Chair Kato-Klutke asked if there were any questions or objections from the Board. Hearing none, motion carried.

Vote: Approved, 9-0

Chair informed the public that no action was taken during the executive session regarding Ohana Best.

### Q. Executive Director's Update

Mr. Nakatani gave an update as written in Item Q of the submittal packet.

- a. Paalaa Uka: In Waialua, ADC closed on a deal for 114 acres of land. Will start looking to lease the lands out.
- b. Kalepa: Ms. Laurie Ho has given up her parcel and according to Mr. Roe's inspection of the property, the cars have been removed. We will work on getting someone else on the property.
- c. Legislative Update: There were two bills affecting ADC -- SB 335 requiring DOA and ADC to lease at least 50% of their lands to operations whose primary business is local food production. ADC did not oppose the bill as it doesn't affect ADC as much as it affects DOA. HB 1271 dissolves ADC and transfers all the lands and staff except for the Executive Director and the Board, to DOA. ADC opposed HB1271 but it passed out of the Agriculture Committee and will be heard in Finance tomorrow. ADC took the Chair of the House Agriculture Committee out to Galbraith and he was impressed with what he saw.
- d. Guidance from Board on Requests for Interviews from Public Media: Public Radio was asking ADC for interviews. Mr. Nakatani asked for the Board's view on doing public interviews.
- e. ADC Newsletter

Chair Kato-Klutke asked about SB335 and if it will affect ADC if it decides to do hemp. KIUC is worried as it may affect them if they would like more land from ADC in Kekaha. Mr. Nakatani answered that we just don't know but he did suggest to the House Committee that we should consider non-crop entities.

Mr. Schenk commented on the interview request with Public Radio. He thinks ADC has a great story to tell but it depends on how they ask the questions. He suggested inviting them to attend a Board meeting. Mr. Nakatani responded that because staff is trying to catch-up with organizing the financial record keeping, he is not inclined to do so at this time. Also, we have conflicting policies about

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agriculture. For example, there has been an emphasis on small farms but the UHERO report criticizes ADC for not moving big agriculture.

Mr. Hopkins said we need guidance on who should be giving the interviews; he thinks it should be the ADC Chair or Executive Director to ensure message continuity. He thinks it is important that the message get out there that large-scale agriculture are the ones that produce 80-90% of the food. They are so important to us. We need both large and small farms.

Ms. Shimabukuro-Geiser added to what Mr. Hopkins said. Dean Nick Comerford of CTAHR has stated that less than 10% of the farms produce over 90% of the production. DOA's mission is inclusive of that -- we support all agriculture as long as the practices are lawful; we need all agriculture to move it forward. She noted that there is a measure moving through the legislature that says if a farmer has a procurement agreement with a state institution, they have an option to lease state land for food production; this may affect ADC. DOA has concerns as the department's leasing requirements supports small businesses and they don't have enough land to provide only for food production as some land is unsuitable for food production.

Mr. Watanabe said he understands Mr. Nakatani's hesitancy to do public interviews and especially with the audit being top of mind now. But he also sees it as a good way to get our message out there.

Chair Kato-Klutke recognized the volunteers that have been helping out in the ADC office. Thank you to Mrs. Lynn Owan (recently retired employee) for her help with contract preparation and Ms. Lynn Naito for helping ADC with accounting recordkeeping.

Chair Kato-Klutke asked for public testimony on the Executive Director's report.

Representative Amy Perruso commented that she is looking forward to a future conversation on the UHERO report and the audit. She also raised her concerns about water -- the oversight and regulation of water.

R. Adjournment

Motion to adjourn meeting: K. Manuel / Second: W. Watanabe

Chair Kato-Klutke asked for any comments from the Board or the public. There were none.

Meeting was adjourned at 1:11 p.m.

Respectfully submitted,

*Lori Nakamura*

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Lori Nakamura  
ADC Executive Secretary