

**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

**AGRIBUSINESS DEVELOPMENT CORPORATION**

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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  
ADC Executive Secretary

DAVID Y. IGE  
Governor

JOSH GREEN  
Lt. Governor



JAMES J. NAKATANI  
Executive Director

STATE OF HAWAII  
**AGRIBUSINESS DEVELOPMENT CORPORATION**  
235 S. Beretania Street, Room 205  
Honolulu, HI 96813  
Phone: (808) 586-0186 Fax: (808) 586-0189

April 28, 2021

Subject: Request for Approval to Refer License No. LI-KA1412 Issued to Gerald M. Sanchez to the Department of the Attorney General for Possible Legal Action

Licensee: Gerald M. Sanchez

Authority: Section 163D-4(a)(5), Hawaii Revised Statutes

Area: 160 acres, more or less

Field No. Unit J

Tax Map Key: (4) 3-9-002:020 (por)

Land Status: Encumbered by Governor's Executive Orders 4328 and 4401 to the Agribusiness Development Corporation for Agricultural Purposes.

Trust Land Status: Section 5(b) lands of the Hawaii Admissions Act  
DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: Yes

Character of Use: Pasture

Lease/License Term: 35 years (currently in year 6)

Revocable Permit: N/A

Base Rental Rate: \$30.75/acre/year  
Current Annual Rent: \$4,920

**BACKGROUND:**

The Department of Land and Natural Resources issued Revocable Permit No. S-7457 to Gerald M. Sanchez ("Licensee") on November 1, 2010 for 160 acres, more or less, of Unit J ("Premises") (see "Exhibit A") for the purpose of grazing cattle. In August 2010, Executive Orders 4328 and 4401 set aside approximately 6,000 acres in Kalepa, Kauai, which include Unit J, to the Agribusiness Development Corporation ("ADC") for agricultural purposes. Licensee's tenancy with ADC remained in holdover status until December 1, 2014 when ADC and Licensee

executed License No. LI-KA1412 (the "License") for the Premises.

In 2010, Licensee initially made certain improvements to the Premises such as land clearing and fence installation. An inspection in August 2012, noted that since the initial improvements, the Premises remained in "...fair condition with an Albizia stand of trees which Green Energy Team ("GET") will harvest eventually." At that time, Licensee maintained approximately 30 head of cattle. However, subsequent inspections in 2014, 2017, and 2019 revealed non-use and increasing weed and tree growth including Albizia trees, African tulip, guava, lantana, Isenberg bush, fern, and other noxious weeds. A recent inspection on January 11, 2021 revealed abandoned vehicles and equipment, and the Premises so overgrown that the interior couldn't be accessed and had to be verified by drone. Licensee's utilization plan notes "Project to be 100% developed in 5 years", or by December 1, 2019 (see "Exhibit B").

In September 2011, Licensee granted Green Energy Team, LLC ("GET") "Consent to Enter" ("Agreement") for the purpose of harvesting Albizia trees on the Premises. GET eventually harvested the trees and left the stumps. Disagreement between the parties arose over who was responsible for removing the stumps. Subsequently, both parties stopped communicating. Presently, the stumps remain, and the land continues to deteriorate due to lack of use and lack of care.

In recent years, Licensee has only paid sporadic rent and has accrued an approximate arrearage of \$14,100.00 as of April 21, 2021. Additionally, Licensee has neither joined Kalepa Koalition or executed any written agreement with them, per the terms of the license<sup>1</sup> ("Exhibit C").

#### WATER NEEDS AND SOURCE OF WATER:

The character of use for Unit J is currently approved pastoral use. However, given non-use of the premises, water needs are non-existent. Unit J is situated adjacent to the Wailua Reservoir (State Dam ID: KA-0060) and is bounded on the south and east of the premises by the North Fork of the Wailua River.

#### DISCUSSION & REQUEST:

Licensee does not feel that the land can be used absent the removal of the Albizia stumps for which he believes GET is responsible. GET claims that, similar to their policy with other tenants, they never agreed to remove the stumps. Further, GET claims that removing the stumps makes growing on other tenants' lands economically unfeasible for them. Regardless, ADC is not a party to the agreement between Licensee and GET. Furthermore, the agreement between Licensee and GET does not eliminate the performance responsibilities of the Licensee under the terms of the License.

---

<sup>1</sup> License Agreement No. LI-KA1412. Para. 69. "Kalepa Koalition. Licensee shall join or become a member or shareholder of the Kalepa Koalition or execute a written agreement with the Kalepa Koalition relating to Licensee's responsibilities on common infrastructure maintenance and all other assessments required by the Kalepa Koalition Documents."

Staff is requesting approval for referral of the License to the Department of the Attorney General for possible legal action. Staff will work closely with its deputy attorney general to ensure a fair and reasonable enforcement of all License terms.

RECOMMENDATION:

Staff recommends that the Board approve the referral of License No. LI-KA1412 issued to Gerald M. Sanchez to the Department of the Attorney General for possible legal action in the event the Licensee either fails to remedy the non-performance concerns pursuant to the terms of the License, or opts to terminate the License.

Respectfully submitted,

A handwritten signature in black ink, consisting of a stylized 'J' and 'N' followed by a horizontal line.

James J. Nakatani  
Executive Director

EXHIBIT A

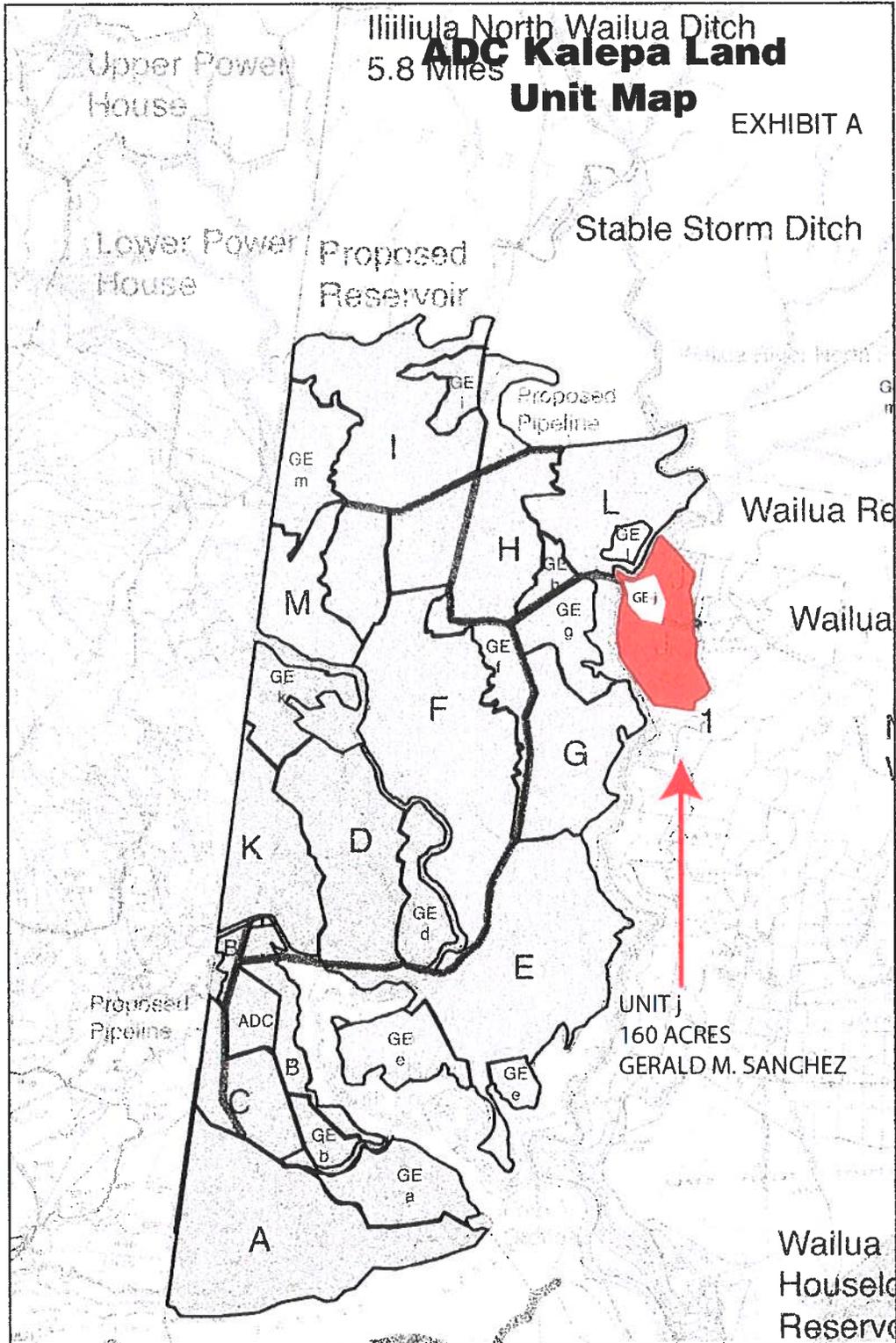


EXHIBIT B

**Utilization & Development Plan**

Field #1 Cleared grass planted in use

Field #3 Cleared grass planted in use

Field #2 & #4 Awaiting Green Energy Harvesting of trees. To be completed 2013. Project to be 100% developed in 5 years.

A handwritten signature in cursive script, appearing to read "G. Sanchez", is centered on the page below the text.

EXHIBIT C



**Kalepa Koalition**  
4334 Rice Street, #202  
Lihue, Hawaii 96766  
Phone: 808 634-6189  
Email: laurieho1@hawaiiintel.net

Agribusiness Development Corporation  
235 South Beretania St. Rm 205  
Honolulu, HI 96813  
Attn: Lyle Roe, Property Manager

February 9, 2020

**SUBJECT: Current Status of Kalepa Lands Unit J, Gerald Sanchez,  
ADC License No. LI-KA1412 (executed and effective February 9, 2015)**

**RE: Enforcement of License Terms for Kalepa Koalition's Responsibility for  
Common Element Road (CER) on ADC Lands, Kalepa, Kauai**

Aloha, Mr. Roe "Lyle"

In response to your questions presented in the email of January 15, 2021.

1. **Gerald Sanchez is not now and has never been a Board Member of the Kalepa Koalition, nor entered into any agreement with the Koalition regarding assessments.** (Unit J was established in 2001. Gerald Sanchez was issued a Revocable Permit by DLNR Land Div. in 2001 and was a founding tenant of the Kalepa Koalition membership collectively requesting Revocable Permits)
2. **Gerald Sanchez has not paid any fees since becoming a Kalepa Lands tenant in 2001. G. Sanchez Unit J fees have accumulated to an outstanding Common Element Maintenance fee of \$9,840.00 starting Feb. 2015 (when his license was executed) through Feb 2021.** (See attached statement of dues assessed to Unit J and to all KK Members effective Oct. 1, 2011 when KK was registered as an Ag Coop)
3. **At present, the Koalition has two officers: Leslie Milnes, Vice-President and Gilles Lebbe, Treasurer and Secretary.** Fay Rapozo is no longer an officer, nor is Laurie Ho since the termination of her license. Until the pandemic passes and we're able to meet in person again, the officer situation is unlikely to change.

Respectfully submitted,

Leslie P. Milnes, Vice President

DAVID Y. IGE  
Governor

JOSH GREEN  
Lt. Governor



Item E

JAMES J. NAKATANI  
Executive Director

STATE OF HAWAII  
**AGRIBUSINESS DEVELOPMENT CORPORATION**

235 S. Beretania Street, Room 205  
Honolulu, HI 96813  
Phone: (808) 586-0186 Fax: (808) 586-0189

April 28, 2021

Subject: Request for Approval of the Withdrawal of Governor's Executive Order 4474 Dated November 24, 2014 Setting Aside 147 Acres, More or Less, of Certain Lands in Waialua, Oahu to the Agribusiness Development Corporation, Tax Map Key (1) 6-9-001-002, -003, -036

Applicant: N/A

Authority: Section 163D-4(a)(7), Hawaii Revised Statutes

Area: 147 Acres, More or Less

Field No. N/A

Tax Map Key: (1) 6-9-001-002, -003, -036

Land Status: Encumbered by Governor's Executive Order 4474 to the Agribusiness Development Corporation for Agricultural Purposes.

Trust Land Status: Section 5(b) lands of the Hawaii Admissions Act  
DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: N/A

Character of Use: Aquaculture, Conservation

Lease/License Term: N/A

Revocable Permit: N/A

Base Rental Rate: N/A

**BACKGROUND:**

On August 27, 2014, the Board of Directors of the Agribusiness Development Corporation ("ADC") voted to approve the acceptance of 147 acres, more or less, of the above-referenced TMKs (see "Exhibit A") near Mokuleia (the "Property") from the Department of Land and Natural Resources ("DLNR"). The land was transferred to the ADC via Governor's Executive Order No. 4474 dated November 24, 2014 ("EO 4474").

Included in the transfer was one tenant, Hawaii Fish Company ("Permittee"), under DLNR Revocable Permit No. S-6814 ("Permit") for 18 acres, more or less, for purposes of general aquaculture. Included in the 18 acres was a 7-acre pond. In May 2015, Permittee submitted a proposal to ADC for a long-term license for the 18 acres as well as an additional 77 acres, totaling 95 acres to develop an integrated aqua-farm. Instead of a license, at their meeting on May 27, 2015, the ADC Board approved the issuance of a Revocable Permit to Permittee for the 18 acres, including the 7-acre pond, pending negotiations of the terms of an eventual license. Unfortunately, ADC and Permittee were unable to agree to license terms. ADC maintained an interest the makai lands, as well as a portion of the pond, to promote other aquacultural interests; Permittee maintained their request for exclusive use of all usable lands and the pond to establish their aqua-farm. Subsequent negotiations were intractable and unproductive. In fact, Permittee has even refused to sign the ADC Revocable Permit and has been operating on holdover status under their DLNR Permit.

Recently, the Hawaii Department of Agriculture (HDOA) expressed an interest in managing the Property pending resolution of a request by DLNR, Division of Forestry and Wildlife for a set aside to designate a portion of the property as a Game Management Area. Those issues have been resolved.

#### BASIS FOR THE REQUEST:

Prior to EO 4474, DLNR had attempted for approximately 4 years to negotiate the terms of a long-term license with Permittee. Negotiations were complicated and involved use of a portion of the property by DLNR, State Parks division and a conservation district use permit application by Permittee. They were unsuccessful. Permittee then requested that the property be transferred to ADC in the hopes that negotiations would be more successful. Nearly 7 years later, ADC has also been unsuccessful.

The HDOA has now indicated a willingness to continue negotiations with Permittee in the hopes that a long-term lease can finally be issued to further Permittee's aquaculture operation. The alternative is to terminate the RP and hope that another aquaculture operation can utilize the pond.

#### DISCUSSION:

ADC engaged in a good-faith effort to negotiate with Permittee over a number of years as the parties sought mutually agreeable terms. Nevertheless, they were unable reconcile their disparate interests in the Property.

Transfer of these lands would result in a \$996 loss of annual rental income from Hawaii Fish Company.

#### CHAPTER 343 – ENVIRONMENTAL ASSESSMENT:

The requested withdrawal of EO 4474 and issuance of a new executive order is merely a transfer of management jurisdiction and does not constitute a use of State lands or funds. As

Request for Approval of Withdrawal of Governor's Executive Order 4474  
Dated November 24, 2014 Setting Aside 147 Acres, More or Less, of Certain  
Lands in Waialua, Oahu to the Agribusiness Development Corporation, Tax Map  
Key (1) 6-9-001-002, -003, -036  
April 28, 2021  
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such, this action does not trigger the requirement of an environmental assessment. Any future use of the subject lands will be subject to a determination of the applicability of Chapter 343, HRS.

RECOMENDATION:

Based on the foregoing, staff recommends that the Board approve the request for the withdrawal of EO 4474, dated November 24, 2014, setting aside 147 acres, more or less, of the above-referenced lands, and to support re-setting aside the same to the HDOA.

Respectfully submitted,

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the right.

James J. Nakatani  
Executive Director

**EXHIBIT A**

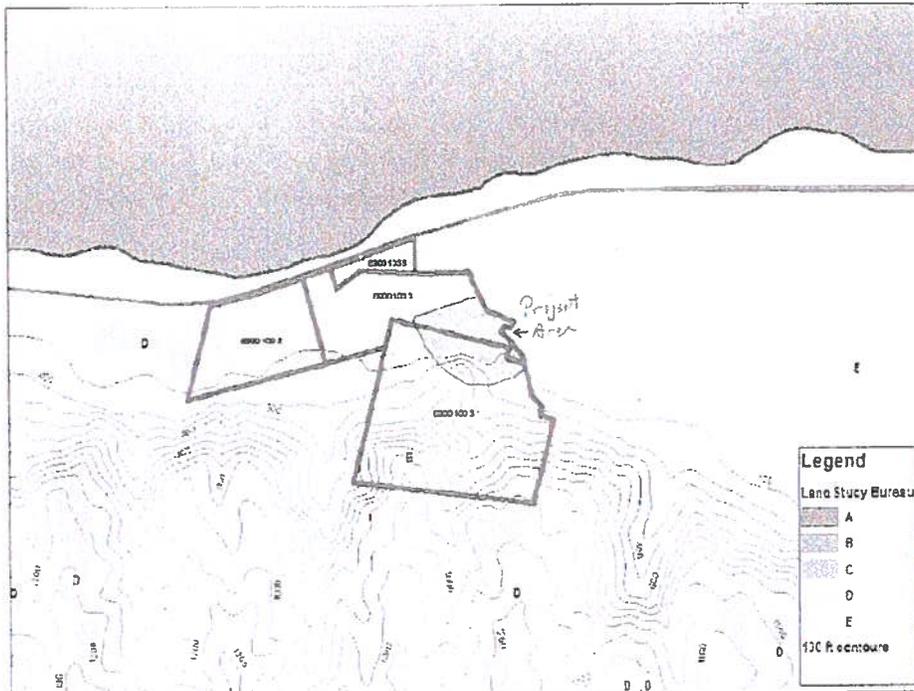


Figure 4

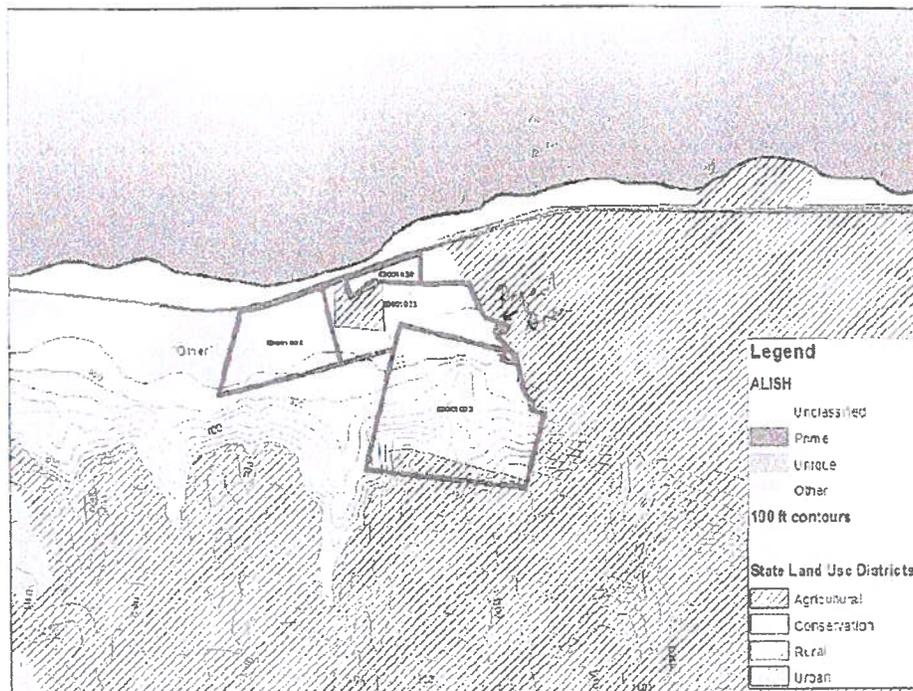


Figure 5

DAVID Y. IGE  
Governor

JOSH GREEN  
Lt. Governor



Item F

JAMES J. NAKATANI  
Executive Director

STATE OF HAWAII  
**AGRIBUSINESS DEVELOPMENT CORPORATION**

235 S. Beretania Street, Room 205  
Honolulu, HI 96813  
Phone: (808) 586-0186 Fax: (808) 586-0189

April 28, 2021

Subject: Request for Approval to Renew Revocable Permit No. RP-7004 Issued to Gary Smith for 2,780 square feet, More or Less, in Kekaha, Kauai, for One Year, Tax Map Key (4) 1-2-002-001 (por)

Applicant: Gary Smith

Authority: Section 163D-4(a)(5), Hawaii Revised Statutes

Area: 2,780 square feet

Field No. N/A

Tax Map Key: (4) 1-2-002-001 (por)

Land Status: Encumbered by Governor's Executive Order 4007, modified by Executive Orders 4034 and 4165, to the Agribusiness Development Corporation for agricultural purposes.

Trust Land Status: Section 5(b) lands of the Hawaii Admissions Act  
DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: Yes

Character of Use: Agricultural

Lease/License Term: N/A

Revocable Permit: 1 Year

Base Rental Rate: \$156/year

**BACKGROUND:**

Governor's Executive Order No. 4007 signed in 2003 set aside approximately 12,500 acres of the former Kekaha Sugar lands to the Agribusiness Development Corporation ("ADC). Revocable Permits (RP) previously issued by the Department of Land and Natural Resources were transferred to the ADC in November 2003. Gary Smith (Permittee) is one of two RPs that were not converted to long term licenses.

The Permittee's premises are behind his house and is used as a vegetable garden. The use of the land and the location of the plot do not qualify for a long-term license.

LAND REQUEST:

Permittee requests the renewal of the existing RP for 2,780 square feet, more or less, of land behind his house.

WATER NEEDS AND SOURCE OF WATER:

Permittee's water needs are currently unknown; however, water for his garden is sourced from his residence.

DISCUSSION:

The Permittee is in good standing with the ADC, is current on all rent payments, and appears to be an excellent steward of the premises (see "Exhibit A").

RECOMMENDATION:

Based on the foregoing, staff recommends that the Board renew the RP for one year, subject to the following terms:

1. The term of the renewal shall be January 1, 2021 – December 31, 2021.
2. Rent shall remain unchanged at \$156/year (\$13/month for 2,780 sq. ft.).
3. Permittee shall not sub-let the premises, or any portion thereof, without the prior written consent of the ADC.
4. Permittee shall not permit any change in the character of use without the prior written consent of the ADC.
5. All remaining terms and conditions of the RP shall remain in full force and effect.

Respectfully submitted,



James J. Nakatani  
Executive Director

EXHIBIT A



**DAVID Y. IGE**  
Governor

**JOSH GREEN**  
Lt. Governor



**Item H**

**JAMES J. NAKATANI**  
Executive Director

**STATE OF HAWAII**  
**AGRIBUSINESS DEVELOPMENT CORPORATION**

235 S. Beretania Street, Room 205  
Honolulu, HI 96813  
Phone: (808) 586-0186 Fax: (808) 586-0189

April 28, 2021

**Subject:** Request for Approval to Amend License No. LI-K1001 Issued to Sunrise Capital, Inc. to Withdraw 9 Acres, More or Less, of Field 314 in Kekaha, Kauai, Tax Map Key (4) 1-2-002-001 (por)

**Licensee:** Sunrise Capital, Inc.

**Authority:** Section 163D-4(a)(5), Hawaii Revised Statutes

**Area:** 423.85 acres

**Field No(s):** 309 (por), 310-313, 314 (por), 315, 316, 408

**Tax Map Key:** (4) 1-2-002-001

**Land Status:** Encumbered by Governor's Executive Order No. 4007, as modified by Executive Orders 4034 and 4165, to the Agribusiness Development Corporation for agricultural purposes.

**Trust Land Status:** Section 5(b) lands of the Hawaii Admission Act  
DHHL 30% entitlement lands pursuant to the Hawaii State Constitution? Yes

**Character of Use:** Agriculture, Aquaculture

**License Term:** 20 years

**Base Rental Rate:** \$150 per acre per year for 205.67 tillable acres  
\$1 per acre per year for 218.18 un-tillable acres  
Current Annual Rent: \$31,068.68

**BACKGROUND:**

Sunrise Capital, Inc. ("Licensee") began its tenancy with ADC as a start-up shrimp and bi-valve operation in 2009 under License No. LI-K1001 ("License"). As originally approved, the License encumbered 433.85 acres. In order to accommodate the challenges of the start-up company, license rents were crafted to help ensure the success of the company, beginning with discounted rent values, and subsequent deferments of rent increases. Although it faced challenges, Licensee, through its research and breeding operations, became one of the leading sources of "specific pathogen free" Pacific white shrimp broodstock for export to shrimp farms in Asia. In 2011, the

License was amended to withdrawal a 10-acre portion of Field 309 for the construction of office and processing facilities for BASF Plant Science L.L.C. In 2017, Licensee sold 51% of its stock to Hendrix Genetics USA LLC. In August 2020, the License was amended to recharacterize certain areas of the premises from "corn acreage" to a full diversified ag rate, as well as to recharacterize certain portions of the premises as "non-tillable."

At its meeting on October 3, 2018, the ADC Board consented to Licensee's request to sublicense 9 acres, more or less, of Field 314 to Global Ag Services, Inc. ("Sublicensee") to grow tobacco. That sublicense expires on July 31, 2021.

LAND REQUEST:

Licensee requests (see "Exhibit A") that their License be amended to remove 9 acres, more or less, of Field 314 (see "Exhibit B"), currently under sublicense to Sublicensee. Hawaii Labor Solutions Inc. has applied for these 9 acres under a direct license.

WATER NEEDS AND SOURCE OF WATER:

For the purpose of this request, there is no pending water need. However, Field 314 has ditch water access for purposes of irrigation via Reservoir 117 which is fed by the Kekaha Ditch.

DISCUSSION:

In 2008 at the request of the Licensee, Field 314 was subdivided between BASF Plant Science L.L.C. (that license was subsequently assigned to Beck's Superior Hybrids Inc "Becks") and Licensee to guarantee Licensee access to an adjacent ditch. In 2018, the ADC Board consented to Licensee's request to sublicense this portion of 314 to Sublicensee to grow tobacco. As noted above, Licensee now seeks to have the field withdrawn from the License and, if approved by the ADC's Board of Directors, licensed directly to Hawaii Labor Solutions Inc. Global Ag Services, Inc. and Hawaii Labor Solutions Inc. are affiliated companies under the control of Wallace and Jorienda Johnson.

On its own, this request would result in a decrease of rent collections in the amount of \$1,350 per year. However, taken together with subsequent land requests, this request would be budget neutral and would not affect rent collections.

In light of these considerations, staff believes the request is prudent.

RECOMMENDATION:

Based on the foregoing, staff recommends that the Board approve the request to amend License No. LI-K1001 to withdrawal 9 acres, more or less, of Field 314.

Respectfully Submitted,



James J. Nakatani  
Executive Director

**EXHIBIT A**



**SUNRISE CAPITAL INC.**

March 16, 2021

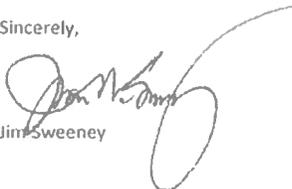
Mr. Lyle Roe, Property Manager  
Agribusiness Development Corporation  
1126 Whitmore Avenue  
Wahiawa, HI 96786

Dear Lyle,

This letter is to give notice that Sunrise Capital would like to return the following parcels back to ADC from our lease holdings at Kekaha:

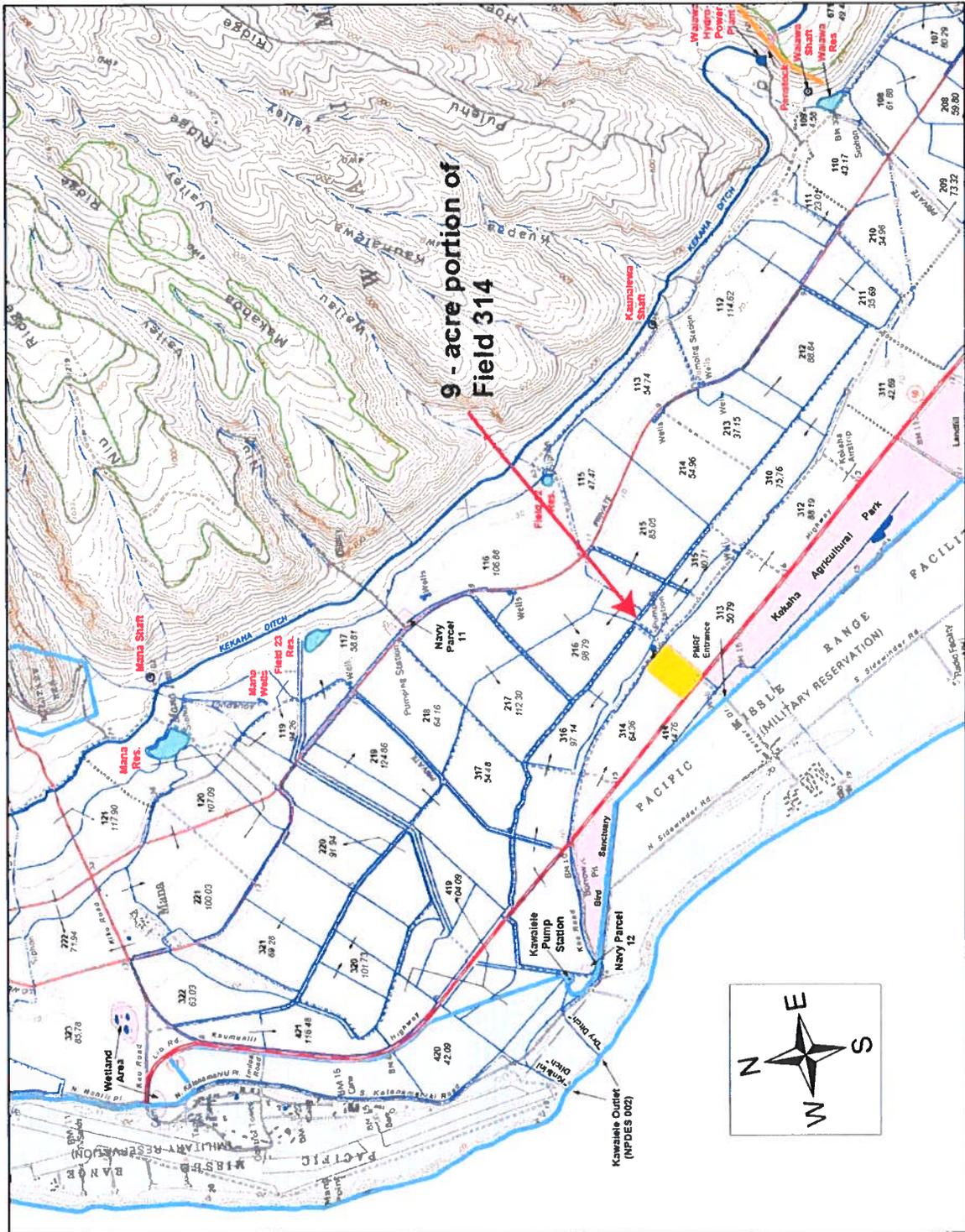
- Field 314, 9 acres (see attached map) that is currently subleased to Global Ag Services

Sincerely,

  
Jim Sweeney

Sunrise Capital, Inc.  
P.O. Box 1282 ~ Kekaha, Kauai, HI 96752 ~ (808) 338-0331 office ~ (808) 338-0332 fax

**EXHIBIT B**



**DAVID Y. IGE**  
Governor

**JOSH GREEN**  
Lt. Governor



**Item I**

**JAMES J. NAKATANI**  
Executive Director

STATE OF HAWAII  
**AGRIBUSINESS DEVELOPMENT CORPORATION**  
235 S. Beretania Street, Room 205  
Honolulu, HI 96813  
Phone: (808) 586-0186 Fax: (808) 586-0189

April 28, 2021

**Subject:** Request for Approval to Amend License No. LI-K1901 Issued to Hawaii Labor Solutions Inc. to Include 9 Acres, More or Less, of Field 314 in Kekaha, Kauai, Tax Map Key (4) 1-2-002-001 (por)

**Licensee:** Hawaii Labor Solutions Inc.

**Authority:** Section 163D-(a)(5), Hawaii Revised Statutes

**Area:** 54.07 Acres

**Field No(s).:** 123 (por), 207 (por)

**Tax Map Key:** (4) 1-2-002-001

**Land Status:** Encumbered by Governor's Executive Order No. 4007, as modified by Executive Orders 4034 and 4165, to the Agribusiness Development Corporation for agricultural purposes.

**Trust Land Status:** Section 5(b) lands of the Hawaii Admission Act  
DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: Yes

**Character of Use:** Tunnel House, Diversified Agriculture

**Lease/License Term:** 35 Years (currently in 1)

**Revocable Permit:** N/A

**Base Rental Rate:** \$150 per acre per year for 54.07 tillable acres  
Current Annual Rent: \$8,110.50

**BACKGROUND:**

Hawaii Labor Solutions Inc. ("Licensee") was organized and established in 2016 under the ownership of Wallace and Jorienda Johnson for the purposes of providing contract labor, growing mangoes, and building and operating greenhouses for the production of fruit and vegetables. In March 2019, the Board of the Agribusiness Development Corporation ("ADC")

approved the issuance of License No. LI-K1901 ("License") to Licensee for 13.25 acres of Field 123 on which Licensee currently grows mangoes for sale and distribution restaurants and retail operations across Kauai. They have also constructed a tunnel house for production of the same, with plans to construct more.

At its meeting on September 23, 2020, the ADC Board approved the inclusion of 40.82 acres of Field 207 to Licensee for the construction of tunnel houses for the production of mangoes and melons. Licensee has cleared much of the premises and is currently working with USDA, Natural Resources Conservation Service to develop a conservation plan.

Currently, Mr. Johnson also manages 9 acres, more or less, of the subject premises, Field 319 (see "Exhibit A"), for experimental tobacco plantings under sublicense issued by Sunrise Capital, Inc. to Global Ag Services Inc. (a company owned and operated by Mr. Johnson).

#### LAND REQUEST:

Licensee requests that the License be amended to include 9 acres, more or less, of Field 314 for purposes of tunnel house construction for the production of melons, tomatoes, and tobacco.

#### WATER NEEDS AND SOURCE OF WATER:

For the purposes of this request, Licensee estimates their water needs at approximately 3,159,000 gallons annually (average 8,655 GPD). Field 314 has ditch water access for irrigation purposes via Reservoir 117 which is fed by the Kekaha Ditch.

#### OPERATIONAL PLAN:

Licensee intends to construct sixteen tunnel houses on approximately 7 acres of the premises for the production of melons, tomatoes, and tobacco. Melons and tomato production will be for sale and distribution to local restaurants and retail outlets and the tobacco plantings will be for experimental purposes. In the event that the remaining portions of Field 314 become available for license, Licensee has expressed an interest in acquiring them in order to expand production.

#### CONSERVATION PLAN:

Licensee will be required to develop and receive approval for a conservation plan for the modified use of the premises prior to the start of construction. Licensee will also be required to provide an updated utilization plan with an estimated timeline for completion and full production, as well.

#### CONCLUSION:

Mr. Johnson currently operates and manages the subject premises under a sublicense issued by Sunrise Capital, Inc. to Global Ag Services Inc. Licensee's request represents both a change of legal entity under which the subject parcel is licensed and sublicensed as part of Licensee's efforts to consolidate land holdings under a single entity, as well as a modification of its

character of use. However, both changes align with the ADC's interest in promoting diversified agriculture for local markets. Staff notes that as this request is primarily a legal change of entity under which the subject parcel is held, the request is budget neutral and does not affect rent collections.

**RECOMMENDATION:**

Based on the foregoing, staff recommends that the Board approve the request to amend License No. LI-K1901 to include 9 acres, more or less, of Field 314, subject to the following conditions:

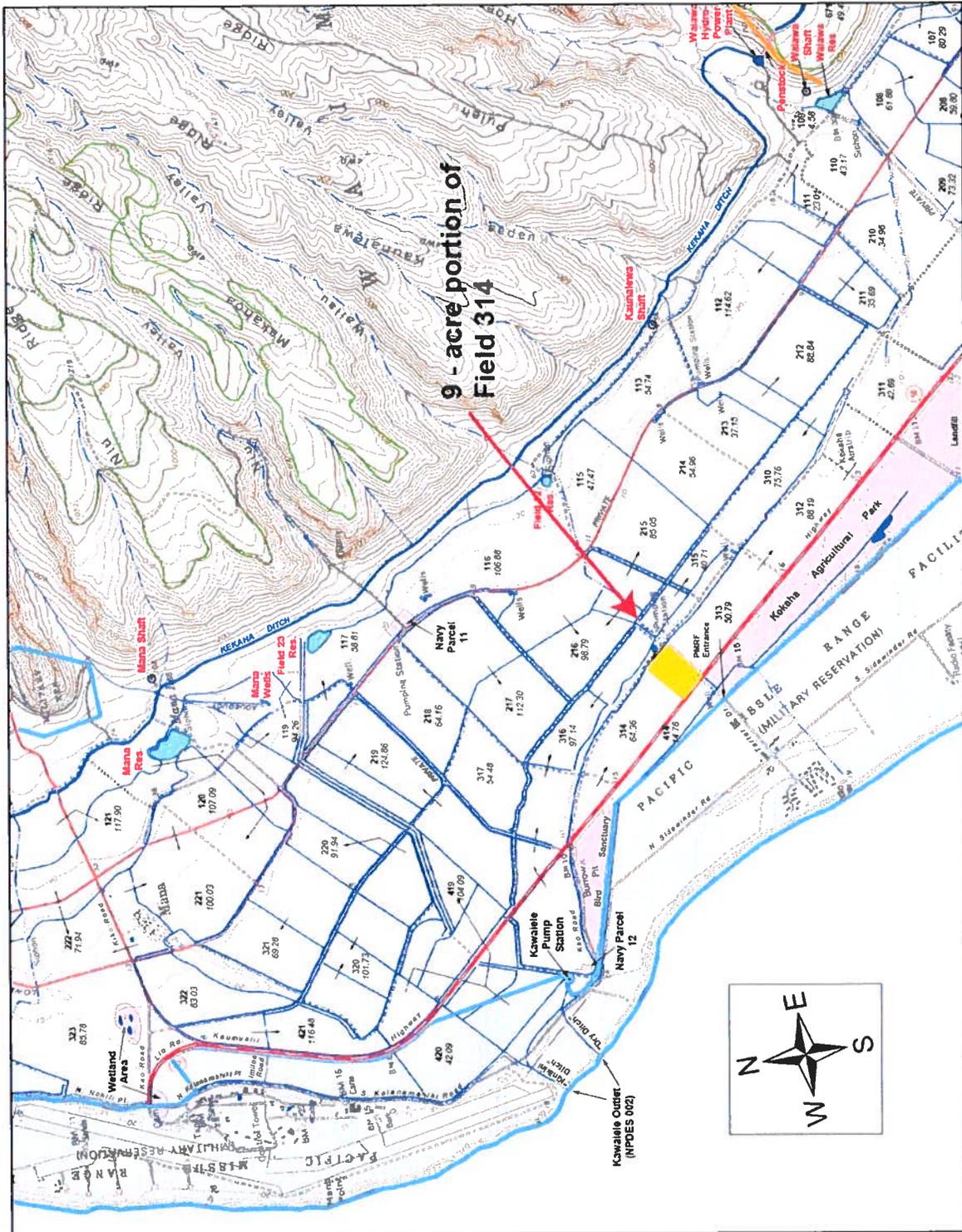
1. License rents shall be \$150/acre/year;
2. Licensee shall pay and remain current with all dues and assessments issued by Kekaha Agricultural Association;
3. Licensee shall submit an updated and approved conservation plan for the subject parcel, as well as an updated utilization plan.

Respectfully Submitted,



James. J. Nakatani  
Executive Director

**EXHIBIT A**



DAVID Y. IGE  
Governor

JOSH GREEN  
Lt. Governor



JAMES J. NAKATANI  
Executive Director

STATE OF HAWAII  
**AGRIBUSINESS DEVELOPMENT CORPORATION**  
235 S. Beretania Street, Room 205  
Honolulu, HI 96813  
Phone: (808) 586-0186 Fax: (808) 586-0189

April 28, 2021

**Subject:** 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

**Authority:** Section 163D-4(a)(5), Hawaii Revised Statutes

**BACKGROUND:**

Pursuant to Act 28, Session Laws of Hawaii 2019 (House Bill No. 1561, HD1, SD2), the State Office of the Auditor performed an audit of the Agribusiness Development Corporation (ADC), which was submitted to the Legislature on January 14, 2021. In his report, the auditor made 33 recommendations to improve oversight, efficiency, and the effectiveness of the organization. At its February 24, 2021 meeting, the Board of Directors instructed the Executive Director and ADC staff to prioritize the Auditor's recommendations and provide a matrix that establishes a methodology to track ADC's progress and ensure ADC's actions have been effectively implemented.

**DISCUSSION:**

Of the 33 recommendations, 28 are directed at the Executive Director ("ED") and staff and 5 are directed at the Board of Directors ("Board"). The list of recommendations for the ED and staff were first prioritized – 1 being the highest priority, and 28 being the lowest. Also analyzed was the amount of time it was anticipated would be required to implement each recommendation and, where possible, cost estimates and the lead entity that should be responsible for implementation. As this exercised progressed, it became apparent that there was a clear distinction between the activities that are high-level policy and planning acts and those that are more mundane and operational. Of these two level of activities, there were those that the Board, ED, and/or staff have already begun or in some cases, completed. Additionally, several of the activities are duplicative of other agencies' activities. For these reasons, the 28 recommendations were separated into three groups – "executive", "administrative": and "other". See Exhibits "A" and "B".

The ADC was not able to analyze every recommendation in depth because several of the recommendations are contingent upon the implementation of another, or there is already an ongoing effort by ADC and/or other agencies, which may only require updates or partnerships to implement.

ADC's highest priority is to implement the administrative recommendations. Improving internal processes, paying greater attention to manpower and labor expertise and outsourcing where allowed, procuring appropriate software and equipment, and focusing more on management will enable a smoother transition to the constantly expanding demands made upon ADC going forward.

RECOMMENDATIONS and NEXT STEPS:

The ADC recommends developing an implementation plan based on the priority list for the Board's review and consideration. The implementation plan will provide greater detail of the priorities, as amended by the Board today.

With respect to the high-level executive activities, ADC requests assistance from the Board and, in the interest of time, recommends the formation of smaller committees that can vet the preliminary issues and concerns that will ultimately be addressed in an implementation plan. Upon presentation and recommendation of these smaller committees, the Board can have a greater understanding of the challenges and make better informed decisions for inclusion in the implementation plan.

Finally, ADC recommends a discussion with the Board of Directors immediately following to review its mission statement, goals, and objectives, which is the foundation to all of ADC's actions.

Respectfully submitted,

A handwritten signature in black ink, consisting of a stylized 'J' and 'N' followed by a horizontal line.

James J. Nakatani  
Executive Director

**ADC Audit Recommendations Priorities**  
*\* Item numbers correlate to Auditor's recommendations; refer to matrix*

**Executive**  
 In order of priority

1. Update and revise mission statement
2. Develop goals, objectives, policies, and priority guidelines for an agribusiness development strategy
9. Develop proposals to improve data collection of market demands
12. Prepare short- and long-range strategic plans
10. Develop strategies for federal and state legislative actions
6. Develop financial and other programs
13. For each project, prepare business and agricultural development plans
7. Develop feasible strategies for the promotion, marketing
5. Prepare an analysis of imported agricultural products

**Administrative**  
 In order of priority

14. Evaluate retaining consultants and other outside technical assistance
21. Evaluate the retention of a private property management company
26. Fill vacant staff positions
20. Create a filing system (or electronic document management system)
19. Create an electronic database
18. Develop written policies and procedures
24. Obtain an opinion from the State Procurement Office
25. Attend training on the Hawaii Procurement Code, Chapter 103D, HRS
27. Develop and document annual performance goals and measures for each staff
28. Evaluate each staff's performance annually

**Other**  
 In order of priority

11. Prepare, and revise as required, the Hawaii Agribusiness Plan
17. Twenty days before legislative session, submit a report to the Legislature and Governor
3. Develop an inventory of agricultural lands with adequate water resources
4. Develop an inventory of agricultural infrastructure
23. Evaluate the need to procure insurance
8. Develop strategies to ensure adequate air and surface transportation services and associated facilities
15. Obtain and document approval by the Board of Agriculture before project implementation
16. Obtain from the Board of Agriculture its policies and procedures for approval of ADC's projects
22. Promulgate administrative rules to address the application process for ADC lands and other assets

No. Audit Recommendation		Priority	Status	Partners	Lead: Board/Staff/Consultant	Cost	Timeline or Due Date
1	Update and revise its mission statement to reflect the corporation's purpose more completely as intended by the Legislature to address, among other things, facilitating the development of Hawaii-based agricultural enterprises and strategies to promote, market, and distribute Hawaii-grown agricultural crops and value-added products in local, national, and international markets	Exec	Ongoing	HDOA; CTAHR; Board	Staff	n/a	3-5 months
2	Develop goals, objectives, policies, and priority guidelines that articulate and outline an agribusiness development strategy	Exec	Ongoing	HDOA; CTAHR; Board	Staff	n/a	3-5 months
3	Develop an inventory of agricultural lands with adequate water resources that are or will become available due to the downsizing of the sugar and pineapple industries or for any other reason that can be used to meet present and future agricultural production needs	Other	Completed. See "Statewide Agricultural Land Use Baseline Study" prepared for HDOA.	TBD	TBD	TBD	n/a
4	Develop an inventory of agricultural infrastructure that was or will be abandoned by the sugar and pineapple industries or by any other organization involved in the production of agricultural products such as irrigation systems, drainage systems, processing facilities, and other accessory facilities	Other	Completed. See "Agricultural Water Use Development Plan", which contains development plans for 13 major ag irrigation systems, and "North Kohala Agricultural Water Study."	TBD	TBD	TBD	n/a
5	Prepare an analysis of imported agricultural products and the potential for increasing local production to replace imported products in a manner that complements existing local producers and increases Hawaii's agricultural self-sufficiency	Exec	Ongoing	HDOA; CTAHR; Stakeholders; Consultant	TBD	TBD	3-6 months
6	Develop financial and other programs (such as advisory, consultative, training, and educational) to promote and facilitate the development of diversified agriculture and agricultural enterprises	Exec	Completed. Duplication of function of HDOA's Ag Loan Program, USDA Farm Services Loan Program, Farm Credit Services of Hawaii, and other financial institutions.  Recommendation: Advisory, consulting, training, and education, should not be a function of ADC.	TBD	TBD	TBD	n/a
7	Develop feasible strategies for the promotion, marketing, and distribution of Hawaii agricultural crops and value-added products in local, national, and international markets	Exec	Ongoing. Data collection is required before strategies can be developed.	HDOA; CTAHR; Stakeholders	TBD	\$30,000	4-6 months

No.	Audit Recommendation	Priority	Status	Partners	Lead: Board/Staff/Consultant	Cost	Timeline or Due Date
8	Develop strategies to ensure the provision of adequate air and surface transportation services and associated facilities to support the agricultural industry in meeting local, national, and international market needs	Other	Completed. See "The Demand for Interisland Shipping and the Impact of Shipping Cost on Hawaii Agricultural Production" prepared for the ADC.	TBD	TBD	TBD	n/a
9	Develop proposals to improve data collection and the timely presentation of information on market demands and trends that can be used to plan future harvests and production	Exec	Ongoing. Propose reinstating data collection function at HDOA immediately. Positions needed: 2 Economist, 1 statistician, 1 clerk, and p/t assistant.	HDOA	TBD	\$330,000/yr	TBD
10	Develop strategies for federal and state legislative actions that will promote the development and enhancement of Hawaii's agricultural industries	Exec	Ongoing	HDOA; CTAHR; USDA-PBARC; Stakeholders; Consultant	TBD	TBD	6-8 months
11	Prepare, and revise as required, the Hawaii Agribusiness Plan	Other	Ongoing. Consider updating and adopting the "Increase Food Security & Food Self Sufficiency Strategy" from 2012.	HDOA; DBEDT; CTAHR; Consultant	TBD	TBD	10-12 months
12	Prepare short- and long-range strategic plans to facilitate development of Hawaii-based agricultural enterprises to grow and export agricultural crops and value-added products	Exec	Ongoing. Data collection is required before strategies can be developed for export crops and value added products.	HDOA; CTAHR; Stakeholders; Consultant	TBD	TBD	3-6 months
13	For each project, prepare or coordinate the preparation of business and agricultural development plans, as required by 163D-7, HRS	Exec	Ongoing	TBD	Staff	TBD	6-8 months
14	Evaluate retaining consultants and other outside technical assistance to develop a current Hawaii Agribusiness Plan, short- and long-term strategic plans, business and agricultural development plans, and other tasks necessary to carry out the purposes of Chapter 163D, HRS.	Admin	Ongoing. Pending appropriation.	Consultant	Staff	\$200,000	2-4 months

No.	Audit Recommendation	Priority	Status	Partners	Lead: Board/Staff/Consultant	Cost	Timeline or Due Date
15	Obtain and document approval by the Board of Agriculture for agricultural projects, agricultural development plans, and project facility programs, before implementation, as required by Section 163D-8.5, HRS.	Other	Completed. See Feb 26, 2008 Board of Agriculture Meeting minutes delegating authority to the ADC Chairperson to approve ADC projects as permitted under section 26-16.	Board	Staff	n/a	n/a
16	Obtain from the Board of Agriculture its policies and procedures for approval of ADC's projects under Section 163D-8.5, HRS, including any delegations of authority.	Other	Completed. See Feb 26, 2008 Board of Agriculture Meeting minutes delegating authority to the ADC Chairperson to approve ADC projects as permitted under section 26-16.	Board	Staff	n/a	n/a
17	Twenty days before each legislative session, submit a report of the corporation's plans and activities to the Legislature and Governor, as required by Section 163D-19, HRS.	Other	Ongoing	n/a	Staff	n/a	11/25/2021
18	Develop written policies and procedures relating but not limited to: a. ADC Board oversight. The policies and procedures should address, among other things, the matters of types of matters that must be presented to the Board for information, consideration, and/or action; criteria establishing the actions which the Executive Director may authorize without the Board's approval, including powers delegated by the Board to the Executive Director, if any, as well as the process to periodically review the delegated authority; and the recordation of actions taken by the Board, which may include, among other things, confirmation of the Board's approvals, approvals with amendments, rejections and/or deferrals; b. Land and other ADC-owned property disposition application processes. The policies and procedures should address, among other things, the internal processes for evaluating applications for use of ADC-owned property (license, permit, right of entry, etc.) including criteria upon which applications are evaluated; and checklists to document completion of each step of the process, receipt of required information and timely communication with the applicant c. Property management. The policies and procedures should address, among other things, the process to confirm the receipt of all required documentation and other information, such as certificates or other evidence of compliance with federal and state requirements, performance bonds or other security, certificates or other evidence of insurance; for inspection of ADC properties, including the information of types of information that should be documented and the frequency of inspections; for enforcement of license/permit/right-of-entry terms and conditions, including, issuance of notices of default; to evaluate the need for an type of security measures for a specific parcel; and to document completion of required processes or activities. d. File and document management. The policies and procedures should address, among other things, the types of documents retained by ADC and organization of those documents; staff responsibility for performing each file and document management task; document retention; and report of any release or personal information.	Admin	Ongoing	Board	Staff	n/a	2-4 months

No.	Audit Recommendation	Priority	Status	Partners	Lead: Board/Staff/Consultant	Cost	Timeline or
							Due Date
19	Create an electronic database that includes, among other things, an inventory of the corporation's lands, improvements, and other assets. The database should include all information reasonably necessary to manage those assets, such as the material terms of licenses, permits, rights of entry, and other agreements to use or occupy ADC assets; and should allow ADC to generate reports necessary for management of its assets, such as current tenant lists, vacancy rates, rent rolls, rent reopening dates, and license, permit, or right of entry termination dates	Admin	Ongoing	Consultant	Staff	\$65,000	12-18 months
20	Create a filing system (or electronic document management system) that maintains documents in an organized manner and allows for the efficient retrieval of documents and/or files.	Admin	Ongoing	Consultant	Staff	TBD	12-18 months
21	Evaluate the retention of a private property management company to manage some or all of ADC's properties	Admin	Ongoing	Consultant	Staff	TBD	2-4 months
22	Promulgate administrative rules to address, among other things, the application process for the use of ADC lands and other assets, including ADC's process for evaluating applications; ADC's administration and enforcement of the terms and conditions of licenses, permits, rights of entry, and other conveyance instruments, including those related to inspections, notices of default, termination, eviction, and appeal rights; criteria and other procedures to create subsidiaries; criteria and other procedures to co-venture, i.e., to invest in qualified securities of an agricultural enterprise, and to make direct investment in an agricultural enterprise; criteria and other procedures to apply and qualify for allowances and grants; criteria and other procedures to exercise ADC's right of withdrawal from licenses, permits, and rights of entry; and criteria and other procedures to apply and qualify for rent credits.	Other	Ongoing	Board	Staff	TBD	10-12 months
23	Evaluate the need to procure insurance against loss in connection with ADC-owned properties	Other	Ongoing	TBD	Staff	TBD	TBD
24	Obtain an opinion from the State Procurement Office as to whether the corporation's practice of offering negotiated rent credits to tenants and prospective tenants in exchange for services in common areas, unoccupied properties, or properties occupied by other tenants, such as road and reservoir construction, and/or materials is permitted under the Hawai'i Procurement Code.	Admin	Ongoing	ATG; SPO	Staff	n/a	TBD
25	Attend training on the Hawai'i Procurement Code, Chapter 103D, HRS.	Admin	Completed. Staff has completed all necessary procurement training.	SPO	Staff	n/a	1-2 months
26	Fill vacant staff positions with qualified persons in a timely manner.	Admin	Ongoing. Recruiting process in progress.	HDOA	Staff	n/a	24-36 months
27	Develop and document annual performance goals and measures for each staff.	Admin	Ongoing	HDOA	Staff	n/a	1-2 months
28	Evaluate each staff's performance annually and document that evaluation.	Admin	Ongoing	n/a	Staff	n/a	12/1/2021

No.	Audit Recommendation	Priority	Status	Partners	Lead: Board/Staff/Consultant	Cost	Timeline or Due Date
29	Develop and document annual goals and performance measures for the Executive Director that allow the Board to evaluate the Executive Director's work, annually, to ensure compliance by the corporation with statutory requirements and achievement of its statutory purposes, among other things.	Board			Board		
30	Evaluate the Executive Director's performance annually based on the annual goals, performance measures, and other relevant criteria; document that evaluation	Board			Board		
31	Document the specific authority delegated to the Executive Director, including, but not limited to, the types of access and use of ADC property for which the Executive Director can approve without notice to or approval by the Board; and the rent credits and other amendments to Board-approved contract terms for which the Executive Director can approve without notice to or approval by the Board	Board			Board		
32	Attend training on the State's open meetings law (the Sunshine Law) Part I of Chapter 92, HRS.	Board			Board		
33	Ensure that the Board's minutes sufficiently document "[t]he substance of all matters proposed, discussed, or decided," among other things, as required by Section 92-9(2)(3), HRS.	Board			Board		

DAVID Y. IGE  
Governor

JOSH GREEN  
Lt. Governor



JAMES J. NAKATANI  
Executive Director

STATE OF HAWAII  
**AGRIBUSINESS DEVELOPMENT CORPORATION**

235 S. Beretania Street, Room 205  
Honolulu, HI 96813  
Phone: (808) 586-0186 Fax: (808) 586-0189

April 28, 2021

Subject: Review and Discussion of the Agribusiness Development Corporation's  
Mission Statement, Goals, and Objectives

Authority: Section 163D-4(a)(5), Hawaii Revised Statutes

**BACKGROUND:**

Pursuant to Act 28, Session Laws of Hawaii 2019, the State Office of the Auditor conducted an audit (Report No. 21-01) of the Agribusiness Development Corporation (ADC), which was submitted to the Legislature on January 14, 2021. Among the recommendations contained in his report, the auditor recommended that ADC update and revise its mission statement to reflect the corporation's purpose more completely as intended by the legislature, and develop goals, objectives, policies, and priority guidelines that detail ADC's development strategy.

The creation of ADC was the result of the enactment of Act 264, Session Laws of Hawaii 1994. At that time, the Legislature found that the shutting down and downsizing of the sugar and pineapple industries, resulting in abandoning arable lands, along with miles of irrigation systems, roadways, and other agricultural facilities presented an opportunity to transition agriculture in Hawaii from a two-crop plantation industry to a multi-crop diversified industry. The ADC was to become the public corporation to administer an aggressive and dynamic agribusiness development program to achieve this goal.

In 2013, the Legislature began allocating funds to the ADC towards acquiring agricultural lands from private landowners such as the George Galbraith Estate, and other former plantation lands to transition these large tracts of land into smaller diversified farms. Since then, ADC began to shift its focus, which for the decades consisted of asset management and research and development, to acquiring, developing, and making lands available to the agricultural community, the foundations that are fundamental to successfully expand diversified agriculture before it casts its wide net over other areas of agribusiness. Those foundations and therefore ADC's goals are to put its lands into commercial agriculture production, enhance postharvest services such as, cold storage, product packaging, and assist its farmers with meeting food safety regulations and requirements. These goals along with ADC's objectives to accomplish its mission are outlined in ADC's strategic plan, which was submitted to the Legislature and posted online on ADC's webpage.

**DISCUSSION:**

The ADC's mission is to acquire and manage, in partnership with farmers, ranchers, and aquaculture groups, selected arable lands, water systems and infrastructure for commercial agricultural use, and to direct research into areas that will lead to the development of new crops, markets, and lower production costs.

The ADC's goals and objectives are as follows:

<p><b>Goal 1:</b>          Acquire and develop productive agricultural lands for agricultural development.</p>	<p><b>Goal 2:</b>          Assure the continued availability of adequate, reasonably priced water to lands to accommodate present and future agricultural activities.</p>	<p><b>Goal 3:</b>          To improve the productivity of agriculture operations by providing brick and mortar facilities, as needed, and promote efficient profitability by enticing the development of applied research and innovation on State lands and in State owned facilities.</p>
<p>Objective 1: To maximize utilization (100% occupancy) of ADC agricultural land resources for diversified agribusiness.</p>	<p>Objective 1: To develop a master irrigation plan which incorporates system development, watershed management, and recycled water.</p>	<p>Objective 1: To identify and deploy viable new techniques and tools to improve crop and livestock yield and marketability.</p>
<p>Objective 2: To implement the State's goal to double local food production and consumption.</p>	<p>Objective 2: To maintain and improve the efficiency of existing irrigation systems.</p>	
<p>Objective 3: To reduce food imports.</p>	<p>Objective 3: To expand agricultural water resources.</p>	
<p>Objective 4: To acquire and make agricultural lands available for production.</p>		
<p>Objective 5: Educate the public on the importance of local agriculture and farming to our state and economy and food supply during the COVID-19 pandemic.</p>		

ADC's mission is the organization's identity and is the key enabler to what it does. Since 2013, the ADC has acquired over 3,300 acres of land and issued long-term agreements for over 2,000 acres of former plantation lands on Kauai and Oahu to commercial growers producing food for local consumption and improved critical agricultural infrastructure to ensure these systems can support agriculture for generations to come. Simultaneously, the ADC has worked on the development of postharvest and value-added facilities and other zero waste initiatives that are beneficial to agriculture and the environment to avoid any resulting, potentially troublesome situations going forward.

The overall goal of ADC is to develop agriculture and increase production, which is what the framers of ADC had in mind when they created the organization. To achieve this promptly, the ADC must attract and retain successful agriculture operations that are economically viable, and that possess the working capital to weather business risks. There has been a push by policymakers to dissolve the ADC and repurpose its staff and resources to promote non-commercial subsistence

farming and/or commercial farms on 10 acres and less. It's rare to find any assistance program that tackles both the large and small operations within the same program simply because different scales of operations require different types of assistance, and demand different levels of attention. While, the ADC appreciates the productivity of very small or subsistence farming, its task is to re-develop agriculture as an industry rather than as an activity.

According to the University of Hawaii Economic Research Organization's (UHERO) report dated January 21, 2021, research shows that any program oriented toward reviving agriculture in Hawaii should be cautious about emphasizing starting up and assisting very small commercial farms. The report explains that while subsidizing such ventures could be politically attractive, it is unclear whether very small commercial farms can make a profit in Hawaii's globally open and competitive agricultural market. The report goes on to say that the mission assigned to ADC has already been accomplished for very small farmers by the state's Agricultural Parks program. According to the report, the ADC was designed to be a much larger scale program than the Agricultural Park program and its enabling legislation give it more flexibility than the Park program.

The ADC believes it can make a larger impact on moving Hawaii's agriculture industry by continuing to focus on commercial, or economically viable agriculture production. The ADC does not have the capacity or programs to develop startups and small farms as evident by the trials and tribulations it faced developing over 450 acres of the Galbraith Lands for small farmers, which is more than double the amount mandated by the City and County of Honolulu. Moreover, as the UHERO report pointed out, there are other successful established programs to assist subsistence farming and very small commercial farms like the Hawaii Department of Agriculture's Agricultural Park program.

CONCLUSION:

The ADC believes that its mission statement, goals, and objectives as currently drafted accurately reflect the corporation's purpose as intended by the legislature. They clearly describe the purpose of the organization, the activities to accomplish our purpose, and it identifies what we intend to accomplish on behalf of the State. ADC's mission statement, goals, and objectives lay the foundation for expanding agriculture, which the ADC plans to build upon as it progresses towards its over-arching destination, which is to increase agriculture production. Agriculture is continuing to evolve worldwide, and the ADC remains open to new ideas and/or technology. For these reasons, ADC plans to review and reevaluate its mission statement, goals, and objectives recurrently to ensure they are relevant and attainable.

RECOMMENDATION:

The ADC recommends keeping its mission statement, goals, and objectives as written.

Respectfully submitted,



James J. Nakatani  
Executive Director

DAVID Y. IGE  
Governor

JOSH GREEN  
Lt. Governor



Item O

JAMES J. NAKATANI  
Executive Director

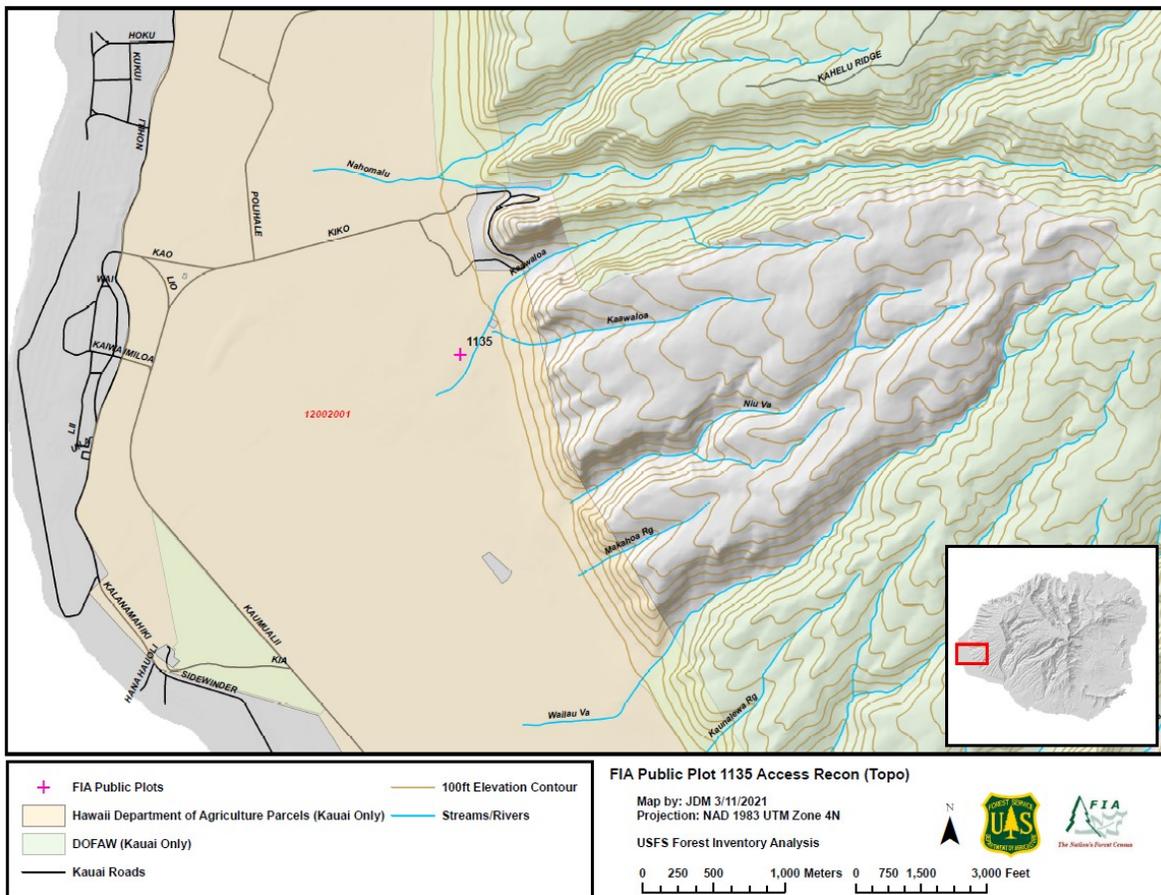
STATE OF HAWAII  
**AGRIBUSINESS DEVELOPMENT CORPORATION**

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**ADC Executive Director's Update**

April 28, 2021

1. Kekaha

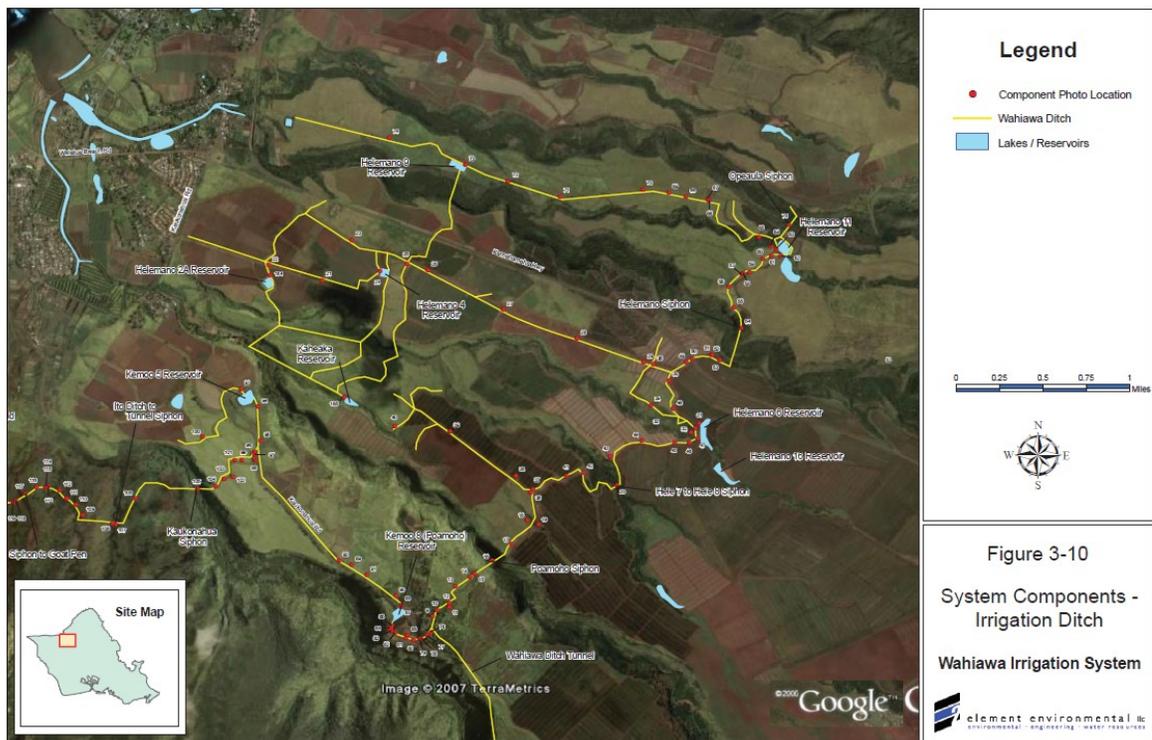


The USDA Forest Service conducted a forest inventory and analysis (FIA) in Kekaha as part of a nationwide forest census that includes all 50 states and associated U.S. territories. The area was initially visited in 2010 through 2015. FIA monitors and measures the health, condition, and trends of our forest. The data collected can answer questions about tree species, size, and overall health; tree growth and mortality; carbon shortage; the presence and severity of invasive plants and pathogens including Rapid 'Ōhi'a Death; as well as changes in forest cover and use over time. A landowner summary will be available in May 2021.

2. Kalepa

ADC has received a request from the Department of Land and Natural Resources, Division of Forestry and Wildlife (DOFAW) for hunters to access certain lands adjacent to ADC's Kalepa property due to damaged bridge that prohibits access through Wailua. ADC will consult with Kalepa Coalition and DOFAW to potentially draft a short-term right of entry until the bridge is repaired.

3. Wahiawa



ADC staff have been in discussions with Dole Food Company, Inc. for over ten years about the Wahiawa irrigation ditch, reservoir (Lake Wilson), and dam and spillway (collectively, "system"). The dam is a high hazard dam with maximum capacity of 3 billion gallons of water. There is interest in the reservoir and dam for potential hydroelectric power generation by a private entity. Ideally, Dole would prefer to sell the entire system to one entity as one transaction. However, ADC is interested primarily in the ditch system. The ditch consists of a main ditch and a network of connected ditches. In 2007, ADC secured a study by Element Environmental to study approximately 30 miles of ditch, tunnels and siphons that historically irrigated approximately 12,000 acres of sugarcane, and 5,000 acres of pineapple with about 50mgd. The ditch currently irrigates about 250 acres of ADC lands above Wailua. Staff is considering presenting Dole with a Letter of Intent to purchase the ditch.

ADC and the University of Hawaii ("UH") have reached agreement on the terms of the lease agreement for Tamura's Warehouse. ADC's board has previously approved the issuance of the lease. We are awaiting word from UH on their board's action.

4. Galbraith

Recently approved Galbraith tenants have begun utilizing their premises. Bounpheng Farm drafted their conservation plan and obtained approval for it, cleared the land, finished installing a small irrigation pond, and executed their license. They are currently tilling the soil and expect to begin planting within the next 30 days. The other two approved applicants, Glory Herb Farm and Zhao's Produce, are at various stages of their conservation planning.

5. Legislative Update

The Hawaii State Legislature has deferred two bills pertaining to ADC. Measures that were deferred is S.B. 335 and H.B. 1271.

S.B. 335, introduced by Sen. Mike Gabbard (District 20 – Kapolei, Makakilo, Ewa), requires the Department of Agriculture and Agribusiness Development Corporation to annually lease at least fifty per cent of land leased or up for lease renewal to operations whose primary business is local food production beginning 1/1/2022. Requires the Department of Agriculture and Agribusiness Development Corporation to submit reports to the legislature on leasing activities.

H.B. 1271, introduced by Rep. Amy Perruso (District 46 – Wahiawa, Whitmore, Launani Valley), dissolves the Agribusiness Development Corporation and transfers all lands and staff, except for the executive director, to the department of agriculture.

6. Administrative

Staff have been researching and engaging in discussions with a number of land management/accounting software companies as we seek to address some of the audit concerns. Staff have already demo'd AppFolio and a demo from Yardi for their Voyager software suite is set for the week of May 3<sup>rd</sup>.