

**AGRIBUSINESS DEVELOPMENT CORPORATION**

Minutes of the Board of Directors Meeting held Virtually on June 23, 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, and the Public participating via Zoom meeting venue.*

**Members Present, virtually:**

Sandra Kato-Klutke, Kauai County Member (Chairperson)  
Mary Alice Evans, Designated Representative, DBEDT, Ex-Officio member (joined at 9:08 a.m.)  
Lloyd Haraguchi, Member-At-Large  
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, DOA, Ex-Officio Member  
Warren Watanabe, Member-At-Large  
Glenn Hong, Member-At-Large (joined at approximately 10:08 a.m.)

**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  
Stephen Dalton, IT Specialist, DOA

**Guests Present, virtually:**

Representative Amy Perruso  
Thora-Jean Cuaresma

A. Call to Order

Chairperson Kato-Klutke called the meeting to order at 9:09 a.m.

B. Roll Call

Mr. Roe conducted a roll call of the Board: 9 of 11 members present. Chair announced that the roll call would serve as the basis for subsequent votes. For each vote, the Chair will ask if there are any objections. If there are none, the motion will be carried on the same basis as the initial roll call.

C. Approval of Minutes

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1. Board of Directors Meeting

i. April 28, 2021

Motion to approve by Ms. Shimabukuro-Geiser; second by Mr. Watanabe

Chair asked if there was any discussion from the Staff; none.

Chair asked if there was any discussion from the Public; none

Chair asked if there was any discussion from the Board; none.

*Hearing no objections, Chair announced that the motion had passed.*

2. Executive Session

i. December 16, 2020

Motion to approve by Ms. Shimabukuro-Geiser; second by Mr. Schenk

Chair asked if there was any presentation by the Staff: none.

Chair asked if there was any discussion from the Public: none.

Chair asked if there as any discussion from the Board: none.

*Hearing no objections, Chair announced that the motion had passed.*

ii. February 24, 2021

Motion to approve by Ms. Shimabukuro-Geiser; second by Mr. Watanabe

Chair asked if there was any presentation by the Staff: none.

Chair asked if there was any discussion from the Public: none.

Chair asked if there was any discussion from the Board: none.

*Hearing no objections, Chair announced that the motion had passed.*

iii. April 28, 2021

Motion to approve by Ms. Evans; second by Ms. Shimabukuro-Geiser

Chair asked if there was any discussion from the Staff: none.

Chair asked if there was any discussion from the Public: none.

Chair asked if there was any discussion from the Board: none.

*Hearing no objections, Chair announced that the motion had passed.*

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- D. Request for Approval to Issue Amended Revocable Permit to The Davey Tree Expert Company and the Davey Tree Surgery Company for 21,393 Square Feet of Space, More or Less, in Whitmore, Oahu, Tax Map Key (1) 7-1-002-004

Ms. Evans moved to approve the staff recommendations; second by Mr. Hopkins.

Staff rested on written submittal; Mr. Roe was available for questions.

Chair asked for comments or questions from staff, public, and Board.

Ms. Shimabukuro-Geiser asked for clarification regarding the square footage, noting that the agenda and the submittal listed different numbers. Mr. Roe acknowledged the mistake and noted that the correct number was 21,393 square feet.

Mr. Hopkins asked if ADC had contracted out the services that Davey Tree Expert Company had been providing in lieu of rents. Mr. Roe explained that Davey Tree would be providing groundskeeping services in June but that ADC would need to procure services for groundskeeping afterward

*Hearing no further objections or questions, Chair announced that the motion had passed.*

- E. Request for Approval to Renew Revocable Permit No. RP20-20 Issued to Kelena Farms, Inc. for 345.38 Acres, More or Less, in Waialua, 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

Ms. Evans moved to approve staff recommendations, second by Mr. Schenk.

Staff rested on written submittal; Mr. Roe was available for questions.

Chair asked for comments or questions from staff, public, and the Board.

Mr. Roe noted that the Board had approved the issuance of a license for this property to Kelena Farms but that the license was not yet ready to be executed. As such, in the interest of keeping the land rights properly documented, staff recommends renewing the revocable permit.

Mr. Manuel asked for clarification that the Board had approved the issuance of a license but that it was not yet executed. Mr. Roe confirmed and noted that the license has been sent but that Kelena Farms was holding off on execution pending confirmation that ADC has successfully purchased easements to certain wells owned by Dole Food Company.

*Hearing no further objections or questions, Chair announced that the motion had passed.*

- F. Presentation by Michael Crowley of Sacred Bungalows and HempVek Corp.

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Presenter was unable to present.

G. Request for Approval to Amend the Water User Agreement for Bott Well Pump Station in Wahiawa, Oahu

Mr. Manuel moved to approve staff recommendations; second by Mr. Haraguchi

Staff rested on written submittal; Mr. Nakamoto was available for questions.

Chair asked for comments or questions from staff, public, and the Board.

Mr. Nakamoto noted that when ADC first executed the Water User Agreement with tenants, the cost of diesel fuel was \$1.70 per gallon. As of last week, the cost of diesel fuel is \$2.44 per gallon. ADC does not foresee the cost of diesel going down in the near future and requested the price adjustment to cover costs. Mr. Nakamoto acknowledged past requests to conduct a water study and noted that this was the first year that ADC has been gathering data while operating the well at near maximum capacity. He also noted that ADC had conducted a cost analysis to verify the cost of providing water to Galbraith users and it was attached as Exhibit B of the submittal.

Mr. Lau asked if ADC had been in contact with users regarding the amount of increase and if any feedback had been received. Mr. Nakamoto noted that staff had sent out a notice to users advising of rising costs and making them aware that a rate increase may be forthcoming. He acknowledged that the increase would not be easy but that staff did not foresee the cost of diesel going down in the near future and that ADC could not afford to continue to subsidize the cost.

Ms. Shimabukuro-Geiser asked if ADC had considered incremental increases over time as opposed to one steep jump in the price of water. Mr. Nakamoto responded that an incremental increase was not considered.

Ms. Shimabukuro-Geiser asked if the Board chose not to pass this increase, did ADC have budget reserves to continue to cover the costs of providing water. Mr. Nakamoto noted that ADC had a purchase order for a bit over \$30,000 for fuel and that would help cushion the price increase. Mr. Nakatani added that the fuel was a direct cost of the price of fuel. ADC is not inclined to operate a system where we absorb that amount of loss. He also noted land rents at Galbraith were low because water costs were anticipated to be high.

Mr. Hopkins asked if it might be more appropriate to institute a fuel adjustment charge that didn't necessitate Board action. Mr. Nakatani acknowledged that staff may need to come to the Board again for a future adjustment and that staff were looking at other systems, as well, to levy water delivery costs. He noted that the alternative to expensive water was no water.

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Mr. Manuel noted that he strongly recommended conducting a water study to help defend the rate increase. He asked what the average monthly water invoice to tenants was. Mr. Nakatani explained that Galbraith famers were planting and were making money, but that there were a couple tenants who were behind. He also noted that water was an unavoidable cost of farming. Mr. Manuel asked again about the average monthly cost to users. Mr. Nakatani said that he did not know.

Mr. Manuel noted the various costs of delivery and average water use of the tenants and asked if the goal was to break even for costs. Mr. Nakatani said that there were multiple expenses associated with operating and maintaining the well, but that ADC was trying to run the well with very minimal costs. Mr. Manuel noted that based on the discussion, he had reservations about the increase.

Mary Alice Evans asked if the cost of operating the well took into account water theft. Mr. Nakamoto said it did not and that ADC did not currently have a problem with water theft. He also noted that ADC could provide the average water cost to tenants to Mr. Manuel.

Ms. Evans asked if it would be cost prohibitive to set up a meter for each farm. Mr. Nakamoto noted that each farm was metered for water use. He noted our maintenance contractor provides meter reading services and our operator, Kelena Farms, monitors the meters, as well

Ms. Shimabukuro-Geiser asked to confirm that multiple notices had been sent to users regarding the rate increase. Mr. Nakamoto responded that he didn't know about multiple notices, but that users had been made aware that an increase was possible. Mr. Roe noted that tenants at Galbraith had been noticed approximately three weeks ago that a rate increase was likely and that water rationing may be necessary in the summer months. Ms. Shimabukuro-Geiser asked if any indication had been given of how much the increase might be. Mr. Roe responded that a specific amount was not mentioned in the email but that in his conversations with tenants, he had made some aware and that there was concern about a steep hike.

Ms. Kato-Klute asked how many tenants this rate increase would affect. Mr. Roe responded that it would affect 10-11 tenants at Galbraith.

Hearing no further questions, Chair noted that there may be objections to the motion and asked for a show of hands of Board members who approved the motion.

*Chair announced the motion was passed with six (6) members voting yes, and four (4) members voting yes with reservations.*

Chair acknowledged a member of the public.

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Ms. Cuaresma addressed the Board and requested they follow-up on conducting a water study.

- H. Notice of Appeal from Denial of Access to General Records (U APPEAL 21-27) by Ms. T.J. Cuaresma on ADC's responses to 7 of 10 document requests made by Ms. Cuaresma on behalf of Representative Amy Perruso.

Chair noted that the Board may go into executive session pursuant to HRS §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 if there was any testimony from the community on this matter; there was none.

Motion by Mr. Manuel to enter executive session; Second by Mr. Schenk.

*Chair asked for comments or objections from staff, the public, and the Board. Hearing none, the Board went into executive session at approximately 9:40 a.m.*

Board returned from executive session at approximately 10:12 a.m.

- I. Update on Legislative Investigative Committee to (a) follow up on the audit of ADC, Report No. 21-01, (b) examine the recommendations made in those audits, and (c) for purposes of improving the operations and management of ADC, its funds, and any other matters

Mr. Nakatani noted that he didn't have an update except to note that the House of Representatives had announced the committee members.

Chair asked for comments from the public; there were none.

Chair asked for comments from the Board.

Mr. Schenk asked if the Investigative Committee had noted when committee work might begin. Mr. Nakatani noted that no information had been received.

Ms. Shimabukuro-Geiser noted that the House had issued a press release on June 14, 2021 announcing the Speaker's appointees to the investigative committee. Chair noted that she had also received the notice, and advised the Board that they would likely all be called to testify before the committee.

- J. Update on the Progress of the Investigative Tenant Review and Recommendation Committee

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Chair recognized Mr. Nakamoto who updated the Board on the progress of the Investigative Tenant Review and Recommendation Committee. ADC received 33 land applications by locations. The committee reviewed the applications to rate the applicants but has asked for clarification from the Board on a number of questions: (1) whether proposed uses such as photovoltaic, industrial hemp, sod production, or subletting is intended; (2) how to approach concerns about an applicant who intends to farm diversified crops who requested parcels with little to no access to water. The committee would like assurances that applicants are aware of the nature of the parcels for which they are applying.

Mr. Watanabe, chair of the committee, concurred with Mr. Nakamoto's presentation and noted that the committee wanted some assurance from the applicants that they understood their responsibilities should they be awarded certain lands, as well as confirmation that the applicant is aware of the nature of the parcel for which they applied.

Mr. Lau noted the work the committee put into the application process and acknowledged the quality of the applicants. He also observed how much more there was to evaluating applicants than the face-value of their applications. The committee will be following up with interviews of the applicants and will need clarification from the Board regarding certain uses.

Mr. Manuel asked for clarification on the strategy for offering parcels to particular applicants. Mr. Lau noted that the committee had not made a decision on that. He is concerned because he wants to be certain that the applicants are aware of the nature of the parcels for which they applied.

Chair asked, before any further discussion from the Board, if there were any questions or concerns from the public.

Representative Perruso asked about how the farmers were informed about the conditions of the property, noting that she felt incomplete information about the parcels was made to the public, particularly that information related to abandoned vehicles and challenges to irrigation water access was lacking. Mr. Lau stated that was not correct and noted that the request for applications included detailed information about the various parcels. Further, that applicants had multiple opportunities to meet and view the parcels. Mr. Nakamoto noted that ADC sent out requests for applications to individuals who had submitted expressions of interest, gave notices to local, state, and federal organizations, printed a notice in the Star Advertiser, as well as posted the press release and request for application prominently on ADC's website.

Ms. Cuaresma stated that she went through the ADC website and the request for application documents and said that she believes that some of the information was inaccurate. She requested the name of the agencies with whom ADC made public notice. Mr. Nakamoto agreed with Ms. Cuaresma that some portions of certain properties are difficult to access.

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Chair re-opened discussion to the Board.

Ms. Shimabukuro-Geiser offered to follow up and provide Hawaii Department of Agriculture's land use policies on allowing photovoltaic installations and industrial hemp on prime agricultural lands. She also noted that the Department has also experienced situations when applicants who apply for all advertised parcels, and that unless ADC has a policy that limits the number of parcels for which an applicant may apply, then the applications should be accepted.

Mr. Hong observed that the rating process was a quantitative process and that the current discussion was about qualitative issues that need to be considered. He suggested that the qualitative ranking be used to pare down the list of applicants, then to evaluate the finalists through a qualitative process to ensure we have the best applicants.

Mr. Manuel asked if the Board was being asked to formally respond to the questions of permitted uses. Mr. Watanabe said he wasn't sure how prepared the Board was to offer guidance immediately on these questions but that he wanted to move the application process forward as soon as possible. Mr. Manuel asked about the process for making this decision and the need to adhere to the principles of sunshine laws. Ms. Evans noted that she felt now was a good time for the Board to have this discussion. Mr. Lau noted that he wanted the discussion to occur at the meeting, and that the committee wanted confirmation from the Board regarding the minimum parcel size of 100 acres.

Ms. Shimabukuro-Geiser noted that hemp-production is considered legal as long as the farmer has a federal license. On other issues: photovoltaic should be allowed as an accessory use, but not as the primary purpose of the land use, and that solar utility operations are not allowed on A-rated agricultural lands and should be discouraged on A and B lands.

Ms. Evans said that she agrees with having larger parcels on Oahu. A majority of consumers live on Oahu and in order to double local food production by 2030, ADC should limit Oahu leases to food production and there are plenty of C, D, and E lands available for solar utility production.

Mr. Manuel noted that he supports Ms. Shimabukuro-Geiser's and Ms. Evan's ideas from a state policy perspective. ADC should focus on farming and local food production and hemp and sod are not food. He also noted that he might allow subletting but it would need Board approval, and 100 acres minimum lot size is consistent with ADC's approach.

Ms. Shimabukuro-Geiser said that for subletting, HDOA requires Board approval and such a provision should be included in any ADC license that permits sublicensing.

Mr. Manuel asked if a farmer would need land before they qualified for a federal hemp license. Mr. Nakatani said staff would follow up.



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Mr. Hopkins noted that lessees should be required to manage any sublessees so that staff is not further burdened. Mr. Nakatani agreed and noted that the Board would have oversight of any sublease approvals and that we could draft a license that would prevent such a situation.

Mr. Lau asked if now was a good time to get into the particulars of one application that requested to sublease. Mr. Nakatani recommended only a general discussion on the broader policy of subleasing. Ms. Kato-Klutke said that farmers want to know as soon as possible after applying if they would get the land.

Mr. Hong said he supports food production as a priority. If solar is an ancillary, he could support it. He also noted that on Oahu, production should be located near the consumption. He also suggested a future discussion on ADC's strategic plan.

Mr. Lau noted that the applicants who were proposing sod production were also proposing 75% food production and asked if no less than 50% in food production was something the Board agreed with.

Mr. Watanabe noted that shipping played a significant part of food costs and that while he recognized that production should occur near consumption, that was true for the neighbor islands, as well.

The chair asked that the committee make a recommendation for the approval of tenants at the next meeting in August.

### **K. Executive Director's Update**

Mr. Nakatani noted that Tamura's warehouse had been mostly cleaned up and that a ground-breaking was happening as the Board was meeting. He reported that the HONU project in Whitmore has been successful in helping a number of local families find permanent shelter. On the Big Island, ADC previously awarded a \$7,000 grant to Hawaii Agricultural Research Center for papaya research which led to a farmer who has been able to produce papaya in seven months. He also noted that the landfill and shooting range proposals under discussion for Kalepa have footprints which overlap.

Ms. Kato-Klute noted that the landfill and shooting range proposals are for lands rated B and asked why ADC would consider such uses for good agricultural land. Mr. Nakatani noted that these are not ADC's projects and that DLNR had ultimate oversight of those lands.

Chair asked for any questions from the public on the Executive Director's report; there were none.

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Mr. Hopkins asked for clarification on the lands that were being requested for the landfill and shooting range. Mr. Nakatani noted that the Kalepa lands were DLNR lands which had been set aside to ADC via executive order.

Ms. Evans asked if the EO listed a purpose and what it was. Mr. Nakatani said staff would check on it but that current uses included food production and energy production.

L. Regular Election to the Offices of Chairperson and Vice-chairperson

Chair noted that the chairperson and the vice-chairperson shall be elected by the Board of Directors from among its members provided that neither of them shall be an ex-officio member. The terms of office shall be for 12 calendar months from July 1 – July 30 [sic] of the following year, or until their successor is duly elected.

*Note: the correct term of office is July 1 – June 30 of the following year.*

Chair opened the floor for nominations to the office of Chairperson and Vice-chairperson.

Mr. Watanabe nominated Mr. Lau for Chairperson.

Mr. Hopkins nominated Ms. Seddon for Chairperson.

Mr. Haraguchi moved that the nominations be closed; motion was seconded by Mr. Hopkins.

*Chair asked for a show of hands to vote for Mr. Lau or Ms. Seddon; Chair announced that Mr. Lau was elected.*

Chair opened the floor for nominations for the Vice-chairperson.

Mr. Haraguchi nominated Mr. Watanabe for Vice-chairperson.

Mr. Lau moved that the nominations be closed; motion was seconded by Ms. Evans.

Chair asked if the public had any comments on the nominations; there were none.

*Chair announced that Mr. Watanabe had been elected as Vice-chairperson and offered her congratulations.*

Chair announced Hawaii Golden Farm and Zhao's Produce, Inc had been awarded grants by the Hawaii Department of Agriculture.

Chair recognized Mr. Schenk who is retiring after 8 years of service as a Board member with ADC, and thanked him for his work. Mr. Nakatani thanked Ms. Kato-Klutke and Mr.

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Schenk for their years of service with ADC. He also thanked former ADC Executive Secretary Lori Nakamura for all of her contributions to ADC, as well.

Various Board members expressed their thanks and appreciation to Ms. Kato-Klutke and Mr. Schenk for their years of service.

Mr. Hong recommended an agenda item for the next meeting to discuss ADC's strategic direction, to include goals and objectives.

Chair noted a vacancy on the policy committee due to Mr. Schenk's retirement and said she would leave the vacancy appointment to Mr. Lau.

M. Adjourn

Motion to adjourn by Mr. Haraguchi; second by Mr. Schenk.

*Motion was approved without objection; meeting adjourned at 11:39 p.m.*

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Lyle Roe", is written over a horizontal line.

Lyle Roe  
ADC Property Manager