

AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Board of Directors meeting of January 28, 2015

Department of Agriculture Conference Room – 4398 Pua Loke Street, Lihue, Hawaii
96766

Members:

Letitia Uyehara	Alan Takemoto
Douglas Schenk	Sandra Kato-Klutke
Yukio Kitagawa	Lloyd Haraguchi
Denise Albano	Phyllis Shimabukuro-Geiser, DOA
Margarita Hopkins	

Absent:

Mary Alice Evans, DBEDT Designee, DLNR

Guests:

Gilles Lebbe, Green Energy Team	Linda Rosehill, Rosehill & Associates
Dawn Huff, KIUC/Joule Group	David Bissell, KIUC
Sherwood Conant, HDOA	Galen Kawakami, DLNR
Derek Rapozo, Rancher	Leslie Milnes, EKWUC/Kalepa
Arumusami Katir, Saiva Church	Hara Nandi, Saiva Church
Clayton Kubo, Kekaha	Fern Rosenstiel, Ohana O Kauai
Wendell Kabutan, self	Joe Manine, self
Hena Calerto-Raco, Waiawa Taro Farmer	

Staff:

James Nakatani
Ivan Kawamoto
Ken Nakamoto
Cindy Doi

Counsel:

Myra Kaichi, Deputy Attorney General

A. Call to order.

Chairperson Uyehara called the meeting to order at 9:05 a.m.

Chair welcomed Phyllis Shimabukuro-Geiser, deputy chairperson of the Board of Agriculture who will be representing the Chair in his absence.

B. Approval of minutes from the December 17, 2014 meeting.

Ms. Hopkins moved to approve the minutes; Mr. Haraguchi seconded the motion; motion carried unanimously.

C. Request to Amend the Prior Board's Approval on August 27, 2014 of a Kalepa Land License to Ms. Aurora Bunao and Mr. Arnold Bunao of a portion of Tax Map Key: (4)3-9-002:020, Kalepa, Kauai, for Approval of a Land Use Change to Eliminate Diversified Agriculture on 4 acres to Ranching only on 179 acres.

Mr. Kawamoto made the presentation. Staff recommended the approval of Ms. Aurora Bunao and Mr. Arnold Bunao's application for a 5-year license for 179 net acres in Kalepa, Kauai with: (1) a license fee of \$50 per acre per year, or \$8,950 per year, for 179 acres, (2) a requirement that applicant join the Kalepa Coalition (KK) or pay a monthly maintenance fee to the KK that would support infrastructure maintenance costs; and (3) a prohibition against sublicensing the whole or a portion of the premises without the prior written approval of the ADC Board.

Ms. Klutke moved to approve the staff recommendation to amend the board's previous approval of Applicants' license terms to also allow a change of use of 4 of the 179 total acres, thereby eliminating diversified agriculture on those 4 acres, and allowing all 179 acres to be used for ranching; Mr. Haraguchi seconded the motion.

Mr. Kitagawa asked if there is a difference between diversified ag and ranching. Mr. Nakatani replied that the board determined that Units A, B and C would be in diversified agriculture for food crop farming. If tenants wanted a license on those parcels it would only be for five years and would be at \$50 an acre a year. The intent was to preserve those parcels for food crops.

Ms. Klutke asked if the Bunao's unit would increase every five years or just \$50 an acre for the next five years. Mr. Nakatani replied that the license is for five years and they would have to come back to the board. At that time the board will look at whether there will be an increase or a longer license term. Ms. Klutke said she would like to tell the community that Kalepa does have diversified agriculture but if the tenant does not want to do diversified ag then we could ask others who are interested. The community is looking at ADC to see what our plans are with our lands. Mr. Nakatani explained that the Bunoas did have diversified agriculture on their property but the operation was not well managed. There is a lot of interest but they do need help to succeed. However more inquiries are being received for this area.

Motion carried unanimously.

Short break was called at 9:20 am. to wait for one more board member.

Chair asked that everyone present today introduce themselves. The presentation will be made first before questions from the board, followed by questions from the public.

D. Kauai Island Utility Cooperative Project Updates: Westside and Kalepa.

David Bissell, representing KIUC, together with Dawn Huff, from Joule Group, updated the progress of the KIUC projects. A power point presentation was made on the Westside project which is coming together and meeting their needs. The Initial phase of the Geotech work is scheduled for February 16 to 28. They will be working with Kekaha Agriculture Association (KAA) and Syngenta to make sure that there will be no impact on their agricultural activities, and if there is impact, KIUC will work to accommodate them. KIUC has met with DLNR, DHHL and Hawaiian Homes Commission, and ADC. The next steps on the pumped storage would be the completion of the initial phase of the Geotech work in May 2015. The Wetlands delineation report should be completed and filed by April 2015. A request for an ADC license and an ROE for further engineering work and environmental and cultural studies should be submitted by June 2015. KIUC will also continue conducting stakeholder meetings with the KAA board, the Kauai DLNR staff, the Waimea community and the Kekaha Hawaiian Homestead Association. KIUC is aiming to be operational in 2018. That is an aggressive schedule, however, and meeting that date will depend on all the permitting agencies responding within the timeframes that are given. Mr. Bissell stated that the Geotech and engineering work is very important as far as cost is concerned, which always needs refining because this project could go higher than expected due to the economics.

Ms. Huff reported on the status of the Kalepa Water project. The executed MOU with East Kauai Water Users Cooperative was done in 2012. Because of the shift at KIUC of the cost-effective solar coming on line and the amount of solar, the water project has gone through another set of iterations, such as a possible store-and-release operation rather than a straight hydro. The idea would be to store energy during the day and releasing that energy in the evening. It would not replace the pump storage project but would be a secondary option to pump storage. Two preliminary permits have both expired. The next steps would be: (1) To complete a resource and financial analysis for store-and-release options; (2) To develop an alternative to the west side pumped storage which is currently on hold; (3) Request an ROE from DLNR; (4) hold community meetings; (5) Submit applications for a stream flow gage; and (6) conduct stream flow and ditch water monitoring for one year.

Ms. Albano asked how building or maintaining a reservoir helps with solar energy storage. Ms. Huff explained that pump storage requires two storage pools. During the day when there is excess solar, you pump water up the hill into the reservoir at the top that holds the water. In the evening, you run it back down through the pipe through the generator. This project has the capability of storing water for two to three days so if the weather is rainy, it accommodates storage for a longer length of time instead of just a daytime low.

Ms. Klutke asked how much viable ag lands are now being utilized that is being taken to have the reservoir built. Ms. Huff replied it is about 25 acres that is being used for crop rotation which varies in use. Ms. Klutke asked about lands that are not cultivated into ag land. Ms. Huff replied the second project is the Puu Opaе would be the second best

option which does not utilize existing ag lands and does use an existing reservoir. KIUC would like to move that project forward but at the moment it is out of their hands as they are waiting on DHHL. They have looked at many options around the island especially on the west side because of the elevation difference.

Mr. Kitagawa asked what is secondary source that is often referred to. Ms. Huff replied that the irrigation on the plains come from Kekaha Ditch which is the primary source. If this project goes forward it would provide a secondary source of irrigation for the plains area. Mr. Kitagawa asked if the primary source of this project is to serve KIUC's purposes. Ms. Huff replied that they would be shuttling the same amount of water up and down with the intention of keeping enough water in that reservoir for irrigation if needed. Mr. Kitagawa asked if they had an estimate of the amount of water that could be used for diversified ag. Ms. Huff replied they could supply what is needed and would be capable of delivering the amount needed, when it is needed. Mr. Kitagawa stated that what and when is needed could be different from KIUC's needs unless the secondary water source is at the level needed. Ms. Huff replied that their plan is to maintain the level in the reservoir to always be able to provide the irrigation needs. Mr. Bissell commented that they would fill the pond and run the water back and forth and have access in the pond but "always" could not be said because there could be times there would be not enough water in it for a couple a days. Ms. Huff stated the design for 30 million gallons was based on what they estimated might be needed for irrigation plus the amount being shuttled up and down. Mr. Kitagawa stated that his concern is that KIUC would provide the farmers only when KIUC did not need it; however, the agricultural needs would be fairly constant so they need to provide the constancy of that amount of water that is coming and going for the agricultural users. Ms. Huff stated if that becomes the farmer's main source of water then additional water can be delivered.

Mr. Calerto-Raco, a taro farmer from Waiawa Valley, asked what valley would the water come down through. Ms. Huff replied it would be piped to Mana. KAA is looking at an extensive irrigation system in the plains; Waiawa valley might be the best access. Mr. Raco stated they are receiving water from Kekaha ditch and occasionally ADC turns on and off that water for irrigation and maintenance. Historically the water use to come down to Waiawa valley and he was wondering, with the meetings with DHHL and trying to restore that Ahuaapua in Waiawa, whether that original water is going to be flowing through that valley. They are trying to work for the water to be returned because right now their water is being diverted from Waimea river. Ms. Huff stated that this project would not be changing the current diversions but just putting the water that is already being diverted into the pipe. Mr. Raco said they will keep in touch with KIUC on this project.

Mr. Manine presented his concerns with this project. He stated that he felt that KIUC's project is not legal and that he is the rightful owner of the property of land that the project is being conducted on. Mr. Nakatani commented that this is an update or briefing of this project with no decision making.

Mr. Kubo commented that the Kekaha ditch system comes from Waimea river and has nothing to do with the Kokee ditch system. He stated that everyone here is so concerned with agriculture but not about the public.

There was a comment that if this is a public meeting, why was it held here. There is no parking for the public to attend.

Mr. Kabutan asked what gives ADC the authority to give the seed companies the water use and by-pass the proper procedures of using the water and be held accountable to returning the water back into the system, uncontaminated and unpolluted. Why is KIUC coming here to ask ADC about the water and not going to the commission to ask about the water. Mr. Nakatani replied that ADC does not by-pass but does go through the proper procedures to the water commission.

Short break was called at 10:40 am.

E. Briefing of the Kalepa roads and water systems.

Mr. Gilles Lebbe from Green Energy Team (GET) briefed everyone with a power point presentation of the Kalepa roads and water systems.

He stated there is one urgent matter that needs attention which is a culvert that channels water from upper Aahoaka reservoir to lower Aahoaka reservoir. When there was heavy rains last year that flooded the area, and the road was used as a dam. The road was not built to act as a dam. They used all their efforts and machines and operators, and reopened the old culverts. They had to bypass the ditch which was silted in, but there is still work that needs to be done. The water is not clogging and can go back to lower Aahoaka reservoir. But there are two culverts that need replacement which he will point out when the members go on the tour this afternoon.

Also, the sides of the road are eroding and if that erosion continues, the road will eventually collapse. Continue to improve the ditch all the way up to lower Aahoaka reservoir so the water can flow.

Two other sections – the first is Kuamoo road to fields G and H - is in very bad shape and should be restored by removing vegetation, restoring drainage and recrowning the road.

The other section is near Mervin Rapozo's fields all the way to Willy Sanchez's fields and GET's fields - the roads have a fencing problem. Mervin Rapozo agreed to move the fence and the Kalepa Coalition (KK) agreed to do the work if GET pays for the materials. There has been some difficulty executing the work.

Another problem area is in Derek Rapozo's field where the fencing is located on the road; Derek does not agree to move the fence. But if they can't move the fence they can't restore the road and they do need access to their fields.

Ms. Hopkins asked how are all of these improvements being financed. Mr. Lebbe replied contractually the KK signed a MOU with ADC to restore and maintain the common element roads. In practice, GET has been paying for all the improvements with the KK paying for materials. In the long run, they have come into a maintenance agreement where the KK does the maintenance.

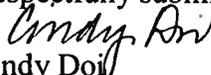
Rev Katir gave some history about the roads before Mr. Lebbe was involved with GET. He stated that with discussion between ADC, DLNR and KK it was decided that each tenant would give 25% of their parcel to GET which totaled 1,000 acres. Regarding the road there was no obligation on the KK to restore the road. That was an understanding that because GET would need the road in good shape in order to do their work they would restore the road. The KK was not obliged to anything beyond maintenance. Before the 10 years while they were on the road it was passable and fixed as needed; their standards were pretty low. Now GET is doing a great job on the road but they have run into infrastructure problems like these culverts which is beyond the call of duty as far as the road because it would cost \$10,000+ to replace the culverts. He had asked ADC to help with that sort of repairs because that is a level of repair that was not anticipated of the restoration of the road. The top section of the road is bad and he would like the ADC to help restore the road and not put all the cost to GET. Regarding the fencing, no one specified the road width at the beginning therefore it is a problem now. He can understand why Derek does not want to give up some of his pasture lands for the widening of the road. But the road does need to be wider. Mr. Lebbe commented that it is not clear on the map when it comes to boundaries but if we want roads, they need the right of way, and it seems that they cannot come to a decision at the KK because of the moving of the fence which is expensive.

Mr. Les Milnes who is the president of KK, commented on the road and fencing. The MOU is to take care and maintain the roads but moving of the fence they did agree that they would participate. The KK did come up with the \$2,000 expense however they did not have the manpower to move the fence so they paid GET to move the fence. There is a continual maintenance program that they have under the MOU for the infrastructure to maintain and make improvements that have been put in by GET. With their RPs being converted to licenses, their rent has gone up and are looking to improving the roads and looking at ADC for support.

F. Adjourn

Mr. Kitagawa moved to adjourn; Ms. Hopkins seconded the motion; motion carried unanimously.

Meeting adjourned at 11:25 am.

Respectfully submitted,

Cindy Doi
secretary

AGRIBUSINESS DEVELOPMENT CORPORATION
Minutes of the Board of Directors Meeting of March 11, 2015
Department of Agriculture Plant Quarantine Conference Room
1849 Auiki Street, Honolulu, Hawaii 96819

Members:

Letitia Uyehara	Alan Takemoto
Denise Albano	Lloyd Haraguchi
Margarita Hopkins	Sandra Kato-Klutke
Yukio Kitagawa	Douglas Schenk
Wayne Thom, DBEDT	

Absent:

Scott Enright, DOA	Designee, DLNR
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Guests:

David Cho, Senator Dela Cruz's office

Staff:

James Nakatani
Ivan Kawamoto
Ken Nakamoto
Lynn Owan
Cindy Doi

Counsel:

Myra Kaichi

A. Call to Order.

Chairperson Uyehara called the meeting to order at 9:10 am.

Chair welcomed Wayne Thom representing DBEDT. He is the manager for the Community-Based Economic Development program at DBEDT. They work with nonprofit organizations statewide, issuing grants and loans to nonprofits for their economic development projects. He also manages the Enterprise Zone Partnership program for the state of Hawaii which provides GET exemptions and income tax credits for small businesses including agriculture and agriculture producers.

B. Approval of minutes of the January 28, 2015 meeting.

Ms. Klutke moved to approve the minutes; Ms. Hopkins seconded the motion; motion carried unanimously.

C. Request for approval to authorize the disposition of a \$120,000 Grant to Malama Kauai, pursuant to Act 122, SLH 2014.

Mr. Nakamoto made the presentation. He stated that this request is to authorize the disposition of a \$120,000 grant to Malama Kauai which is a nonprofit organization established in 2006 that focuses on the development of local food and agriculture systems on Kauai. The grant is for construction funds from the state legislature. The timeline is for about a year which is also the term of the life of the bond. Malama Kauai would have to submit an action and expenditure plan which ADC will approve and oversee. Mr. Nakatani mentioned that it is a "reimbursable" fund in which the recipient would have to front the purchase, then provide invoices to be reimbursed. The recipient wanted to change the contract to fund more planning and design costs; but the grant was written and approved by the legislature for CIP construction material only.

Chair asked for some background. Mr. Nakamoto replied that in 2008 the Kauai County Counsel approved the Kilauea Agricultural Park master plan, a conceptual plans that included a 4-acre energy park, 47 acres of production farming, new farmer incubator plots, a 2-acre farmers' market, a community garden and a regional composting and recycling center. This came about when the Kilauea sugar mill closed and the developer who bought the land promised the County that they would give the land to the County for this kind of development.

Mr. Nakatani stated that this is a "pass through" grant given by the legislature. We are trying to justify spending the funds that were allocated and the recipient must spend the funds properly. ADC will oversee the funds by approving the invoices.

Mr. Nakamoto asked that the second sentence on the third paragraph in the submittal and on the recommendation be deleted, which currently states, "and acquire a project site office structure".

Mr. Schenk moved to amend the approval to authorize the disposition of \$120,000 grant to Malama Kauai for construction of the Kilauea Agricultural Park; Ms. Hopkins seconded the recommended as amended; the motion carried unanimously.

D. Request for approval of a commercial lease to Island Commodities Corporation, located in Honouliuli, Ewa, Oahu, Tax Map Key: (1) 9-1-031:037.

Mr. Kawamoto made the presentation. This is a request for approval of a commercial lease to Island Commodities Corporation located in Honouliuli, Ewa, Oahu. At its meeting on August 27, 2014, the Board approved the acceptance of the set aside from DLNR for agricultural purposes of approximately 3.630 acres of land located within Campbell Industrial Park. As part of a condemnation action between the state and Campbell Estate in 1996, the property was leased to Parker Ranch who then subleased to Island Commodities Corporation (ICC) for the operation of the rendering plant. The Lease's expiration date of September 30, 2015 is the original expiration date between Parker Ranch and Campbell Estate. The existing lease from DLNR to Parker Ranch

allows only Parker Ranch to terminate the lease prior to the expiration date. ADC received a letter from ICC requesting to negotiate a new lease agreement which would take effect upon the expiration of the existing lease to continue its present use of the property. On October 23, 2014, ADC received an appraisal report from ACM Consultants which determined an annual fair market value of the ICC lot. As part of the appraisal, it was determined that the property was not connected to the City's municipal waste water system. It was learned that ICC has been trucking the waste water to the City's Honouliuli facilities for proper disposal. If economically feasible, ICC would like to connect to the City's waste water system in the future. An adequate connection and cost to install the collection system was unknown and would require a substantial upfront expense. ADC would benefit if the property were connected to the City's municipal waste water system as the lot would then be considered improved and could be leased at a higher return. ICC is requesting that the lease include a provision that would allow the ADC Board to consider a rent credit if economically feasible and approved prior to initiating any work on the project. A rental reopening by an independent appraiser will be done with lease rent adjusted to fair market value on years 10 and 20 of the lease term.

Today's recommendation is to approval a lease agreement with Island Commodities for approximately 3.630 acres in Honouliuli with the following terms and conditions: (1) annual rent of \$37,120 or \$3,093.33 per month for first 10 years; (2) rental reopening at year 10 for years 11 through 20 and year 20 for years 21 through 30 of the lease to establish the fair market value of the lease rent; (3) lessee shall not sublease the whole or any portion of their premises without the prior written approval of the ADC Board; (4) allow the ADC Board to consider a rent credit if economically feasible for connecting the leased area to the City's municipal waste water system.

Mr. Takemoto moved to approve the request; Mr. Schenk seconded.

Mr. Takemoto asked what Island Commodities is paying now to Parker Ranch compared to what would be charged at year 11 to 18.7. Mr. Kawamoto replied that Island Commodities pays Parker Ranch \$84,943.57 annually while Parker Ranch paid DLNR, \$54,450 annually. After the expiration of the lease to Parker Ranch, ADC could lease the land directly to Island Commodities.

Mr. Nakatani commented that we are working on an MOU for feed and tested some samples for manufacturing fish feed and also sent samples to the UH for hog feed. There is a huge potential. We want to see what we can do before we lease this lot, and want to have an MOU between Island Commodities and the university to see if feed can be produced for hog farmers.

Ms. Kaichi commented it was unclear whether the board wants to include an MOU with terms that are acceptable to the board as a condition of issuing the lease. If the board approves the lease today, effective from October, we would have a long time to work on this agreement subject to an acceptable MOU.

Mr. Nakatani stated that another appraisal could be done because the first appraisal was done a year ago. It may not change too much but it depends on what kind of instructions are given.

Ms. Kaichi commented that if the board has concerns on the rent credit or any items that is being requested today, the board can always amend the terms of the approval and require that specific conditions are met. If there are restrictions on the rent credit issue, then state those conditions now before the request is approved. Do not approve it as it is written if the board is not comfortable, then come back later and say you are not comfortable; it is too late. If it is too broad then narrow it and amend the terms of the recommendations.

Mr. Kitagawa asked what the advantage is of having an MOU as part of the lease. Ms. Kaichi replied she did not intend to incorporate the MOU into the lease. The lease would stand on its own. A plan would be needed on how the agency would work on the feedstock. The lease could be conditional upon an approved plan from the agency. If you approve the plan as a whole which would be memorialized in an MOU (not binding) then a lease could be issued. We need to find a way to hold them to some of the promises and that is the type of discussions that this board would have as more details are given. At this time it is hard to discuss because there are no details. Mr. Kitagawa stated that he felt more comfortable with doing an MOU and hold off on a lease at this time.

Chair deferred this issue until more information is received and there is a clearer understanding of all the conditions before a decision is made.

Ms. Kaichi stated that our goal is to reach an agreement that is agreeable and realistic that everyone can perform.

E. Update of ADC projects.

Mr. Kawamoto presented a power point presentation on the ADC projects.

Chair commented regarding the 200 acres reserved for small farmers on the Galbraith lands the farmers have already been reviewed and selected who are mostly immigrant farmers. The famers would need to follow food safety, pesticide, education, and marketing procedures. therefore mandatory classes will be conducted.

Chair thanked Mr. Nakatani and his staff for working on all these projects mentioned in the presentation.

F. Update of 2015 Legislature.

Mr. Nakamoto reported on Senate Bill No. 1374 which is the land exchange bill introduced by Senator Dela Cruz. The purpose of the measure is to appropriate funds to the Budget and Finance Department in coordination with Accounting and General Services and DLNR with the possibility of exchanging State lands with Dole Food

Company. This bill is still alive and will cross over to the House. ADC will look at the ag lands and DLNR will look at the conservation lands to be exchanged. This involves 6,000 agriculture lands. Dole was agreeable in splitting the ag and conservation lands. The bill still has a long way to go and the cross-over deadline is tomorrow. He also mentioned SB 510, 593, 329, 1303 and 1149 all did not pass. However SB 303 creates two positions in CTAHR, DOE and in ADC and SB 1149 appropriates funds for the operations, repairs and maintenance for the East Kauai Water Users Cooperatives which could also appear in the budget bill. SB 359 is moving forward which relates to the environmental response, energy and food security tax.

G. Executive Director's Reports and Updates:

1. Update of the purchase of the fee simple interest in Dole Food Company's 257.811 acres of land located in Whitmore, Oahu, Tax Map Keys (1) 7-1-002:004 & 023.

Mr. Nakatani reported that the purchase closed on February 26th for \$5,611,414.92 and ADC should receive a reimbursement for the cost of the survey and the cost of the environmental assessment report. Mr. Kitagawa thanked Mr. Nakatani and Ms. Kaichi for their work on this deal.

Ms. Kaichi reported on two litigation matters that are on-going. One is before the Commission on Water Resource Management in which Earth Justice represents taro farmers who are questioning whether ADC wastes water from Kekaha and Kokee ditches and who are also requesting that interim in-stream flow standards be established for the Waimea river and from which water is diverted into the two ditches. That lawsuit is two years old and have not moved at all. The hydrologist are gathering data. She has been quiet on behalf of ADC before the Commission. But they are getting antsy and want to hear from ADC. She thinks that the former CWRM director had tentatively scheduled ADC for April to make a presentation. ADC relies on KAA and she is working closely with them. We are trying to get a handle on what we want and don't want to disclose. She will keep the board apprised and she asked that board members might come to the commission meetings to show support. Also working in support with KAA.

Another matter is before the Kauai planning commission. Shredco asked to do the grinding of bulk waste on their sub-license area from Sunrise. The ADC Board said no that this is not the type of activity we would allow. Shredco or Danford Kaeo bought a kuleana property a few 100 feet away. He is now requesting a Class 4 use permit and special permit which will move quickly. We need a position by the beginning of April. Mr. Kaeo wants to do the same kind of activities on his kuleana property that this board turned him down on ADC lands. She will work with Mr. Nakatani and will keep the board apprised.

Ms. Klutke asked on Pacific Gateway's application at Kalepa. Mr. Kawamoto said Pacific Gateway did not identify individual farmers and did not have any business plan of what they plan to grow, how many acres they needed and if they had equipment. He did email the director and she responded that they did not have anyone yet but did not get

back to ADC with any specifics. Mr. Nakatani stated that they did come in to speak to him and the DOA Chair. He asked Pacific Gateway at the time for their needs and wants because although they have twelve people he did not want them to just try to farm if they did not know what they were doing without a business plan. An application was sent to ADC however it was about the executive director with no plan on farming. We have not heard back from them yet.

H. Adjourn.

Mr. Kitagawa moved to adjourn; Ms. Hopkins seconded; motion carried unanimously.

Meeting adjourn at 10:55 am

Sincerely,

A handwritten signature in cursive script that reads "Cindy Doi".

Cindy Doi
secretary

AGRIBUSINESS DEVELOPMENT CORPORATION
Minutes of the Board of Directors Meeting of April 22, 2015
Department of Agriculture Plant Quarantine Conference Room
1849 Auiki Street, Honolulu, Hawaii 96819

Members:

Letitia Uyehara	Alan Takemoto
Denise Albano	Lloyd Haraguchi
Margarita Hopkins	Sandra Kato-Klutke
Yukio Kitagawa	Douglas Schenk
Scott Enright, DOA	David Nada, DBEDT
Roy Hardy, DLNR	

Guests:

Cale Yamada, Kennedy Jenks	Kyle Okino, Kennedy Jenks
Eassie Miller, Kennedy Jenks	Jennifer Eugenio, Corps
Mark Takemoto, Pioneer Hi-Bred	Darin Uesugi, CBDO
David Cho, Sen Dela Cruz's office	

Staff:

James Nakatani
Ivan Kawamoto
Ken Nakamoto
Lynn Owan
Cindy Doi

Counsel:

Myra Kaichi

A. Call to Order.

Chairperson Uyehara called the meeting to order at 9:08 am.

Chair introduced David Nada representing DBEDT and Roy Hardy representing DLNR.

B. Approval of Minutes from the March 11, 2015 meeting.

Mr. Schenk moved to approve the minutes; Ms. Klutke seconded the motion; motion carried unanimously.

C. Approval to lease office space to Wahiawa Community Based Development Organization, located in Whitmore, Oahu, Tax Map Key: (1) 7-1-02-04 (por) for three years.

Mr. Kitagawa recused himself because he is an active member of the Wahiawa Community Based Development Organization.

Mr. Nakamoto made the presentation. He stated that a request was received from the Wahiawa Community Based Development Organization (CBDO) for office space in Whitmore, Oahu. The non-profit organization plans to utilize the office space for administrative, support, training, and meeting space as they work to develop and implement agribusiness related projects in Central Oahu. Established in 2009 as part of the City's Community Development Block Grant program, the CBDO coincides with the U.S. Department of Housing and Urban Development's Neighborhood Revitalization Strategy Area (NRSA) plan which services communities with the highest populations of low to moderate income and minority residents. The CBDO's objectives work plan, which the organization plans to develop over the next five years, describes the components of the proposed Agribusiness Resource Center. Activities include providing training, production and retail resources. Additionally, the CBDO will be initiating the NRSA Weed & Seed project which seeks to bring together the community policing team and local partners to make all aware of the importance of agribusiness and of the impact agribusiness theft has on the community, and to identify solutions.

The recommendation is to authorize the executive director to lease office space located in Whitmore, Oahu to the CBDO subject to the following terms and conditions: (1) the organization shall lease a portion of Building E; (2) CBDO shall make improvements to the facility; (3) base rental rate is \$10.00 per year for 3 years; and (4) if applicable, the CBDO shall reconcile any real property tax exemption with the appropriate authorities.

Mr. Haraguchi moved to approve the staff recommendations as presented; Ms. Klutke seconded the motion.

Ms. Albano asked whether any of the work plans contained in CBDO's five year plan is already in progress. Darin Uesugi, president of the Board of CBDO was present. He stated that because they are a community based group, all of their programs have been identified by the community through surveys, public hearings. The top three initiatives they are working on for economic development are agriculture, community health and homelessness. This year, they were awarded a grant which works in conjunction with the NRSA weed and seed program and should be getting the notice to proceed in the next couple of months. Much of their programs are agriculture-related, like farm-to-table, culinary arts, programs for the youth, mobile farmers market, and EBT-type systems. Also, some new farmer training programs are being developed. Other than those, they are working on additional funding for programs. They would bring others in to do the training of farmers.

Mr. Nakatani mentioned that CBDO received a grant from the City which would be to do the training for the farmers on the Galbraith lands which could start as early as next month. The training would cover field sanitation, food safety, immigration laws, etc.

Motion carried unanimously.

Chair stated that a support letter for the CBDO was received from Senator Dela Cruz.

D. Approval to negotiate and purchase the fee simple interest in real property located in W.H. Shipman Business Park in Keaau, Hawaii, Tax Map Key: (3) 1-6-151-002, Lot 9073 B-2.

Mr. Nakamoto made the presentation. He stated that this acquisition is needed in conjunction with our zero waste project. Last session, the legislature allocated funds to establish a zero waste demonstration facility on Hawaii Island for the purpose of scaling up the mini pilot project to determine if the heterotrophs algae/fungi can be produced on a commercial scale. ADC entered into a MOA with Pacific Biodiesel (PB) to establish a temporary demonstration facility on PB's property to work on the specialized equipment which may take months to assemble. ADC identified land in the W.H. Shipman Business Park to construct the permanent zero waste demonstration facility. The property is an ideal location to construct the facility because of its industrial zoning and its proximity to the PB facility. The listed asking price for the property is \$548,400. An appraisal report was prepared by ACM Consultants, Inc. and was based on the analysis of competitive vacant land transactions that were recent, were similarly zoned, and were in the vicinity of the subject site. It is the appraiser's opinion that the estimated market value of the fee simple interest in the subject property is \$510,000.

The recommendation is to authorize the Executive Director and or, a designee to negotiate and purchase the fee simple interest in 1.526 acres of land in Keaau, Hawaii, identified as Tax Map Key (3) 1-6-151-002, Lot 9073 B-2.

Mr. Enright moved to approve the staff recommendation; Mr. Haraguchi second the motion.

Ms. Hopkins stated the concerns from the papaya industry regarding this project. She commented that the packing houses for papayas were not included in the discussion. If this is a project that would use papayas then they should be included in the discussion because they are the source of raw materials for this project. Also comments from the UH asked why ADC would buy this land when the UH Hilo farm is a mile away from where we are talking about. If at all we would use this source for feed, the UH has already feed equipment. The UH has established an energy science and hired a bioengineer and is in the process of hiring another person because they will be starting this within the UH. If this does not work for some reason, having it at the farm could be used for educational purposes. Having it connected with the production of biofuel and feed it is more logical. If you do not want to put it at UH, there is an agricultural park which is in that area over which DOA has oversight that could be looked at instead of buying another property and use that money instead to build the infrastructure for the operations.

Mr. Nakatani stated that this project has been open to the public for a long time and there have been several meetings with the papaya group. This is called a demonstration project which we are spending a lot of time and effort to refine. We have not kept this a secret and have not excluded any one on this so the growers are well aware of what is going on. May be the Board could take a trip to PBARC as well as the Pacific Biodiesel site. Staff will keep the board members informed.

Mr. Enright commented that the land adjacent to Pacific Biodiesel in Keaau allows ADC to move forward. The original work was done by PBARC so now that we are taking it to commercialization but still in the demonstration phase this allows us to tie it in. The thought is that Pacific Biodiesel has the best track record to allow us to move forward just short of commercialization. As we are proving the science we tie in the papaya group. In the end it

needs to be done in conjunction with them if we are doing papaya but it is all agricultural waste that can benefit. We will work in conjunction with the UH Hilo.

Ms. Hopkins commented that the papaya group feels like we are favoring Pacific Biodiesel which is heavily subsidized. If the subsidy will not be there, would Pacific Biodiesel be effective and efficient.

Mr. Hardy asked if DOH had a chance to comment regarding environmental concerns. He asks because there is a bottling company of drinking water which has an existing well but which is also asking the Water Commission for six additional wells. The request went through the process which DOH did not have any concerns about at the time. The ground water is about 400 feet below. Mr. Nakatani stated that he thinks that Pacific Biodiesel did get all the proper permits. In the permit there is always a concern about how to dispose of the water and it is addressed in the permit.

Motion carried with Ms. Hopkins abstained.

E. Approval to lease building space to AAA Rent to Own – Hawaii, Inc. at Tamura warehouse, located in Wahiawa, Oahu, Tax Map Key: (1) 7-4-12-016 for three years with one option to extend for three years.

Ms. Owan made the presentation. This is a request to approve a lease of building space to AAA Rent to Own in the Tamura Warehouse. Two existing leases encumbered the property at the time of the purchase of the Tamura Warehouse. AAA has been leasing its current building space since June 7, 2012 and the lease will expire on June 6, 2015. Although there is an option to extend for another three year term, the ADC proposes to issue a new lease instead. Currently AAA pays \$1.27 per square foot per month which includes general excise tax and the cost of the real property tax. The former landlord paid the real property tax which in 2014 was about \$11,390. However the ADC is not required to pay state taxes, therefore the respective tax payment must be paid by the tenant to the City and County of Honolulu.

AAA has been a good tenant that makes timely rent payments. This is a storage space for AAA that is accessed by employees only and involves minimal access onto the property. There is currently minimal common area maintenance (CAM). Should the ADC incur CAM costs in the future, the cost will be added to the base rent.

The recommendation is for approval of a three year lease to AAA rent to Own – Hawaii with the conditions: (1) a base rent of \$0.95 per square foot per month for 2,700 square feet if storage space, a restroom and three reserved parking spaces or \$2,565 per month (2) shall pay its portion of the real property tax directly to the City and County of Honolulu; (3) base rent increase of 3% every year; (4) one option to extend for a consecutive 3-year term; (5) tenant shall not sublicense the whole or any portion of their premises without the prior written approval of the ADC Board; and (6) ADC has the option to add a monthly common area maintenance fee to the lease, which shall be mutually agreed upon by ADC and AAA and memorialized by an amendment to the lease.

Ms. Hopkins moved to approve the staff recommendations; Mr. Kitagawa seconded the motion.

Mr. Takemoto asked on the plan for a long term for this warehouse and if this is a temporary lease. Mr. Nakatani replied yes and we are looking for tenants who support agriculture. There are a few people who are interested who support agriculture. He will keep the Board informed.

Motion carried unanimously.

F. Approve amendment to Syngenta Hawaii, LLC Land License No. L-08202 to withdraw 465.93 acres of tillable land and 267.59 acres of non-tillable land in Waimea, Kauai for a gross acreage of 733.52, Tax Map Key (4) 1-2-02-001 (por).

Ms. Owan reported that the revised submittal for Syngenta field nos and acreage has changed. Syngenta Hawaii has not fully utilized the subject mauka lands due to viability and economic reasons.

The recommendation is for approval of amendment to License No. L-08202 to Syngenta Hawaii to withdraw: Field 601 (50.77 acres), Field 602 (59.93 acres); Field 613 (142.71 acres); and Non-tillable areas (267.59 acres) for a total of 521 acres. All other terms and conditions of License L-08202 to remain the same.

Mr. Enright moved to approve the staff recommendation; Ms. Albano seconded the motion.

Ms. Hopkins asked if payments would still be paid on the license. Ms. Owan replied that the rent would be decreased by about \$4,800 a month with no violation of the license.

Mr. Enright commented that the board should anticipate further withdraws of lands from Syngenta. They are doing a corporate restructuring of their biotech divisions. Their corn operations are not as profitable as they would like them to be and having a hard time competing with DuPont Pioneer and Monsanto. There will be less of a footprint here in Hawaii and certainly on Kauai. Those lands would open up and should attempt to find agriculturalist who want to do food crops.

Ms. Klutke said there is interest from cattle ranchers in Kekaha who wanted 1,000 acres. Mr. Nakatani replied that will be looked into. The challenge would be that whoever goes mauka needs to be stewards of the land. That is the biggest concern – that whatever they plant cannot be detrimental to the land. If we do cattle and controlled pasture then that is a good way to go. We need to have something there and not just grass because we have concerns with fire.

Motion carried unanimously.

Recess called at 9:55

G. Presentation of a Hawaii water system technical study, Wahiawa/North Shore and Galbraith agricultural land irrigation system improvements, Wahiawa, Oahu, Hawaii.

Kennedy/Jenks consultant conducted the study. Mr. Okino made the power point presentation of alternatives to irrigation systems on the Galbraith lands. The Army Corps of Engineers provided the funding for the study. Some of the highlights of the study is the Galbraith irrigation water source, the Bott-well pump station, and the identification of alternative water resources to meet the Galbraith irrigation demands. The irrigation demand is 3,000 gallons per acre of which Galbraith has approximately 1,700 acres. Therefore the irrigation water demand would be 5.1 mgd. The common considerations are: pump irrigation water to a 10 million gallon reservoir; connect to Galbraith irrigation system; draw water from Lake Wilson; draw water from Lake Wilson's North Fork; power to connect to HECO grid or separate diesel generator; environmental considerations; and DOH/ACOE permit/coordination. Four alternative identified: (1) Lake Wilson – North Fork (Whitmore WWTP); (2) Wahiawa WWTP reclaimed water + Lake Wilson – North Fork; (3) Wahiawa Irrigation Ditch System; and (4) Wahiawa Irrigation Ditch System + Lake Wilson – North Fork. He reviewed the four alternatives.

Ms. Hopkins asked whether DLNR was consulted on the diversion of water. Mr. Okino replied that as they understand the situation, if they draw water from the reservoir, there will need to be some kind of permit. Mr. Hardy commented that surface water diversion and possibly an in-stream flow standard amendment is needed. If the water is in the ditch already and you take the water from the ditch, the water comes from an existing diversion from the stream. It will not take more water from the natural stream; it will only take what is already diverted. But if you are creating a new diversion off the natural resource, which is the Lake, then that is taking more out of the stream. Mr. Hardy mentioned that they could probably use some of these alternative because that is one of the things that the Commission needs to look at.

Mr. Takemoto asked on the cost estimates. Mr. Okino replied the range is a low of \$7 million and the high of \$11 million.

Mr. Enright asked on the 5.1 mgd per day, is that factoring in the possibility of picking up the Dole lands. Mr. Nakatani replied yes that is why it is a little on the high side. But the key is to have reservoirs.

H. Executive Director's Reports and Updates.

1. Kekaha

Mr. Nakatani reported the diversified crops from Kekaha.

Ms. Klutke reported that she went out to help pick green beans on a Saturday which that day harvested 1,000 pounds. She bought some of the beans to the house and senate committee to show them that ADC does not only lease our lands to seed corn companies. Mr. Pianowski wants to increase his production.

Mr. Hardy mentioned that the CWRM is having a two day meeting on April 28th and 29th in Kekaha and will look at the Kekaha and Kokee ditch systems. It is a limited meeting but it is open to the public.

2. Kalepa

Mr. Taiwan Gu has just started planting sweet potatoes in Kalepa.

3. Zero Waste Conversion Project, Keaau, Hawaii

The zero waste conversion project is making progress. The anticipated start date is end of May.

4. 2015 Legislature

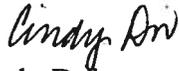
The senate ag confirmed the new board members and by full floor probably next week.
Mr. Enright has been confirmed as Chair of the DOA.

Board members wished Chair Uyehara a happy birthday today.

I. Adjourn.

Meeting adjourned at 10:35 am.

Respectfully submitted,



Cindy Doi
secretary

AGRIBUSINESS DEVELOPMENT CORPORATION
Minutes of the Board of Directors meeting of May 27, 2015
Department of Agriculture Plant Quarantine Conference Room
1849 Auiki Street, Honolulu, Hawaii 96819

Members:

Letitia Uyehara	Lloyd Haraguchi
Margarita Hopkins	Sandra Kato-Klutke
Yukio Kitagawa	Wayne Thom, DBEDT
Scott Enright, DOA	Roy Hardy, DLNR

Absent:

Denise Albano	Douglas Schenk
Alan Takemoto	

Guests:

Dean Uchida, SSFM	John Tsukada, Island Commodities
Mark Takemoto, Pioneer	Dawn Huff, KIUC/Joule Group
Joe Blanco, Ohana Best	Jason Hines, KIUC/Joule Group
Amanda, LSE/Student	

Staff:

James Nakatani
Ivan Kawamoto
Ken Nakamoto
Lynn Owan
Cindy Doi

Counsel:

Myra Kaichi, Deputy Attorney General

A. Called to order

Chairperson Uyehara called the meeting to order at 9:05 am

B. Approved of Minutes from the April 22, 2015 meeting.

Mr. Enright moved to approve; Ms. Klutke seconded the motion. Motion carried unanimously.

Chair moved Item F first.

F. Approval of a Commercial Lease to Baker Commodities, Inc. located in Honouliuli, Ewa, Oahu,
Tax Map Key: (1) 9-1-031:037.

Mr. Kawamoto made the presentation on the commercial lease to Baker Commodities, Inc. The land area is 3.630 acres with the lease term of 30 years starting July 1, 2015 or upon termination of general lease no. S-5512.

The recommendation is for approval of a lease agreement to Baker Commodities, Inc. for approximately 3.630 acres of land in Honouliuli, Ewa, Oahu with the following terms and conditions: (1) annual rent of \$37,120.00 or \$3,093.33 per month for the first ten years; (2) rental reopening shall be done at year 10 (years 11 through 20) and year 20 (years 21 through 30) of the lease to establish the fair market value of the lease rent; (3) Lessee shall not sublease the whole or any portion of their premises without the prior written approval of the ADC Board; (4) A "mutual termination agreement" signed by all parties, and include, at a minimum, the following: a) ADC would need to accept the premises demised by the Lease and all improvements thereon in their current "as is, where is" condition and "with all faults"; b) upon the termination of the Lease, ADC would provide a general release of HMCO, LLC and the original lessee, Hawaii Meat Company, Limited, from and any and all of their respective obligations under the Lease; and c) Baker Commodities would agree to a concurrent termination of the sublease and, upon such termination, would provide a general release to HMCO, LLC and Hawaii Meat Company, Limited from any and all of their respective obligations under the sublease. (5) allow the ADC Board to consider a rent credit if the proposed improvements will benefit ADC's programs. (6) Bakers Commodities be allowed to retain ownership of all improvements it constructed on the property under General Lease No. S-5512 as the intent is to allow Bakers Commodities to continue to operate on the property; (7) other terms and conditions as maybe required.

Mr. Enright moved to approve the recommendation; Ms. Hopkins seconded the motion.

Ms. Hopkins stated that it was mentioned that ADC plans to terminate the lease before it expires and would accept it "as is where is" condition. Her concern was if it costs ADC to clean it up, is there any provisions in the lease that says that any improvements needs to be back to the "as is where is" condition. Mr. Nakatani replied it is state property so it does not matter. It would transfer from one entity to another. There was a phase II done prior to it coming over which does not show any thing that is detrimental. Also staff did a visual inspection to follow up and all indications from the environmental aspects have checked out.

Motion carried unanimously for the commercial lease to Bakers Commodities with terms mentioned in the submittal.

- C. Approval to issue a revocable permit to Hawaii Fish Company for General Aquaculture purposes, Mokuleia, Oahu, Tax Map Key: (1) 6-9-001-02 (por) and (1) 6-9-001-03 (por).

Mr. Nakamoto made the presentation to approve a revocable permit to Hawaii Fish Company for general aquaculture purposes in Mokuleia, Oahu. Since 1992, the Hawaii Fish Company (HFC) has been utilizing roughly 18 acres of the requested area for a fish farm under a revocable permit issued by the DLNR. In January 2015, DLNR transferred HFC's permit to the ADC along with 147.646 acres pursuant to Governor's Executive Order No. 4474. Although negotiation for a long-term lease are ongoing, ADC is requesting to issue a 30-day revocable permit during the interim to provide ADC with time to assess HFC's proposal and conduct a site visit to determine if the area could accommodate other operations to promote the growing aquaculture industry.

The recommendation is to approve the issuance of a revocable permit to Hawaii Fish Company for general aquaculture in Mokuleia, Oahu with the following terms and conditions: (1) the term of this revocable permit shall be on a month-to-month basis; and (2) base rent shall be \$100 per month.

Mr. Enright moved to approve the recommendation; Ms. Hopkins seconded the motion.

Ms. Klutke asked what other types of operations besides aquaculture is used for the area. Mr. Nakamoto replied the pond is six acres and right now there is only one person using the entire pond which is in production. We want to see if there are other people that could use the pond for the same usage of aquaculture.

Mr. Nakatani stated that ADC did receive a proposal however we wanted to review and present a better recommendation because one of the conditions for that parcel coming over to ADC is that we wanted some concessions so we could promote aquaculture. We want to come back to the board for final approval on the conditions. What we are doing out there can be quite an asset for the State to have but we need to make sure that it's a feasible proposal. He said we could take the board to do a site visit to look at the property once the revocable permit is all settled.

Mr. Enright clarified that the Hawaii Fish Company could not get a long term lease with the DLNR therefore they could not get the capital needed for improvements to do the business so moving the lease over to ADC was to facilitate for a long term lease.

Motion carried unanimously.

D. Approval to negotiate and purchase the fee simple interest in real property located in Wahiawa, Oahu, identified as Tax Map Key: (1) 6-5-002-001, owned by Dole Food Company, Inc.

Mr. Nakamoto made the presentation. In 2014, State funds were allocated to ADC to acquire certain strategic parcels near the Galbraith farmland, which includes the subject property that Dole Food Company, Inc. (Dole) has offered to sell, as part of the project's plan to ensure these lands are kept in agriculture for perpetuity. Dole's asking price for the subject property is \$2,511,300. The 73.44 acres consist of a primarily level to gentle sloping irregular shaped former pineapple agricultural land situated just off Wilikina Drive south of the Galbraith lands. The land is currently fallow and is considered to be of good soil quality. Abutting the subject property is the Wahiawa Irrigation System (WIS). Roughly 10 million gallons of agricultural water is being drawn daily from the system to serve approximately 6,400 acres. Currently there are no improvements on the property and the appraiser is not aware of any apparent detrimental and/or hazardous conditions. However, an environmental site assessment of the property to verify if any environmental remediation may be required. An appraisal report was prepared for the Trust for Public Lands to determine the estimated market value of the fee simple interest in the land. The appraiser determined the stimulated value of the fee simple interest in the underlying land based on the sale comparison approach to value. For this appraisal, the appraiser selected six land transactions for critical analysis to establish a value index. The land value for the selected properties were adjusted to compensate for any significant differences relating to the terms of sale, market conditions, location, access and physical site characteristics. The four criteria used to determine the highest and best use of the land were legal permissibility, physical possibility, financial feasibility, and

maximum profitability. After adjustments, the land values of the selected comparable ranged from \$39,892 to \$58,922 per acre with an average of \$47,721 per acre. The most weight was awarded based on the time of sale, which resulted in a weighted use of \$49,050 per acre. Based on all of these implications, the stimulated fee simple unit land value of the 52.75 acre usable portion of the subject property is around \$49,100 per acre or two million five hundred ninety thousand dollars. In conclusion ADC is interested in acquiring the property because of its ideal location to draw agricultural water from WIS. In addition to direct access to a viable water source which may increase the water availability to support diversified agriculture on the Galbraith lands and the surrounding fields, acquiring the property will increase ADC's agricultural land inventory in the region.

The recommendation is to authorize the Executive Director, and or, a designee to negotiate and purchase the fee simple interest in 73.44 acres of land in Wahiawa, Oahu.

Chair mentioned that the members received a letter of support from Senator Dela Cruz for this purchase.

Ms. Klutke moved to approve the recommendation; Mr. Enright seconded.

Motion carried unanimously.

Five minutes break was called at 9:40 am

- E. Approval of a Memorandum of Agreement between the Castle & Cooke, Homes Hawaii Inc. and the ADC regarding a portion of the Waiahole Ditch located on land identified as Tax Map Keys: (1) 9-4-06: por 1, 2, 3, 5, 38, and 39; and (2) 9-5-03: por 1 and 4; and (1) 9-4-06: por 29 and 31; and (2) 9-6-04:21.

Mr. Kawamoto made the presentation. On June 7, 2012, the state Land Use Commission approved construction of the Koa Ridge Development, calling for 3,500 homes, a hospital and commercial center on 576 acres of farmland across Costco Waipio and west of H-2 freeway. Pursuant to the Findings of Fact, Conclusions of Law, and Decision and Order entered on June 21, 2012, the Land Use Commission among other matters: (1) condition 22 of the Decision and Order states the following obligation of Castle & Cooke, as Petitioner, related to the development of the Koa Ridge Property consistent with ADC's continued operation and ownership of the Waiahole Ditch. ADC is the owner and operator of the Waiahole Ditch which diverts water from windward watersheds of the Koolau mountain range for use on Oahu's central plain; the Waiahole Ditch traverses a portion of the Koa Ridge Property over existing easement and across the Koa Ridge Property. Castle & Cooke and ADC are entering into an Agreement to evidence Castle & Cooke's agreements with ADC in satisfaction of the Waiahole Ditch Condition. The terms of the MOA includes the following terms and conditions: a) the Waiahole Ditch shall be covered or placed underground. The design of the improvement will be subject to ADC's written approval; b) the surface and aboveground areas of the easement of the Waiahole Ditch where it traverses over the Koa Ridge Easement shall be maintained by Castle & Cooke and its successors and not the ADC; c) the delivery of Waiahole Ditch water shall not be interrupted or impaired during construction and operation of the Koa Ridge Development; d) ADC and/or DOA shall have reasonable access when necessary to repair, maintain, or improve the Waiahole Ditch.

The recommendation is approval of the Memorandum of Agreement between Castle & Cooke and the ADC regarding a portion of the Waiahole Ditch.

Ms. Hopkins moved to approve the recommendation; Mr. Haraguchi seconded the motion.

Mr. Hardy asked whether there was a deadline for term "a". Mr. Kawamoto replied the design would be in approximately 2020 or the date closer to construction. Mr. Nakatani replied there is a preliminary design already but it is not formal. It can be sent to Mr. Hardy.

Ms. Hopkins stated in the terms and conditions she would like it stated that the costs associated with these terms be covered by Castle & Cooke.

Motion carried unanimously.

- G. Request for approval of a non-exclusive Right-of-Entry Agreement in favor of Danford M. Kaeo and Shredco LLC across ADC lands, TMK (4) 1-2-002-001 (por), for the use of an internal field road to transport green waste, certain bulky item refuse, and certain construction and demolition recyclable materials to an interior, landlocked parcel in Kekaha, Hawaii.

Ms. Kaichi made the presentation. She mentioned that Shredco already has an existing sublicense from Sunrise Capital on 15 acres of parcel which is an existing green waste shredding operation. Danford Kaeo purchased a land-locked parcel surrounded by the ADC Kekaha lands, situated on 2 rows of fields mauka of its existing sublicensed area. Shredco is in the process of securing permits for bulky item shredding and construction and demolition crushing on this parcel. The current access is the old government road. Before the planning commission approves for special use permit, zoning permit and class 4 use permit, they are requiring that Shredco have a written agreement from ADC and KAA to allow more direct access so they do not have to go through the old town, up the back and through the old government road. They want to go through the Kaumualii Highway entrance straight up to the back of the fields to their parcel. Shredco would continue to do their green waste operation and shred on the site. Also expand to include bulky items that include: wood, metals, glass and salvage building components and large furniture items. Also the construction and demolition items would be concrete, asphalt, steel and iron. The concrete and asphalt would be crushed to manageable size. The steel and iron will be separated and resold/recycled. One thing we want to make sure if we agree to this was that there should be no commercial traffic on the interior field roads. Only Shredco trucks or if they needed to contract out some trucks, only the vendors would be allowed on the interior field roads. If they secure the County contract to move these things to the landfill we are also considering allowing the County if they have trucks and they want to haul, to enter into the fields but no commercial or public/private access through the fields.

Mr. Thom asked if it was gated and how would access be controlled. Ms. Kaichi replied it is currently gated and have a key which they already have to gain access to the Sunrise property.

Ms. Kaichi stated the recommendation is for the board to approve Shredco's request for a right of entry on the following conditions: (1) use of roadway be limited to Shredco, its agents and its contractors. No other public, private or commercial vehicle or persons shall be allowed to use the roadway for any purposes associated with Shredco's operations; (2) Shredco shall grade, level, and apply a base course to

both the Old Government Road and the internal roadway on no less than a quarterly basis or less frequently as needed, and to water the roadway as necessary to mitigate fugitive dust generated by Shredco's traffic over the roadway; (3) Shredco will be allowed to receive irrigation water from the Kekaha Ditch, either through its own transmission pipe or by pumping or siphoning the water from the ditch into its water truck in an amount to be determined reasonable by ADC and the KAA; (4) the right of entry shall terminate upon the termination of Shredco's special use permit, use permit or class IV use permit, or when the property is no longer used for Shredco's operation, whichever shall first occur.

In the event Shredco fails to acquire the necessary governmental approvals and permits, the approval of a right of entry shall be null and void without any further action of this Board.

Ms. Hopkins moved to approve the recommendation with the conditions; Mr. Haraguchi seconded.

Ms. Klutke asked if KAA and the tenants on both sides of the property are in agreement with Shredco's request. Ms. Kaichi replied they agree in principle and are looking at specific terms of the agreement right now. Usually when ADC does these kinds of agreements we ask KAA to approve alongside with us then ask the affected licensees to acknowledge that they have seen it and are in agreement. They do not have any say in the agreement individually but we ask them to sign off to show that they have been appraised and reviewed it.

Ms. Klutke asked what would happen to the items if this company is no longer in operation. How would that area be cleaned up because the parcel is land-locked and surrounded by agricultural lands. Ms. Kaichi replied that was a point of huge discussion at the Planning Commission and their response was that they would put a berm on the south side of the parcel in case of flood and pipes for the run offs. Mr. Nakatani replied the worst case scenario if it is abandoned and no one had a clear answer. That would be for the Planning Commission to decide. Ms. Kaichi stated that is one of the conditions that the Planning Commission is looking at and would not consider anything without agreement for Shredco. We did ask the County to indemnify ADC for any cleanup costs and if they did not get ADC an indemnification we ask for environmental insurance but don't know what the County would do. Pollution insurance would cover us for unknown or undiscovered toxins that are found later that are attributable to this activity that are not on the parcel itself because ADC does not own the parcel but traveled to the ADC lands. Shredco's position is the risk of that is very small because liners will be put down. The Planning Commission is waiting for ADC to agree. The Department of Health would also let Shredco know what other types of permit they would need. Even if ADC approves this, and the County does not approve the permitting then all this goes away because it is contingent upon Shredco securing their permits and it does not become effective but we can formally revoke it if we are not comfortable.

Motion carried unanimously.

H. Approval to amend the Right of Entry to Kauai Island Utility Cooperative for the purpose of conducting filed survey and invasive studies in connection with the Puu Opae Energy Storage Project from Tax Map Key: (4) 1-2-002:por 1; Kekaha, Kauai.

Mr. Kawamoto made the presentation. At its February 19, 2014 ADC Board meeting, KIUC received approval for a right of entry (ROE) for a two year period starting March 1, 2014 until March 1, 2016.

The purpose of the ROE was to perform site inspection and non-invasive studies in connection with West Kauai Energy Storage Project and the Puu Opae Energy Storage Project. ADC received a request from KIUC through their consultant the Joule Group, LLC requesting permission to perform field surveys in connection with the Puu Opae Energy Storage Project. The surveys described the work plan including test pits and oil sampling which all disturbed areas will be restored.

The recommendation is to approve to amend KIUC's right of entry request for the purpose of field surveys and invasive studies in connection with the Puu Opae Energy Storage Project for a two week period in Kekaha, Kauai.

Mr. Haraguchi moved to approve the recommendation; Ms. Klutke seconded the motion.

Mr. Kitagawa asked what is the purpose of doing test pits. Jason Hines and Dawn Huff from the Joule Group/KIUC replied the purpose of the test pits is to understand more about the soil and rock so they can do preliminary engineering and to understand the costs of building and doing the work on the site. They have soil maps but do not have specific samples from various points where they are considering building. It is geotechnical work to support engineering of the structures and to do it now to better understand the costs and issues involved in construction. Mr. Nakatani explained that there is a pump storage project and one of the sites is the Mana site and in order to do the pump storage you need storage and that is what they are working on.

Mr. Kitagawa asked if archeological sites would be part of the surveys. Ms. Huff replied they did a preliminary study to identify known sites. After this twenty percent phase, the next step would be to do an in-depth archeological and cultural survey of the project sites they select so they are still looking at the two alternatives which they did a preliminary investigation on to make sure they understood the archeological and cultural sensitive areas. After this twenty percent phase by the end of the year, KIUC would like to select one of the sites to move forward and then at that point they would do a more in-depth archeological and cultural survey. They have not found any significant sites on Puu Opae. The other site from Puulua to Polihale, there are a couple of identified sites on either sides of the project. In all the information that they looked through there are no areas identified that raised concern. Mostly they are by existing structures, the reservoirs and pipeline are running through agricultural fields so they think they are okay but there is always the chance that something would come up. The work plan does talk about what happens if they discover something then they stop immediately and bring people in so if they did find anything there is a plan in place and everyone knows what to do so nothing is damaged.

Ms. Huff stated that they received permission from DHHL who is the other landowner involved in this particular project to conduct these studies. With that permission in place if they receive permission from ADC today they would be scheduling the work the first week of July. She will follow up with a specific date.

Motion carried unanimously.

I. Executive Director's Report and Updates.

Chair brought up items 2, 3, and 4 before item 1.

2. Galbraith agricultural lands

Watermelon has been planted and should be coming out this summer. Still struggling with the water system.

3. Tamura warehouse.

Mobi PCS notified the ADC that Coral Wireless, LLC dba Mobi PCS will soon be ceasing operations at the Tamura Warehouse and assigning its communications site lease agreement to Verizon Wireless. Mobi currently leases 144 square feet for an antenna attached to the building at a rent of \$1,320 per month. Lease terminates August 31, 2016 with four options to extend for five years each.

4. 2015 Legislature

\$10 million of CIP funds was received from the legislature to purchase more lands.

Mr. Kitagawa asked if ADC received funds for the planning of warehouse areas. Mr. Nakatani replied yes, we were appropriate \$1.5 million last year and have asked to release \$500,000 for planning and design for the 24 acres. Right now we are looking for a consultant to help us with planning. Also \$2.5 million for waste water study and that money is being released but we need to get together with the City. We are trying to get the City to look at doing the contract because they are versed in waste water.

1. Kekaha, Kauai

a. Po Ai Wai Ola status.

All board members voted to go into executive session at 10:45 am pursuant to Hawaii Revised Statutes 92-5(a)(4) (in order to consult with its attorney on questions and issues pertaining to the Board's powers, duties, privileges, immunities and liabilities).

Ms. Klutke moved to get out of executive session; Ms. Hopkins seconded; motion carried unanimously.

Out of executive session at 11:00 am

Next meeting may be on the Big Island and could be sooner.

Meeting adjourned at 11:05.

Respectfully submitted,



Cindy Doi
secretary

Approved at
August 19, 2015 meeting

AGRIBUSINESS DEVELOPMENT CORPORATION
Minutes of the Board of Director Meeting of July 22, 2015
Department of Agriculture Animal Industry Conference Room
99-941 Halawa Valley Street, Aiea, Hawaii 96701

Members:

Letitia Uyehara	Douglas Schenk
Sandi Kato-Klutke	Denise Albano
Lloyd Haraguchi	Margarita Hopkins
Yukio Kitagawa	Roy Hardy, DLNR
Wayne Thom, DBEDT	Phyllis Shimabukuro-Geiser, DOA

Staff:

James Nakatani
Ivan Kawamoto
Ken Nakamoto
Lynn Owan
Cindy Doi

Counsel:

Myra Kaichi

- A. Called to order.

Chair Uyehara called the meeting to order at 9:05 a.m.

- B. Approved of minutes from the May 27, 2015 meeting.

Ms. Klutke moved to approve; Ms. Hopkins seconded the motion; motion carried unanimously.

- C. Approval to issue a revocable permit to Elmer Magaoay for personal residence purposes, Whitmore, Oahu, Tax Map Key: (1) 7-1-002-004 (por).

Mr. Kawamoto made the presentation to issue a revocable permit to Elmer Magaoay for personal residence purposes for 1,100 square feet. This would be a month-to-month basis for a period not to exceed one year from the date of its issuance, subject to conversion to a longer term land license. The base rental rate is \$700 per month. The ADC recently acquired 257 acres from Dole Food Company in Whitmore, Oahu. Buildings A & B referred to as the Clubhouse (700 sq. ft) and Victor's house (400 sq. ft.) at 1116 Whitmore Avenue for a total of 1,100 square feet. Since January 5, 2005, Elmer and Daisy Magaoay have been utilizing the two buildings as single family dwellings under a rental agreement issued by Dole Foods. Mr. Magaoay had previously assisted Dole as a resident caretaker, and continues to provide on-site management services under the ADC ownership. Daisy Magaoay no longer resides on the premises. ADC is requesting authorization to issue a 30-day revocable permit during the interim to provide ADC with time to consider a longer term lease or land license agreement. The recommendation is to approve the issuance of a 30 day revocable permit to Elmer Magaoay, alone, to serve as his personal residence in Whitmore in exchange for his continued services with the following terms and conditions: (1) terminate the present residential rental agreement and apply for a revocable permit; (2) the term of this revocable permit shall be on a month-to-month basis; and (3) the base rent shall be \$700 per month.

Mr. Nakatani stated we will continue with what Mr. Magaoay is presently doing. What we want to do is to look at all these submittals that was received from Dole and continue as is then come back to the Board to provide a better picture on the terms and conditions. This would be a carry over for now.

Mr. Schenk moved to approve the staff recommendations; Mr. Haraguchi seconded the motion; motion carried unanimously.

- D. Approval to issue a revocable permit to William H. Wise II, DBA Waihii Farms for Agricultural purposes, Whitmore, Oahu, Tax Map Key: (1) 7-1-002-004 (por).

Mr. Nakamoto made the presentation to issue a revocable permit to William H. Wise II, dba Waihii Farms for agricultural purposes. The lease term would be on a month-to-month basis for a period not to exceed one year from the date of its issuance, subject to conversion to a longer term land license. The ADC recently acquired 257 acres from Dole Food Company in Whitmore, Oahu. Since 1999, Waihii Farms have been leasing roughly 16 acres and being utilized as an ornamental floriculture nursery. The lease expired on December 31, 2013, after which time, the applicant has continued to occupy the premises on a month-to-month basis. Although Dole did not offer Waihii Farms any option to extend the terms of their lease, negotiations between ADC and Waihii Farms for a long-term license are on-going. Because negotiations are still pending, ADC staff is requesting approval of a 30-day revocable permit during the interim. The recommendation is approval of the issuance of a revocable permit to William H. Wise II, dba Waihii Farms in Whitmore, with the following terms and conditions: (1) term of this revocable permit shall be on a month-to-month basis; and (2) base rent shall be \$725 per month.

Ms. Hopkins moved to approve the recommendation; Mr. Thom seconded the motion; motion carried unanimously.

- E. Request to decision on whether to pursue the permit renewal application before the Hawaii Department of Health, Clean Water Branch for a National Pollutant Discharge Elimination System (NPDES) in Kekaha, or to seek a Federal agricultural exemption under 40 C.F.R. 122.3.

Ms. Owan made the presentation for a request of a decision on whether to pursue the permit renewal application for the DOH, Clean Water Branch for a NPDES in Kekaha, or to seek a Federal agricultural exemption under 40 C.F.R. 122.3.

In January 2001, the Kekaha Sugar Company transferred the ownership of its NPDES permit for discharge outlets in Kekaha to the ADC. Since that time, the ADC has been the permittee and has continued to monitor the report of discharges, zones of mixing and benthic studies to the HDOH and the U.S. Environmental Protection Agency. The NPDES permit was last renewed in February 2007 and was set to expire on August 31, 2011. In February 2011, the ADC submitted its renewal application to extend the permit, acceptance was administratively extended by HDOH since 2011. Upon request by the HDOH, on June 2, 2015, the ADC, its NPDES consultant, Ms. Iris Terashima of I Terashima Environmental Services and representatives from the HDOH Clean Water Branch met to discuss whether or not the ADC would like to continue with processing its NPDES permit renewal. HDOH advised that the permitting requirements for minimum standards had evolved over time, and that should the permit be renewed, stricter limits and new parameters would be required. Ms. Terashima cautioned that these new water quality standards would be extremely difficult to meet, particularly at approval, and that the ADC would need to submit a compliance schedule to be approved by HDOH to allow additional time within which to comply with the stricter standards. Alternatively, the ADC has the option to seek a federal agricultural exemption from NPDES monitoring, pursuant to the Code of Federal Regulations (CFR). Under this option, the ADC would withdraw its renewal application and pursue the exemption instead. If the ADC opts to seek an exemption from the permitting requirement, the ADC must prepare and manage a consolidated soil conservation plan in conjunction with establishing best management practices for the Mana Plain in order to improve the quality for the water within the drainage ditches. It must also identify waste streams associated with the Mauka and Waiawa hydroelectric power plants. The HDOH has given the ADC a deadline of August 3, 2015 to inform them of the decision to continue with the NPDES Permit renewal or to withdraw it.

The recommendation is that: (1) board consult with legal counsel in executive session pursuant to HRS 92-5(a)(4) to discuss the board's powers, duties, privileges, immunities, and liabilities with respect to the options presented; (2) the board authorize the withdrawal of the ADC's application to renew NPDES Permit; (3) the board authorize staff to work with CWB staff and its environmental consultant to seek an exemption from the permitting requirements, to identify problems that may be associated with any outfall of water that has passed through the hydroelectric power plants, to prepare a consolidated soil

conservation plan, and to institute best management practices for between water quality within the drainage ditches in the Mana Plain in Kekaha.

Chair said a copy of a letter was given to the Board members from Councilmember Hooser stating that he is in opposition of ADC seeking an exemption.

Chair asked for a call for a vote to go into Executive session pursuant to Hawaii Revised Statutes 92-5(a)(4), in order to consult with its attorney on questions and issues pertaining to the Board's powers, duties, privileges, immunities and liabilities.

Ms. Klutke moved to go into executive session; Ms. Hopkins seconded the motion; motion carried unanimously.

Executive session was called at 9:20 a.m.

Out of executive session at 11:15

Mr. Schenk moved to delegate to the executive director the authority to withdraw the application to renew, and to seek a federal exemption of, the NPDES permit prior by August 3, 2015; Ms. Hopkins seconded the motion; motion carried unanimously.

F. Executive Director's Reports and Updates:

1. Kalepa, Kauai

Taiwan Gu's ginger root and sweet potato farming operation has expanded to Kalepa, Kauai in 2015.

2. Galbraith agricultural lands

Unfortunately, Larry Jeft's inaugural watermelon planting experienced a crop failure due to pest infestation.

3. Whitmore parcel 257 acres

The ADC is planning a community meeting in August to discuss the State's future plans to manage the recently acquired 257-acre Dole parcel which abuts private property in Whitmore Village.

After purchasing the 257-acre parcel, ADC received complaints from several Whitmore residents regarding homeless camps, trespassing, erosion, illegal structures, and unpermitted activities on what is now State land. Anticipating a lengthy discussion, ADC obtained the services of a professional mediator to help facilitate the meeting. There will be no decision making at the meeting. It is an information exchange between ADC and the Whitmore resident. The purpose of the meeting is to informally discuss ADC's general approach to property and land management, identify current and emerging issues, and ensure good future communication. The date, time and location are to be determined. Board members, other elected and appointed officials will be invited to listen and participate in the discussion.

Meeting adjourned at 11:30 am.

Respectfully submitted,



Cindy Doi
secretary

AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Board of Director meeting of August 19, 2015
Department of Agriculture Animal Industry Conference Room
99-941 Halawa Valley Street, Aiea, Hawaii 96701

Members:

Letitia Uyehara	Douglas Schenk
Sandra Kato-Klutke	Denise Albano
Margarita Hopkins	Yukio Kitagawa
Roy Hardy, DLNR	Phyllis Shimabukuro-Geiser, DOA

Absent:

Lloyd Haraguchi	Wayne Thom, DBEDT
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Guests:

David Penn, DLNR-DOFAW Linda Rosehill, Rosehill & Associates

Staff:

James Nakatani
Ivan Kawamoto
Ken Nakamoto
Lynn Owan
Cindy Doi

Counsel:

Myra Kaichi, Deputy Attorney General

A. Call to Order.

Chair Uyehara called the meeting to order at 9:03 a.m.

B. Approval of the Minutes of July 22, 2015 meeting.

Ms. Klutke moved to approve; Mr. Schenk seconded the motion; motion carried unanimously.

C. Approval to Issue a Revocable Permit to Helemano Farms, LLC for Agriculture Purposes in Whitmore, Oahu; Tax Map Key (1) 7-1-1-02-04 (por) and (1) 7-1-02-09 (por).

Mr. Nakamoto made the presentation for the approval to issue a revocable permit to Helemano Farms. They have been leasing 10 acres for diversified agriculture production from Dole since 2002. After reaching an agreement with Dole to increase the acreage of their production area from 10 acres to 30 acres, the property was sold to the State and the agreement was never finalized. The land agreement was amended in 2005 to include a 0.33-acre, a plant nursery and storage facility which is a portion of a Quonset hut located on the 24-acre parcel. When ADC acquired this parcel in 2013, it received

complaints about a strong odor coming from the surfboard manufacturer in the adjacent room. Also there were security issues due to numerous individuals frequenting the property unchecked at all hours of the day. To address these concerns, ADC relocated the Permittee from the smell and establish a checkpoint to monitor and deter undesirable individuals. In addition to helping ADC secure the property, the Permittee has been helping clear trees and repair a dilapidated greenhouse. ADC is negotiating a long-term license to ratify all the changes to their land agreement, which includes the increase in acreage of the useable land and the relocation of their nursery and storage facility. Since an agreement is still pending, ADC is requesting to issue a revocable permit during the interim.

The recommendation is to approve the issuance of a revocable permit to Helemano Farms, LLC subject to the following terms and conditions: (1) the term of this revocable permit shall be on a month-to-month basis; and (2) the base rent shall be \$1,000 per year based on \$30.00 per acre for the agriculture land plus \$100.00 for the nursery area.

Mr. Schenk moved to approve the recommendation; Ms. Hopkins seconded the motion.

Ms. Hopkins asked if the surfboard shop is under ADC. Mr. Nakamoto replied yes, the surfboard shop lease is a carryover from Dole and their lease expires in December.

Mr. Kitagawa said he would like to support Helemano Farm who has been doing a real good job and his products are well sawed after. He propagates his own trees from cuttings. It provides a desired need for the community with his products and should support him as much as we can.

Motion carried unanimously.

D. Approval of a Cooperative Management Agreement (CMA) and Right of Entry to the State Department of Land and Natural Resources (DLNR) Division of Forestry and Wildlife (DOFAW) for agricultural and renewal energy purposes and for the hunting of game birds and game mammals in Unit L, the Waimea District from Tax Map Key: (4) 1-2-002:por 1, Kekaha, Kauai.

Mr. Kawamoto made the presentation on the CMA and Right of Entry to DLNR DOFAW for agricultural and renewable energy purposes and for the hunting of game birds and game mammals in Unit L, the Waimea District. Under the proposed ten year agreement, DLNR will submit to ADC, each year, a plan for the management and hunting of wildlife in Unit L including any plans for or changes to the development and maintenance of the area including boundaries, hunt access, informational and boundary signs, and development and maintenance projects, plans for animal management and control within the CMA, proposed hunting periods, administrative rules and plans for the management of the hunt. Such plans shall be subject to the approval of the ADC with consultation from the Kekaha Agriculture Association (KAA) prior to opening of each hunting season. The management plan includes each plan element identified in the proposed CMA. By mutual agreement of the BLNR and the ADC, this agreement may be extended, amended, renewed and if warranted terminate in writing at any time prior to the expiration date. The right of entry provides access to Unit L, mauka lands on the island of Kauai to control damage to agricultural and natural resources while providing opportunities for public hunting. The KAA supports the CMA and the intent to allow public hunting on the Kekaha mauka lands in Unit L. The proposed agreement also has an annual review period by which both the ADC and the

KAA can review and make changes to the plan. The DLNR would also become the lead agency responding to forest wild fires as well as provide fire mitigation measures for Unit L.

The recommendation is to approve the cooperative management agreement and right to entry request to DLNR – DOFAW for agricultural and renewable energy purposes and for hunting in Unit L for a ten year period in Kekaha, Kauai.

Mr. Schenk moved to approve the recommendations; Ms. Hopkins seconded the motion.

Mr. David Penn from DLNR DOFAW was present to answer any questions.

Mr. Penn commented that the hunting season is from July to January and no hunter access from February to June. From July to August the hunt is pig and deer, archery only. September to October, pig and deer, mussel loader only. November to January, birds, shot gun only. Also no dogs allowed.

Ms. Hopkins asked why the agreement has no mention of liability. Mr. Penn stated that there is language about liability in the agreement. When anyone obtains a hunting license from their department there is a waiver that is attached to that hunting license. In addition to the management agreement there is an additional liability waiver for each person who is accessing these hunting units. This hunting agreement was open previously through less formal agreements.

Ms. Hopkins asked if there are any complaints between the hunters and ADC, who would take care of the complaints. Mr. Penn replied the first point of contact would be DLNR district office in Lihue and the Wildlife management staff. If there are any problems with trespassing, hunting violations, fire arms, it is in this agreement therefore a stronger response from the conservation and resource enforcement at DLNR DOFAW would then be involved. Mr. Penn stated that they would work closely with ADC and KAA on all the issues. They do have plans in the future to put a fence along the base of the Pali to control animal movement from the heights into the crop area.

Mr. Kitagawa asked what kind of agricultural and renewable energy is being done on the property now. Mr. Kawamoto replied at the time in 2011 PacWest planned a biomass conversion to energy plant. But that is no longer applicable now. ADC wants to protect the natural resources and control the population from affecting agriculture down the road. Mr. Kitagawa asked whether DLNR should take control of this property instead of ADC. Unless there is good reason to keep it in agriculture, DLNR should take over the management of the property. Mr. Nakatani stated that there was an energy company that took about 700 acres of the 1500 acres that is usable. There may be a cattle company that might be interested. He did agree with Mr. Kitagawa that if there is no purpose for the property then we should return it.

Ms. Klutke asked how many permits does DLNR issue and how many hunters are allowed on any given day. Mr. Penn replied a 1000 acre unit could support may be three hunting parties on a given day. For the deer season there is a limit and tags are given. He was not sure on the bird season and the pig and goat season he was not too sure on the limited number of hunters. Ms. Klutke stated people has asked her where they would be able to hunt. So if it is open there, the hunters should go to DLNR to get their permit and register. Mr. Penn stated during the hunting season there are three hunting check stations. In DLNR's hunting rules which is given to each hunter applying for a permit, there is a map attached and a

table of Unit L which shows the hunting periods, restrictions and a footnote that states that opening of these lands for hunting is subject to the landowner who is ADC.

Chair asked Mr. Penn to provide this information to Ms. Klutke who is ADC's Kauai board member so she could inform anyone if she is asked.

Ms. Klutke moved to amend the approval to delete in the title the renewable energy purposes; Mr. Schenk seconded the motion; motion carried unanimously.

Motion carried unanimously.

E. Request approval of after-the-fact renewal of Revocable Permit No. K1101 to Kekaha Agriculture Association (KAA) in Kekaha, Kauai, TMK (4) 1-2-002:001 (por).

Ms. Owan made the presentation for the approval of after-the-fact renewal of Revocable Permit No. K1101 to KAA. The KAA is a farmer cooperative association for the purpose of promoting the effective compatible agriculture/aquaculture business uses of Kekaha agriculture lands. Approximately 7,800 acres of Kekaha agricultural lands located on the Mana Plain are on a flood plain, drainage of the land is critical to the success of cultivating crops. Under the RP K1101, the KAA maintains the channels and roadways within Fields 343, 424 and 425 which is located adjacent to the Pacific Missile Range Facility. This strategic location enables KAA to facilitate proper drainage and prevent flooding of the surrounding areas. Inadvertently, renewals to extend in May 2014 and May 2015 were overlooked. Therefore, approval is respectfully requested to retroactively extend RP K1101 from May 5, 2014 to May 4, 2015, and May 5, 2014 to May 4, 2016.

The recommendation is to approve the after-the-fact renewal of RP K1101 to Kekaha Agriculture Association for Fields 343, 424 and 425 at the respective rent from May 5, 2014, to May 4, 2015 and the current term May 5, 2015 to May 4, 2016.

Mr. Schenk moved to approve the recommendation; Ms. Hopkins seconded the motion.

Ms. Hopkins asked how the rent amounts are determined for each permit. Ms. Owan replied we do have a land development committee who does all reviews.

Motion carried unanimously.

F. Request to Renewal Revocable Permit No. 7448 for William J. Sanchez for Unit A located at Kalepa, Kauai, Tax Map Key (4) 3-9-002:020 (por).

Ms. Owan made the presentation. This is a request to renew revocable permit (RP) No. 7448 for William J. Sanchez for Unit A located in Kalepa, Kauai. Unit A is 598 net acres with gross acres of 619. The RP term is month to month from November 1, 2015 to October 31, 2016. The base rent is \$15 per acre per year for a total of \$8,970 a year.

Mr. Sanchez has been leasing various State-owned parcels of land in Kalepa and Puna. He has been sole proprietor of a contracting business for more than 30 years and operates his own equipment to clear and

maintain his leased land. He continues to work with the Natural Resource Conservation Service to implement a current pasture management plan. His current term of RP 7448 terminates on October 31, 2015 and is in good standing with the ADC and is current with his rent payments.

The recommendation is to approve the renewal of RP 7448 to William Sanchez, for Unit A, effective November 1, 2015, at the respective monthly rent on a month-to-month basis, the term not to exceed October 31, 2016, unless otherwise extended by ADC.

Ms. Hopkins moved to approve the recommendation; Ms. Albano seconded the motion.

Ms. Albano asked about Mr. Sanchez's other business. Mr. Sanchez leases from others for his other contracting business which we do not know where they are located.

Motion carried unanimously.

G. Election of Vice-Chairperson

Chair mentioned that because of the vacancy of Alan Takemoto, a vice chair is needed. She asked Ms. Klutke and Mr. Kitagawa to serve on this committee to nominate a vice chair.

Ms. Klutke nominated and moved for Lloyd Haraguchi to serve as vice chair; Mr. Kitagawa seconded the motion; motion carried unanimously.

H. Executive director's reports and updates:

1. Kekaha, Kauai

Mr. Nakatani reported on the NPDES situation. The best route was to withdraw the NPDES permit and come up with a plan. He, Ms. Kaichi, Ms. Owan and Phyllis Shimabukuro-Geiser met with the Department of Health's deputy to discuss the ADC's options. DOH offered to work cooperatively with the ADC to develop best management practices and a comprehensive management plan pursuant to the ADC continue to monitor the water quality and continue to seek ways of reducing nutrient levels and turbidity. He did have a meeting with the county and mayor to apprise them of the status of the nonpoint source runoff and to collectively discuss some of the concerns which must be addressed by the management plan. It is a complex problem that involves many agencies. There are a lot of issues that are not easy to solve but everyone needs to work together to come up with a solution.

Mr. Nakatani mentioned that the use and occupancy agreement with the state Department of Transportation, Highways Division is for the board's information. The KAA intends to temporarily shut down the Kekaha Ditch within the next few weeks to make repairs to the Black Siphon just above the point where the tail waters used to enter the Kekaha Ditch. This shutdown will stop all irrigation water from flowing through the Kekaha Ditch after the point of the Black Siphon, including irrigation waters diverted to the Menehune Ditch and taro farmers below. In an effort to maintain a small but constant flow of water to the Menehune Ditch, an agreement has been reached with the state highways to install an 8 inch pipeline, parallel to the existing highway culvert to route the Kokee Ditch tail water to the Kekaha Ditch. Construction is anticipated to commence on August 17, 2015.

2. Galbraith agricultural land, Wahiawa, Oahu.

A contractor was awarded to upgrade and operate the Galbraith irrigation system. Upgrades to the Bott Well pump and industrial diesel engine are nearly complete and repairs to five of the six irrigation stand pipes have been completed.

On July 23, 2015 final repairs to stand pipe no. 4 was scheduled but halted by OHA due to unresolved land issues. By not repairing the stand pipe on OHA's parcel, water delivery to OHA's and Galbraith Lot 5 will be without irrigation water from the Bott Well. ADC has begun to explore alternative irrigation pipeline routes to Lot 5 outside of OHA's parcel boundary.

Once the land survey is completed which designates the placement for roads and farmer parcels, the contractor will design an irrigation system to provide hook up to the small farm parcels from the main 12" pipeline. Presently irrigation water from the Bott Well is provided to Kelena Farms.

Target date for well water is January 2016.

Chair appointed members to the land development committee: Doug Schenk as chair, members: Lloyd Haraguchi, Yuki Kitagawa and Scott Enright. Mr. Nakatani would provide information to the committee on land issues.

The next meeting is scheduled for September 30th which is the 5th Wednesday. Please check your calendars to see if you are available and if not please contact Cindy.

Mr. Hardy said that this will be his last ADC meeting. Next week the new deputy for the Water Commission will come on board who is Jeffrey Pearson and would probably be the representative of the DLNR. He stated that it was a pleasure working with everyone on the ADC Board. Chair thanked him for his contribution to the ADC Board.

Ms. Hopkins said at the last meeting on the executive director's report, it was mentioned of having a Whitmore community meeting. She would like to attend this meeting. Mr. Nakatani explained the situation that people in Whitmore were complaining of encroachment on state lands. Because there is a complaint, we need to address the situation. The thought was to hire a professional mediator to help with this situation. The Board members will be kept informed.

Mr. Schenk moved to adjourn; Ms. Hopkins seconded the motion; motion carried unanimously

Meeting adjourned at 10:05 a.m.

Respectfully submitted,

Cindy Doi
secretary

AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Board of Directors meeting of October 28, 2015
Department of Agriculture Animal Industry Conference Room
99-941 Halawa Valley Street, Aiea, Hawaii 96701

Members:

Letitia Uyehara	Lloyd Haraguchi
Denise Albano	Sandra Kato-Klutke
Margarita Hopkins	Yukio Kitagawa
Douglas Schenk	Leilyn Koev
Scott Enright, DOA	Jeffrey Pearson, DLNR
Wayne Thom, DBEDT	

Guests:

Phyllis Shimabukuro-Geiser, DOA

Staff:

James Nakatani
Ivan Kawamoto
Ken Nakamoto
Lynn Owan
Cindy Doi

Counsel:

Myra Kaichi, Deputy Attorney General

A. Call to Order.

Chairperson Uyehara called the meeting to order at 9:04 am

Chair welcomed Leilyn Koev from Kawamata Farms as the newest board member. Also welcomed Jeffrey Pearson representing DLNR.

B. Approval of minutes from the August 19, 2015 meeting.

Ms. Klutke moved to approve; Mr. Enright seconded the motion; motion carried unanimously.

C. Approval to issue a license to William H. Wise III, dba Waihii Farms for land and improvements located at Whitmore, Oahu, a portion of Tax Map Key 7-1-02-04.

Mr. Nakamoto made the presentation. Approval is being requested to issue a license to William H. Wise III dba Waihii Farms for land and improvements located at Whitmore, Oahu. Mr. Wise has been leasing 16 acres of land from Dole Food Company for an ornamental floriculture nursery operation. ADC approved the issuance of a revocable permit to the Permittee to occupy the subject area and carry over the current terms and conditions while negotiations for a long-term agreement. Permittee plans to continue his ornamental flower operation. Also plans to intercrop 4 acres of avocado trees. The trees

will reach maturity after 5 years and plans to plant an acre of trees every year. The recommendation is to approve the issuance of a 35-year license to William H. Wise III, dba Waihii Farms in Whitmore Oahu subject to the following terms and conditions: 1) term of this license shall be for 35 years; 2) base rent shall be \$950 per month based on \$250/acre/year for the 12 acres of usable land and \$600 for the residential unit; 3) rental rate shall re-open on the 10th, 20th, and 30th years; and 4) no subletting to be permitted without ADC's prior approval in writing.

Mr. Schenk moved to approve the recommendation; Ms. Hopkins seconded the motion.

Mr. Enright said they would always have an option to extend. Also asked whether the state would be liable if Mr. Wise builds on the flood plains. Ms. Kaichi replied that if the tenant puts an improvement then there is permit liability but until the lease is over it is the tenant's improvement. When the lease expires it reverts back to the land owner so if the flood occurs within 35 years or before the termination of the lease then it is the tenant's problem. If ADC takes over, it is our problem. Ms. Kaichi stated that as far as the 35 year option to extend, Mr. Enright is probably thinking of public lands. Lands in the hands of ADC under 171, ADC does not have that kind of structure. So if we don't include the option to extend, the tenant will not have it. If ADC wants the tenant to have the option then we should include it. Mr. Kitagawa commented that the flooding issue would depend on the reservoir. If the volume of water is too high and the gate is not opened to protect Haleiwa then it is going to flood. Mr. Nakatani stated that because the Lake Wilson is kept low and with all this rain, 15 million gallons of water a day was being dumped. The reservoir is far up so it might be hard to flood.

Ms. Hopkins asked if the tenant wanted to leave before his lease expires. Mr. Nakamoto replied the tenant would have to clean up the land before they leave.

Motion carried unanimously.

D. Approval to issue a license to Helemano Farms for land located at Whitmore, Oahu, a portion of Tax Map Key 7-1-02-04.

Mr. Nakamoto made the presentation. Approval is being requested to issue a license to Helemano Farms for land located at Whitmore. Permittee have been leasing 10.33 acres of land and improvements from Dole Food Company for diversified agriculture production, a plant nursery and storage facility. An agreement between Dole and the Permittee to increase the acreage of the area from 10 acres to 30 acres was made prior to the ADC acquisition of Parcel 04. Although both parties agreed to the new terms, Parcel 04 was sold to a third party, before the agreement could be finalized. The ADC approved the issuance of a revocable permit to the Permittee to carry over the prior agreement between Dole and the Permittee while negotiation for a long-term agreement continues. Permittee plans to expand his tree growing operation on the 30 acre area. The vacant land will be cleared and prepped for agriculture use. The variety of trees being grown takes three to five years to reach the market. The Permittee will utilize two concrete slabs to build a sales office and plant nursery. Currently the land has no infrastructure but plans to begin construction on the facilities in 2018. Upon approval of the plans, the ADC will re-open negotiations for the lease rent and amend the land license accordingly.

Mr. Nakamoto mentioned that the RP that was given to Helemano earlier was for two areas. However this license is only for the production area. Another lease would be done for Helemano's building area

another property because it is on our master plan area and will not be doing a long term license in that area.

The recommendation is approve the issuance of a license to Helemano Farms, LLC subject to the following terms and conditions: 1) term of the license for the 30-acre production area shall be for 35 years; 2) base rent shall be an annual fee of \$3,000 per year based on \$100 per acre; 3) base rent for the are shall be set forth as follows: year 1-10 annual fee of \$100 per acre; year 11-20 annual fee of \$150 per acre; year 21-35 annual fee of \$200 per acre; reopen negotiations upon approval of the plans for the sales office and plant nursery, and after the 15th and 25th year; 4) rent credits for years 1-5 of the 35 year license may be authorized/applied with the ADC's prior approval; 5) no subletting to be permitted without ADC's prior approval in writing.

Mr. Enright moved to approve the recommendations; Ms. Hopkins seconded the motion.

Mr. Schenk asked if the tenant has a water meter. Mr. Nakamoto replied there is no water meter on the property. The tenant either brings in a water truck or taps a water meter for city water by filling in his truck at Dole.

Ms. Hopkins asked to explain on the years that was mentioned for the annual fee increases. Mr. Nakatani replied there was no reason why the rates were increased but it is fair being that it is a tree farm. They are doing a lot of work and making good use of the land.

Motion carried unanimously.

- E. Approve withdrawal of prior board approval given on August 27, 2014 of a Kalepa land license to Green Energy Team LLC for HSPA #2, located at Kalepa, Kauai, Tax Map Key (4)3-9-02-20 (por).

Ms. Owan made the presentation. Approval to withdraw of prior board approval was given on August 27, 2014 of a Kalepa land license to Green Energy Team LLC (GET) for HSPA #2, located at Kalepa, Kauai Tax Map Key (4)3-9-02-20 (por) is being requested. Green Energy Team decided that this was not a good location for their workshop because it is on the main road and for security purposes they wanted to be further in and away from public view. A letter was received from GET informing the ADC that they had decided to build their workshop/hangar in a portion of Unit GE(e) for security and logistical reasons. The recommendation is to approve the withdraw of ADC Board approval given on August 27, 2014 to issue a 35 year license to Green Energy Team for two acres at HSPA #2.

Ms. Klutke moved to approve the recommendation; Mr. Schenk seconded the motion.

Motion carried unanimously.

- F. After the fact approval to amend License LI-K1102 issued to Green Energy Team LLC, to reflect changing the use of 1.5 acres of unit GE(e), Tax Map Key(4)3-9-02-01 (port) from biomass crop cultivation to constructing and utilizing a workshop/hangar.

Ms. Owan made the presentation. Approval is being requested for an after the fact amendment to License LI-K1102 issued to Green Energy Team to reflect changing the use of 1.5 acres of Unit GE(e) from biomass crop cultivation to constructing and utilizing a workshop/hangar. Construction has started on the workshop. On September 29, 2015 the ADC received a letter from Green Energy informing the ADC that there was a miscommunication and that they had decided to build their workshop/hangar on a portion of Unit GE(e) for security and logistical reasons. Including parking and equipment storage space, the building site footprint is approximately 1.5 acres. The recommendation is to approve amending Green Energy Team's License No. LI-K1102 to reduce biomass crop cultivation use in Unit GE(e) by 1.5 acres and to add 1.5 acres of construction and utilization of a workshop/hangar in Unit GE(e) with the following terms and conditions: 1) Licensee shall submit a revised Land Utilization Plan; 2) Reduce the acreage of biomass crop cultivation by 1.5 acres, from 955 to 953.5 acres at the current rate of \$20/acre/year; add 1.5 acres of workshop/hangar use at a rate of \$600/acre/year; 3) Rent re-opening of workshop/hangar in Unit GE(e); increase at 2.5% every five years; 4) Licensee shall not sublicense the whole or an portion of their premises without the prior written approval of the ADC Board.

Mr. Enright moved to approve the recommendations; Ms. Klutke moved the motion.

Chair asked on the term of the remainder of the license. Mr. Nakatani replied that was the first lease that Green Energy received from DLNR that carried over and that is the difference of the term.

Motion carried unanimously.

G. Approval to issue a Land License to the Wahiawa Community Based Development Organization (WCBDO), for agricultural purposes, Whitmore, Oahu; Tax Map Key (1)7-1-002-009.

Mr. Kitagawa said that he is an officer and a member of the WCBDO Board. Ms. Kaichi said it does not pose a conflict with the Ethics Commission.

Mr. Kawamoto made the presentation. This is for the approval to issue a two year land license to the WCBDO for agricultural purposes, Whitmore, Oahu; Tax Map Key (1) 7-1-002-009. ADC received a request from the WCBDO for 2 acres of farmland in the Whitmore/Wahiawa area. WCBDO received a city grant in aid to train new farmers from low to moderate income population and a notice to proceed from the City & County of Honolulu was recently issued. The grant seeks to promote agriculture as a viable economic activity for Central Oahu residents to provide essential skills necessary for new farmers to succeed. ADC would provide a 2 acre parcel located behind the small nursery green houses where the University of Hawaii conducted experimental field trails on the benefits of cover crops. The parcel has been abandoned for last few years and recently cleared of Albizia trees. Also the parcel is flat and has access to potable water on the 257 acre and tucked into the back of the property. It is not included in the near future development plans. Staff recommends the approval of the issuance of a land license to WCBDO in Whitmore, Oahu subject to the following terms and conditions: 1) Term of this land license shall be for two years; and 2) base rent will be \$100 an acre per year or \$200 a year for 2 acres.

Mr. Enright moved to approve the recommendation; Mr. Haraguchi seconded the motion.

Mr. Kitagawa gave a short history of the organization. This organization was created in 2009 to identify, develop and implement economic development programs for resident of the Wahiawa Neighborhood Revitalization Strategic Area. This organization has recently become active because the officers are young and energetic and want to participate in the community. They approached the community to see what their needs were. Homeless was the number one concern, elderly care was the second and the third was agriculture. They wanted to see whether agricultural programs could be started. One of the programs that ADC helped start was the farmer training program for the farmers who will soon be on the Galbraith lands. They felt that training young new farmers was one of the programs they would like to start in the Whitmore area.

Ms. Albano asked whether farm stands are allowed on the ADC lands. Mr. Nakatani replied not at this point however it does need discussion. Mr. Enright stated that it probably not allowed because of a liability issue whereby the public coming onto the property.

Motion carried unanimously. Mr. Kitagawa abstained from voting.

H. Approval to renew Revocable Permit No. 7299 for Senter Petroleum in Kekaha, Kauai, Tax Map Key (4) 1-2-02-01 (por).

Ms. Owan made the presentation. This is for the approval to renew Revocable Permit No. 7299 for Senter Petroleum, in Kekaha, Kauai, Tax Map Key (4) 1-2-02-01 (por). Senter Petroleum is one of two RPs that were not converted into long term licenses. The rent space is for .50 acres of land under and immediately around above ground storage tanks that are used for petroleum storage, sales and distribution, plus access to the site for Kekaha Road. They are not interested in a long term agreement. The RP conditions include a clause that requires the Permittee to conduct a Level One Hazardous Waste Evaluation and conduct a complete abatement and disposal, if necessary, prior to termination of the RP. Staff recommends the approval to renew RP 7299 to Senter Petroleum effective January 1, 2016, at the monthly rent of \$1,125, on a month-to-month basis, the term not to exceed December 31, 2016, unless otherwise extended by ADC.

Ms. Klutke moved to approve the recommendation; Mr. Enright seconded the motion.

Mr. Haraguchi asked if there are periodic checks by someone or is it up to the tenant to look after the situation as far as any contamination. Ms. Owan replied staff has gone to the site to look at the property however it is not a regular inspection. Mr. Nakatani stated inspections will be looked into.

Motion carried unanimously.

I. Approval to renew Revocable Permit No. 7004 for Gary Smith in Kekaha, Kauai, Tax Map Key (4) 1-2-02-01 (por).

Ms. Owan made the presentation. This is for the approval to renew Revocable Permit No. 7004 for Gary Smith in Kekaha, Kauai, Tax Map Key (4) 1-2-02-01 (por). The Permittee uses the 2,780 square foot land for gardening and the location of the plot does not qualify for a long-term license. Staff recommends the approval of the renewal of RP 7004 to Gary Smith effective January 1, 2016, at the

monthly rent of \$13.00 on a month-to-month basis, the term not to exceed December 31, 2016, unless otherwise extended by ADC.

Mr. Enright moved to approve the recommendation; Ms. Klutke seconded the motion; motion carried unanimously.

A short recess was called at 10:00 am

J. Executive Director's Reports and Updates:

1. Kalepa, Kauai
2. Waiahole Water System
3. Galbraith Agricultural Land
4. Capital Improvement Projects

Mr. Nakatani reported on Kalepa. Annual parcel inspections were conducted in August and will be completed by the end of October. Green Energy has improved the common element road by widening it and removing the over growth on the road side. There are a few tenants that are behind in implementing their utilization plans and in the maintenance of their parcels.

Waiahole Water System – Contractors began work to replace four metal steel siphons with new high density polyethylene pipes.

Galbraith Agricultural Lands – The irrigation system stand pipe repairs were completed on September 25, 2015. Six standpipes were repaired and water can be supplied throughout the 1723 acres of Galbraith parcel. The next phase will be providing irrigation to the small famer plots.

Capital Improvement Projects - ADC's CIP budget request to DOA for Galbraith Irrigation System is \$15 million to construct a 10 MG reservoir, design and construct a pipeline from Lake Wilson to the new 10 MG reservoir, and construct a 3 MG reservoir. A detailed break-down for Galbraith Irrigation system was given to the Board members.

Mr. Enright asked about the Kauai landfill. Mr. Nakatani gave a short history of the Kauai landfill. The County of Kauai was looking into relocating their landfill and have looked at many sites. They finally settled with the present site which is on the mountainside. We do have an MOU with the County which still stands. He believes that the site is still in Kalepa. More details can be given at the next meeting.

Next meeting could possibly be December 9th. Please check your calendars. Cindy will send out an email.

Meeting adjourned at 10:25 am

Respectfully submitted,

Cindy Doi
Secretary

AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Board of Directors meeting of December 9, 2015
Department of Agriculture Animal Industry Conference Room
99-941 Halawa Valley Street, Aiea, Hawaii 96701

Members:

Letitia Uyehara	Lloyd Haraguchi
Sandra Kato-Klutke	Douglas Schenk
Yukio Kitagawa	Wayne Thom, DBEDT
Leilyn Koev	Scott Enright, DOA
Jeffrey Pearson, DLNR	
Denise Albano arrived at 10:00	
Margarita Hopkins arrived at 10:00	

Guests:

Joe Munechika, KAA	Leinaala Loy, KAA/Sunrise
Dawn Huff, KIUC/Joule	Jason Hines, KIUC/Joule
Linda Rosehill, Rosehill & Associates	
Jan TenBruggencate, Island Strategy LLC	

Staff:

James Nakatani
Ivan Kawamoto
Ken Nakamoto
Lynn Owan
Cindy Doi

Counsel:

Myra Kaichi, Deputy Attorney General

A. Call to order.

Chairperson Uyehara called the meeting to order at 9:30 am.

B. Approval of minutes from the October 28, 2015 meeting.

Mr. Enright moved; Mr. Schenk seconded the motion.

Ms. Kaichi corrected page 4, item G, first paragraph. It should read: "Ms. Kaichi said it does not pose a conflict with the Ethics Commission. Mr. Kitagawa abstained from voting."

Motion carried unanimously.

C. Approved to issue a license to Kapaa Banana Co., for land located at Kalepa, Kauai, identified as HSPA #1, a portion of Tax Map Key (4) 3-9-02-20.

Mr. Nakamoto made the presentation to issue a license to Kapaa Banana (KBC) at Kalepa, Kauai for HSPA #1. The 2-acre parcel remained on a month-to-month tenancy which was transferred to ADC from DLNR and expired in October 2015. The ADC received a request from KBC for a license to utilize HSPA #1 for commercial and educational purposes. KBC intends to sell its produce at the fruit stand on the 2-acre parcel located on a well-traveled stretch of Maalo Road. Besides a commercial fruit stand, KBC plans to develop a production/demonstration plot and establish a warehouse/ripening facility on site. The company's goal is to continue growing diversified crops. Staff recommends (1) term of the license shall be for 35 years; base rent shall be an annual fee of \$2,400 based on \$1,200 per acre; rental rate shall re-open on the 10th, 20th, and 30th year and shall be determined based on the appraised fair market value.

Mr. Enright moved to approve the staff recommendation; Ms. Klutke seconded the motion.

Ms. Klutke stated that there is no mentioned that ADC could check on KBC on the third year. Mr. Nakamoto replied there is a condition in the license that states if there is more than four consecutive months without activity, the licensor has the right to take back the land. Ms. Klutke stated that Mr. Esaki called her and said he could not attend today because his sister recently passed away. He had no questions about the condition regarding the three year check. Mr. Nakamoto stated that the license is in draft form and if Mr. Esaki feels that he wants to change his mind then the terms could be renegotiated.

Mr. Haraguchi asked that since it is commercial would he be subject to permits. Mr. Nakamoto replied yes he would need to go through County of Kauai for building permits.

Mr. Enright stated that KBC has been on the property for a while therefore has he provided a timeline of when these improvements would be completed. Mr. Nakamoto replied KBC has graded the land and is preparing the land for planting. The starting timeline would be 2016 and the fruit stand should be operational in mid-2016. Mr. Nakatani stated that KBC has been on the property for a long time and will put the timeline in the license regarding performance and progress as far as KBC's plans for the property.

Mr. Nakatani stated that a letter could be sent to Mr. Esaki asking him the questions that were brought up at the board meeting and will ask for a timeline.

Chair stated that on the rent re-opening, it was mentioned that it would be determined based on the appraised fair market value. Do we determine that? Mr. Nakamoto replied if KBC does not agree then they can get their own appraisal.

Mr. Haraguchi was concern that since Mr. Esaki has been on the property for some time and has not been using the property then should he be given another 35 years or may be a shorter term might be an option. Mr. Nakamoto replied it was discussed to offer him a short term license but Mr. Esaki did ask for a long term license. A condition will be added to stress the non-performance on the property. Mr. Nakatani stated that there was discussion of taking away this lease however the land committee wanted to give him another chance. A ten year license is short if improvements are put in for this kind of investment. Therefore a long term license was decided for KBC and if there is non-performance on the property then it could be revoked. But if a short term license is given and KBC comes back and says

that they could not conform because the term was too short which is what we do not want to happen and that is why a long term license is being given.

Motion carried unanimously.

- D. Approval to amend Utilization and Development Plan for Unit E under License LI-KA1411 with Leslie Milnes in Kalepa, Kauai; Tax Map Key (4) 3-9-02-001 (por).

Ms. Owan made the presentation to amend the utilization and development plan for Unit E with Leslie Milnes. ADC received a letter from the licensee that he was asked by Green Energy Team to enter into a Cooperative Farm Agreement to plant and maintain a forestry biomass crop for harvest. Licensee is willing and interested and has therefore requested to amend the utilization and development plan which was submitted under LI-KA1411 to change the use of 86 acres from pasture to biomass crop production. Staff has confirmed with Licensee that Licensee will maintain the biomass crop production. Staff recommends to approve the amendment of the utilization and development plan under License LI-KA1411 to change the use of 86 acres within Fields 3, 4, and 5 from pastoral to biomass. A letter and an amended map was sent yesterday from Leslie Milnes which copies was made for the board members.

Short recess called at 9:55.

Mr. Enright moved to approve the recommendation; Ms. Klutke seconded the motion.

Mr. Kitagawa asked what the relationship would be between Leslie Milnes and Green Energy Team. Ms. Owan replied Mr. Milnes will plant eucalyptus trees for GET which is a four year rotation. Mr. Milnes would grow the trees and get paid a use fee that does not exceed the fee that he pays to ADC so there is no profit gain by him receiving a fee from GET. He does get paid however upon harvest which is \$4.80 per bone dry ton of trees from GET. So he does earn a profit at harvest. But he will maintain the trees and hires the personnel needed to maintain the trees for GET.

Ms. Klutke asked how many years would this license be for. Ms. Owan replied this would amend Mr. Milnes current license which he just completed his first year therefore it would be for another 34 years. The contract farming agreement is 20 years with an option to extend for 10 years. Ms. Klutke asked is if there is a clause that says that if GET decides not to be on Kauai any longer, ADC would take this back and go back to pasture land. Mr. Nakatani replied it could be put in the license however if GET decides to close then Kalepa would fall because they do have over 1,000 acres.

Motion carried unanimously.

- E. Approval to amend Pioneer Hi-Bred International, Inc.'s Land License No. LI-KA0803 to withdraw 796.85 more or less acres in Kekaha, Kauai, Tax Map Key No. (4) 1-2-02-001 (por)

Mr. Nakamoto made the presentation to amend Pioneer Hi-Bred International, Inc.'s (PHI) land license to withdraw 796.85 more or less acres. Currently Pioneer-Hi Bred is licensing 1,734.57 acres in Kekaha. PHI has determined that the land currently being licensed exceeds PHI's needs. ADC received a request to withdraw 796.85 more or less acres from License No. LI-K0803 but will continue their operations in Kekaha on the remaining fields. Staff recommends (1) approval of amendment to PHI to

withdraw 796.85 more or less acres effective January 1, 2016; (2) all other terms and conditions remain the same.

Mr. Schenk moved to approve the recommendations; Ms. Hopkins seconded the motion.

Mr. Haraguchi asked if there was a penalty for early withdrawal and is there any future interest in these lands. Mr. Nakamoto replied there is no penalty and there is future interest of the property.

Ms. Hopkins asked what was their decision to withdraw. Mr. Nakamoto replied PHI consolidated a lot and wanted to move away from Kekaha town. Mr. Nakatani stated that all the seed companies are cutting back which is understandable. The more logical area was to stay in Kekaha not Waimea but they decided that they wanted to keep plantings in Waimea.

Mr. Kitagawa commented that PHI broke up the property into these portions which are not contiguous when it is looked from a bigger picture. Are the releasing areas considered to be junk. Mr. Nakatani stated the PHI did not have any junk lands. The mauka lands which they are giving up are hard to farm but they are not junk because it is hard to get to. How they gave up the lands are puzzling and would like it to be contiguous because of contamination purposes but we do not know. All the lands being given up are good lands and have inquiries from other seed corn, private and diversified agriculture companies who want to move in. As soon as this is done, we will be coming in January with proposals on how to utilize these properties.

Mr. Pearson asked if there are any requirements for how they would return the lands. Also how about soil contamination. Mr. Nakatani replied it was not written but PHI has been doing their due diligence by taking out their rubbish and taking care of ground covers. PHI want to return the lands in decent shape. As far as soil, there is not much contamination because PHI's use of chemicals on the property is very diligent on the use and are very careful.

Mr. Enright recommended that the Land development committee and the board take a look at diversified agriculture before we lease more lands to biotech. He is a fan of the biotechnology companies and they do good work and have good cultural practices. But the political environment that exists on Kauai today look to this board and the decisions that was made in the past on land utilization in Kekaha may think that ADC is biases to biotechnology. At that time, PHI were the only entities that wanted to farm that lands and might still be the only entities. With that said we should go through great lengths to see if we can find diversified agriculturist that have an interest in that lands. He recommended that we take our time and look at others agriculturalist then work with the biotech companies.

Motion carried unanimously.

- F. Approval to Issue a Revocable Permit to University of Hawaii, College of Tropical Agriculture and Human Resources for Agriculture Purposes in Whitmore, Oahu, Tax Map Key (1) 7-1-02-09 (por).

Ms. Owan made the presentation to issue a revocable permit to UH/CTAHR for agricultural purposes in Whitmore, Oahu. In 1988 the UH began renting a greenhouse and four acres of land from Castle & Cooke for pineapple research. Later the lease agreement was transferred to Dole Food Company, Inc.

The last extension terminated on August 31, 2006 and the permittee continue to occupy the premises as a holdover tenant. The ADC proposes to continue to rent the greenhouse and add a boiler room and a shed but omit the four acres of land. In consideration of the exchange of the additional buildings for land, the rent will remain the same.

Staff recommends the approval to issue a revocable permit to UH for buildings M, N, and P in Whitmore, Oahu subject to the following terms and conditions: (1) term of this revocable permit shall be on a month-to-month basis; (2) base rent shall be \$2,088 per year; (3) permittee shall pay its share of utilities; and (4) as a state agency, permittee is self-insured for liability insurance and may apply to the City and County Real Property Tax Assessment office for exemption from payment of the real property taxes.

Ms. Klutke moved to approve the recommendations; Ms. Hopkins seconded the motion.

Mr. Haraguchi asked if UH is using the facilities. Mr. Nakatani replied UH is using one of the buildings and do have some experimental plantings. The other shed is a storage area and they have not used the boiler which was used to sterilize soil for a number of years. There is very little activity being done on this property.

Ms. Hopkins asked what is the UH's plan for the property. Mr. Kitagawa replied that the UH has been using the greenhouse for some experimental plantings. But for further plans for the future is unknown. Also the College's administration is aware of the concerns that ADC has. What is disappointing is that there is no reaction from the UH on what possible actions that they want to take. Mr. Nakatani stated that ADC did approach the administration and their reply was that they could not do anything because they do not have a contract with ADC but they are still on the property.

Motion carried unanimously.

G. Kauai Island Utility Cooperative Pumped Storage Project Update.

Jan TenBruggencate chairman of the Board of KIUC, Jason Hines and Dawn Huff from the Joule Group who are consultants for KIUC made a power point presentation to give an update on this project. Also present was Joe Munechika from Kekaha Agriculture Association who KIUC will be developing a MOU with them because their interests coincide with KIUC on this project. Within the next few months on Kauai, they will have more renewable energy on their grid than on demand for electricity. One of issues they need to look at is how to store intermittent renewable energy in the daytime so it can be used at night. Battery technology is possible but currently is ineffective in particularly with the tax credits going away it is going to be some years before it needs to be. Pump storage is old technology and is good technology and a non-consumptive use of water. This project has a potential to supply water to Hawaiian homesteaders to assign the members of the Kekaha Agriculture Association to get water to agricultural lands to improve their systems. The systems make enough sense to help fund some of the costs associated with those things. Long term of getting them off fossil fuels of achieving the state's goal of 100% renewal energy which is why they have put a lot of utilities resources toward doing the basic planning.

Mr. Kitagawa asked about the Hawaiian groups that had concerns with this project. Ms. Huff replied that they are in communications with some of the groups and continue to keep them updated. They do have support from these groups according to some of the feedbacks that they have been getting. It is still work in progress.

H. Executive Director's Reports and Updates:

1. Kekaha, Kauai

Mr. Nakatani reported that the emergency backup generation system is completed and the generator was moved to the westside so there is emergency backup power. Kekaha and Kokee ditch system is done. The inoculated deep litter system clean-up is nearing completion. Ms. Klutke did visit the site.

2. Kalepa, Kauai

Taiwan Gu is doing fine in Kalepa harvesting ginger root and sweet potato.

3. Waiahole Water System

Waiahole Water System rehabilitation of steel siphon project is moving along as planned.

Ms. Klutke moved to adjourn; Ms. Hopkins seconded the motion; motion carried.

Meeting adjourned at 11:10 am.

Respectfully submitted,

Cindy Doi
secretary