

AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Board of Directors Meeting of January 27, 2016
Department of Agriculture Plant Quarantine Conference Room
1849 Auiki Street, Honolulu, Hawaii 96819

Members:

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

Guests:

Steve Kai, Kekaha Farm	Jill Suga, Under Da Mango Tree
Clarke Andros, Andros Engineering	

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 9:10 am.

B. Approval of minutes from the December 9, 2015 meeting.

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

C. Approval to Issue a Revocable Permit to Davey Tree Expert Company for a parking area in Whitmore, Oahu; Tax Map Key (1) 7-1-02-074 (por) and (1) 7-1-02-09 (9).

Mr. Nakamoto made the presentation to issue a revocable permit to Davey Tree Expert Company, a tree trimming and landscaping company and in the process of expanding their operation, for parking area in Whitmore, Oahu. The vacant 5,600 square foot covered parking shed is on a portion of TMK (1)7-1-02-04 and the parking area of vacant land is unimproved and approximately 10,000 square feet, located on a portion of TMK (1) 7-1-02-09. The recommendation is to approve a revocable permit subject to the following terms and conditions: term of this RP shall be on a month-to-month basis; base rent shall be \$1,500 per month; permittee shall pay its share of utilities; and permittee may apply for rent credits. Mr. Nakatani

commented that Davey Tree had been on the property but did move out when ADC purchased the property however they wanted to move back in. They did some work for Dole and ADC would like to form a partnership because there are a lot of trees that need to be trimmed in the area.

Mr. Kitagawa moved to approve the recommendations; Mr. Schenk seconded the motion.

Ms. Hopkins asked if permits are needed for building of the covered parking. Mr. Nakamoto replied the cover is already there but if substantial improvements are done then they would need to come back to the Board. But if Davey Tree does small work like roof patching then ADC could give them rent credit.

Ms. Albano asked if it's only for parking. Mr. Nakamoto replied they would have parking for their employees and for their business of storing trucks but no operation on the property.

Motion carried unanimously.

- D. Approval to Issue a Revocable Permit to Andros Engineering Corporation for a covered parking area in Whitmore, Oahu; Tax Mapy Keu (1) 7-1-02-04 (por).

Mr. Nakamoto made the presentation to issue a revocable permit to Andros Engineering Corporation, a supplier of specialized agricultural equipment and in the process of expanding their operation, for space in Whitmore to store equipment and vehicles. This would be for Building F which is a vacant 8,800 square foot covered parking shed and overhead utilities are located along Whitmore Avenue and assumed that electricity and potable water is available to the area. The recommendation is to approve the issuance of a revocable permit subject to the following terms and conditions: term of this revocable permit shall be on a month-to-month basis; base rent shall be \$880 per month; permittee shall pay its share of utilities; permittee may apply for rent credits; and no subletting to be permitted without ADC's prior approval in writing.

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

Mr. Thom asked whether the company needs the potable water on the site. Mr. Nakamoto replied they may need water to wash their vehicles or their equipment. They will be responsible for installing their own meter for water. The line is already there but it needs to be hooked up which would be Andros' responsibility.

Motion carried unanimously.

Chair mentioned that two correspondences were received for the Board's information. One from Kekaha Agriculture Association and the other from Representative Marcus Oshiro.

- E. Approval to Issue a Revocable Permit to Royal Palm Group/Construction and Landscaping, Inc. for nursery purposes in Whitmore, Oahu, Tax Map Key (1) 7-1-02-09 (por).

Mr. Kawamoto made the presentation to issue a Revocable Permit to Royal Palm Group/Construction and Landscaping, Inc. for nursery purposes in Whitmore, Oahu. The permittee began renting four acres of land from Castle and Cooke and later the lease was transferred to Dole Food Company. The lease term expired on December 31, 2015 and the permittee would like to continue occupying the premises as a holdover tenant. The permittee has been a good tenant and has cleared the land where the nursery sits today. The recommendation is to approve the issuance of a revocable permit for 4 acres in Whitmore, Oahu subject to the following terms and conditions: term of this revocable permit shall be on a month-to-month basis; base rent shall be \$400 per acre or \$1,600 per year; no subletting to be permitted without ADC's prior approval in writing.

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

Ms. Hopkins commented that she was concerned that the permit is a month to month RP because the permittee is at the mercy of being asked to leave at any time with just one month notice. Chair said it is because there will be master planning on this property and that the tenant is aware of the month to month basis and they are okay with that condition.

Ms. Kaichi said she checked Royal Palm's DCCA business registration status and they have an expired trade name. Staff will follow up on this status.

Mr. Kitagawa said that he has met with Mr. Renie Agasalda from the Royal Palm Group and he seems to have a good operation and has been doing a good job and also works with the community.

Motion carried unanimously subject to the follow up on their business registration status.

F. Discussion of Galbraith small farmers parcels at Galbraith Agricultural Lands in Wahiawa, Oahu, Tax Map Keys (1) 6-5-002-25 and (1) 7-001:002.

Mr. Kawamoto made the update of the Galbraith small farmers parcels. He mentioned that to gain approval of funding from the City & County of Honolulu's Clean Water and Natural Lands Commission, the ADC committed to institute a public process to announce the availability of land and for awarding the leases to small farmers. The ADC set aside approximately 300 acres and is preparing the lands to offset the high cost of making the land more conducive for diversified agriculture. ADC has dedicated 10 small farm lots totaling over 300 acres ranging in size from 6 acres to 76 acres to fulfill the county's request to provide farm land for small farmers. The ten farm lots sizes were determined based on the farmer's preference and land availability. The farmers were selected from a pool of 75 applicants in May 2013 by a five member selection committee. The committee members chose ten farmers as potential candidates to be offered Galbraith long term lease/licenses. In 2015, mandatory farmer training classes were offered to the potential farmers. A five week training course covering various topics were presented to the farmers by the UH College of Tropical Agriculture and Human Resources county extension agents. The cost to develop an acre of land is estimated to be \$1000 per acre or \$50,000 to develop 50 acres. This cost includes tree removal, acquiring and incorporating coral sand to condition the soil and 2 to 4 disc plowing of the fields. Survey work has been completed

designating the location of the farmer lots and irrigation distribution system on the lands. Currently, plans to install the irrigation system are being finalized.

Mr. Schenk asked if the rates have been determined yet. Mr. Kawamoto replied no rates have been decided yet but costs are being looked at right now.

Ms. Albano asked on lease amount. Mr. Nakatani said an appraisal should be done before setting the lease amount so we have a baseline. Mr. Pearson said the meters should be installed first before the appraisal so there is water to the lots which could increase the appraisal.

Ms. Hopkins commented on the selection of the 10 farmers. Mr. Kawamoto replied the applications were reviewed and checked on their economic viability, existing farmers, etc. then checked what they would be farming. Chair commented that these farmers that were selected needed to be experience farmers. The committee did look at all the applicants in terms of what their farms looked like, what they were growing and what kind of practices they had. So from those kinds of assessments and appropriate acreages the farmers were selected. Mr. Nakatani commented that the priority was food sustainability, therefore nursery growers were eliminated. The farmers who did not have experience were eliminated and because we are the state, the farmers needed to be green card citizen. There is another appropriation to buy more land so there could be another opportunity for other farmers.

Mr. Kitagawa stated that the training program that was conducted would fortify what the farmers already knew. In order to insure that the farmers are successful in following the practices, we arranged to have the extension agent periodically visit each farm and make note of issues that need to be corrected. This is added assurances to see that this project is successful. It is very important that we develop a model on how future lands can be utilized.

G. Request to Issue a Revocable Permit to Waikele Farms, Inc. for agricultural purposes located in Kunia, Oahu, Tax Map Keys: (1) 9-4-012:001 & 003.

Mr. Kawamoto made the presentation to issue a revocable permit to Waikele Farms Inc. for agricultural purposes located in Kunia, Oahu. On August 27, 2015, the ADC board accepted a set-aside of 91.216 net acres but requesting 30 acres. The Army is planning to install a new perimeter security fence and appurtenances at Field Station Kunia. Also conduct an environmental assessment at the current time and the final location of the fence will be determined at a later date. Since the land was transferred to DOA, the land has remained unused and recently there is evidence of illegal dumping and unauthorized vehicular access on the property. Waikele Farms has shown interest in wanting to expand their business more efficiently by leasing/licensing farm land that is near their current Kunia operation. ADC would like to lease the property for agricultural purposes while benefiting from having a presence on the property to curtail unauthorized entry and trash dumping. Waikele Farms proposes to install a security entrance gate and place boulders on the perimeter of the property fronting Kunia road. The estimated cost to install the entrance gate is \$5,000 and \$10,000 to place boulders on the perimeter of the property. Waikele Farms is willing to install a gate and placing boulders in exchange for a rent credit not to exceed \$15,000.00

The recommendation is approve the issuance of a revocable permit to Waikele Farms Inc for agricultural purposes in Kunia, Oahu subject to the following terms and conditions: term of this revocable permit shall be on a month-to-month basis; base rent rate shall be \$1,500 per year; rent credit of up to \$15,000 may be applied, for work to install a security gate and place boulder barriers where needed; no subletting to be permitted without ADC's prior approval in writing.

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

Mr. Thom asked why is the requesting letter from Larry Jefts names Kelena Farms but the staff submittal is Waikele Farms. Mr. Kawamoto replied at the time that he was working with Larry Jefts, he said it would be through Kelena Farms but after sending him the submittal for review, Mr. Jefts requested to change it to Waikele Farms.

Motion carried unanimously.

- H. Approval to Issue a License to Kekaha Farms/Under Da Mango Tree LLC for land located at Kekaha, Kauai; identified as Field No. 105 & 206 (por); a portion of Tax Map Key (4) 1-2-02-01.

Mr. Nakamoto made the presentation for approval to issue a license to Kekaha Farms/Under Da Mango Tree LLC for mango and vegetable production in Kekaha, Kauai. The requested area total 68.57 acres and encompasses approximately 57.95 acres of Field 105 and 11.02 acres of Field 104 located along Kokee road mauka of Kekaha town. The site is flat and is serviced by irrigation from a well and additionally, potable water and electricity can be accessed via power lines located adjacent to the site. This area was previously licensed to Pioneer Hi-Bred International who recently decided to reduce their Kekaha land holdings. The operational plan would be vegetable growing with planting 1/2 acre per month and will increase to reach 1 acre per month. Mango orchard seedling have started and will be ready for grafting in 2016. Phase I planting of 25 acres will commence in 2017. Phase II will involve planting another 25 acres for a total of 50 acres of production orchard. The mango orchard will have marketable fruit in year 2 but will reach fully maturity in 7 years. Packing house will include a washing and packing facility, an office and bathroom amenities located on a portion of Field 206 with estimated size of 2,000 square feet. The rent schedule requested by the licensee would provide relief on the rent for the 50 acre mango orchard until 2018. Payment of \$150 per acre (maintenance fee not included) for the 19 acre vegetable growing area shall commence upon approval of the license. The rent schedule for the term of the license is in 2016 and 2017 an annual fee of \$2,850 based on 19 acres; beginning 2018 an annual fee of \$10,285.50 based on 68.57 acres.

The recommendation is to approve issuing a 35-year land license to Kekaha Farms/Under Da Mango Tree LLC subject to the following terms and conditions: term of this license shall be for 35 years; annual fee is based on the rate of \$150 an acre; annual rental shall re-open very 10th year of the term; licensee shall pay an annual maintenance fee to the Kekaha Agriculture Association that would cover water delivery rates; and other incidental; administrative, and infrastructure costs; and no sublicensing the whole or any portion of their premises without the prior written approve of the ADC Board.

Mr. Enright moved to approve the recommendations; Mr. Schenk seconded the motion.

Jill Suga and Steve Kai was present to answer any questions.

Mr. Enright said mango is a good product and has our full support. Chair commented that Hawaii should be producing a lot more mangos than we presently produce. It is the most consumed fruit in the world and we import 90% of what we consume here in Hawaii. She asked what kinds of varieties are Kekaha Farms looking at. Ms. Suga replied they are looking at “Rapozo” as the main stock but also has a “No. 9” tree that has done well in Kekaha and also exploring other varieties. No. 9 is a good tasting fruit and on Kauai it is in demand. If there is a market for different varieties, they could look into producing those varieties.

Motion carried unanimously.

A 5-minute recess was called at 10:00 am.

I. Executive Director’s Reports and Updates.

Mr. Nakatani made his executive director’s report.

Kalepa – There was a fatal accident of an employee from Green Energy Team where a falling tree branch fell on the employee. He did talk to Green Energy and they did follow all their procedures but it was an unfortunate accident. They are doing their investigations with HIOSH and OSHA.

Galbraith Land and Wahiawa Land – Larry Jefts will plant watermelon for a second time on 95 acres near the Bott Well pump. The purchase of the 73 acre parcel of Whitmore lands has not closed as of today however it should happen soon.

Waiahole Water System – Rehabilitation of the steel siphon project began last year and continues with completion of all the siphons by July 2016.

Hilo Land – the Zero waste conversion project consist of three phases, equipment, acquisition, land acquisition and construction of a permanent zero waste demonstration facility. On December 11, 2015 the ADC acquired land in the W.H. Shipman Business Park to construct the permanent zero waste demonstration facility. The closing cost for the property was \$512,955.19. A progress report of the mini-pilot scale production of biofuel and animal feed from Heterotrophic algae was given to the board members in their meeting materials. An update at the next meeting on mardol and freckle free project may be given.

Legislature – He reported on the budget hearing. Mr. Enright mentioned that the House chair and vice chair did take issue of the work that ADC does because there was no plan for Galbraith. Mr. Nakatani reported that for Galbraith we took Senator Dela Cruz’s plan because it involved on how it looked at not only agriculture but the economic development.

Some of the topics that came up for discussed were:

the closing of A&B HC&S with possible industries:

- biofuels
- mango
- grass fed beef

Mr. Schenk commented on his company regarding pineapple and the idea of producing as much as they could and sell it locally and to add value to it. They investigated on IQF technology which is individual quick freeze and clean and cutting room to cut fresh pineapple to sell into the local school programs and prisons. The best help would be on the market side whereby they could get fresh pineapple to the kids at the schools. Mr. Enright commented that DOA has hired a farm to school coordinator. The individual DOA hired has a law degree but has worked for the last two years in procurement which is the key. They will be starting pilot projects around the state for DOE. Mr. Enright extended to Mr. Schenk that with agriculture in Maui, everything needs help so DOA will be there for his company. He offered to go with Mr. Schenk if they should go to see HC&S.

Mr. Kitagawa commented that the ADC Board should engage ourselves into doing research or development. Throughout the state there might be opportunities in helping industries because ADC can move. Chair commented that we need to be more specific whether its commodities or land areas or project that will help industries. Mr. Kitagawa said ADC can take a leadership role because we have different departments that sit on this board. We should spend some time on how we should encourage the development of more agriculture. He said that there is a risk for ADC to take a leadership role and will have failures but if we don't do it, then the private industry won't know. ADC could be the risk takers. Mr. Enright agreed that ADC is the risk taking entity.

Mr. Enright commented that what might be needed is the start of a strategic plan to see where we can make an impact. Some help to be identified is feed for livestock and aquaculture. Opening up lands for agriculture is something we need to do. We need to project going forward on what work this board is going to do and direct what the staff will do.

Mr. Kitagawa commented that ADC should be looking at food utilization of products. Being able to help the industry in research to do value added products is where he is interested. He has been talking with UH who is very interested in providing products. One of the products that came about was a product being worked on with Guam to utilize breadfruit producing cereal. He wanted to develop as much as these kinds products as possible. He wanted to use products that came out of Galbraith to utilize their products in different ways not only in fresh. They are talking of what other kinds of products could be developed so that they could help the farmers get more out of their products. He got funds from the City to try to develop some other products.

Meeting adjourned at 10:55 am

Respectfully submitted,

Cindy Doi
secretary