

**AGRIBUSINESS DEVELOPMENT CORPORATION**

Minutes of the Board of Director meeting for January 31, 2018  
Department of Agriculture Plant Quarantine Conference Room  
1849 Auiki Street, Honolulu, Hawaii 96819

Members:

Letitia Uyehara	Yukio Kitagawa
Lloyd Haraguchi	Douglas Schenk
Leilyn Koev	Denise Albano
Sandra Klutke	Margarita Hopkins
Jeffrey Pearson, DLNR	

Absent:

Scott Enright, DOA	Robbie Melton, DBEDT
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Guests:

Cindy Matsuki, HTDC	Joshua Uyehara, KAA
Tina Deitschman, Senator Dela Cruz's office	
Teresa Dawson, Environment Hawaii	

Staff:

James Nakatani  
Myra Kaichi  
Lynn Owan  
Ken Nakamoto  
Todd Low  
Cindy Doi

Counsel:

Andrew Goff

A. Call to order.

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

B. Approval of Minutes from the December 20, 2017.

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

C. Request to Re-Issue a Revocable Permit to Andros Engineering Corporation for a Covered Parking Area in Whitmore, Oahu, Tax Map Key (1) 7-1-02-04 (por).

Mr. Nakamoto made the presentation to re-issue a RP to Andros Engineering Corporation for a covered parking which is in the 257 parcel and in the master plan area in Whitmore.

Andros has been renting a parking shed since 2016. Permittee is a world supplier of specialized agricultural equipment based in California and has been operating in Hawaii since 2014. Permittee has been a good tenant and rent payment has been made in a timely manner. ADC plans to redevelop the area which may include the removal of the parking shed. ADC proposes to allow the Permittee to continue using the land for its operation on a month-to-month basis until such redevelopment ensures. The recommendation is to approve the reissuance of a RP to Andros Engineering Corporation for the parking area in Whitmore subject to the following terms and conditions: term of this RP shall be on a month-to-month basis; base rent shall be \$880 per month; shall pay its share of utilities; may apply for rent credit; and no subletting to be permitted without ADC's prior approval in writing.

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

D. Request to Re-Issue a Revocable Permit to Davey Tree Expert Company for Parking Area in Whitmore, Oahu, Tax Map Key (1) 7-1-02-04 (por) and (1) 7-1-02-09 (por).

Mr. Nakamoto made the presentation to re-issue a RP to Davey Tree for parking area in Whitmore. Permittee has been renting office space, a covered parking shed, and 10,000 square feet parking area since 2016. Permittee is a tree trimming and landscaping company based in Ohio. The company is currently using the space in Whitmore to store equipment and vehicles. ADC plans to redevelop the area, which include the use of the 10,000 square feet parking area and removal of the office space and parking shed. ADC proposes to allow the Permittee to continue using of land for its operation on a month-to-month basis until such redevelopment ensures. The recommendation is to approve the reissuance of a revocable permit to Davey Tree Expert Company for parking area in Whitmore subject to the following terms and conditions: term of this RP shall be on a month-to-month basis; base rent shall be \$1,634.40 per month; shall pay its share of utilities; and no subletting to be permitted without ADC's prior approval in writing.

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

Mr. Kitagawa asked about the office area. Mr. Nakamoto replied WCBDO is leasing on a month to month basis.

Ms. Hopkins asked when storing the equipment do they have restrictions. Mr. Nakamoto replied yes, but no heavy equipments.

Motion carried unanimously.

E. Request to Re-Issue a Revocable Permit to Royal Palm Group/Construction and Landscaping, Inc. for Nursery Purposes, Whitmore, Oahu, Tax Map Key (1) 7-1-\*02-09 (por).

Mr. Nakamoto made the presentation to re-issue a RP to Royal Palm Group/Construction and Landscaping for nursery purposes in Whitmore. Royal Palm has been renting four acres since 2010 and was a carry over tenant when ADC acquired the 24 acre parcel. Currently the land is used as a plant nursery and store heavy equipment. ADC plans to redevelop the area and proposes to allow the Permittee to continue to use the land for nursery purposes on a month to month basis until the redevelopment ensures. The recommendation is to approve the reissuance of a RP to the Royal Palm Group for 4 acres in Whitmore, subject to the following terms and conditions: term shall be on a month-to-month basis; base rent shall be \$1,600 per year; and no subletting to be permitted without ADC's prior approval in writing.

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

Ms. Klutke asked on the rent, how long has this been in existence? Mr. Nakamoto replied it is the same terms and conditions as what Dole charged. It is flat and would like to take it back if needed once the plan is completed.

Motion carried unanimously.

F. Request for approval to issue a Land License to Tiansheng Lin dba Lin's Farm for 2 acres of Land in Kalepa, Kauai, identified as, Tax Map Key (4) 3-9-002:020, Unit HSPA #2, for Diversified Agriculture.

Mr. Nakamoto made the presentation to issue a land license to Tiansheng Lin dba Lin's Farm for 2 acres of land in Kalepa, Unit HSPA #2, for diversified agriculture. The Licensee request for farm land in Kalepa to cultivate fruit trees and vegetables. They operate a farm and currently cultivates a variety of fruits and vegetables. They market at the weekly farmers' market held on Kauai and is seeking more land to expand their business to enter larger markets. The irrigated lands which includes Units A,B,C, and HSPA #1-3 has been designated for diversified agricultural use by the ADC Board in 2014. HSPA#2 is approximately 2 acres and is entirely useable. The parcel abuts HSPA #1, Maalo Road, and an earthen irrigation ditch which can provide ample irrigation water to the land for diversified agriculture. The Licensee's plans include clearing the overgrown vegetation and planting fruit trees and vegetables throughout the 2 acres. The Licensee is required to develop a conservation plan in cooperation with the Kauai Soil and Water Conservation District and submit for acceptance to the ADC. Licensee must agree to practicing good agricultural practices both in the fields and in the packing area, and best management practices on the land. Licensee is responsible for learning and implementing Good Agricultural Practices (GAP) and develop a Food Safety Plan to meet expectations for the Food Safety Modernization Act (FSMA) rules and audit requirements. Licensee shall receive GAP certification within 12 months from issuance of License. Regular inspections will be conducted to ensure this rule is enforced. Licensee has agreed to work with ADC staff to ensure they comply with Food Safety laws and regulations. The additional 2 acres will allow the Licensee to demonstrate his

operation can meet basic regulatory compliance which is a prerequisite for expanding his operation to larger markets. The recommendation is to issue a land license to Tiansheng Lin dba Lin's Farm for 2 acres in Kalepa for diversified agriculture with the following conditions: License fee of \$100 per acre per year or \$200 per year for 2 acres; Licensee would be required to join the Kalepa Koalition (KK) or to pay a monthly maintenance fee to the KK that would support efforts in maintaining the infrastructure; shall not sublicense the whole or any portion of their premises without the prior written approval of the ADC Board; Licensee shall receive GAP certification within 12 months from issuance of License.

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

Ms. Albano asked on GAP, will it be for all ADC's licenses? Mr. Nakamoto replied yes, we will be amending our terms and conditions for all licenses to include GAP because right now there is nothing in our license that they need to be GAP certified.

Mr. Kitagawa asked if they have another farming area. Mr. Nakamoto replied yes in the Kealia area on the Kapaa side which is not ADC's. Mr. Kitagawa asked if he only wants to plant 2 acres. Mr. Nakamoto replied they would like more acres but when looking at his current area, it was decided that they were not ready for more acres at this time. Ms. Klutke said she and Mr. Nakamoto visited his farm and he is very ambitious but he needs to follow food safety rules. She thinks he will be moving from the Kealia area and will be leasing land from Grove Farms to grow his vegetables. So probably sticking to his plan of only growing fruit trees in Kalepa.

Ms. Hopkins asked how does the farmer get certified under GAP? Mr. Nakamoto replied currently the DOA and we are working on that internally/administrative on how to get basic guidelines. DOA has a checklist and do a pre audit GAP list that we are currently looking at. There are a lot of information at DOA and UH.

Chair commented that with FSMA all states need to make a determination who would carry out the program at the state level because the enforcement will not be done by the federal. In Hawaii the role would normally have gone to the Department of Health but they have no interest in doing it therefore the program will be taken over by DOA and are currently creating a component that will help the education process and help the farmers get GAP certified.

Motion carried unanimously.

Item H was moved ahead of Item G

H. Update by the Hawaii Technology Development Corporation Agricultural Hackathon (Agathon).

Ms. Matsuki made an update of the Hackathon that occurred a few weeks ago. The event was held for two weekends with 83 attendees. There was a work project and challenges

of the agricultural industries were presented to the participants. The following Saturday they had an ag tech panel and work day. Sunday was a demo day where they had 10 teams pitch their solutions. The judges choose Harvest Vision as first place which was an AI solution for coffee harvesting. They will follow up with the teams to see if anyone are interested in the development of solutions or help with a proposal to complete their solutions. If anyone is interested in looking at the results you can check [Agathon.devpost.com](http://Agathon.devpost.com) which has all the team submissions. They will be sending out surveys to get feedbacks.

Short recess was called at 9:45.

Item I was moved ahead of Item G

I. Presentation by Todd Low on the Spread Techno Farm: An Example of In Door Agriculture.

Mr. Low made a power point presentation on the Spread Techno Farm which he, Mr. Nakatani and Mr. Fred Lau visited recently in Japan that represents a new prospective on agriculture innovation. The sustainability philosophy is: soil, economic, environmental, business and technology. He also provided a short video on the spread lettuce farm located in Kyoto, Japan which is a completely closed hydroponics system.

G. Request to authorize the Kekaha Agriculture Association to pursue a declaratory order to designate a portion of Agribusiness Development Corporation's Kekaha lands as Important Agricultural Lands in accordance with Chapter 205, Hawaii Revised Statutes, and to certify ADC's authorization as landowner.

Mr. Joshua Uyehara was present to request permission for the Kekaha Ag Association to petition the land commission to designate some of the ADC's lands on the Mana plains as important ag lands. Ms. Kaichi made the presentation to request to authorize the KAA to pursue a declaratory order to designate a portion of ADC's Kekaha lands as Important Agricultural Lands (IAL) in accordance with Chapter 205, HRS, and to certify ADC's authorization as landowner. The KAA has proposed to voluntarily petition the LUC for a declaratory order designating portions of the ADC Mana Plains lands as IAL. If successful, and assuming the tax credits are extended, such designation could result in tremendous benefits to the KAA, and to qualified agricultural costs incurred by individual tenants. The petition will only seek IAL designation; there will be no request to reclassify any ADC lands. Although the ADC manages these lands, the fee simple interest in and to the lands remain with the State of Hawaii, through its Board of Land and Natural Resources. Therefore simultaneous with this request, the ADC has requested that the Land Board also approve the KAA's proposed action. The ADC is tasked with assisting, promoting and developing agriculture within the State. Ownership of these lands by the ADC ensures the use of these lands in agriculture, in perpetuity. However, the ADC can do more to help agriculture, starting with taking advantage of tax incentive programs such as the IAL designation incentive. ADC is also fortunate to have the KAA willing to voluntarily see IAL designation on its own. The recommendation: that the

Board authorize the KAA to pursue a declaratory order to designate a portion of ADC's Kekaha lands as IAL in accordance with Chapter 205, HRS; if appropriate, certify or otherwise consent, as the landowner or land manager, to KAA's forthcoming petition as the landowner; and authorize the ADC staff to assist and cooperate with the KAA as necessary to secure the designation of the Mana plain lands as important agricultural lands.

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

Mr. Kitagawa asked if the County agreed to participate on County designation. Mr. Uyehara replied that the County said that because there is enough private lands that were set aside they were not looking at any kind of mandatory designation. KAA will fund the petition. The background: Hartung owns about 150 acres on Oahu and have looked at the process for IAL designation and is having a meeting with Office of Planning this afternoon because they are moving forward for their own petition and in learning about the process and the process involved it became feasible and beneficial that KAA do the same. It seems that it would be very cost effective and the refundable tax credit that is renewed this year which has broad base support from the legislature so that credit is up to a million dollars per legal entity which qualifying agricultural cost so that would not only include KAA but all individual members of the KAA and also non-member tenants on the ag lands. When you look at the overall economic benefit of the potential IAL designation, it outweighs the cost of petition. The cost will be in the range of \$100,000 which the breakdown is for \$40,000-\$60,000 for legal fees to assemble the petition and present it before the LUC and \$40--\$60,000 in fees to surveying and describing the lands. They are trying to designate as much as they can reasonable to justify to the LUC.

Ms. Klutke stated that the KAA agreement is to accept IAL. Would it be everyone in KAA including the small farmers who are on a RP. Mr. Uyehara replied because the designation pertains to lands itself, it doesn't matter who requests the petition at the end, all of the farmers who are farming IAL on ADC lands can request the tax credit. The tenants who reside on DLNR or DOA property would not benefit unless a portion of their operations are on ADC lands. Ms. Kaichi mentioned that DOA was asked if they would like to participate at this time but DOA said that this was not a good time for them.

Mr. Haraguchi asked if they foresee any public objections. Mr. Uyehara replied that he cannot foresee any but he does not know. A typical push back for IAL is are you strategically trying to set aside land for development by doing this.

Ms. Klutke asked how long will this process take. Mr. Uyehara replied for example Hartung started in December and the month of May will be on LUC's agenda. But they still need to wait for DLNR's approval. Also need to verify that the tax credit is renewed this session which they would know in a couple of months and once they know that they will move forward.

Motion carried unanimously.

J. Findings of the investigative committee

This item deferred until the next meeting.

K. Executive Director's Reports and Updates.

1. Legislature
2. Galbraith

Mr. Nakatani reported on the ADC legislative bills and CIP requests for 2018.

He reported on the Galbraith lands for small farmers and also a list of the farmers with their acres and their status of where they were as far as all their pending items needed before acquiring their parcels.

On the agenda for the next meeting will be more discussion on issues regarding the legislature.

Mr. Haraguchi asked if there was anything that the Board can help ADC's staff with legislative matters or Galbraith land issues. He felt that if working with these small farmers to comply is not working then we should move to get the farms which are probably the big farms onto the parcels. Mr. Schenk felt that ADC's mission is to get the small farmers on the land and in compliant and to build this industry again.

Mr. Kitagawa suggested that we spend some time at the next meeting discussing issues pertaining to the small farmers. Mr. Nakatani stated that one of issues whereby the farmers are not able to get on the lands is getting a conservation plan. The conservation program is not adopted to the movement of agriculture. We are trying to build a system that addresses good agricultural practices, food safety which we did not anticipate being so difficult. The conservation program needs to be looked at because the planner is the one who will work on their plan. This could be a discussion the board can have.

L. Adjourn

Ms. Albano moved to adjourn; Ms. Klutke seconded the motion; motion carried unanimously.

Meeting adjourned at 11:05 am.

Respectfully submitted,

Cindy Doi  
secretary

**AGRIBUSINESS DEVELOPMENT CORPORATION**

Minutes of the Board of Directors meeting of February 28, 2018  
Department of Agriculture Plant Quarantine Conference Room  
1849 Auiki Street, Honolulu, Hawaii 96819

Members:

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

Guests:

Tina Deitschman, Senator Dela Cruz's office

Staff:

James Nakatani  
Myra Kaichi  
Lynn Owan  
Ken Nakamoto  
Cindy Doi

Counsel:

Andrew Goff

A. Call to Order

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

B. Approval of Minutes from the January 31, 2018 meeting.

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

C. Request to Issue a Revocable Permit to Chuan Produce Inc. for warehouse space in Whitmore, Oahu; Tax Map Key (1) 7-1-002-009 (por).

Mr. Nakamoto made the presentation to issue a RP to Chuan Produce Inc for warehouse space of 4,725 square feet in Whitmore. He gave a brief background that Chuan Produce was selected to farm on approximately 80 acres on a portion of Galbraith Agricultural Lands (GAL) which was dedicated for small farmers. The Permittee was the first of ten small farmers to complete a soil conservation plan, procure commercial liability insurance, and sign his land license and has been farming on GAL since October 2016. One of the biggest challenges was finding an area with access to potable water and power to wash, pack and store his produce. The Permittee shown a lot of promise so the ADC



helped him find a place with hopes that in return, he would be the example for all other small farmers to follow. In December 2016, the Permittee was allowed to occupy a Quonset hut, identified as Building "V" in Whitmore free of charge to help him offset his startup cost and comply with basic regulatory requirements. However, never intended to subsidize the Permittee indefinitely. The ADC will allow the Permittee to continue using Building V for its postharvest operation, provided that the deferments end and starts paying rent and its share of utilities. Building V is located within the Whitmore master plan area and may be removed to make room for future development. Therefore, ADC proposes to allow Permittee to continue using Building V on a month to month basis until such development ensue. The recommendation is to approve the issuance of a revocable permit to Chuan Produce Inc. for warehouse space in Whitmore subject to the following terms and conditions: term of this RP shall be on a month-to-month basis; base rent shall be \$2,835 per month; shall pay its share of utilities; and no subletting to be permitted without ADC's prior approval in writing.

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

Mr. Schenk asked what was the rental rate based on. Mr. Nakamoto replied it was \$.60 a square foot based on an appraisal that was done for Ag Tech which was up for renewal.

Mr. Enright asked if Chuan Produce was up to date with their payments. Mr. Nakamoto replied they are up to date on their rent, however not on the water usage. We have been documenting and sending them notices and trying to set up a payment plan. Also keeping in contact with Dr. Lai and Paul Chi who speaks the language so communication could be made and continued.

Mr. Kitagawa stated that he heard that one of reasons why the farmers are not getting their conservation plan was because it is costly. Mr. Nakamoto replied an average conservation plan cost approximately \$2,400. ORCD put out a starting program for farmers who know what they are doing and could do 40-50 percent of their own plan. Then taking it to a certified planner who has a college degree preferably in environment science. At the NCRS this area for conservation planner has been cut and don't know if that position would be filled.

Motion carried unanimously.

D. Request to Issue a Revocable Permit to Star Protection Agency LLC for warehouse space in Whitmore, Oahu; Tax Map Key (1) 7-4-012:016 (por.)

Mr. Nakamoto made the presentation to issue a revocable permit to Star Protection Agency LLC for warehouse space at the formerly Tamura Warehouse in Wahiawa. He stated that Star Protection Agency (Permittee) specializes in providing security solutions and services here in Hawaii and the Pacific Northwest. They are seeking temporary warehouse space to store and repair golf carts. The ADC is planning to refurbish the warehouse and develop an agricultural innovation product incubator onsite. Roof repairs are just about completed and development is in the plan and design phase. The

anticipated completion date for the agricultural invocation product incubator is July 2020. The ADC proposes to allow the Permittee to occupy warehouse space on a month to month basis until such development ensues. The recommendation is to approve the issuance of a revocable permit to Star Protection Agency LLC for warehouse space in Whitmore subject to the following terms and conditions: term of this revocable permit shall be on a month-to-month basis; base rent shall be \$1,485 per month; Permittee shall pay its share of utilities; and no subletting to be permitted without ADC's prior approval in writing.

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

Motion carried unanimously.

Chair moved Item F before Item E.

F. Follow up Discussion on King's Hawaiian Presentation at the December 20, 2017 Board meeting.

Chair reviewed the discussion on King's Hawaiian which was presented at the December 20, 2017 Board meeting. They presented a conceptual plan for a packing facility and processing facility using Tamura warehouse as a template. When they were talking to the industry, they were told that a packing house was a top priority for ADC to enable the farmers to have a place for a packing and processing facility before it goes to market. Also a need or desire for a value added component so farmers could utilize some value added crops. King's moved forward with their own resources to go forward to put a plan together that they presented. It is something that is not final and can be moved. The next question is what is the next step? Now is the time to hear the comments from the Board members.

Mr. Kitagawa asked how soon would the production or processing happen in Whitmore. This is a company that is interested in doing something. If they were willing why not do it and get the resources to do it. Then what happens when Whitmore comes into production? We should pursue to do it and see further how to better utilize the Tamura facility.

Chair said King's mentioned that they would not build it but they would like to move forward. She felt that we should look for a private partner to do some the developments that we are looking for. The partner could run the facility whereby leasing the parcels and provide funding for other resources that maybe required to do further developments of these plans. If we are going to rely on the state for funding which could be every year would take a lot longer. If there is no room or no intention to seek a private partner then we can table the discussion and tell King's there is no going forward with them and that there are other plans.

Mr. Haraguchi stated that we talk about the master plan, he wants to know where are we with the master plan, how much money and Tamura's development of an agricultural innovation product incubator. Also where do we want to go with that Master plan and where is the funding coming from. We need to have some information before making any decision. Chair stated that we need to tell King's if there will be a next step with ADC and if not we need to tell them and should not drag them along. Mr. Schenk suggested that we should communicate as a follow up to King's to say that we had a discussion and how much would they be willing to contribute. If their expectation is that they have done their job and it's in our hands and waiting to hear from ADC then it could be that nothing would be done.

Mr. Schenk asked whether King's was asked for another meeting or are we sending a follow up to King's on how much more are they willing to spend. Chair replied King's asked what would potentially be the next step whether it be going forward or not. If we are going to wait to see where these plans go with regard to developing that facility at some point they would probably fall out. Ms. Melton said she did talk to King's and had a sit down to discuss more on their vision about doing agricultural things here in Hawaii. She said that they would need to partner with ADC so there is no overlapping. We need to have a sit down to find out if they are really serious about this. Ms. Hopkins stated that the Committee needs to agree if this is the type of infrastructure development that we are going to support because it would help the overall of the development of agriculture in the state of Hawaii.

Ms. Albano stated that if there is a private industry wanting to do something, why wouldn't we have that conversation. We should say instead of what can you offer ADC it could be that this is what we need. Are you willing to do this?

Mr. Kitagawa stated that this is an opportunity that ADC should pursue so that we can bring at least King a notion that we want to do something like a processing facility. He feels ADC should pursue this so King's would have a feeling of support. He suggested that the Land Committee be given this to look at the issues and concepts and work with King's then come back to the Board with a recommendation. He is willing to work on this. Mr. Haraguchi agreed that the Land Committee should meet to take a look at the issues and come up with recommendations. Then meet with Kings and let them know because they did put a lot of money into it. Also find out the overall picture of the master plan.

Mr. Enright stated that King's wanted to do an agricultural technology center. They were looking at Kamehameha property and Galbraith. They seem to decide that they would develop it together with Kamehameha Schools with a 20-25 year building out of a campus. The concept would be working on the latest technology used in agriculture globally and field test it here in the state specifically at Galbraith. They decided that they would go with KS, they were looking to see what they could do to help ADC at Galbraith. King's has done the design and could be put in a number of places for a post-harvest facility. Tamura warehouse was purchased essentially by ADC but at the request of Senator Dela Cruz to be developed as an educational facility. The community college

funds were not asked by them. King's was hoping that those funds could be reallocated and that money could be the capital that would develop the post-harvest facility. If those funds are not reallocation then there would be no capital to build anything. He will be meeting with Kings when they come back in a few weeks.

Mr. Schenk commented that you need to have the growers to support these kinds of things that we are talking about. ADC needs to contemplate to get more growers on the lands that we have. If the raw supplies was here it would drive these decisions down the line. How do we get the growers on the land and once that gets going a lot will be driven.

Chair stated that ADC needs to move forward. She directed the Land Committee to review some of the issues and comments that were mentioned today and come up with a recommendation to the Board for further suggestions or ideas. Mr. Nakatani needs a list for the committee to look at. Chair stated she will come up with a list. Also an update of the master plan at the next meeting which may give a broader and greater context in terms of where everything will fit.

Short recess called at 10:25 am.

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

Mr. Pearson moved to get out of executive session; Ms. Hopkins seconded the motion; motion carried unanimously.

G. Executive Director's Reports and Updates.

1. Legislature
2. Galbraith
3. ADC quarterly financial report.

Mr. Nakatani sent out earlier the 2018 legislature spreadsheet with the bills that are presently introduced. The bills are crossing over right now. Ms. Klutke stated one of the bills is to purchase lands in Kekaha. Why are we going to purchase lands in Kekaha when we cannot get farmers on the Kekaha lands? Farmers don't want to travel to Kekaha and there is no place to store their vegetables or equipment in Kekaha. Was there a consideration of purchasing lands in Maui or Molokai or Big Island? There are more active small farmers on those islands than on Kauai. Mr. Nakatani replied it was not ADC's initiative to purchase lands in Kekaha. It was private sector going to the legislature to introduce the bill and purchase Kekaha lands. There is also a bill to buy Maui lands. Mr. Enright mentioned that HC&S will be opening up a lot of lands for ag parks on Maui. There is a lot of lands on Molokai. Big Island has a lot of small farmers and not that hard finding lands. However he did not know about their long term leases. This bill was not driven by Mr. Nakatani or himself. There is a very powerful senator on Kauai. Mr. Schenk mentioned that although there are these acres available by HC&S, it

is not being leased to small farmers and if they do lease to small farmers they are given very unfavorable lease terms.

Mr. Nakatani reported on the Galbraith Agricultural lands. The on-going projects are the construction of reservoirs, construct an electric pump and purchase an emergency back-up diesel pump and the plan and design of a lake intake system. The ADC quarterly financial report was passed out earlier to the board members.

Ms. Owan was available to answer questions on the financial report.

Mr. Kitagawa said he can't understand the breakdown and the projections. Ms. Owan replied the projections are what we plan to project for the income or expense for the fiscal year based on like leases or for other projects for that year. Expenditures would be like contracts to be paid.

Mr. Haraguchi asked if the financials could show projections of what the balance would be at the end of the fiscal year. This is to see what kind of funding we have. It appears that if we don't have enough money are we going to receive more operating funds from the legislature. Mr. Nakatani stated that we operate on special funds. What is being shown is our special funds financials. This year we are trying to ask for general funds to pay for positions. Mr. Haraguchi stated that he would like more updates on how much funds from the legislature would be expected or asked for. There should be other alternatives if this does not come true.

Mr. Kitagawa asked if ADC has any flexible funds. Mr. Nakatani replied we could talk with the DOA Chair. But every year the chair asks ADC what we anticipate our activities would be and we try to tie into what we need the funds for. We don't use soft money for positions which would be temporary. Mr. Kitagawa felt that if temporary staff is needed then ADC should try to use soft money to pay for the position.

H. Adjournment

Mr. Kitagawa moved to adjourn; Mr. Schenk seconded.

Meeting adjourned at 11:37 pm

Respectfully submitted,

Cindy Doi  
secretary

**AGRIBUSINESS DEVELOPMENT CORPORATION**

Minutes of the Board of Director meeting for May 30, 2018  
Department of Agriculture Plant Quarantine Conference Room  
1849 Auiki Street, Honolulu, Hawaii 96819

Members:

Letitia Uyehara	Yukio Kitagawa
Lloyd Haraguchi	Leilyn Koev
Denise Albano	Margarita Hopkins
Sandra Klutke	Scott Enright, DOA
Jeffrey Pearson, DLNR	Robbie Melton, DBEDT

Absent:

Douglas Schenk

Guests:

Jonathan Luz, Costco Wholesale  
Pierre Sleiman, Go Green Agriculture  
David Cho, Senator Dela Cruz's office  
Tina Deitschman, Senator Dela Cruz's office  
Teresa Dawson, Environment Hawaii

Staff:

James Nakatani  
Myra Kaichi  
Lynn Owan  
Ken Nakamoto  
Todd Low  
Cindy Doi

Counsel:

Andrew Goff

A. Call to order.

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

B. Approval of Minutes from the February 28, 2018

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

C. Presentation by Costco on Hawaiian Produce Complex & Produce and Dry Goods Depot Concept.

Mr. Luz made a presentation by Costco Wholesale. Also Pierre Sleiman from Go Green Agriculture was present. Mr. Luz mentioned that in 2017 produce sales grew 6% in units and 9% in dollars from the prior year. Some of the challenges to distribution were transport from the mainland, cost time and risk and complexity. Also the distribution and re-distribution to Hawaiian buildings. Challenges to local production are: labor, pest control, and cost of inputs, infrastructure and utility costs, freight to outer islands, land costs and zoning and microclimates. Some of the deliverables: identify target for local production; resolve operational obstacles, identify and resolve challenges to full-scale production; develop preliminary financial model for full-scale production; create plan for small-scale test, resolve challenges to small-scale test, identify vocational and professional opportunities to partner with the University of Hawaii system and the state of Hawaii.

Mr. Kitagawa stated that doing the work on this island makes sense. Mr. Luz replied Costco sells most that they bring in now. They don't want to put others out of business and may cause ill feelings with other farmers who are selling the same produce. They would like to work with new farmers and existing farmers.

Mr. Haraguchi asked what is grown here will only be for Costco and not other supermarkets. Mr. Luz replied yes but Costco is open for discussion.

What is needed from ADC? Chair stated that she was aware of what Costco's intentions. Mr. Luz stated that Costco would like a test plot and terms for support for equipment for weather and bugs, fencing, information on what are the costs, and the need for data storage. Beneficial insects will need to be brought in and would be in a controlled environment but it would be very challenging if it's not allowed. Mr. Enright stated that he will look into this.

Short recess was called at 10:05 am

D. Request to Issue a License to George Rapoza dba JR's Ranch LLC for 19.75 acres of land in Waialua, Oahu; Tax Map Key (1) 6-5-005:002 (por).

Mr. Nakamoto made the presentation to issue a license to George Rapoza dba JR's Ranch LLC for 19.75 acres of land in Waialua, Oahu. The ADC acquired 434.188 acres of real property which included a 19.75 portion of land where JR's Ranch has been occupying since 1997. The Licensee and his family owns and operates JR's Ranch currently housing 10 horses and operates their own equipment to clear and maintain their area. The premises was inspected and was clean and clear of weeds and brush. Licensee first started 20 years ago where the land was used as a rubbish dump. At the Licensee expense, removal of tons of trash and the area was transformed into a working ranch. Also regular patrols of the area is made which reduces trespassing, drug use and distribution and illegal dumping of the area. Licensee plans to maintain the property and remove the overgrown vegetation and plans to include installing fencing and the development of 5 paddocks ranging from 1 ½ acres to 7 acres. Licensee is an experienced rancher and good steward of the land who provides security in the area.

Since the Licensee's lease was assigned to the ADC when it acquired the property, ADC provided the Licensee with the first right of refusal to continue using the land to avoid displacing a local agriculture operation. Recommendation is to approve the issuance of a license to George Rapoza dba JR's Ranch LLC to utilize 19.75 acres in Waialua, subject to the following terms and conditions: (1) term of this license shall be for 10 years; (2) proposed base rent will be \$50 an acre per year for the first 3 years. Years 4-5 the proposed base rent will be \$60 an acre per year. Years 6-10 proposed base rent will be \$75 an acre per year. Negotiation to continue using the land will be re-opened the 10<sup>th</sup> year of the term; (3) Licensee shall pay its share of utilities and (4) no subletting to be permitted without ADC's prior approval in writing.

Mr. Pearson moved to approve the recommendations; Mr. Kitagawa seconded the motion. Map will be provided to the board members later.

Motion carried unanimously.

E. Request to Issue a License to Kevi Lovan dba K&L Produce LLC for 136.6 acres of land in Waialua, Oahu, Tax Map Key (1) 6-5-005:002 (por).

Mr. Nakamoto made the presentation to issue a license to Kevi Lovan dba K&L Produce for 136.6 acres of land in Waialua. Licensee and his family owns and operates K&L Produce and currently farms on a total of 193 acres in Waialua where they plant and harvest fruits and vegetables. An inspection was made and noticed numerous loose dogs, abandoned vehicles and unpermitted structures throughout the property. However overall the condition of the premises is fair and majority of the acres is in production. When Licensee moved to the property in 2010, they struggled with theft, illegal dumping, squatters and trespassing. Due to the isolation of the property, they put up structures and allowed farmers to stay overnight for security. Since they began watching the property afterhours, the criminal activities have decreased. Licensee plan to continue planting and harvesting vegetables. Also includes a timeline to improve the property and remove all feral animals, abandoned vehicles and unpermitted structures. The land utilization plan will be attached to and made a part of their License. Licensee is required to develop a conservation plan in cooperation with the West Oahu Soil and Water Conservation District and submit for acceptance to the ADC. Licensee is an experienced farmer who supplies produce to various farmers' markets. Since the Licensee's lease was assigned to the ADC when it acquired the property, ADC provided the Licensee with the first right of refusal to continue using the land to avoid displacing a local agricultural operation. Licensee may be allowed to continue using the land for agriculture production after the 3-year term provided that the Licensee makes improvements to the subject area, which includes the removal of all loose dogs, abandoned vehicles, and unpermitted structures, and improvements to their onsite packing area. Recommendation: approve the issuance of a License to Kevi Lovan dba K&L Produce LLC to utilize 136.6 acres in Waialua subject to the following terms and conditions: term of this license shall be for 3 years; proposed base rent will be \$200 an acre per year for years 1-3; Licensee shall pay its share of utilities; and no subletting to be permitted without ADC's prior approval in writing.



After much discussion, Chair deferred this item until receiving more information that was being requested. No application was received with general information about crops and field sizes and utilization plan and timelines for making improvements on the farm, and subletting by family members. Also ADC needs to clarify and look into the water agreement from Dole. Mr. Nakamoto will come back to the board.

F. Request for approval to issue a License to Mokuleia Farms, Inc. for 33.802 acres of land in Waialua, Oahu, Tax Map Key (4) 6-5-005:002 (por).

Mr. Nakamoto made the presentation to issue a license to Mokuleia Farms Inc. for 33.802 acres of land in Waialua. Mr. James Neal Bashford the Licensee owns and operates Mokuleia Farms and has been farming in Waialua for 25 years. Currently planting lychee and mangos on the property. Also used as a base yard where they store equipment and vehicles for their entire operation which includes an additional 75 acres of private land where they grow mangos and parent seed corn. Inspection of the area, noticed a few abandoned vehicles. However, overall condition of the premises is good. Licensee uses his own equipment and employees build and maintain the farm roads and a thriving orchard. Licensee plan is to continue planting and harvesting lychee and mangos. Currently, they have 7 acres of mango and 6 acres of lychee. Also plans to include planting 7 more acres of mango and upgrading their onsite postharvest facility. Land Utilization plan will be attached to and made part of the Licensee. Licensee is required to develop a conservation plan in cooperation with the West Oahu Soil and Water Conservation District and submit for acceptance to the ADC. Licensee is an experienced farmer who is the largest mango producer in the State. Licensee's lease was assigned to the ADC when it acquired the property, ADC provided the Licensee with the first right of refusal to continue using the land to avoid displacing a local agriculture operation. Recommendation: Approve the issuance of a license to Mokuleia Farms to utilize 33.802 acres in Waialua subject to the following terms and conditions: term of this license shall be for 10 years; proposed based rent will be \$200 an acre per year for the first 3 years. Years 4-5 the proposed based rent will range from \$350-400 an acre per year and Years 6-10 proposed base rent will range with \$450-500 an acre per year. Negotiation to continue using the land will be re-opened the 10<sup>th</sup> year of the term; Licensee shall pay its share of utilities; no subletting to be permitted without ADC's prior approval in writing.

Mr. Enright asked why shouldn't the board consider a longer lease. Mr. Nakamoto replied 35 years might be too long.

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

Mr. Enright recommended a longer license for farmers to capitalize. It may be a consideration to see if they would like a longer license.

Motion carried unanimously.

G. Update on (1) Clean Water Act Federal Lawsuit, Na Kia'i, Surfrider Foundation and Pesticide Action network North America vs State of Hawaii, Agribusiness Development Corporation and Department of Health, Civil No. 1:16-cv-00405-ACK-RLP and (2) Compliant Under Title VI of the Civil Rights Act of 1964, EPA File No. 45RNO-16-R9, both filed by EarthJustice.

H. Update on (1) Petition to Amend the interim Flow Standard, and (2) Compliant for Dispute Resolution, and (3) Compliant for Declaratory Order Against Waste in Waimea River and its Tributaries, Waimea, Kauai, filed by EarthJustice.

I. Approval to negotiate the fee simple interest in real property located on Oahu, owned by the University of Hawaii, identified as Tax Map Key(s) 5-8-001-013, -055, -007, and possible -006.

Mr. Enright moved to go into Executive Session for all three items; Mr. Haraguchi seconded; motion carried unanimously.

Mr. Haraguchi moved to get out of Executive Session; Ms. Hopkins seconded the motion; motion carried unanimously.

J. Executive Director's Reports and Updates.

1. Update on ADC small farmers
2. Chuan Produce.

Mr. Nakatani gave an update on ADC small farmers and Chuan Produce.

He reported that inspections took place and came across issues including animals on the farm and in packing areas, piles of trash, rotting produce discarded on the ground and in fields, abandoned vehicles, chemicals and fertilizers not properly stored, poorly maintained fields, illegal rubbish burning and evidence of human habitation. Also many of these farms do not have mandatory Worker Safety Protection and U.S. Labor Law information posted. Small farmers vary greatly in terms of financial resources, farming experience, business acumen, and English language proficiency. Despite ADC's effort many small farmers are still having difficulties making payments when due and do not meet the current standards for agriculture and food safety best practices. While most of the issues are resolved in a timely manner, some demands are blatantly disregarded with no repercussions. ADC is at a crossroads where it has a choice of doing everything in its power to guide and help these farmers succeed, or begin stricter enforcement where repeat offender could face harsher repercussions and/or eviction.

Chuan Produce was the first small farmer to get on the Galbraith lands. One of the challenges was finding an area with access to potable water and power to wash and store his produce. In December 2016, ADC allowed Mr. Yao to occupy a Quonset hut in Whitmore, identified as Building V, free of charge to help him offset his startup cost and comply with basic regulatory requirements for his postharvest activities. However, ADC

never intended to subsidize his operations indefinitely. On February 28, 2018, ADC approved the issuance of a revocable permit to Chuan Produce to end the deferments so he can start paying rent and his fair share of utilities. To date, Chuan Produce has not made any payments when due and has not signed the agreement that was sent on March 2, 2018. For these reasons, the ADC will not be executing the agreement and Chuan Produce must vacate Building V.

Mr. Kitagawa asked about staffing positions. Mr. Nakatani replied there are two positions that were approved. Mr. Kitagawa questioned why ADC has not hired for the position or to use soft money as temporary positions. Mr. Nakatani did not agree to use soft money at this time because it is temporary.

L. Adjourn

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

Meeting adjourned at 12:40 pm.

Respectfully submitted,

Cindy Doi  
secretary

**AGRIBUSINESS DEVELOPMENT CORPORATION**

Minutes of the Board of Director meeting for July 11, 2018  
Department of Agriculture Plant Quarantine Conference Room  
1849 Auiki Street, Honolulu, Hawaii 96819

Members:

Letitia Uyehara	Yukio Kitagawa
Lloyd Haraguchi	Leilyn Koev
Denise Albano	Margarita Hopkins
Sandra Klutke	Scott Enright, DOA
Robbie Melton, DBEDT	

Absent:

Douglas Schenk	Jeffrey Pearson, DLNR
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Guests:

David Cho, Senator Dela Cruz's office

Staff:

James Nakatani  
Myra Kaichi  
Lynn Owan  
Ken Nakamoto  
Todd Low  
Cindy Doi

Counsel:

Andrew Goff

A. Called to order at 9:10.

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

B. Approval of Minutes from the May 30, 2018.

Mr. Kitagawa moved to approve the minutes; Mr. Enright seconded the motion; motion carried unanimously.

C. Presentation by Pineapple Crate.

Item deferred.

D. Request for Approval to amend a Revocable Permit to Manoa Honey Company for storage space in Whitmore, Oahu; Tax Map Key (1) 7-1-02-09 (por).

Mr. Nakamoto made the presentation to amend a Revocable Permit to Manoa Honey Company for storage space in Whitmore. Manoa Honey has been storing apiary equipment in Whitmore since 2017 and has a processing facility in Wahiawa where they produce pure, raw, premium Hawaiian honey as well as specialty hive products. They are seeking additional covered storage space for apiary equipment. The request is for an additional 480 square feet which is storage warehouse located within the 24-acre property. The company is planning to store apiary equipment and materials such as wood, plastic containers, bee boxes and empty honey jars.

The recommendation is for approval to amend the revocable permit to Manoa Honey Company 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 \$98.00 per month; and (3) no subletting to be permitted without ADC's prior approval in writing.

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

E. Request for Approval to issue a lease to Helemano Farms LLC for residential purposes, Wahiawa, Oahu; Tax Map Key (1) 7-1-002-004 (por).

Mr. Nakamoto made the presentation for approval to issue a lease to Helemano Farms for residential purposes. The subject area is located on the 257 acres in Whitmore. The property was subject to various land agreements which ADC assumed when it purchased the land. Buildings A & B are located at 1116 Whitmore Avenue and comprise of 1,100 square feet which includes a single-family dwelling that is dilapidated and the grounds are overgrown with tall grass and trees.

ADC received a proposal from Helemano Farms to lease the dilapidated buildings for storage and residential use. In exchange for favorable lease terms and rent credits, Helemano Farms plans to repair the dwelling and assist ADC with securing state land. This includes reporting suspicious or malicious activities, installing signage and maintaining earthen berms and cement blockades along Whitmore Avenue. Helemano Farms' proposes to make improvements in exchange for rent credits: roof rust removal and treatment, repair leaks with roof coating and paint- \$7,500; bathroom & kitchen – replace fixtures, vanities and cabinets; minimal repairs for plumbing - \$4,000; electrical – replace light fixtures, outlets and wiring to bring both structures to code completed by a licensed electrician - \$4,000; general repairs – replace all broken windows, doors, and locks, repair flooring and siding, repaint both structures inside and outside - \$8,000. Total estimated cost of improvements is \$23,500.

Helemano Farms initial plans are to clear the overgrown grass and brush and repair the buildings. For security reasons, they plan to park a mobile trailer home onsite while the buildings are being refurbished. Upon completing the repairs, intends to sublease the dwelling to their farm manager who is responsible for operating and securing their farm in Whitmore. The ADC will review the agreement between Helemano Farms and its

farm manager prior to issuing a written approval to allow them to sublet the dwelling for residential use. The other building will be used to store materials and equipment for their operation.

The recommendation is to approve the issuance of a lease to Helemano Farms to serve as a personal residence for their farm manager and storage in exchange for assistance as an on-site caretaker and securing state land with the following terms and conditions: (1) term of the lease shall be for 5 years with mutually agreed upon option to extend another 5 years; (2) base rent shall be \$500 per month for both buildings; (3) rent credit with the maximum of up to the total of \$23,500 may be applied; (4) lessee shall pay its share of utilities; and (5) subletting may be permitted with ADC's prior approval in writing.

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

Mr. Kitagawa asked if Helemano Farms has another building which is not a residential building. Mr. Nakamoto replied yes. The area being requested is zoned residential and Dole has been using it as residential.

Ms. Klutke asked if extended for an additional five years, will the rent remain at \$500. Mr. Nakamoto replied it will be mutually negotiated and this is a master plan area. In their lease it will have a reopening clause. Ms. Klutke asked about Helemano using a mobile trailer while renovations are being made, will we make sure that the trailer is gone when it is done. Mr. Nakamoto replied yes we will make sure it is gone and stress that it be mobile. Mr. Klutke asked whether the \$500 collected will be credited to their \$23,500 that they plan to spend for renovations. Mr. Nakamoto replied it is capped at \$23,500 and cannot exceed that and could be under but we would need to see invoices for the repairs. The rental agreement between Helemano and the farm manager needs to be looked at ahead of time before it is finalized to see that no profit is being made.

Motion carried unanimously.

F. Request for Approval to amend License No. LI-K1503, issued to Kekaha Farms/Under Da Mango Tree, LLC, to reduce their rental area from 68.57 acres to 5.81, in Kekaha, Kauai, Tax Map Key No. (4) 1-2-02-001 (por), and to continue LI-K1503 under reorganized membership of the LLC.

G. Request for Approval to amend License No LI-K1001, to Sunrise Capital., Inc. to reclassify 182 more or less acres from tillable to non-tillable land and to discontinue exception of their current decreased rental rate for the tillable acres.

Items F and G has been deferred. The required back up information was not received by the tenants.

Ms. Klutke commented that she talked to Kekaha Farmers. Ms. Owan stated that they have not turned in their documents in time for today's meeting and have been trying to get this reduction for a couple of months so they could request a retroactive credit

adjustment. Besides the reduction in rent, Kekaha Farms is changing the structure of their LLC. Staff will follow up with Kekaha Farms and hopefully by next month they would get their documents together.

H. Approval to negotiate the fee simple interest in real property located on Oahu, owned by the University of Hawaii, identified as Tax Map Key(s) 5-8-001-013, -055, -007, and possible -006.

Chair mentioned that this item was deferred from the last meeting. Regarding this issue the Board would need to go into executive session to discuss this item.

Mr. Enright moved to go into executive session; Mr. Haraguchi seconded the motion; motion carried unanimously.

Mr. Enright moved to get out of executive session; Ms. Melton seconded the motion; motion carried unanimously.

Short recess called at 10:30 am

Ms. Albano moved to go forward to negotiate for this property. The negotiation should be carried out with due diligence as quickly as possible and updates should be made to the board on the status of these discussions; Mr. Haraguchi seconded the motion. Motion carried unanimously.

Executive director's reports and updates.

1. Waiahole Ditch System – Supervisory Control and Data Acquisition
2. Whitmore Project Master Plan Environmental Assessment
3. Fiscal Year 2019 – Capital Improvement Projects

Mr. Nakatani reported on the three items. The first, to help improve the operational practices of the Waiahole Ditch System, the HDOA, Agricultural Resource Management Division installed a Supervisory control and data acquisition for remote monitoring and controls. This water monitoring system will provide real-time data which will significantly reduce operating cost, while improving system performance and reliability.

The second is on the Whitmore Project Master Plan Environmental Assessment – ADC has selected PBR Hawaii & Associates, Inc. to provide services for a Hawaii Revised Statutes Chapter 343 environmental assessment (EA) for the proposed Whitmore Project Master Plan. This task involves the preparation of a draft and final EA meeting the requirements of HRS Chapter 343, with the goal of reaching a finding of no significant impact (FONSI).

Approved at  
August 29, 2018 meeting

The third is FY 2019 Capital Improvement Projects – Waiahole Water System Improvements, Kunia, Oahu - \$4,000,000; Agricultural Land, Oahu - \$4,700,000; Kekaha Ditch Irrigation System Modification, Kauai - \$3,600,000.

Mr. Kitagawa asked for an update on the Galbraith lands. Mr. Nakatani stated that we are finding that leasing to the immigrants needs to be looked at because presently is not working. Maybe looking at a partnership and work under a partnership. No subletting so we are looking at models on this partnership. We are still looking at other scenarios on the further use of the lands. Mr. Nakatani said it's the conservation plan that is still a hang up. Also maybe build a smaller reservoirs for some of the farmers.

Mr. Kitagawa stated that the issue for the small farmers were preparing their conservation plan. Mr. Nakatani said DOA has two positions as planners to do in-house planning for conservation plans. Hopefully they would have the capability to do conservation plans much quicker. Ms. Klutke said that conservation plan is the problem on Kauai because their farmers are hesitant to come on state lands because there is no one to help them to do their conservation plan.

Meeting adjourned at 10:50 am

Respectfully submitted,

Cindy Doi  
secretary



**AGRIBUSINESS DEVELOPMENT CORPORATION**

Minutes of the Board of Directors meeting of August 29, 2018  
Department of Agriculture Plant Quarantine Conference Room  
1849 Auiki Street, Honolulu, Hawaii 96819

Members:

Letitia Uyehara	Margarita Hopkins
Lloyd Haraguchi	Yukio Kitagawa
Denise Albano	Sandra Kato Klutke
Leilyn Koev	Douglas Schenk
Scott Enright, DOA	

Absent: Jeffrey Pearson, DLNR      Robbie Melton, DBEDT

Guests:

Dawn Huff, KIUC/Joule Group

Staff:

Counsel:

James Nakatani	Andrew Goff
Myra Kaichi	
Lynn Owan	
Ken Nakamoto	
Todd Low	
Cindy Doi	

A.      Called to order

Chairperson Uyehara called the meeting to order at 9:12 am.

Everyone wished a Happy birthday to Lynn.

B.      Approval of Minutes from the July 11, 2018.

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

C.      Request to Issue a License to Kevi Lovan dba K & L Produce LLC for 136.6 acres of land in Waialua, Oahu, Tax Map Key (1) 6-5-005:002 (por). Item deferred on May 30, 2018.

Mr. Nakamoto made the presentation to issue a license to Kevi Lovan dba K & L Produce for 136.6 acres of land in Waialua. This item was deferred at the ADC Board meeting of May 30, 2018 due to the required documents needed. K & L provided those

documents and have made substantial improvements to their property by removing feral animals and abandon vehicles. Photos were received however, Mr. Nakamoto was not able to confirm because of the bad weather. But he will go out to check to make sure the items were removed. The recommendation is for a three year license agreement and if all goes well we may offer a longer term. The proposed base rent will be \$200 an acre a year for the first two years. Permittee shall pay its share of utilities and no subletting without ADC's prior approval in writing. In the May minutes there were questions regarding the water agreement with Dole. Currently all the licensees have their own meters and had agreements with Dole. We do not control any of their water. There is one valve that controls the entire property and they have worked it out for the past eight years understanding that everyone waters at a certain time.

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

Mr. Enright asked if they are okay, then would it possibly increase to a longer license. Mr. Nakamoto replied they are all on one tax map key. They farm on a total of 109 acres and have about 50 acres with Dole on the mauka side of our property. This is just for our portion. They were on a holdover and paying the same conditions as Dole until this license with ADC is converted.

Motion carried unanimously.

D. Approval to amend License No. LI-K1503, issued to Kekaha Farms/Under Da Mango Tree LLC to reduce their acreage from 68.57 to 5.20, in Kekaha, Kauai; Tax Map Key (4) 1-2-02:001 (por).

Ms. Owan made the presentation to amend License No. LI-K1503 issued to Kekaha Farms/Under Da Mango Tree to reduce their acreage from 68.57 to 5.20 in Kekaha, Kauai. She stated that Kekaha Farms' 35-year license annual rent of \$2.850 for the first two years with an increase of \$10,285.50 for the third to ninth year, rent reopening every 10 years therefore. Over the past two years, Kekaha Farms graded and planted nearly 2,000 trees but external factors including above average hot weather, damping off disease and failed grafting trials, resulted in only 70 trees surviving. Kekaha Farms requested to reduce the acreage and informed ADC that they was dissolving and would re-organize. They were informed that the new company would need to apply for the license. In July, the members decided to dissolve and instead, members Steve Kai and Marla Suga will resign and Gerald Shimatsu will join. They are currently working with an attorney to finalize a revised operating agreement to update their Hawaii business registration with the Department of Commerce and Consumer Affairs. Kekaha Farms would be primarily managed by Gerald Shimatsu. While the remaining mango trees are maturing, Kekaha Farms is planting papaya, okra, pumpkin banana and squash. Kekaha Farms' financial projection shows operating at a loss of about \$22,000 through 2020 then showing profit beginning in 2021. Members will personally absorb the business losses until the company becomes profitable. To date, their rent account is up to date. The recommendation is that this Board approve amending License No. LI-K1503 to: reduce acreage from 68.57 to 5.20 acres, retroactive to May 1, 2018; continue rental rate of

\$150/acre/year for the 3<sup>rd</sup> to 9<sup>th</sup> year of the license; all other terms and conditions of License LI-0K1503 to continue and be in full force and effect.

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

Mr. Kitagawa asked how old the trees are. Ms. Owan said they just planted the trees three years ago. She showed pictures of when the trees were planted and what they look like today. Ms. Klutke commented that she has been out to the farm numerous times and the trees today are very small. It could be the soil condition that has caused the trees from growing. But it also could be the grafting or seedlings of the trees. Ms. Klutke stated that she wanted another business plan. She believes they still want to farm and their intent is good.

Mr. Kitagawa said his concern was whether they would meet the income they projected. If they cannot do it, he suggested lowering the lease for a period of time until the plants become more mature because they were struggling.

Mr. Schenk stated that they have scaled back their land. How much did they lose? Ms. Klutke stated that this is a family and they took the hit of the losses. Can we direct them to some expertise? Anything that we can do to help them would be his suggestion. Maybe Steve Kai could still help.

Mr. Enright said at one time it looked like it would be a viable commercial operation but now it is a hobby farm so they don't need to be viable.

Mr. Nakatani said the request is to reduce the acreage so we need to focus on that.

Motion carried unanimously.

E. Request to approve acceptance of 54.024 acres of Department of Hawaiian Home Lands (DHHL) Whitmore parcels, Tax Map Key numbers 7-1-002-031 and 7-1-002-033, from DHHL.

Ms. Kaichi made the presentation to approve the acceptance of 54.024 acres of Department of Hawaiian Home Lands (DHHL) Whitmore parcels. She gave a brief background on the acceptance of the 54.024 acres. She mentioned that the transaction enter into a memorandum of understanding with DHHL and HDOA, setting for the obligations of each party, and designated the ADC as the recipient of the parcels. On November 18-19, 2017, the Hawaiian Homes Commission approved the MOU. It is unclear when the Board of Agriculture is scheduled to entertain the request to approve the MOU. The transfer of the parcels will complete the ADC's acquisition of the former pineapple lands in the Whitmore area, thereby ensuring that the lands will be used for agricultural purposes.

The recommendation is to authorize the Executive Director or his designee to work cooperatively with DHHL and HDOA to facilitate the transfer of the two parcels

described as tax map key nos. (1)7-1-002-0031 and (1) 7-1-002-033 from DHHL to the ADC.

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

Mr. Haraguchi asked whether this would be a win-win situation. Because it is mentioned that it is not considered available lands, are we comfortable with that transfer and ownership. Ms. Kaichi replied yes she is comfortable because the title report did not pick up any encumbrance on the title because there was no requirement that it be available lands. DHHL did not make that requirement on the transfer.

Motion carried unanimously.

F. Request to seek withdrawal Executive Order 4287 (Kekaha and Kokee irrigation systems, and the right to take water therefrom) from the Board of Land and Natural Resources, Department of Land and Natural Resources, and re-set aside of only the irrigation systems back to ADC.

Ms. Kaichi made the presentation to seek withdrawal of Executive Order 4287 from BLNR and re-set aside of only the irrigation systems back to ADC. She gave a brief background. She did mention that the right to take water into and from the Kokee and Kekaha ditches was originally granted to the ADC under a revocable permit. In 2003, the RP was replaced with EO 4287. In discussion with the DLNR, the parties involved agree that the DLNR through its land board, is the more appropriate agency to vet and award water leases. Irrigation water users such as the ADC, KAA and KIUC would then receive ditch water, if at all, through water leases granted by the BLNR.

The recommendation is for the board to authorize a request to the BLNR to withdraw Executive Order 4287, and to re-set aside the Kokee and Kekaha ditches back to ADC without the right to take water. Staff will work with DLNR to ensure that the transfer of the right to take water from both the Kokee and Kekaha ditches does not interfere with land tenants or other water users' current use of ditch water.

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

Mr. Schenk asked what we have to do for the diversion/modification, what kind of work. Ms. Kaichi replied we have to reduce the amount of water fluids taken into the ditches to leave water in the streams. For a year now we are in the process of designing the modifications but because of the heavy rains on Kauai our engineers are having a difficult time going up. The surveyors just went up last month. We are a little behind but are doing the best we can.

Ms. Albano asked what the changes are. Ms. Kaichi replied right now everyone takes water without leases or licenses. The right to take water now comes from the set aside because then DLNR gave ADC the ditches it gave us the right to take water. But since

2003 the state recognizes this is probably not the best way to do this so we are trying to comply with the state Supreme Court direction.

Mr. Enright asked why do we take a proactive stance on this and why won't we hold on the Executive Order and start negotiations with CWRM and land board on what the license would look like in the future then move on. Ms. Kaichi replied our thinking is that DLNR and land board staff are better at doing leases than ADC so we could take that route. There is nothing preventing us from that but was never discussed because that would start from zero on the learning curve on how to do water leases. Initially we thought that we would issue the water leases but realized that we would have to do administrative rules. Mr. Enright stated they would still be doing the work and we would wait for them to finish the work before we relinquish the right to the water by pulling back on the EO. Why don't we let them hold onto the water instead of being proactive? Ms. Kaichi stated that we could do it as a conditional request for water license or the withdrawal of the right to take water dependent upon the issuance so it occurs simultaneously which is an option. Our request would be that we want to lease the water at which point we would also request the right to take water from our EO instead of withdraw.

Mr. Enright suggested that we withdraw this request for the time being and staff can come back with the recommendation.

Item is deferred until more information is provided.

Short recess called at 10:10 am.

Item H was taken up first.

H. Update on (1) Petition to Amend the Interim Flow Standard, and (2) Compliant for Dispute Resolution, and (3) Compliant for Declaratory Order Against Waste in Waimea River and its Tributaries, Waimea, Kauai, filed by EarthJustice.

Ms. Kaichi updated the petition to amend the interim flow standard and compliant for dispute resolution and compliant for declaratory order against waste in Waimea River and its tributaries. She stated that we hope to get water use data soon. Everything is going as planned and the modification work is proceeding as discussed earlier subject to weather conditions.

Mr. Enright moved to go into executive session for Item g; Ms. Klutke seconded; motion carried unanimously.

G. Update on (1) Clean Water Act Federal Lawsuit, Na Kia'I Kai, Surfrider Foundation and Pesticide Action Network North America vs State of Hawaii, Agribusiness Development Corporation and Department of Health, Civil No. 1:16-cv-00405-ACK-RLP and (2) Compliant Under Title VI of the Civil Rights Act of 1964, EPA File No. 45RNO-16-R9, both filed by EarthJustice.

Mr. Goff gave an update on this item.

Mr. Enright moved to go out of executive session; Mr. Schenk seconded the motion; motion carried unanimously.

I. Executive Director's Reports and Updates

1. Waialeale
2. Kalepa
3. Galbraith Ag.Land
4. Storm update

Mr. Nakatani reported (1) Waialeale is still in negotiations. (2) Kalepa – Ms. Klutke commented that Green Energy cut the albizia trees and left the stumps. Cooperation is needed from the farmers. Green Energy is not obligated to take out the stump according to their contract. The small farmers need to find a way to farm and take care of the stumps and genie grass. The cost was too high to hire someone. One of the farmers still cannot farm because of the stumps. She is trying to help him look for an excavator to get the stumps out. Also Lin's farm won the best tomato at the Kauai county fair.

(3) Galbraith ag. land - Ohana Best is still being worked out.

(4) Storm update – no report from Kekaha and they are working it themselves. Ms. Klutke said yesterday the streams did overflowed in Kalepa and Kekaha.

A report was given on the Executive Director's trip to Dallas trip to look at their technology on green houses. He is trying to find the right mix to see if this can be done in Whitmore. We may want to do a demonstration project which is why he is looking into it.

Meeting adjourned at 10:55 am.

Respectfully submitted,

Cindy Doi  
secretary

**AGRIBUSINESS DEVELOPMENT CORPORATION**

Minutes of the Board of Directors meeting of October 3, 2018  
Department of Agriculture Plant Quarantine Conference Room  
1879 Auiki Street, Honolulu, Hawaii 96819

Members:

Letitia Uyehara	Yukio Kitagawa
Sandra Klutke	Denise Albano
Margarita Hopkins	Douglas Schenk
Scott Enright, DOA	Jeffrey Pearson, DLNR
Robbie Melton, DBEDT	

Absent:

Lloyd Haraguchi	Leilyn Koev
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Guests:

Wally Johnson, Global Ag.	Joshua Uyehara, KAA/Hartung
David Cho, Senator Dela Cruz's office	Leslie Campaniano, Hartung

Staff:

James Nakatani  
Myra Kaichi  
Lynn Owan  
Ken Nakamoto  
Todd Low  
Cindy Doi

Counsel:

Andrew Goff, Deputy Attorney General

A. Call to Order.

Chairperson Uyehara called the meeting to order at 9:15 am.

B. Approval of Minutes from the August 29, 2018 meeting.

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

C. Request for Approval to Issue a sub-license from Sunrise Capital Inc. to Global Ag. Services for a portion of Field 314, Kekaha, Kauai, Tax Map Key (4) 1-2-02-001 (por).

Ms. Owan made the presentation to issue a sub-license from Sunrise Capital Inc. (Sunrise) to Global Ag. Services (Global Ag). She gave a background that Sunrise began its tenancy with ADC as a start-up shrimp and bi-valve operation. Approved in 2009, Sunrise currently licenses 423.85 acres. The lease rents were crafted to ensure the success of the company, beginning with discounted rent values, and

subsequent deferments of rent increases. Sunrise has since merged its cooperative organization with Hendrix Genetics USA LLC and is enjoying further success. ADC has been slowly converting Sunrise to a more conventional rent structure, more in line with other tenants. Of the 423.85 acres, 382 acres currently accrues rent at \$150.00/acre/year. The remaining 41.85 acres accrues rent at \$50.00/acre/year. Sunrise agrees that all 423 acres should bear rent at \$150/acre/year. Global Ag. is owned and operated by Wallace and Jorienda Johnson. Global Ag. specialize in labor for agricultural research and production operations and have staffed agricultural research operations on Kauai for over seven years. It also facilitates visas for foreign workers and holds a federal labor license which allows it to source labor from international sources. Global Ag is seeking lands in Kekaha for the purpose of managing a tobacco research project. Sunrise has agreed to sublicense 9 acres under LI-K1001 which are currently fallow. Global Ag. desires a 2-1/2 year sublicense, with two options to extend for an additional three years per option. The maximum term for the sublicense is therefore 8-1/2 years. License LI-K1001 will expire on July 20, 2029. The recommendation: Approve the rent increase for all 423.85 acres to Sunrise Capital, Inc. to \$150.00/acre/year. Approve a sublicense from Sunrise Capital, Inc. to Global Ag. Services, Inc., subject to the following terms and conditions: (1) term of this sublicense is 2 ½ years with two options to extend for consecutive three-year periods each; (2) annual rent shall be \$150.00/acre/year; (3) no subletting to be permitted without ADC's prior approval in writing.

Chair stated that we are only acting on the sublicense portion of this request and the rent issue with Sunrise will be at another meeting.

Mr. Pearson moved to approve the sublicense to Global Ag; Ms. Klutke seconded the motion.

Mr. Kitagawa asked if it was Sunrise who was doing shrimp operation and are they still there raising shrimp. Ms. Owan yes and they would like to expand and they have two facilities one on an ag park and another location with breeding of shrimp and this location. Is Global Ag farming now or a doing consulting services? Mr. Johnson stated that they were one of the originals when the cooperative was started and he sold his lease to BASF then started the labor business. They are looking ag services or research business to augment their labor business. They provide temporary labor from out of state. Ms. Klutke said ADC gave a sublicense through Beck's for 12 acres of mangos.

Ms. Melton asked on the tobacco research that they were working on. Mr. Johnson replied the company he is working with is doing work on low nicotine tobacco which would be shipped off island and essentially if it works out properly they may do a continuance tobacco nursery on new types of tobacco for the low nicotine market that is being generated. Tobacco crop matures in about 100 days.

Ms. Hopkins asked if it is the vision of Global Ag to have a seed tobacco business in Hawaii similar to the corn seed business. Mr. Johnson replied it is similar where they produce new types and the climate would allow to grow year round where most of the places where tobacco is grown is seasonal. Also there are not too many diseases that affect tobacco.

Ms. Owan mentioned that Global Ag's sub-license would require a conservation plan and utilization plan.

Motion carried unanimously.



D. Request for Approval to Issue a Revocable Permit to Kelena Farms Inc. for 337.774 acres in Wahiawa, Oahu; Tax Map Key (1) 6-5-02-10 (por), 7-1-01-03, 6-5-02-25 (por), 7-1-01-02 (por).

Mr. Nakamoto made the presentation to issue a revocable permit to Kelena Farms, Inc. for 337.774 acres. He gave a background that ADC issued a land license to Twin Bridge Farms, Inc. for 79.991 acres of the Galbraith Agricultural Lands (GAL). Twin Bridge Farms has decided to not farm on the GAL and will focus on developing the land they purchased in Waialua. Since ADC acquired the GAL, it cleared approximately 950 acres of trees and grass. However, 450 acres, including the 79.991 acres previously approved to be licensed to Twin Bridge Farms has remained unused and is becoming overgrown, which will likely add to the upfront cost for the small farmers. ADC would like someone to occupy the unused areas temporarily to prevent the land from becoming overgrown with trees and tall grass. Kelena Farms has shown interest in temporarily occupying the land to control the overgrowth of weeds and other vegetation in exchange for rent credit not to exceed the annual base rent. Additionally, they plan to grow 20 acres of cabbage and bell peppers. The recommendation is to approve the issuance of a revocable permit to Kelena Farms for 337.774 acres in Wahiawa subject to the following terms and conditions: (1) term of this lease shall be month-to-month; (2) base rent rate shall be \$100 per acre per year; (3) rent credits with the maximum of up to the total annual rental amount for 1 year may be applied; and (4) no subletting to be permitted without ADC's prior approval in writing.

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

Motion carried unanimously.

E. Request to amend prior board approval of a Land License to Mr. William Wise III dba Waihii Farms for land and improvements located at Whitmore, Oahu, Tax Map Key (1) 7-1-02-04 (por) to include Kalama Hardwood LLC.

Mr. Nakamoto made the presentation to amend the prior board approval of a land license to William Wise III dba Waihii Farms (Licensee) for land and improvements located in Whitmore. He gave a background that since 1999, William Wise III dba Waihii Farms had been leasing 16 acres of land from Dole Foods Company where he and his family operate an ornamental floriculture nursery. In 2015, ADC issued a land license to the Licensee to continue his agricultural activities. The Licensee and his family also do wood milling and wood work on the property under Kalama Hardwood LLC. ADC received a request from the Licensee to add Kalama Hardwood LLC to the license agreement in response to a complaint from a Whitmore neighbor alleging the Kalama Hardwood is illegally operating on State land leased to Waihii Farms. Also allegation was made that the Licensee are illegally clearing land and operating a dump site on the property. On August 16, 2018, ADC along with inspectors from the Department of Planning and Permitting and the State Department of Health met with the Licensee and conducted an inspection. The Licensee informed the inspectors that he has an approved Soil Conservation Plan for the operation. The entire license areas was inspected and could not find any evidence supporting the complaint's accusations. Further, according to the City and County of Honolulu Land Use Ordinance, wood milling and wood work is a permissible use on agricultural land. The Licensee is in good standing with ADC and is current on their rent. The recommendation is to: (1) approve the request to amend the 35 years with an option to extend an additional 35 years; (2) base rent shall be \$850.00 per month based on \$250.00/acres/year for the 12 acres of usable land and \$600 per

month for the residential unit; (3) rental rate shall re-open on the 10<sup>th</sup>, 20<sup>th</sup>, and 30<sup>th</sup> years; and (4) no subletting to be permitted without ADC's prior approval in writing.

Mr. Pearson moved to approve the recommendations; Ms. Melton seconded the motion.

Mr. Schenk asked on the residential property. Mr. Nakamoto replied it is owned by ADC that is a small unit with a county water line.

Mr. Kitagawa asked if this involves additional acres. Mr. Nakamoto replied no additional acres and is 500 square foot workshop.

Mr. Nakamoto stated this is to add Kalama Hardwood to Waihii Farms license. Kalama Hardwood has been established last year and want to do the right thing by adding that business to their license. He wasn't sure if Waihii Farms was doing this hardwood business from the beginning. This was a permissible use but the only condition was that any woodwork must be done 300 feet from a residential unit. There was also a complaint regarding their road which there was acquisition that Waihii Farms was grading and grubbing an access road which was cut by Dole or before. ADC investigated and did not see any evidence of excavating or grading. The only improvement was that Waihii Farms put cold plain on the road so they could go up and down during rainy times.

Motion carried unanimously.

F. Information on the upcoming agricultural Hackathon. Seeking suggestions for challenges and workshop ideas.

Ms. Melton made an update on the agathon and upcoming agricultural Hackathon. This year focus is on sustainability and one of the five pillars of sustainability is agricultural production. They are joining the Governor's co-challenge to be held on October 20 to November 10<sup>th</sup>. The planning committee for the agathon will be in charge of the agricultural sustainability program. They need to provide the top challenges for agriculture that the participants will work on as a project. Mr. Enright will get back to Ms. Melton.

Mr. Pearson moved to go into executive session; Mr. Schenk seconded the motion; motion carried unanimously.

Five minute break was called at 9:55 am.

G. Update on (1) Clean Water Act Federal Lawsuit, Na Kia'i Kai, Surfrider Foundation and Pesticide Action Network North America vs State of Hawaii, Agribusiness Development Corporation and Department of Health, civil No. 1:16-cv-00405-ACK-RLP and (2) Compliant Under Title VI of the Civil Rights Act of 1964, EPA File No. 45RNO-16-R9, Both filed by Earthjustice.

Executive session pursuant to HRS 92-5(a)(4), to consult with the board's attorney on questions and issues pertaining to the board's powers, duties, privileges, immunities and liabilities.

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

Five minutes break was called at 10:15

H. Executive Director's Reports and Updates.

1. Kekaha – Hartung Housing Concept

Mr. Nakatani stated the Hartung Brothers is exploring the possibility of building worker housing in Kekaha to address its farm labor needs, and possibly the needs of other operations in the area. A potential site is the former county recycling center between the main canal and Kekaha Road. Hartung will likely make a presentation in the near future on the project but would like to hear any concerns or questions that the board may have that could incorporate into its presentation.

Joshua Uyehara and Leslie Campaniano from Hartung Brothers were present. Mr. Uyehara stated that they do not have a lot of engineering plans yet but they were thinking to ask conceptually if ADC would be open to Hartung pursuing further. If there is some support depending on the details, then they would do further site engineering and come back with an actual specific concept as to what they are looking for. At a high level for Hartung they are looking to build sixty head count of capacity for seasonal workers housing. Right now they are leasing houses for six months to one year to house workers for 10 weeks of work. They are in escrow right now to buy a million dollars' worth of houses to house their workers and they see that hopefully a temporary stop gap until they are able to identify a suitable location to construct purpose design farmworker housing. It is a critical need. Is the ADC open to the concept of building farmworker housing on ADC property in the Mana area?

Mr. Kitagawa stated that it is a good idea and have seen it operate in Kunia and works out pretty well but needs to be controlled.

Mr. Enright said ADC needs to look at the housing situation. He supports Hartung to move forward.

Mr. Kitagawa said these comments based on HARC it is important to get outside support. He wondered if the County has condo permits. That would be one way to look at housing.

Ms. Klutke stated that she has concerns because of the farmworkers housing to be on ADC lands that would be in the Kekaha community. Is there other ADC property for possible housing?

The timeline is as soon as possible. Maybe in two to three years they want to start building hopefully sooner but for right now they want to work on the concept. Mr. Enright asked to have Ms. Campaniano come back to the Board to make a report on the progress.

Ms. Klutke commented that in Kalepa there are abandon vehicles and equipment on tenant properties and have asked them to clean it up but have not done so.

2. Whitmore

Mr. Nakatani reported that the surroundings south side of Whitmore Village is the subject area along Uwalu Circle has been plagued with criminal trespassing for decades due to its proximity to the residences and the gullies and natural forested areas in accessible by vehicles which abuts the street. Since ADC acquired the property in 2015, it has been inundated with calls and complaints from the community about illegal structures, drug use, loud noise, fires, fights, loose dogs, gambling, prostitution and illegal dumping. In response, the ADC has been actively clearing land and installing signage and barriers to restrict access to the area where the illegal activities are occurring. The ADC did request from the City & County of Honolulu to install “No Parking Tow Away Zones” signs along the street. There is a Neighborhood Board meeting on October 15, 2018 where ADC will present a petition signed by several Whitmore residents in favor of installing the signs on Uwalu Circle.

Another issue is the numerous encroachments on ADC property located behind the residences along Circle Mauka Street and Circle Mauka Place. On August 13, 2018, the ADC issued notification to the residents to inform them that anyone who wants to claim the unpermitted structures on ADC property has 30 days to do so. The residents were enraged and demanded that ADC cease and desist any action until proper community input and negotiations has been made. The ADC sent a subsequent letter on September 12, 2018 to postpone the deadline and inform the residents that we are seeking a facilitator to help both parties come to a resolution. ADC is planning to hold a community meeting this month to initiate the facilitation process. There were claims made by some of the residents that ADC and its tenants have no rights to the land which consist of a drainage easement and natural forested areas because Dole gave them permission to use the property 20 years ago. Dole denies giving the residence permission to use the land purchased in 2015.

Mr. Kitagawa felt that we should meet with the community who has concerns and want to do something about it. That would take a long time to heal these concerns but we need to deal with this to the point where the residence will feel satisfied. But they need to know that they are not dealing with Dole any more. This is ADC’s issue and we need to work it out.

Mr. Enright commented that if the homeowners are encroaching on state lands, it probably does not qualify as a community concern. We can talk to them but they have encroached on state land and need to pull back. Time can be given but ultimately that needs to happen. He feels a fence is warranted whenever you interface with residential communities.

Mr. Kitagawa emphasized that it’s an issue we need to deal with and the board would need to take the lead. It needs to come from the board.

Mr. Nakamoto commented that we will be having a community meeting hosted by our nonprofits in Whitmore. It’s scheduled for next week Friday which would be the first to get a feel and announce that we will be hiring a facilitator and will getting input from the community. He did assure some of the homeowners that we are willing to work with them.

Mr. Kitagawa thanked Senator Dela Cruz who was at the first meeting with the community and will continue to work together.

Mr. Enright asked David Cho, staff of Senator Dela Cruz, where is the Senator on this issue. Mr. Cho replied they have been working with ADC staff as well as the nonprofits to try to get the community

meeting scheduled for next week and doing community outreach. They will also try to mitigate some of the concerns coming in. They understand that ADC took the advisement of their deputy attorney general to move forward. There is liability issues while anyone is on state property. They will see what happens next week but they are trying to prepare as much as they can. The meeting is October 12, 2018 at 6:00 pm at Heleman Elementary.

Chair commented that the ADC staff is doing a good job on this issue but it takes a lot of effort, resources and time which impedes other progress on other issues that ADC needs to pay attention. We need to expand our ADC staff in order to address some of these issues more fully.

Mr. Nakatani reported that there are two sides of these issues: one is the legal side where our deputy attorney general gave us legal advice on how to proceed. The political side is whether we are willing to give it to the community. One issue is to protect our two tenants that are adjacent to these parcels. Thanks to the Senator, Mr. Kitagawa and the two non-profits who are willing to get involved and engage with the community.

Mr. Kitagawa stated that one of the board's consideration is whether ADC might consider providing access to the land with the community. The main thing is to keep the board aware of the actions that we need to face.

### 3. Galbraith Ag. Lands

Mr. Nakatani reported that the ADC is struggling to get Galbraith small farmer to comply with the terms and conditions of their License agreement. Numerous letter were sent to farmers but little action has been taken to comply with their License. Staff will continue to try to make contact with some of the farmers.

Chair asked that the members of the land committee look at issues brought up today. The committee needs to look at land issues and also look at policies regarding getting more tenants on the Galbraith lands. There is need for more refinement in the selection process so that would be one of the tasks being asked of this committee.

Next meeting would be mid November before the holiday.

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

Meeting adjourned at 11:20 am

Respectfully submitted,

Cindy Doi  
secretary

**AGRIBUSINESS DEVELOPMENT COPORATION**

Minutes of the Board of Directors Meeting of November 28, 2018  
Leiopapa A Kamehameha, 235 S. Beretania Street, Room 405  
Honolulu, Hawaii 96813

**Members:**

Letitia Uyehara	Lloyd Haraguchi
Douglas Schenk	Sandra Klutke
Leilyn Koev	Denise Albano
Scott Enright, DOA	Yukio Kitagawa
Robbie Melton, DBEDT	

**Absent:**

Margarita Hopkins	Jeffrey Pearson DLNR
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**Guests:**

David Bissell, KIUC	Jan TenBruggencate, KIUC
Marcello Benatt, Mrcosoft	Matt Maloney, Microsoft
Jason Hines, KIUC/ Joule Group	Andrew Hogerson, EY
Craig Wagnild, Sunrise Capital	Pierre Sleiman, Go Green Ag
Carolyn Ringor, Rooted	Tehani Ayau, Rooted
Joshua Uyehara, KAA	Dave Murray, Andrew & Williamson
Teresa Dawson, Environment Hawaii	David Cho, Sen Dela Cruz's office
Gary Slovin, San HI Govt Strategies	Mary Alice Evans, DBEDT

**Staff:**

James Nakatani  
Myra Kaichi  
Lynn Owan  
Ken Nakamoto  
Todd Low  
Cindy Doi

**Counsel:**

Andrew Goff, Deputy Attorney General

**A. Call to Order.**

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

**B. Approval of minutes from the October 3, 2018 meeting**

Mr. Schenk approved the minutes; Ms. Klutke seconded the motion; motion carried unanimously.

**C. Costco Hawaiian Produce Complex Update.**

Mr. Jonathan Luz gave an update of the Costco Hawaii Produce Complex. Costco need to take a different approach given the challenges of the island like weather, heat and bug problems. In order to combat that they determined that instead of taking two years for small scale test they could scale it back to one year if they went in with the right data and building being constructed correctly. Ernest Young and Microsoft have a number of different farm based applications that they have introduced to Costco. They are partnered with them to take a data driven approach to determine how the building will be built and whether it's suitable or feasible at all. He feels there is a potential resource for Hawaii. There is no obligation. Dave Murray with Andrew and Williamson who is a strawberry grower and is an organic strawberry grower mainly in Mexico and Costco is their largest customer and largest strawberry grower. He said he has been trying to identify areas in Hawaii that would be suitable for strawberry production given the logistics and climatic constrains. They are looking at a 55 degree low and 75 degrees high temperature. Half of the cost is found to produce strawberries would be climate control to create the environment they need. A concept called a crop in a box which would be an insulated environment under LED lights which has been done with leafy greens. They would team up with Sherry Kubota from the Ohio State University and is widely known as a world expert in controlled environment strawberry farming in North America. They will start a series of projects with her to find out if this could be done. Then run the economic modelling that would tell them if a greenhouse or crop in a box would be a better approach for an area like Hawaii. Marcello Benah from Microsoft leads the innovation strategies. They have formed a program called FarmBeats is a use of sensors for ground temperature, humidity, bug pressure, altitude with the ability to use drones and maps with inferred and ultra violet technology to map the sensibility of the specific geographic areas. He explained the FarmBeats project of which they have 10 around the world. Mr. Luz stated on a project status prospective they identified what the censored are and where they would be located specifically, the power needs and where to get the power to the site, identified what the structure around it for a protective environment. The next step that they are working on is seeking access permits and other permits necessary for the censoring on the property. Once the censoring is on the property they can start with the data collection and then they can understand what is going to happen on the property.

Mr. Schenk asked on what elevation will their test be done. Mr. Luz replied they were looking at 1100 feet in Wahiawa which was not hospitable. There was very little data collected in that area so they are looking at 300 feet right now.

They invited the board to visit the plant at any time.

Ms. Koev stated that this is great, exciting, and innovative and what the state needs but she asked how would the small farmers be able to bridge the technological aspect. A lot of small farmers are non technical so how would the small farmer utilize all the expertise has to offer. The concept is to replace whatever products that are coming in from the mainland. During the winter time that is when we need it but there is no products so technology will help that situation. But during spring and summer keeps a lot of farmers alive and when small farmers thrive. During those times the farmer is sitting heavy on products and the Costco floor is filled with a lot of mainland produce, how can the farmers help each other by not dumping during that time? Mr. Luz replied his recommendation is to develop a relationship with their buyers. They work with producers all over and most effective situation is communicating with your buyer that you have more products. Mr. Murray replied there will be a lot of lessons but there are other things and good knowledge available. They like working with Costco because they are loyal to

their producer base. They would be happy to talk with other companies on how to approach that situation and what their experience has been. Mr. Luz stated that they will work with the state to figure out from a communication prospective how to effectively help people understand what they are doing. As they get closer to a solution, they will then see how they would disseminate the information.

Mr. Enright commented that this is a wonderful opportunity for agriculture in Hawaii. The DOA is on board as a partner and highly recommend that ADC partner as best as we can with Costco going forward on this amazing opportunity moving forward on agricultural technology.

Mr. Haraguchi stated that he was concerned with the small farmers and it was mentioned that they would need to work with their buyers to get their products on the floor. But a lot of the small farmers would be casualties and can't be helped. He felt uncomfortable in that phase. The small farmers have been here a long time and to see them get stuck with products where they would need to dump at a time when everyone has the same products is not good. He needs a little more reassurance from Costco that the small farmers can survive. Mr. Luz replied he understands but like it was mentioned that small farmers should get to know your buyer and communicate with them and given the buyer that information in advance so there are no surprises. He knows a lot of buyers at Costco and doesn't know a single one of them that won't say lets figure it out to make it work. They should be given advance information that the farmer has excess products. That would not change if Costco brought products from the continental US because all they are doing is replacing the product that is currently being produced in California. Ms. Koev replied that she has great relationship with her buyer and communicate twice a week. There was a decrease during summer and they did tell the buyer they had surplus but the resolution was to get an instant rebate at the check out say \$1.00 to up their yields. But for them to carry that amount it did not make sense for them to do the \$1.00 off at their end. For the record, they do have great relations with their buyer.

Mr. Schenk suggested that Costco take all the technology and great ideas and put a component on the supply and product ID side to try to mitigate some of this. Have a component that focuses on the replacement aspect. Focusing on the 90 percent versus the 10 percent local. Mr. Luz stated that their intention is to conclude traceability where food safety is becoming a bigger issue to having that data and tracing that through from end to end is something that their vendors and themselves up at night. Mr. Enright stated that DOA has been working on doubling the local food production. Also the he commented regarding food safety which is a big issue with small farmers' inability to meet food safety regulations. Costco will not buy from any farmer who cannot meet with food safety criteria currently.

Chair stated that the important thing as importers and wholesalers as distributors of fruits and vegetables is that they are always asked why don't they buy more local products. The problem is that it does not exist in any quantities to be able to service chains like supermarkets and hotels. To utilize technology for food safe products and also have the volume as the economy of scale that they can sell as a local product is something they look forward to because they cannot find product which is why they need to import.

Chair thanked everyone representing the Costco project and look forward to hearing from them in the future.

Short recess at 10:05.



- D. Request for approval to: 1) re-characterize 233.16 acres under Sunrise Capital LLC's LI-K1001, from tillable to non-tillable and 2) increase rent to \$150/acre/year for 190.17 tillable acres; Kekaha, Kauai, Tax Map Key (4) 1-2-02-001 (por.)

Ms. Owan made the presentation to re-characterize 233.16 acres under Sunrise Capital, from tillable to non-tillable and increase rent to \$150/acre/year for 190.17 tillable acres; in Kekaha, Kauai. She gave a brief background that Sunrise currently licenses 423.85 acres originally approved in 2009. Lease rents were crafted to ensure the success of the company beginning with discounted rent values and subsequent deferments of rent increases. Of the total 423.85 acres, 382 acres currently accrues rent at \$150/acre/year and the remaining 41.83 acres accrues rent at a discounted rate of \$50/acre/year. Sunrise has since merged with corporate organization with Hendrix Genetics USA LLC. A services agreement executed by Sunrise and Syngenta (now Hartung) on November 1, 2012, provides Hartung access to a total of 364 acres – 182 acres combined in Fields 311, 312, and 313 and 182 acres in Fields 310, 315, 316, and a portion of 309. The agreement expired on October 31, 2018 although Sunrise continues to allow Hartung to occupy the respective fields. Applicant request that acreage in Fields 309, 310, 315 and 316, for a total of 233.16 acres, be re-characterized from tillable to non-tillable. The current rate for non-tillable land is \$1/acre/year. Applicant acknowledged that the rate should be discounted and the diversified ag rate of \$150/acre/year for the tillable fields is appropriate. The recommendation is to approve the re-characterization of 233.18 acres from tillable to non-tillable, at the non-tillable rate of \$1/acre/year; and approve discontinuation of the discounted rate of \$50/acre/year and increase to the diversified ag rate of \$150/acre/year; to be assessed on the remaining 190.07 acres; and required applicant to submit a request for ADC Board approval to issue a sub-license to Hartung Brothers, Inc. for the respective fields that were covered by the former service agreement dated November 1, 2012.

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

Ms. Klutke asked why it took Sunrise so long to ask for land to be classified non-tillable. How could Field 315 be non-tillable when we just had a request for five acres on 315. Also land on Field 316 that was tillable. If we are going to move these lands from tillable to non-tillable, why don't they just give us back the lands instead of the charging \$1 for non tillable. What will they be doing with all these lands that are non-tillable and why do they want it? Ms. Owan replied that Sunrise has been saying that they would like to develop some of those lands but she does not know how. Mr. Uyehara from Hartung said transitioning from larger to a smaller company they had to take a harder look at their expenses and these are fields that they had access to but could not use. They could not use the fields so they asked Sunrise. Craig Wagnild the attorney for Sunrise Capital stated that their overall plans for the usage for the property which was an interim period that successful merged with Hendrix and that process before that to utilize as much land as possible. So they entered into what is essentially a sub-license and that agreement called for a utilization for 182 acres of it which was characterized as tillable and not useable.

Mr. Kitagawa asked why it took so long to say that it is not good for production. Mr. Enright replied the two companies mentioned have recently changed hands. There are more frugal ownership. Mr. Nakatani stated that ADC is changing over an old system of land licensing

Mr. Schenk stated that he did not agree that the timing took so long for them to come back to ADC because companies land bank for all kinds of reason like they had grand plans but it never was executed.

He asked why Sunrise didn't request to return it back to the state. Why would they want it for a \$1 and what would happen in the future for ADC. Why would we agree to tie up that land for \$1 until 2029. Mr. Wagnild replied as he understands is that since the merger with Hendrix, plans have been in the works for some time in the production and facilities. They have now a major investor to help build this out. This has been part of the plan in the merger to increase the utilization of the land. It may involve using a portion of the property that are identified as non-tillable. If there was a build out of utilization of that property in connection with Sunrise's business which is not diversified ag if they are able to utilize it in that way then re-characterize back to tillable of \$150/acre/year.

Mr. Enright asked for this to be deferred and have Sunrise come in to give us more details. Mr. Nakatani said if Sunrise keeps it for \$1 then they would take care of it not ADC.

Mr. Haraguchi asked if we could look at it in two parcels. One would have a license and the other maybe a RP. That would respond to both sides and still have control and take care of it and if we need it in the future then we can get it back before 2029.

Item deferred to another meeting.

E. Request for 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 to renew RP No. 7004 for Gary Smith who is one of two RPs that were not converted to long term licenses and the land and location do not qualify for a long-term license. The parcel is behind the Permittee's house and is used as a vegetable garden. The Permittee is in good standing with ADC and is current in his rent payments. The staff recommendation is that the Board approve the following: 1) renewal of a month-to-month revocable permit to Gary Smith, effective January 1, 2019 for 2,780 sq. ft. in Kekaha, Kauai; 2) rent remain unchanged at \$156/year (\$13/month for 2,780 sq ft); 3) applicant shall not sublicense or sublease the whole or an portion of their premises without the prior written approval of the ADC Board; and 4) all remaining terms and conditions of RP 7004 remain in full force and effect.

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

Mr. Haraguchi stated that the character of use is diversified agriculture. Is it diversified agriculture or a garden? He would like for future reference that a clarification should be made. Mr. Goff stated that when it was EO's to ADC it does mention that the use should be diversified agriculture so it should be kept the same.

Motion carried unanimously.

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

Mr. Owan made the presentation to renew RP No. 7299 for Senter Petroleum is one of two RPs that have not converted to long term licenses. The rent space is for land upon which above ground storage tanks stand, used for petroleum storage, sales and distribution, plus access to the site from Kekaha Road.

The Permittee expressed interest in possibly negotiating a long term lease in the future as they are exploring the possibility of improving the site. In July 2017, Permittee submitted their Spill Prevention Control and Countermeasure Plan. 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. Termination of the RP is subject to approval by the ADC Board. Permittee is in good standing and is current in their rent payments.

The staff recommends to approve: 1) renewal of a month-to-month revocable permit to Senter Petroleum, Inc., effective January 1, 2019, for approximately 0.5 acres in Kekaha, Kauai; 2) rent remain unchanged at \$13,500/year (\$1,125/month for 0.5 acre); 3) applicant shall not sublicense or sublease the whole or any portion of their premises without the prior written approval of the ADC Board and; 4) all remaining terms and conditions of RP 7229 remain in full force and effect.

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

Mr. Kitagawa questioned how does this relate to agriculture. Mr. Nakatani said it's a carry over and the only way of getting fuel to Kekaha. It does serve a purpose for agriculture. If we get a long term lease then they would comply with petroleum regulations. They do provide a good service to the community. Mr. Kitagawa said if we didn't get the land it would have remained with DLNR. Ms. Kaichi said DLNR would not have carved out that portion of Senter Petroleum's land and they would not have EO'd it to ADC without that portion. Mr. Enright said he has worked with DLNR and they would not have carved it out. The ADC board does not have to accept the EO.

Ms. Klutke said they provide a great service to the community. If not there they would have to go the Waimea and the community would have to pay more.

Motion carried unanimously.

G. Request to approve the transfer of agricultural lands located in Kekaha, Island of Kauai, Hawaii from the State Department of Agriculture and the State Department of Land and Natural Resources to Agribusiness Development Corporation and to authorize the Kekaha Agriculture Association to pursue a declaratory order from Land Use Commission to designate the transferred lands as Important Agricultural lands ("IAL") in accordance with Chapter 305, Hawaii Revised Statutes and certify ADC's authorization as landowner.

Ms. Kaichi made the presentation and gave a brief background on this item. She mentioned that the former Kekaha Sugar Company lands under the management and control of the ADC should hopefully eliminate any potential public utility issue of the ADC providing energy to tenants on both its current lands, and the lands currently managed by HDOA and DLNR. Once under the ADC's management allowing the KAA to petition the LUC for designation of important agricultural land status would ensure that the lands remain in agriculture in perpetuity, and would also provide tax incentives to ADC tenants who can more readily improve these lands than the ADC.

The staff recommends that: 1) approve the transfer of agricultural lands located in Kekaha, Kauai, from the State Department of Agriculture and the State Department of land and Natural Resources to the Agribusiness Development Corporation; and 2) Authorize the Kekaha Agriculture Association to pursue

a declaratory order from the land Use Commission to designate the transferred lands as Important Agricultural Lands in accordance with Chapter 205, Hawaii Revised Statutes and certify ADC's authorization as landowner.

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

Mr. Kitagawa asked what is being grown on the parcel. Mr. Uyehara replied soy beans, sun flowers and corn from time to time.

Motion carried unanimously.

H. Request to approve: (1) a land agreement between Agribusiness Development Corporation (ADC) and Kauai Island Utility Cooperative (KIUC) for solar panels, and (2) the materials terms of power purchase agreement between Kekaha Agriculture Association (KAA) and the KIUC.

Ms. Klutke moved to go into executive session; Mr. Schenk seconded. Motion carried unanimously.

Ms. Klutke moved to get out of executive session; Mr. Schenk seconded the motion; motion carried.

Ms. Kaichi made the recommendations that the board approve the land license to the KIUC from Fields 218, 219, 220, and 321 and a portion of 322 subject to agreement with Pohaku O Kauai. Include the condition that these land licenses must be converted if at all into 25 year lease, which lease shall also have an option to extend an additional 25 years. The option to convert must be exercised no later than August 31, 2022 to parallel the conversion date of the Kokee ditch and Mana reservoir licenses; and approve the current, material terms of the Power Purchase Agreement between the KAA and KIUC.

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

Ms. Klutke asked what will happen to the photovoltaic equipment once it dies. Mr. Bissell replied that the industry said it will be recycled. Ms. Kaichi stated that the leases say that the tenant put the land back in the condition it was.

Motion carried unanimously.

I. Request for approval to renew Revocable Permit No. 1802 to William J. Sanchez for 419 acres in Unit A, located in Kalepa, Kauai; Tax Map Key (4) 3-9-02-20 (por.).

Ms. Owan made the presentation to renew RP No. 1802 to William J. Sanchez for 419 acres in Unit A, in Kalepa. She reported that the applicant was issued a RP for 419 gross acres of pasture land in Kalepa. His permit areas was rated as good and open and free of noxious weed growth due to proper and regular maintenance. He makes good effort in working together with adjacent crop farmers regarding fencing and use of infield roads. Payment of rent is made in a timely manner. The recommendations are: renewal of a month-to-month revocable permit to William J. Sanchez, effective November 1, 2018 for 419 gross acres in Kalepa; rent is \$5,970/year (\$15/acre/year for 398 net acres); applicant shall not

sublicense or sublease the whole or any portion of their premises without the prior written approval of the ADC Board; and all remaining terms and conditions of RP 1802 remain in full force and effect.

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

J. Request for consent to an indenture of Mortgage, Security Agreement Financing Statement by the Kauai Island Utility Cooperative (KIUC) to the United States of American, Rural Utilities Service (RUS) and the national Rural Utilities Cooperative Finance Corporation (CFC).

Chair deferred this item.

K. Update on the findings from the land investigative committee.

Mr. Schenk reported that the Committee met on October 29<sup>th</sup> to try to improve our performance with better results to get good farmers on our lands. We are not able to get qualified farmers on the premises. They met to try to flush some of these issues out. He asked the board to get familiar with what was attached to the findings then we can come back and talk about it and made a decision. We need better experienced farmers that are well financed that have a good plan. It is hard to find but if we fail to find farmers we will be where we are today which is fully of resources and not too many performers. A lot of farmers are unable to perform all that is being ask of us so maybe that is not the kind of farmers that we are being attracted to. Lets try this and get familiar then talk about it at one of our future meetings. All inputs are welcome.

Mr. Nakamoto reported that this is a work in progress and not a set standard. A lot of problems we have today was due to poor betting. We did not focus on some of the important qualifications like financing, farming practices and farmer experience. Based on the discussions some changes were made to the application and the rating sheet. Some instructions were also added to give better guidance. This is for discussion and get feedback and then come back with a recommendation on adopting some of these changes either to the application or to the way farmers are rated.

Ms. Melton asked if a farmer training program could be done so that the farmer needs to go through the training before they receive the lands. Mr. Nakamoto replied the training was provided to the farmers. A lot farmers are immigrants and they did say they understood but don't know if they really understood. Mr. Nakamoto stated a mentor ship program was looked at and being worked on right now.

Mr. Kitagawa commented that for the Galbraith property part of the funding was provided by the City who wanted to provide lands for the small farmers. We could talk to the City to see if they would be more lenient on their requirement. But he wanted to make that point about the City requirement. Mr. Enright replied that we do have 200 acres set aside for small farmers. We need to define what small farms are. But we don't accept anybody that does not capitalize going forward. That should be okay with the City.

Ms. Melton commented that if you set a high standard requirement, it makes a big difference. If people don't make the requirement, if they are interested they would find a way to improve to get in. The

higher standards set within limits will be a benefit and must stick with it. Then the program can be successful.

This will come before another board meeting before it's finalized.

L. Executive Director's Report and Update.

1. Kekaha
2. Kalepa
3. Whitmore

Mr. Nakatani reported that it is 300 acres not 200 acres. He reported on Whitmore Kalepa and Kekaha. In Kekaha, he reported on Funing Farm. In Kalepa, Lin's Farm was reported on. In Whitmore, the encroachments issues were reported. Also reported was the recap of his trip to Arkansas and Portland. A couple of goals were that he met with MAST (Membrane Science, Engineering and Technology) Center staff for an update on a contract to develop a cost-effective model for removing e.coli from irrigation water for FSMA compliance. The other was the four of Food Innovation Centers at Bentonville at Fayetteville Arkansas and Portland to see real-world examples and to provide context for decision making on the Value-Added Incubator project at the Tamura Warehouse in Wahiawa. He also reported that the ADC is working on its website which can be found on the DOA website. The website will be kept up to date.

Chair asked for financial status for the next meeting where the funds are going. Other projects – Waialeale status and others for an update on these projects.

Ms. Haraguchi asked for a Waialeale update. Ms. Kaichi reported that it's the quiet title parcel. Most of the efforts are resolving quiet title with the other party without litigation. This afternoon there is a meeting to be scheduled. Because of quiet title it is very sensitive. Ms. Kaichi said that if UH would allow to carve out the transfer, we would have taken the parcels by now but we need to resolve the mauka quiet title issue before we can take anything. If the Board has any direction on that parcel we are just proceeding to get it. If there are any concerns or ideas, please call ADC. Mr. Haraguchi asked what is the direction. Was it that we go to UH, see what the demands are and if they say all or nothing then that's it. Ms. Kaichi stated the UH has stepped back because before it was all or nothing, take it in fee and given to ADC for free. We are now saying we would look at a lease to see how it goes and UH is asking for the terms of the lease. In these negotiations, quiet title always comes up. We need to resolve the quiet title to a point where we can live with it.

Ms. Albano asked on the R1 water from Lake Wilson. Ms. Kaichi replied we are waiting for the City. We would like it to be resolved because our inability to finalize this MOU with the City is holding up funding on other projects at Budget and Finance.

Next meeting will be on December 12<sup>th</sup> at Whitmore or Wahiawa. There will be an update on the community meeting that was held a couple of weeks ago to discuss with the Whitmore community on the issues. Hopefully a recommendation could be formulated based on their comments that was received. There will be no individual decision making for each person. We will try to come up with

permits for individuals who want to garden but there are issues. Also some residence are asking why they couldn't have gardens in their back yard like others.

Ms. Melton announced that she joined the Kauai office of economic development and will be starting January 1, 2019. The next board meeting will be her last. She said she enjoyed working with everyone on the ADC Board.

Meeting adjourned at 12:30 pm.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Cindy Dol".

Cindy Dol  
secretary

**AGRIBUSINESS DEVELOPMENT CORPORATION**

Minutes of the Board of Directors meeting of December 12, 2018  
1259 Whitmore Avenue, Wahiawa, Hawaii 96786

Members:

Letitia Uyehara	Denise Albano
Lloyd Haraguchi	Robbie Melton, DBEDT
Scott Enright, DOA	Sandra Klutke
Margarita Hopkins	Leilyn Koev
Douglas Schenk	Yukio Kitagawa

Absent:

Jeffrey Pearson, DLNR

Guests:

Joshua Uyehara, KAA	David Bissell, KIUC
Senator Dela Cruz	David Cho, Sen Dela Cruz's office
Anna Doquisa community	Tina Lee, Sen Dela Cruz's office
Elaine Ringor, community	Jane Au, Aina Momona
Renee Manding, community	Ray Rulloda, community
Les Decosta	Maria Camat, community
Diane Gilmore, community	Michael Barros, community
Al Purquza, WCA	William & Louella Robertson, community
Mario Raquino, resident	Mitch Aira, Whitmore
Carolyn Ringor, Rooted	Jazmine Corpus, Rooted: Kekahi Me Ka Aina
Craig Wagnild, Sunrise	

Staff:

James Nakatani  
Myra Kaichi  
Lynn Owan  
Ken Nakamoto  
Todd Low  
Cindy Doi

Counsel:

Andrew Goff, Deputy Attorney General

A. Call to order.

Chairperson Uyehara called the meeting to order at 9:45 am

Chair took items in a different order to allow everyone to speak and comment on Item B. Item D will be taken up first.



D. Request for approval to: 1) re-characterize 233.16 acres under Sunrise Capital LLC's LI-K1001, from tillable to non-tillable and 2) increase rent to \$150/acre/year for 190.17 tillable acres; Kekaha, Kauai, Tax Map Key (4) 1-2-02-001 (por.)

Ms. Owan made the presentation to re-characterize 233.16 acres under Sunrise Capital from tillable to non-tillable and increase rent to \$150/acre/year for 190.17 tillable acres; Kekaha. She gave a brief background on the request which was deferred from our last meeting. Sunrise requests that acreage in Fields 309, 310, 315 and 316, for a total of 233.18 acres be re-characterized from tillable to non-tillable. The current rate for non-tillable land is \$1/acre/year. Sunrise has acknowledged that the discounted rate should be discontinued and the diversified ag rate of \$150/acre/year for the tillable fields is appropriate. The staff recommends to: 1) approve the re-characterization of 233.18 acres from tillable to non-tillable, at the non-tillable rate of \$1/acre/year; 2) approve discontinuation of the discounted rate of \$50/acre/year and increase to the diversified ag rate of \$150/acre/year, to be assessed on the remaining 190.67 acres, 3) require applicant to submit a request for ADC Board approval to issue a sub-license to Hartung Brothers, Inc. for the respective fields that were covered by the former Service Agreement dated November 1, 2012.

Mr. Enright moved to approve the staff recommendations; Mr. Haraguchi seconded the motion.

Craig Wagnild attorney for Sunrise answered a few questions that were brought up at the last meeting. There were two questions: 1) why is Sunrise requesting this now. It is because at the time Sunrise initially licensed the property they were not really aware of the issue and it came up recently in connection with the sub-licensing. Sunrise recognizes that other agency licensee has tillable and non-tillable with different rates so they were requesting that the ADC review the non-tillable land licensing. Sunrise is asking that the Board treat this the same as non-tillable land that other licensee in the Kekaha area. To some point in the future, based on the plans Sunrise has for the involvement of the land they would utilize portions of the land that is designated as non-tillable. For this request, they are asking to return the lands to tillable because they will be using it. The other question is why Sunrise does not return the lands back to ADC. The answer is that Sunrise has plans to utilize all the lands and those plans are currently being discussed and finance is being worked out. Sunrise will come back to the ADC with their plans in the future. Sunrise will maintain all their licensed area of tillable and non-tillable. Sunrise feels that it is appropriate to increase the rent as with the other licensee for the tillable acres.

Ms. Klutke asked for Sunrise's plan maybe every six months or yearly on what their plans are for the non-tillable acres. It could be left fallow forever at a dollar an acre. Mr. Wagnild agreed and has no objections. Ms. Owan stated that she spoke to Mr. Sweeney yesterday and did request a letter to provide a conceptual plan of the non-tillable acres. Hendrix Company is coming to see Sunrise next month so something in writing should be received

Mr. Haraguchi asked whether the non-tillable could become a RP. Mr. Wagnild replied Sunrise has plans for the tillable and non-tillable therefore they don't want it to be under a revocable permit.

Ms. Klutke stated that if we approve this, she would like ADC to review and go back to look at their tillable and non-tillable lands and make adjustments because she feels there are portions of the lands on 315 and 316 that are tillable and at the same time look at all the lands we have to see if it is non-tillable.

Ms. Klutke stated that the Service Agreement between Hartung and Sunrise expired on October 31, 2018. She questioned when are they going to renew the Agreement. Mr. Wagnild replied they plan to renew the Agreement very soon. Ms. Klutke asked that the renewal be done by the next meeting. Mr. Wagnild agreed.

Motion carried unanimously.

C. Request for consent to an indenture of mortgage, security agreement financing statement by the KIUC to the United States of America, Rural Utilities Service (RUS) and the National Rural Utilities Cooperative Finance Corporation (CFC).

Ms. Kaichi made the presentation and gave a brief background on the consent. The conclusion is that KIUC and its members are in the middle of an aggressive, and largely successful, campaign to reach complete independence from fossil fuels. They believe that an indenture of mortgage arrangement will be more beneficial to their financing needs moving forward, than the more traditional debt financing with each lender, and particularly to receiving further financing from the RUS. The existing mortgages on the ADC Kalepa lands should not be impacted by this transition and will be administered by the trustee. The recommendation is that this Board approve KIUC's request to consent to the mortgage of those portions of General Lease No. S-3911 that are on ADC's Kalepa lands.

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

Motion carried unanimously.

B. Request to approve the issuance of Revocable Permits for Circle Mauka residents in Whitmore, Oahu, Tax Map Key (1) 7-1-02-04 (por.)

Mr. Nakamoto made the presentation and gave a brief background on issuing a RP for Circle Mauka residents in Whitmore. He mentioned that notifications were given informing residents that there are encroachments and personal property behind the residence including structures, gardens, personal items and livestock and was planning to remove the encroachments and any unclaimed property in 30 days. Residence voiced strong opposition and expressed a desire to continue using the land behind their residence. ADC reconsidered and is agreeable to allow the residents to use the land for home gardening, which is compatible use with neighboring homes and agricultural operations. On November 13, 2018 the ADC held a public meeting to discuss the issuance of revocable permits to the residents for gardening purposes as a possible solution. While residents supported the concept, some had concerns about the tenure and permissible users. Some residents would like to see a long-term solution, which included acquiring the land from ADC. When issuing a revocable permit, all standard terms and conditions must be followed. The issuance of a RP will protect both parties by giving residents authorization to use

the state land abutting their property for home gardening and bringing the encroachments into compliance with all county, state, and federal ordinances and laws. Although gardening is not part of ADC's mission, it is open to discussion with the Whitmore residents about possible long-term plans to establish a community garden. The recommendation is to approve issuance of revocable permits for Circle Mauka residents, subject to the following terms and conditions: 1) term of the permit is month-to-month; 2) base rental rate shall be \$0.05/square feet/year (\$12.50/month for 3,000 sq. ft); 3) permitted area shall not exceed 3,000 square feet; and 4) permittee shall not assign or sublease the whole or any portion of their premises without the prior written approval of the ADC Board.

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

Ms. Melton asked what is the average size of the property. Mr. Nakamoto replied about 1000 sq feet and it must be for compatible use that surround the homes with agricultural operations. Mr. Nakatani stated that we would like to follow what the City and County allows in residential areas. Whatever the City and County law permits as far as animals and others will be followed.

Mr. Kitagawa asked about the berm which was a concern. Dole had a berm that was bulldozed and a tenant put in a berm closer to the residence. Mr. Nakamoto stated that he met with the tenant and they did show receipts showing where he got the soil and proved that it was uncontaminated. The documents were reviewed because it is an environmental concern and ADC took it very serious. DPP and DOH came to inspect this farm to make sure they are in compliance.

Community testimony -

Mr. Al Purquza testified as a resident. He feels that they need to protect our ag lands with no high rises. This will affect Whitmore, Wahiawa area.

Jazmine Corpuz who is a resident and on behalf of a non-profit that has support from other community members has an idea where the community can sustain their own culture, traditions and property. The community wants to do the right thing and would like the support for this board. She has goats to keep the brush down and keeping their property sustainable. She stated that ADC purchased the land three years ago and only now this has come up and no one has complained until now. But the complaints are from the vacant land where there is homeless, illegal activity and drug use. ADC is pushing a permit on them when they are not the ones doing wrong. They should be treated differently because they are residents. They are on agricultural lands and not residential lands. She would like to use the non-profit who has worked hard for the needs to make themselves sustainable. The residents who are taking care of the property should be the ones who should make the decisions. They would like to work as a non profit with the board to oversee the lands and teach the community how to grow their own food to be sustainable. She says it needs to be looked into further before a decision is made. There are other options that could be looked at to come to an agreement. She asked that the ADC work with her non-profit to be sustainable and has that support from the community to oversee the lands. They are on agricultural lands and traditional farming goes hand in hand with livestock and not just gardening. If they are encroaching on ADC lands, another meeting should be called

to relook at how they could be licensed like the other tenants. She feels this is not the time to finalize and approve anything. It needs to be looked at further and have more community input.

Mitchell Aiau also spoke on his concerns.

Mrs. Ringor asked if the ADC would waive the fee for the permit every year? Would ADC pay the fee for the residents? Mr. Nakamoto replied that the permit is a month to month which means the long term solution will still be in play and will cover both sides to further the discussion. We are open for discussion. Senator Dela Cruz stated that what is being asked is similar to other tenants like rent credits. If the tenants are compliant with the law and take care of the land, could they be offered rent credits. Chair stated that this would be up for further discussion. She has determined to defer this issue for further discussion.

Short recess called at 11:05 am. Called back to order at 11:30 am

E. Request to adopt the Land Investigative Committee's recommendations for refining the land application process.

Mr. Nakamoto made the presentation on the Land Investigative Committee's recommendation for refining the land application process. He reviewed the recommendations on certain changes to the land application by adding language about the requirements, so applicants are aware of the preferred and mandatory requirements for farming on State land. These changes will show how the applicants plan to run their businesses. Another recommendation is to amend the rating sheet to place emphasis/weight qualifications deemed high priority. The last recommendation is to expand the outreach and solicitation to other groups, organizations, and entities. These groups, organization, and entities should include but not be limited to Hawaii Department of Agriculture, USDA, Hawaii Farm Bureau, Hawaii Farmers Union Foundation, Go Farm, Office of Hawaiian Affairs, and various community groups in the region. In conclusion ADC's land application process is a work in progress. Its goal is to develop a process to find the most qualified applicants and award land licenses based on merit. It is apparent that small farmers vary greatly in terms of financial resources, farming experience, business acumen, and English language proficiency. Refining the land application and rating sheet will help ADC differentiate the best candidate from the rest of the field. The recommendation is to adopt the Land Investigative Committee's process and incorporate the suggested changes to the land application and rating sheet.

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

Ms. Klutke asked what is the most difficult part of the application for the farmer. Mr. Nakamoto replied probably the business plan. Small farmers have a difficult time formulating a business plan. Also the cash flow projections because many are under capitalized and it is hard to project cash flows based on grants. Also tax clearance could be a problem. Mr. Nakamoto stated that there are three parts that we look at: License, Conservation plan, and liability insurance. Those three things are needed to get onto the lands to farm.

Approved at  
February 20, 2019 meeting

Mr. Haraguchi asked after the selection process is done by a committee, when the farmers are selected will it come back to the ADC board for approval. Mr. Nakamoto replied yes. In the past the selection committee was appointed by the chair then they formed a list and visited the farms and then the farmers were selected. Staff prepares the license then came back to the board for approval. This is now it was done in the past. The process would probably be the same but more screening questions will be added.

Ms. Hopkins asked what is the rational for a minimum five years farm experience since its three years for DOA. Mr. Nakamoto replied initially for the grading sheet was for five years requirement and was not in our application. If we are going to put it in their requirement or qualification they wanted to put it up front in the application itself so that interested farmers are aware that this is a preferred qualification that we are looking for. Chair said we want experience farmers because this is not a new farmer program and there are other programs that help new farmers. If we are going to grow ag we need experience farmers who have the ability to take more acreage and build on that.

Motion carried unanimously.

Meeting adjourned at 11:45 am

Respectfully submitted,

Cindy Doi  
secretary