

AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Board of Directors Meeting held Virtually on August 25, 2021
Via Zoom Teleconference

Approved by the Board as
amended on 11/10/2021

Considering the evolving COVID-19 situation, protecting the health and welfare of the community is of utmost concern. As such, the meeting was held remotely with Board members, Staff and Applicants, and the Public participating via Zoom meeting venue.

Members Present, virtually:

Frederick Lau, Chairperson (Chair)
Mary Alice Evans, Designated Representative, DBEDT, Ex-Officio Member (Ms. Evans)
Lloyd Haraguchi, Member-At-Large (Mr. Haraguchi)
Kevin Hopkins, Hawaii County Member (Mr. Hopkins)
Lyle Tabata, Kauai County Member (Mr. Tabata)
Glenn Hong, Member-At-Large (Mr. Hong)
Kaleo Manuel, Designated Representative, DLNR, Ex-Officio Member (Mr. Manuel)
James Gomes, Maui County Member (Mr. Gomes)
Karen Seddon, Member-At-Large (Ms. Seddon) (left the meeting at 10:18 a.m.)
Phyllis Shimabukuro-Geiser, Chairperson, Board of Agriculture, Ex-Officio Member (Ms. Shimabukuro-Geiser)
Warren Watanabe, Member-At-Large (Mr. Watanabe)

Counsel Present, virtually:

Delanie Prescott-Tate, Deputy Attorney General (Ms. Prescott-Tate)
Jodi Yi, Deputy Attorney General

Staff Present, virtually:

James Nakatani, Executive Director (Mr. Nakatani)
Myra Kaichi, Sr. Executive Assistant (Ms. Kaichi)
Ken Nakamoto, Project Manager (Mr. Nakamoto)
Lyle Roe, Property Manager (Mr. Roe) (left the meeting at 11:55 a.m.)
Lance Tashima, Administrative Services Officer
Lynette Marushige, Executive Secretary
Mr. Stephen Dalton, IT specialist (Mr. Dalton)

Guests Present, virtually:

Scotty Reis-Moniz, Ohana Hui Ventures & Friends of Waimanalo (Mr. Reis-Moniz)
Michael Faye, Kekaha Agriculture Association (Mr. Faye)
Joshua Uyehara, Kekaha Agriculture Association (Mr. Uyehara)
Randall Tanaka, Department of Education (Mr. Tanaka)
Representative Amy Perruso (Rep. Perruso)
Wally Johnson, Global Ag (Mr. Johnson)
Kelsey Amos, food policy program (Ms. Amos)

A. Call to Order

Chair called the virtual meeting to order at 9:14 a.m.

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B. Roll Call

Chair conducted a roll call of the Board. In accordance with the Governor’s emergency proclamation dated August 5, 2021 related to COVID-19, and emergency rules related to contested cases and the sunshine law, Chair called the name of each member’s and asked them to identify anyone present in the room with them, and if so, state his or her name for the record. Chair stated that the roll call served as the roll call vote, and for each subsequent vote, the Chair will ask if there are any objections. If there are no objection the motion will be carried on the same basis as the roll call. Board Members Mr. Watanabe, Mr. Gomes, Mr. Tabata, Mr. Hopkins, Ms. Seddon, Mr. Haraguchi, Ms. Shimabukuro-Geiser, Ms. Evans, and Mr. Manuel acknowledged attendance with no guests being present.

C. Approval of Minutes

Chair asked for a Motion to approve Minutes from the June 23, 2021 virtual meeting: Ms. Evans / Ms. Shimabukuro-Geiser

Chair asked for comments from the staff: None.

Chair asked for comments from the public: None.

Chair asked for comments from the Board: Mr. Gomes and Mr. Tabata asked to be recused because they are new members and were not present at the June 23rd meeting. No objections.

Vote: Approved, 9-0, (Mr. Gomes and Mr. Tabata, recused)

D. Request for Approval to Refer License No. LI-K1701 Issued to Rong Seng Chen DBA Funing Farm to the Department of the Attorney General for Possible Legal Action

Motion to approve Agenda Item A: Mr. Tabata / Mr. Hopkins

Chair asked for comments from the staff: Mr. Roe rested on the written submittal but was available for questions.

Chair asked for comments from the public: None.

Mr. Gomes stated that in looking over the request he wondered if it was possible to develop a policy to address delinquencies in a timely manner. In this case there had been 3 years with no payment. He understands wanting to keep farmers on the land, but it’s been dragging on for a long time. It might be better to terminate and move on to find someone else. Is there a policy or rule of that sort in place?

Mr. Roe responded that there is no policy or rule existing at this point, but it doesn’t mean there can’t be one. This problem has developed over time and there wasn’t a lot of staff to deal with it.

Ms. Evans asked if we are giving the department of the attorney general flexibility to work out a settlement agreement if possible, or is termination the only option?

Mr. Roe asked the board to go to Exhibit B or C of the submittal that shows receipt of a payment plan from the tenant and noted that a settlement plan was drawn up with the deputy attorney general. This action is to approve sending the matter to the attorney general’s office to make this plan happen.

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Mr. Hong referred the Board to submittal item D, which stated staff was working with the deputy attorney general to put in writing that the delinquency should be paid off in 11 months.

Mr. Gomes asked if there was any other recourse in case the tenant doesn't pay? Does the tenant have assets that could be attached or do something to recoup this money that is delinquent?

Mr. Roe said he doesn't think so. He said the only thing they really have is the security deposit, which is minimal.

Ms. Prescott-Tate stated that she could work with staff to develop a process so that we can deal with these things before they get out of hand. She thanked the board for the suggestion and stated that a policy or procedure for taking care of delinquent payments could be developed by the next board meeting.

Mr. Gomes said that is great and thanked her!

Chair asked if there is any objection to the motion? Hearing none, the motion was approved.

Vote: Approved, 11-0.

Agenda Item Taken out of Order (return to Agenda Item C)

Mr. Roe noted that approval of the June 23, 2021 Executive Session minutes was skipped.

Chair called for a motion to approve the Minutes of the Executive Session Meeting, June 23, 2021 virtual meeting.

Motion to approve: Mr. Manuel / Ms. Evans

Chair asked for comments from the Board. Mr. Gomes and Mr. Tabata again asked to be recused from the vote since they were not in attendance. No objections.

Vote: Approved, 9-0. (Mr. Gomes and Mr. Tabata, recused)

E. Request for Approval to Issue a Revocable Permit to Ohana Hui Ventures Inc for 13,680 square feet of Warehouse Space in Whitmore, Oahu, Tax Map Key (1) 7-1- 002-004 (por)

Motion to approve Agenda Item E: Mr. Haraguchi / Mr. Watanabe

Chair asked for comments from the staff: Mr. Roe stated nothing at this time.

Chair asked for comments from the public: None.

Mr. Gomes stated he supports this RP with Whitmore Economic Development.

Ms. Shimabukuro-Geiser asked if the applicant was present.

Mr. Dalton responded that the applicant was not present.

Ms. Shimabukuro-Geiser remarked that as she understands it, part of the applicant's business plan was to do industrial hemp. She wanted to bring it to the board's attention that having a USDA hemp license allows growers to grow hemp in our state but until the department of health adopts rules for processing hemp, hemp cannot be processed here right now. She believes that current hemp licensees are allowed to export hemp for

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processing. Ms. Shimabukuro-Geiser stated that if the business plan mentions processing, ADC should insert a caveat that the applicant obtains permission from the department of health before any processing.

Mr. Roe stated this request was for 13,000 sf of garage space and stands alone from another application for land to grow hemp, which the board will be discussing later. He doesn't think this particular area of the building will be used for processing hemp.

Ms. Shimabukuro-Geiser suggested that ADC inform the applicant that if they're considering processing hemp they should be consulting with the department of health.

Mr. Roe stated that he will notify the requester.

Chair asked if there was any other discussion.

Mr. Haraguchi asked staff if the applicant obtained services for preparation of a conservation plan as previous tenants were slowed down by the conservation plan?

Mr. Roe responded that he had not heard them address that explicitly.

Mr. Haraguchi asked how the applicant would be able to pay the monthly fees? Is it coming from people that they work with or do they charge people?

Mr. Roe did not have sufficient information to answer this question.

Chair explained that this lease is for garage space for their equipment and they wanted to start working in the community using the garage space for some of their heavy equipment. He stated that they can discuss this further when they get to Ohana Hui Venture's application for the land that they want to utilize for growing hemp. He said this request has to do with community work. If you browse through their operational plan, they do have assets from grants and other agencies. Chair stated he would like to move on, and if there are no objections to this motion, do we have this motion approved?

Mr. Manuel alerted Chair that there was a testifier waiting.

Mr. Reis-Moniz joined the virtual meeting and introduced himself as being with Ohana Hui Ventures as well as Friends of Waimanalo, a non-profit organization. Mr. Reis-Moniz wanted to respond to the question on how they were going to get funding for the warehouse space. He said they have community relationships, help homelessness, job training, and work with schools from Waianae, Nanakuli, Waimanalo, and Kailua, and have connections with Surf the Nations. They are working with Whitmore Village and have started talking to the farmers and people in the community to see what their needs are. They are non-profit so we get grants for helping with the homeless, and to provide training to build up trades academy which not only helps the people to learn about the culture, but it helps people to get job training. They partner with a lot of the unions. They introduce them to the unions who guarantee an interview for each of the people that go through their program. They also have funders who want to partner with them because they support their mission. Farming is a great asset, but without community buy-in it will be difficult. They want to educate, train the community on what they call "the passport", which includes forklift, CDL certification. They also have defensive driving, carpentry and partners in the farming area from industrial hemp to food. They are trying to partner with, and get to know, the farmers and the Hawaiian cultural practitioners in the community.

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Chair asked if there was any further discussion, comments or objections. Hearing none, the motion was approved.

Vote: Approved, 11-0

G. Request for Approval to Rescind License Approval Issued to Hawaii Xing Long Farm & Hawaii Golden Farm, Inc for 182 Acres, More or Less, in Kalepa, Kauai, Tax Map Key (4) 3-0-002-020 (por) (Agenda item taken out of order.)

Chair called for a motion to approve Item G. Ms. Shimabukuro-Geiser asked if Chair was going out of order because the Agenda reflected Item F was a presentation by Mr. Faye. Chair asked if the presenter was available.

Mr. Manuel stated the presenter was waiting. Ms. Shimabukuro-Geiser deferred to the Chair. Chair said that they would take Item F after Item G.

Motion to approve Agenda Item G: Mr. Hong / Mr. Watanabe

Chair asked for comments from the staff: Mr. Roe rested on the written submittal but was available for questions.

Chair asked for comments from the public: None.

Mr. Manuel asked staff, if the board was rescinding the license, because the RP was already rescinded, does that mean that the property becomes vacant after this decision?

Mr. Roe responded yes.

Ms. Shimabukuro-Geiser stated she was confused by the recommendation.

Mr. Roe explained that in May 2020, the original motion was to both rescind the RP and issue a new license. He wanted it to be clear that we are just rescinding the license approval, but the May 2020 termination of the RP still stands.

Mr. Gomes asked if Mr. Taiwan Gu will be responsible for the cleanup of the property?

Mr. Roe responded that the license was issued to both Mr. Gu and Hawaii Golden Farms so legally they are both responsible for the cleanup and ADC will be enforcing that.

Chair asked if there was any other discussion or objections. Hearing none, the motion was approved.

Vote: Approved, 11-0

F. Presentation by Michael Faye of Kekaha Agriculture Association Regarding a Proposal for a Small-Farmer Agricultural Program in Kekaha, Kauai.

Chair invited Mr. Faye and Mr. Uyehara to join the meeting and give the presentation on the 500 acres in Kekaha.

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Mr. Faye showed a power-point presentation titled *Kekaha Agriculture Association – A Non-Profit Agricultural Cooperative, Est. 2003*.

Mr. Uyehara, president of the board of the Kekaha Agriculture Association, introduced himself and thanked the Chair and members of the board. He also thanked Mr. Faye for the introduction and stated he did such a good job on covering the slide presentation that he was not sure he had much more to add. Mr. Uyehara stated that KAA works closely with ADC now and he feels they generally work very well and have managed to figure out their way through things. He said the experience has taught them there were limitations to the original agreement. They're straining now as the nature of the organization, its membership, the strategy for the property; all of those things are evolving. They need to make sure the agreements are up to date to reflect that as well.

At the end of the presentation, Mr. Faye stated that the presentation was a brief overview of what will be coming before the Board in the near future.

Mr. Gomes asked about a slide regarding alfalfa and wanted to know why alfalfa, what kind of production are they talking about, and what the alfalfa is being used for?

Mr. Uyehara responded that in his role as vice president and general manager of Hartung Brothers Inc., which is a tenant and member of KAA, they had started to farm alfalfa for animal feed. They have about 200 acres in production. Alfalfa is a good rotation crop that helps build soil quality. There's a large market for alfalfa here and that a number of containers of alfalfa are imported from the West Coast. In their business analysis they found that the cost of transportation from the west coast to Kauai or other islands could be 2/3 or more of the cost to the end consumer. They are able to produce and sell alfalfa to end users for about 2/3 of the cost of alfalfa from the mainland. This remains a viable business model. They're trying to work with the Kauai ranching community to see if they can improve the viability of local beef production, in terms of meat quality and cost of feed. We have secured a grant from County of Kauai to set up a feed mill for alfalfa cubes. We have a technician coming in to help finalize speed settings on the equipment.

Mr. Gomes asked if the alfalfa was in bale form or cube, is it in silage, and how long have they been growing alfalfa?

Mr. Uyehara responded the first test field was 3 years ago and growing for production 1 to 1 ½ years now. They started with maybe 20 acres; now have close to 200 acres. After cutting, the alfalfa is laid on the ground to dry, then they bale, then a tub grinder will drop ½ to 1-ton round bales depending on the size they bale at, run the chopper into the cuber, then cube that. They currently are selling mostly 50 lb. small square bales. There is quite a demand for that. They also have a baleage wrapper that allows them to wrap round bales into haylage or silage type form.

Mr. Gomes remarked that looking at the cattle industry if bales are not ensiled or wrapped, they tend to mildew. A lot of ranchers are using bales, for example on Maui, when they wean cattle and they're in the pens. Maui ranchers don't need to use bales because they have enough holding pastures, so they are not apt to buy feed, but he can see end users using the bales for people who have horses because alfalfa is a high nutrient feed. He noted that they have tried growing alfalfa on Molokai and Maui, but the results weren't that great.

Mr. Uyehara stated they found alfalfa synergizes well with the other crops they grow. He doesn't think it would be a viable 100% alfalfa operation but is viable as a part of a larger operation. Silage bales can keep for quite a while. This means they can produce and store the alfalfa for later and the bales will still be good.

Chair asked if there were any other questions for the presenters,

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Mr. Hong asked if the ADC/KAA MOA covers all 12,000 acres in Kekaha.

Mr. Uyehara responded yes, the infrastructure.

Mr. Hong asked if it is an operational agreement; would they have full operational control over all 12,000 acres plus the water systems.

Mr. Uyehara responded, not fully operational control over all of the land, it's the infrastructure in particular and certain aspects of the operation like security. There's a lot of gray area and those are some of the things they want to clarify with an update.

Mr. Hong stated in their presentation it showed quite a number of capital improvements, roads, bridges, etc. being the big one, how is that financed? Is that through leases or grants from the State, or through ADC?

Mr. Uyehara responded both, by dollar amount the majority would be grants, capital funding from the State. Some of the other items that they are funding through the leases are directly through KAA so they're trying to figure out which ones work under which model and in many cases, which ones can they afford to execute as KAA themselves. They have a lot more flexibility to do that very quickly. They've done a number of those, for example implementing infrastructure changes required by the mediation for the water settlement agreement because they were able to do that through their association very quickly when it was a dollar figure they could afford.

Mr. Hong asked if all the requirements under the water settlement have been met already?

Mr. Uyehara responded that some of them are ongoing like the update of the hydro plant. They have been able to meet the interim instream flow standards at the top diversions very consistently since they started measuring them, that is a this year development but they want to improve those systems so they can ensure that they meet them consistently under all conditions. That is something to keep an eye on; it's going to require ongoing vigilance.

Mr. Hong stated he found the slides informative and asked if they were available?

Mr. Uyehara responded that the slides had been made available to Mr. Roe and he can make them available to the board.

Mr. Manuel thanked Mr. Faye and Mr. Uyehara for the presentation and asked Mr. Uyehara, if in his opinion, a memorandum of agreement was the best mechanism for this relationship between ADC and KAA.

Mr. Manuel said he's trying to understand the pros and cons of a MOA versus another instrument that would formalize the relationship even further.

Mr. Uyehara said it has worked really well for them but a lot of the relationship with both KAA and ADC has been relatively informal, and they just work together in good faith. To answer Mr. Manuel's question, as they tally up all the changes that they think need to be made, when they look at the sum total of those changes, that will tell them, is an MOA still appropriate for that or is there some different form of agreement required at this point. They haven't figured out what all those things are. They would have to go back through years of notes to see all those things that they have worked together to get through what probably would be good to formalize at some point.

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Chair stated that he'd like to keep the meeting moving. He thanked Mr. Faye and Mr. Uyehara. Chair asked the Board to submit any further questions to Mr. Roe, who will get the answers for them. Chair noted that the presentation was very informative.

Chair called for a recess at 10:13 a.m. The meeting resumed at 10:18 a.m.

Member K. Seddon exited the meeting at 10:18 a.m.

H. Request to Approve or Approve-in-Concept the Proposed Assignment and Transfer of Lease No. LE-K1201 from Beck's Superior Hybrids, Inc. to the State of Hawaii, Department of Education for Agricultural Education Purposes of 10.0 Acres, More or Less, in Kekaha, Kauai, Tax Map Key (4) 1-2-002-001 (por), Pending Appraisal of Physical Structure.

Motion to approve Agenda Item H: Mr. Manuel / Mr. Tabata

Chair asked for presentation from staff. Mr. Roe said before going any further he wanted to note an error, the base rental rate on the bottom of the pro-forma section of the submittal it says \$710 per acre, per year, it's not, it's an annual rent of \$710. Mr. Roe stated that Mr. Tanaka, Assistant Superintendent from the Department of Education, will do the presentation.

Mr. Tanaka showed a power-point presentation to explain what kind of agricultural education was planned for this property if their request was approved.

Chair asked for questions from the public: None.

Ms. Evans asked Mr. Tanaka if the facility was classrooms, food prep, food processing, or a mix of all the items.

Mr. Tanaka responded all the above. They have lab space, refrigeration space. Their long-range plan was to start on Kauai at Waimea High School, which will be the quasi owner of this classroom. They will expand to all the schools on Kauai. Their plan is to do cohort and bring in students from the other islands to see what they're doing. In the long term, they plan to do cohorts on an international level, bring in like-minded students to Kauai to see the innovation being done there. Mr. Tanaka spoke about Art Kimura, a retired robotics teacher, who told him in Japan they have robots that can pick a ripe tomato, a ripe strawberry, every Ag robot you can imagine. That's the kind of innovation that Mr. Tanaka wants to bring. He said the labor force is maturing; this is not your grandfather's form of ag. The three greenhouses they're hoping to get in Wahiawa on the Whitmore ag, is adjacent to the proposed centralized mega-kitchen to service 15-20 schools. Products produced in greenhouses use less water, less pesticide, but that technology has to be taught. They have to see real time success. They have to have their wins; transfer that product to their mega kitchens and become a source of their own foods. Right now, they have trouble in supply lines for bringing in food because they can't get product. They need to be less reliant on the import and they think they can get there with these assets.

Ms. Evans asked Mr. Tanaka if he envisions also buying food product from local growers on Kauai?

Mr. Tanaka responded, absolutely. He said they can't fill the demand. Right now, their menus are not aligned with the available product. Mr. Tanaka said he's had discussions with Ms. Shimabukuro-Geiser about how to align what the farmers grow to what they serve. Their highest purchases right now are beef and papaya but that represents less than 1% of what they purchase. There's a lot of work but they need assets to do that development.

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Ms. Evans thanked Mr. Uyehara and Chair.

Mr. Dalton stated a member of the public had comments. He called on Rep. Perruso to come forward and state her name and organization.

Rep Perruso joined the virtual meeting and introduced herself. She thanked Mr. Tanaka for his presentation saying she thought it was very useful and she hadn't heard about it. She noted that she and Mr. Tanaka had talked at length about the mega kitchens and about the Zippy's model where they are processing local food and then distributing food that can be quickly heated at the schools. Is that what they're moving towards with this Kauai model? She thinks that what he's saying is that it's going to be both an educational space, a hub for the whole island, and also a mega kitchen. She just wants to clarify that.

Mr. Tanaka said it's both. He thanked Rep. Perruso for being so supportive and acknowledged they have had numerous discussions. He said his team has investigated and the problem with individual kitchens at the school level is they are antiquated; they are not designed or built for the kinds of production they need now. The other thing is that in times of distress, COVID is a classic example, they serve more than students. They did the grab and go for communities. They need production kitchens to hit that level of food distribution. That's what these kitchens can do. They can centralize food collection. Farmers want to farm; they don't want to be delivery guys, but they can bring it to a centralized location. This will do two things, increase production and be consistent with their food quality and food safety goals. The kitchens are an instrumental part of their total ag program. Food production and teaching and building capacity for future farmers is critical and that's where the greenhouses come in, that's where the capacity building comes in, that's what this facility means for them in terms of development.

Rep. Perruso stated she just wanted to clarify that they don't want to renovate the school kitchens; they want to do mega kitchens. Mr. Tanaka responded yes, and to complete that they're going to need refrigeration at the school level. If they are not going to be doing scratch cooking, but using pre-prepared like the Zippy's formula, where it will be delivered to them, not on a daily basis but on a 3 or 4 day run, refrigeration is key. To renovate some of these kitchens would be from 10–15 million dollars. The mega kitchen design, which is a template taken from a school in Tacoma, is about 35–40 million. If they just do 5 kitchens, it would pay for the mega kitchen.

Mr. Manuel asked Mr. Tanaka what was the number they pay for food service? Mr. Tanaka responded their food service operation is about \$125 million. Their food purchase depends on the product and the market price, from \$50-65million. Overhead and labor contributes to the total cost. The other concern they have is their workforce is beginning to decline. That's a tough situation, they love their employees but it's just the maturity of their cafeteria help.

Chair stated they were fortunate enough to visit with Mr. Tanaka at the Kekaha facility. He added that Mr. Tanaka gave a really good presentation. Chair asked that the presentation be passed on to the board, it was very informative, and he knows that DOE is at the beginning stages of this, so he asked that Mr. Tanaka keep them informed.

Chair asked if there were any objections to the motion.

Ms. Shimabukuro-Geiser stated that she supports this, and she thinks it's a good idea to start with Kauai. She shared with the board that she sits on the Dept. of Labor Relations Ag Workforce Development board, along with the Farm Bureau, and CTAHR, and other sister agencies. Through her experience in the past 6 years, the FFA program on Kauai has really bloomed. The County of Kauai has supported ag workforce

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development through matching funds with state labor funds for workforce development and summer student interns for 3 or more years. She said this project makes sense and she supports it.

Mr. Watanabe also expressed his support. He noted the Farm Bureau has been looking for ways to mechanize the industry. It is difficult for farmers and ranchers to find labor and so it has been one of the Farm Bureau's legislative priorities. They are requesting funding to develop small equipment to offset the labor shortage. He's glad they're looking into that.

Chair asked if there were anymore comments.

Mr. Hopkins strongly supports the mega kitchens concept and the rationale behind that; he wants to see if it can work. He has his doubts about the auxiliary things they were talking about. After being in ag education for over 33 years, he has great concerns about creating a new program and doing other stuff while the existing programs are all dying on the vine. If they're going to talk about training and other things, they need to come at it from an integrated perspective. He doesn't think the current programs are good and he doesn't see how creating something new can change things. Kauai Community College has an ag program, it's dying on the vine; they don't have the resources. Other than the mega kitchen, the other training aspects they were talking about and everything else, he would have to see a lot more integration taking place. That being said, he'll vote in favor of this because they are talking about 10 acres and the building goes to the mega kitchen, that's what he's looking at as the main thing. But he has his doubts about this long-term training, not just the summer program for students. He said do the students stay in ag, do they continue in ag, do we have the workers? These are questions that are being asked about ag education.

Mr. Tanaka said when they were on Kauai, he met with Fred Atkins who has worked really hard with KCC on their bee program. It just didn't get traction. What he came to learn was that passionate people drive this; if they're not passionate it won't work. Kauai is one of the few places that don't have that bee disease. Bee keeping is the private industry that can drive the Kauai economy and they need that asset. He agreed with Mr. Hopkins and acknowledged his concern.

Chair asked for any other discussion or if any objection to the motion. Hearing none, the motion was approved.

Vote: Approved, 10-0.

I. Request for Approval of Assignment and Transfer of License No. LI-K0801 from Beck's Superior Hybrids, Inc. to Hartung Brothers, Inc. for Agricultural Purposes of 1,312.16 Acres, More or Less, in Kekaha, Kauai, Tax Map Key (4) 1-2-002-001 (por)

Motion to approve Agenda Item I: Mr. Watanabe / Ms. Evans

Chair asked for comments from the staff. Mr. Roe stated there was no presentation but Ms. Kaichi, Mr. Nakatani or he was available for questions.

Chair asked for testimony from the public.

Mr. Johnson joined the meeting and introduced himself as being with Global Ag on Kauai, which was one of the original stakeholders in the Kekaha Ag Association when it was formed in 2003. They lease 8 to 9 hundred acres and grow alfalfa, mangos and did seed corn with various seed companies. He has various leases through ADC, growing mangos and doing other high technology farming with greenhouses. They have some acreage on field 314. The other part of 314 is part of the current Beck's lease. He sent a letter of

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interest to ADC on August 4 expressing interest in the remaining acreage to expand the high technology farming operations. This is important to him for security, and they have greenhouses and vegetable farming. Dust and pesticides and other things have become a problem. They are trying to isolate these from that type of farming operation. They have a fairly substantial investment already. He asked the board to consider all the different entities involved when considering this lease transfer. Thank you.

Chair thanked Mr. Johnson. Chair asked if there was anyone else from the public. There were none.

Mr. Manuel said he has similar questions about the assignment of licenses, from Beck's to Hartung. First, if this is approved how much more acreage is Beck's still looking to transfer out of ownership. Secondly, Mr. Roe said this transfer of license LI-K0801 represents all of Beck's land holdings, with the exception of field 309. Is anything else outstanding? Also, when assigning licenses, do we know if there are other viable bidders, since it was not put out to bid. And then, instead of approving these sub-licenses from these larger aggregated licensees, from a policy standpoint for ADC, is this the model ADC is proposing, or do we want to provide opportunities for the likes of Mr. Johnson who wants to have a direct relationship with ADC, versus being a sub-licensee of one of ADC's licenses.

Mr. Roe said he thinks ADC would prefer to license directly. Some of ADC lands are already under license and if a tenant can't use all of it, it may make sense for them to sub-license. In this particular case, while he is sympathetic to 314 or carving out for other entities, 314 is under license to Beck's. There are only 7 more years on that license. If ADC were to try to pull out 314, it could potentially put ADC in breach of its obligations under the license. This license expires in 7 years so it's not interminable.

Ms. Evans asked if Mr. Uyehara is still with us, if they can ask him if Hartung will be doing sub-licenses for these 1,300 acres. Mr. Dalton said he'll call Mr. Uyehara forward.

Mr. Nakatani stated that sub-licenses are not for the company to determine, it's for the board to decide. We should wait until the request comes through. There is no sense discussing this because we can't make a decision at this meeting. If somebody wants to sublet, that's another issue for another day and the request needs to come to ADC for the board to consider. They could have an agreement to sublet it, but the approval still lies with the board. We need to have it on the agenda to formalize it.

Chair stated that Mr. Johnson did put in a request and that request is on the September agenda.

Mr. Roe said just to clarify, the request for the September agenda is for field 316. Because 314 is part of Beck's license and we really can't just pull it out without breaching our obligations under the license. Mr. Johnson could either approach Beck's or he could approach Hartung and ask if they would be agreeable to either sublicense or to carve that out and release it to him, if he wanted to do that before the license expires in 7 years.

Mr. Dalton asked if the board still had a question for Mr. Uyehara?

Ms. Evans said she understands the legal process, but she just wanted to ask Mr. Uyehara if Hartung's was considering requesting to the board to do sub-licensees for existing farmers on Beck's license.

Mr. Uyehara rejoined the meeting and said they are looking at evaluating their needs assuming this request is approved. They'll look at their customer demand. He does anticipate they will need to adjust their land holdings. As a principal member of the Kekaha Ag Association, they are very supportive of the diversified ag industry. He cannot speak to specific fields yet, but he doesn't see anything impossible about that. He thinks they would probably prefer to give those fields back and not sub license unless there's a reason why it

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has to be for a partial field. If they had a larger field where there is a particular area in the middle of it for some reason would make sense for a different crop that might make sense for a sub-license. But if it's an entire field they're not going to use then the proper thing would be to return it to ADC for direct licensing to another tenant.

Ms. Evans said that clarifies it for her.

Mr. Tabata said it is complicated and given KAA's presentation for the Waiaka farm, there is acreage surrounded by the Waiaka farm. It is in Beck's hands right now. Mr. Tabata asked for a continuance of this subject stating he called the County of Kauai Economic Development Director and she informed him for diversified ag on the island of Kauai, many of the farmers don't want hundreds of acres. They want 10 acres or smaller, maximum 30, 40 or 50 acres. Hundred acres is too much for them to farm. Many of them are small farmers just starting out, trying to begin the process. To burden them with more acres than they need or can farm doesn't make sense. There are many needs out there and revisiting the MOA is a good first step because it takes more than what KAA can provide. He asked the members to support a continuance and if not, to have a sit down with whoever it gets transferred to and look at opportunities to synergize Waiaka farm to a total block versus remnants here and there. Mr. Tabata asked for an opportunity to meet with these people, with KAA and look at how we can come to a win-win for the community and for Hartung. This is a huge amount of acres, financially it's a lot of money to walk away from but he would like time to do a little bit of homework.

Chair asked if he would be making a motion? Mr. Tabata said it would need a motion to move forward.

Chair asked if someone would make a motion. Mr. Hong and Ms. Shimabukuro-Geiser replied that whoever made the original motion can amend it. Mr. Gomes noted Mr. Hopkins had another question.

Mr. Hopkins stated that most of the farmers want smaller parcels. The board has a later agenda item talking about policy and the objectives for ADC that directly looks at the issue. Should we be worrying about the small farms or is that a Department of Agriculture thing through its Ag Parks? Should we be looking at ADC as the larger commercial aspect? That is an agenda item for the board later in today's meeting. We don't have a motion on the table to hold it back which they'd have to do with this one here. He'd vote against that motion; we have a motion right here to go forward but there are multiple issues here that are being brought up at one time.

Chair agreed. The Waiaka farm is separate from this lease agreement. But again, he defers to counsel or staff.

Mr. Nakatani told the Chair he thinks everybody was confused on the motion and what they're talking about. They are talking about a land transfer, not Waiaka farms. That will come before the board if they want to do a lease. This is a land transfer. There's a lot of land and when you leave a lot of land unattended things can happen in a short period of time. He's not sure what the concerns are. We're talking about a land transfer from Beck's to Hartung. We're also looking at if Hartung would accommodate someone like Mr. Johnson and the answer was yes. He said they need to make an assessment, which could include doing a sub-license, or giving back the land so ADC could do a direct lease to Mr. Johnson. Mr. Nakatani questioned why they are talking about small farmers? Waiaka is a proposal to help small farmers and that would be another meeting for the board to discuss. If we really want to help small farmers that is the Waiaka concept. That's a 500-acre parcel that KAA is willing to help the small farmers.

Chair said going back to the original motion is to approve the transfer of the 1,312 acres from Beck's Hybrid to Hartung brothers. Is there more discussion or can we go to the vote?

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Mr. Manuel said there are 4 people with their hands up.

Mr. Hong asked if there is a corporate relationship between Hartung and Beck's, a common ownership sort of thing?

Mr. Roe said he doesn't believe there is. Beck's has downsized on Kauai and they contract with Hartung to take care of some contract growing for them but that's about it that he's aware of.

Mr. Hong said his question is there any upstream ownership where you start dealing with various LLCs for liability protection and things like that.

Mr. Roe said he is unaware of that.

Chair recognized Ms. Shimabukuro-Geiser. She deferred to Mr. Gomes who had his hand up first.

Mr. Gomes said he agrees with Mr. Nakatani as far as the motion at hand. It's a land transfer to Hartung. Maybe a discussion at a later time with Hartung about devising plans to sublease or something. Also, a different discussion for another time, is how about a cattle industry or livestock, sheep, cattle, whatever, to utilize some of the property if you think there is too much acreage for one person. If you have a farmer looking for 5 or 10 acres but you still have all of this land that would be in excess. It's for a later discussion but he's in support of the original motion.

Ms. Shimabukuro-Geiser asked if Mr. Johnson was still present.

Mr. Johnson rejoined the meeting. Ms. Shimabukuro-Geiser asked if he said he currently farms on field 314.

Mr. Johnson responded that 314 was previously split between the shrimp company that had about 9 acres and Beck's had the rest of the lease, which is approximately 52 acres. He said he did acquire a lease from ADC after the shrimp company released the 9 acres, so they do lease 9 acres at the current time.

Ms. Shimabukuro-Geiser thanked Mr. Johnson then asked Mr. Roe if Mr. Johnson has a license with ADC for those acres that split 314, how can ADC transfer 314 as part of this total package?

Mr. Roe responded because 314 was currently subdivided.

Ms. Shimabukuro-Geiser continued, so Mr. Johnson's portion would not transfer over to Hartung?

Mr. Roe responded no. Mr. Johnson has his own license that remains with him.

Ms. Shimabukuro-Geiser stated that Mr. Johnson said he submitted a letter of interest to ADC on August 4th. Did his letter of interest miss the deadline for the agenda for this August meeting?

Mr. Roe said he would have to go back and look but yes, if he recalls correctly, the agenda was filling up fast, there were a lot of things to discuss, and he told Mr. Johnson, that for 316, ADC would defer it to the next board meeting because this board meeting was just too full.

Ms. Shimabukuro-Geiser asked if the letter of interest Mr. Johnson submitted was for 314? Mr. Roe stated he would have to double-check because he received a couple of letters from him to see which one the August 4th letter was for, but it would be for either 314 or 316.

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Ms. Shimabukuro-Geiser asked if ADC responded to Mr. Johnson's letter of interest. Mr. Roe stated that ADC did respond, he told Mr. Johnson that it would be on the next agenda.

Ms. Shimabukuro-Geiser said 314 is on this agenda. If Mr. Johnson's letter is regarding field 314 and 314 is on this agenda, if it passes his request is moot.

Mr. Roe stated that 316 is on the agenda for the next board meeting. Mr. Johnson can request for 314, but assuming the board approves the current request, and Hartung later agrees to give it to him, the remainder of 314 is already on license. Unless, we want to breach ourselves, he doesn't think we can just withdraw that from the existing license.

Ms. Shimabukuro-Geiser thanked Mr. Roe for the clarification.

Chair called on Ms. Kaichi.

Ms. Kaichi said she sees everyone struggling with 314. Beck's has a license from us for fields that include 314. You can't just go back and grab pieces of the license if we think it's a better idea. We have to deal with the license first. You cannot pick and choose what you want out of the Beck's license; it's all or nothing because that's what Beck's has. If this is something we have to go and talk to our attorneys about, about our potential legal exposure if we start to chop up someone's existing license then we should do so. That's what she thinks everyone is struggling with.

Mr. Manuel thanked Ms. Kaichi for the clarification. Speaking for himself, what he understands is a license transfer from Beck's to Hartung and the fields that are tied to it is being proposed. His question relating to Mr. Johnson's interest is that as a board, if they can approve the request or they can approve with amendments, he thinks it's within the Boards authority to make that decision as the landowner. His question is really framed from a policy standpoint, within this context if they can transfer it, he supports the transfer. What he thinks needs to be thought through is when companies like this are shutting down, the other alternative could be to have Beck's return the property in whole to the Board, and the Board then disposes of it as it sees fit versus letting the agreements happen outside the Boards purview and then they're approving a private kind of agreement. That's the concern he has. The Board really is the one that should be making these decisions related to licenses. He's fine as recommended but it is a larger policy decision that he thinks the board needs to take on. He stated Mr. Hopkins had brought up that it's coming up in future conversations so that's what he wanted to make clear. He understands what was said but he just thinks that it's in the Board's interest to figure it out, so the Board has a clear understanding of how they want to operate moving forward.

Ms. Kaichi told Mr. Manuel, that's exactly right. All of these comments the board is making help the staff go back to Beck's to explain what the options are. Let's say this motion does not carry today because there were so many concerns about whether our policy should favor small farmers.

Ms. Evans questioned whether we can go forward if we have some assurances that we can still address some of our other concerns. All of these comments and questions are helpful to staff, whatever you decide to do today. She thinks her concern would be solved if it just said a portion of 314, because apparently there's a license for the 9 acres that used to be the shrimp farm directly between Mr. Johnson and ADC and so if this floor action simply acknowledges that there is a portion of field 314 that is not included in it, she's in favor of the transfer but maybe it wasn't drafted to show that there is an outstanding license for a portion of 314 direct to Mr. Johnson. And his request for 316 is not included in this transfer so it's appropriate that it comes up at a later time.

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Mr. Roe said if they look at the license and associated amendments, which were not included in the submittal, reflects that portion of 314 is not part of the license.

Mr. Hopkins stated that what Mr. Nakatani said earlier is pretty much what Ms. Kaichi said. The big concern is, if the Board votes this request down, what's going to happen to that very large parcel. We have a gentleman who wants a small piece of it but what happens with the rest of it. That property will not be cared for and it could become highly problematic. He defers to the staff who recommended that the whole parcel will be taken care of for at least the next seven years. Maybe at that time it gets split up. The gentleman can approach Hartung to see if he can get that parcel. There are other options. He's worried about the larger parcel and having that large parcel being taken care of and making income on that. He's coming from the larger issue, but he does understand the concerns that have been brought up.

Mr. Gomes says he is in favor of what Mr. Manuel stated as far as policy is concerned. The board could defer this and bring it back to the board to answer all the questions that were brought up this morning.

Mr. Haraguchi stated he is in favor of the staff recommendation. If this transfer is approved and something should come up where a portion has interest from other farmers, then the board would be the one to approve subleases. He thinks that if we can move forward with this recommendation then we can deal with matters as we move along.

Chair asked if there was any other discussion. He asked if there are any objections.

Ms. Prescott-Tate asked if they were voting on the original motion. Chair stated they were.

Mr. Manuel stated that there was someone with their hand up from the public. Mr. Dalton asked Chair if he wanted him to call the person to speak. Chair approved.

Ms. Amos entered the meeting and identified herself as being with a food policy program. She appreciated the discussion. She thinks the issue of who is directly shaping the policy and decision-making about leases that ADC gives out is something that people care a lot about. She agrees that small farmers need smaller tracts of land and as one large land holder is shutting down, she appreciated Mr. Manuel's comment about does the ADC just transfer that to another large land owner and let them kind of shape the policy on division on how those lands are leased for diversified agriculture or does ADC themselves take on the responsibility of doing that and be responsive to what larger democratic discussions about the future of agriculture in Hawaii. She hopes the board does come around to having that larger policy discussion although she understands that right now the decision is about the one transfer. She thinks the point about not leaving lands unused to develop into dangerous situations is an important point because it's happened in other instances.

Chair asked if we can take a vote? Any objections to the original motion? Hearing none, the motion was approved.

Approved: Vote, 10-0 (Mr. Manuel, Ms. Shimabukuro-Geiser, Mr. Gomes and Mr. Tabata, with reservations)

J. Request for Approval to Rescind License Approval to Zhao's Produce Inc. for 10.0 Acres at Galbraith Small Farmer Lots in Wahiawa, Oahu, Tax Map Key (1) 7-1-001- 002

Motion to approve Agenda Item J: Mr. Hong / Mr. Watanabe

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Chair asked for comments from the staff: Mr. Roe stated that if members had a chance to look over the submittal and staff recommendations, they'll notice that staff recommendation rescinds after October 31st, which gives the requestor 2 months to finalize the conservation plan and execute a license; otherwise, the license approval terminates. Board approved this tenant in May 2020 and there's been plenty of time to get it done. Mr. Roe thinks the licensee can get it done. He is available for any questions.

Chair asked for comments from the public: None.

Mr. Hopkins's concern is the way it's worded, that we have to have an approved soil conservation plan by October 31st. We are putting a requirement on the applicant for somebody else to do something and he doesn't know whether soil conservation can do it by then. He can see us requiring them to have their final submission into soil conservation by the end of September but requiring them to get it approved when they have no control over soil conservation is a concern to him.

Mr. Roe pointed out they were on the brink of having a conservation plan approved and finalized six, seven months ago. Because the applicant couldn't make some cropping decisions, that fell apart. This isn't something we're just springing on them; he's been pushing them for almost a year to get this done. They've been on the brink a couple of times. They've been in the office, we've discussed things, it looked like we were going to have something, then 3 or 4 months ago everything fell apart. The board can certainly amend this if you wish to extend the date in the recommendation. But he feels this has gone on long enough. The premises are sitting there unused for over a year and it's time, to get into production. There's no excuse not to have a conservation plan at this point.

Mr. Hopkins stated he understands what Mr. Roe is saying. He believes the applicant should have a soil conservation plan and we can require that it be submitted in two weeks. He just doesn't know how long it's going to take soil conservation to approve it after they turn it in. If they turned in a complete plan tomorrow, will soil conservation still be able to approve it by October 31st, that's what his question is. He's dealt with soil conservation before and sometimes they're very quick and sometimes they're not.

Mr. Roe said he spoke with ORCD; they called him after he gave notice to the tenant. They called him and said they are going to try to fast track this, if you look at the letter from the tenant, the exhibit, and the letter identifies that. They will fast-track this, but he notes that this recommendation is more stringent than that. It not only requires an approved conservation plan by October 31st, but it requires all the policies of insurance and to have executed a license of agreement by that date. It's more than just the conservation plan. Because at this point if we're not charging rent and things aren't being planted on those premises at that point of shortly thereafter, he'd consider it a bit of a failure.

Ms. Evans stated she had heard that soil conservation service had a backlog and was taking longer than usual. She said it sounds like Mr. Roe has already dealt with it by getting a commitment to fast track, so she withdraws her comments.

Mr. Hong said he supports the recommendation. He thinks the tenant, going forward, comply with all the requirements and through no fault of the tenant's efforts, if there's a delay in the approval from the government then the board can come back and address this at the October meeting. He thinks you have to hold the feet to the fire; it's been a year and a half already.

Mr. Roe stated the board can amend the October 31st date to November 31st [sic]; they can do so at their discretion.

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Mr. Manuel said he agrees with Mr. Hong. He does want to highlight, in Exhibit B there was a gap in staffing for soil conservation. He doesn't know the details behind that but he's thinking, ADC issued this in the heart of COVID and the lock down and government wasn't operating at full capacity. If this applicant made it through ADC criteria and we support them then he just wants to make sure that the board continues to support the farmers and try to work with them. He agrees with Mr. Hong that this can be revisited in October if the applicant does not meet the deadline and if they're close, then the board can extend it. He does think that the board should push to get somebody on.

Mr. Nakatani said he wants to point out that ADC is giving out licenses to other farmers and they got their conservation plan very quickly. The board approved these licenses at the same time and these people have been farming very diligently over a year. What's happening in his opinion is that they're starting to land bank and keep delaying this. One of the questions Mr. Gomes brought up about what's our policy, these people are just taking advantage of the board's good nature and we should put the feet to the fire and go. What's happening is that if not for somebody harvesting the grass that place would be totally overgrown. It's time to fish or cut bait.

Chair asked if there was any other discussion. If not, are there any objections to the original motion? Hearing no objections, the motion was approved.

Approved: Vote, 10-0

K. Request for Approval to Issue License to Hawaii Golden Farm, Inc. for 237 Acres, More or Less, of Unit A in Kalepa, Kauai, Tax Map Key (4) 3-9-002-020 (por)

Motion to approve Agenda Item K: Mr. Hopkins / Mr. Haraguchi

Mr. Roe had nothing to add but stated he was available to answer any questions.

Chair asked for comments from the public: None.

Mr. Hopkins stated that under item G regarding the cleanup, board rescinded the license for Hawaii Golden Farm who was partnering with another company regarding clean-up. He's wondering if the board can put in something saying this particular license is contingent upon them meeting the requirements on the clean-up of the other property.

Mr. Roe stated that the equipment and other items left on unit A-1 were primarily from the business partner. While Hawaii Golden Farms maintain a certain amount of liability because they are joint partners under that license, the trash and the irrigation equipment that was left there is from Taiwan Gu, the business partner. It's a fine line, but there is a certain amount of fault on certain parties. The board can decide on how they wish to go about it.

Mr. Manuel said he has similar concerns as Mr. Hopkins. The board just cancelled a license with the same company and so until that's cleaned up the board is entering into a brand-new license separately, just by not having that joint partnership. He wants to make sure this new relationship, starts on a good note. He thinks that the condition of this license should be subject to remediation from the prior license. This is something that the board should build in as a condition and a friendly amendment to the motion be proposed.

Ms. Shimabukuro-Geiser stated that Mr. Hopkins and Mr. Manuel touched on what she was going to ask.

Chair asked for any other discussion.

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Mr. Tabata asked if the other entity was a viable entity, were they still on island or are they gone? If they're gone what is our recourse? The entity will stay there so the board doesn't attach that property to this landowner he thinks what the board was worried about on the west side, they'll be open acres in fallow with a mess to clean up.

Mr. Roe said that currently the other entity is still here, they are still a tenant, they have a portion of unit C and they're also one of the parties to the crop and cattle rotation agreement with the other portion of unit C. They are still here, and ADC will be enforcing the clean up.

Chair asked if there needs to be a motion to incorporate clean up by the board.

Mr. Gomes asked if there was a policy that requires a licensee, if he's going to vacate the property, to put it back to its original condition?

Mr. Nakatani said there is a dispute over the property on joint ownership. Hawaii Golden Farm was trying to negotiate/mediate to take the full property and do the cleanup. They were talking about going to mediation and he's not sure what happened. For ADC, if they can't decide, they'll rescind the license and put it back on the market and see which one will take the parcel in whole. He's confident that if Hawaii Golden Farm has the opportunity, they will take the parcel and do the cleanup without an issue, but the dispute is between the two partners about the property. Before the board can decide, they need to help them sever the relationship, give the property back to ADC, and then ADC can deal with the property. But Mr. Gomes is right, they are supposed to clean it up, that's part of the license. What they have before them is to issue the license. The board is going to revisit this in subsequent meetings since they rescinded the license for the 200 acres. They'll come back to that and see what happens. There might be a legal battle between them so we'll see what happens but that can be addressed later.

Chair asked for any other discussion. Shall we go with the motion as originally moved?

Mr. Hong wondered if the board could get a guarantee from HGF that they would meet their obligations to clean up the 182-acre parcel in order to maintain good standing with ADC. If they haven't cleaned up, or they're not willing to clean up, would they be a tenant in good standing? This question is for Mr. Nakatani or Mr. Roe.

Mr. Nakatani said he thinks that because it's under both parties we can address that after they rescind, then ADC can go after both parties. It's unfair to just go after one party and let the other party off the hook. He is pretty sure that if Hawaii Golden Farm had the whole 200 acres rather than jointly, they would do the cleanup and the other issues that were brought up.

Chair asked if there was anything else from the board? There was none.

Chair asked if there were any objections? Mr. Manuel voted with reservations based on his comments.

Chair asked if there were any other objections? There were none.

Approved: Vote, 10-0 (Mr. Manuel with reservations)

L. Request for Approval to Rescind License Approval to Glory Herb Hawaii, LLC for 10.767 Acres at Galbraith Small Farmer Lots in Wahiawa, Oahu, Tax Map Key (1) 7- 1-001-002

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Motion to approve Agenda Item L: Ms. Evans / Mr. Hong

Chair asked for staff comments. Mr. Roe stated he had no presentation but was available to answer any questions.

Chair asked for comments from the public: None.

Mr. Manuel stated that in this agenda, there are four proposed license rescissions. These were all recommendations that came from the board's land investigative committee. These entities were supposedly vetted, passed application scrutiny, and we're still struggling to retain them as tenants. He doesn't know what the factors are on that but he has concerns that something in this process, whether it's the board, the applicants, or the economy, he just has concerns that there are a bunch of rescissions and he doesn't understand why. If there are things we need to do as an agency, as a board, he's open to suggestions. He'd love for them to think about it, but it concerns him that they're doing more rescissions than actual approvals.

Mr. Hopkins stated that this is similar to item J and for consistency he thinks they should accept as they did for item J.

Mr. Nakatani believes some are land banking. As far as Mr. Manuel's question, yes, they vetted these farmers. They visited the farms; they have a good track record and for whatever reason they're not proceeding. They have other farms and maybe they're just taking advantage of the State; that's how it seems. There's a strong demand for these lands and if these people are not going to use it the Board should take action and take it back. There are people lined up especially for the ten- and twenty-acre parcels to farm. They give excuse after excuse while other farmers have gone forward. We should put our foot down. If you're going to farm, farm and if not, give back the land.

Mr. Gomes says he agrees with Mr. Nakatani, either fish or cut bait. These people, even though they are bonafide farmers, they're land banking, let's get them out if they're not going to do anything with the land and put somebody who is willing to start rocking and rolling. This is enough, let's set some precedence here that ADC means to help farmers but they're not going to help them land bank.

Mr. Manuel said he appreciates the sentiment, but again he thinks it's speculative. What would help is to add additional criteria to their reviews. He's not sure how you would ask the question, "Are you planning to land bank it?" They're saying they had experience in farming and still they're land banking or not using it. How would the board be able to, in the review of applications, get people that are ready to go. This is where he's struggling. There is a process and even with that process they still end up with people not doing it, there has to be a reason why. If it's land banking he still doesn't have a solution; we need to be connecting the dots and make the review process tighter, like how we review, if we add more criteria, he just doesn't know.

Chair says he thinks in the board's next tenant review they will try to do that. It's going to get better.

Mr. Gomes said they should put a time frame on it. If they need an extension, they put it in the plan, what's the time frame, what's the reason you need this extension, or why haven't you been able to get what we need done.

Chair said that should be part of the proposed business plan in the tenant review for an upcoming agenda item. Shall we vote to approve the motion? Any objections? Hearing none, the motion was approved.

Approved: Vote, 10-0

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Mr. Roe stated that his portion of the agenda was concluded. Mr. Roe left the meeting at 11:55 a.m.

Chair called for a recess at 11:55 a.m. The meeting resumed at 12:12 p.m.

M. Request for Approval of the Agribusiness Development Corporation's Priority List to Implement the Legislative Auditor's Recommendations in Audit Report No. 21-01

Motion to approve Agenda Item M: Mr. Haraguchi / Mr. Hopkins

Chair asked for staff presentation. Mr. Nakamoto gave some background for the new members. The audit report was submitted to the Legislature in January 2021. At its February meeting, the board asked the Executive Director and staff to prioritize the recommendations. A priority list was presented at the April meeting. The 33 recommendations were divided into 3 groups: Administrative are things staff can do; Executive and Other higher-level policy things. Staff came up with the matrix that's attached to the submittal. Staff is asking for: 1) guidance from the board and approval of the priority list so staff can proceed; 2) with respect to the higher-level executive activities, we request the board's feedback and help on this; and 3) staff seeks to authorize the Executive Director to retain a consultant to assist with some of the technical things like strategic planning. That is a summary of how the audit recommendations were analyzed and divided. Mr. Nakamoto and Mr. Nakatani are available for questions.

Chair asked for comments from the public: None.

Mr. Manuel asked Mr. Nakamoto, for recommendation number 3, is ADC requesting one consultant for the multiple things listed, or one for each task? Is this how consultants are normally hired? This is the first time he's seen an agenda item with this recommendation.

Mr. Nakamoto stated it will most likely be multiple consultants unless they could find one consultant to do multiple plans. It probably will be tandem with other agencies as well. Some of the board members mentioned that ADC should retain consultants for the more technical stuff. Staff just wanted to bring it up to the board and get their approval.

Mr. Manuel said he would feel more comfortable if staff proposed a scope of service so they understand how much they would be paying this consultant and it's not just a blank check. The submittal should have a similar scope attached, a potential budget assigned to it, and then they approve versus a blanket just hire whoever. He'd feel more comfortable understanding what they're paying for and not just give blanket approval.

Mr. Nakamoto said ADC would come back to the board as they start proceeding with specific areas, they will hire consultants to assist; they can come back to the board to explain what they're spending it on. Today, staff is asking for the overall direction. ADC is under the clock. We are trying to move quickly. The investigation is ongoing. We want to show the legislature we have talked to the board and obtained guidance and direction. Staff will come back to the board when we start looking at retaining consultants, and present cost analysis and any other information the board would like to see.

Mr. Hopkins said recommendation no. 3 overlaps considerably with a number of things the policy committee was looking at. The committee found there were things beyond what they could do as a small group. Due to the considerable overlap he strongly supports this.

Ms. Shimabukuro-Geiser followed up on Mr. Manuel's comments about scope of work and budget. ADC's budget has been reduced and she just wanted board members to know that it's going to depend on the budget

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for next fiscal year if funds are available to cover these consultants. ADC needs to include this in their budget request to cover these consultants due to the audit.

Ms. Evans said she supports the floor action. She sees a number of the auditor recommendations require technical assistance. She envisions getting technical assistance to create an electronic document management system, an electronic database, and she assumes all the procurements will be done competitively. She has no concerns about the process of procurement. It will be helpful to get some technical assistance from consultants on meeting some of these auditor's recommendations.

Ms. Shimabukuro-Geiser said when the board was given the matrix back in April; four-months later the priorities may have changed. Under administrative, the third highest priority is, fill vacant staff positions. She believes there is only one vacancy left. There is a newly hired ASO and a secretary. Maybe the vacancy priority should be lowered. She also sees the need for administrative rules to address the application process for ADC lands on the bottom of the "others" list. At an earlier meeting she did express the need to move rules up the priority list.

Mr. Hong asked if there has been any meeting with the legislative auditor regarding recommendations after the initial issuance of the report in January?

Mr. Nakamoto responded, not to his knowledge.

Mr. Hong said so we're kind of doing this based on the written report. Oftentimes you can sit down with the auditors to discuss and get greater clarification. If they say consultants, they can explain what they mean. ADC should have a meeting with the auditor. Obviously, it's gotten to a point where it's political. It's been four months since the April meeting, and he thinks we're just marking time. His perspective is that there's a lot going on. We're saying we're going through consultant. He's seen consultants go into organizations and it's just a waste of time and money, unless we know exactly what we want from them. Has the organization identified what is needed? What are three or four key issues that will move this organization forward? Instead of trying to spend a lot of resources on each item, let's find out which ones are going to make a difference. Ultimately, it's the board's responsibility to lead the way and approve the strategic plan. He doesn't know what sort of feedback has been received since the draft strategic plan was submitted to the legislature, but he thinks the board and ADC staff must sit together and figure out what key issues need to be accomplished from a strategic perspective. Then the rest will start falling in place. You can't expect a consultant to come in and tell you what you're supposed to do. We need to know that up front and they need to help us on the technical issues. There's no reason why we can't have collaboration with DOA, CTAHR, Economics department, UHERO, all of those, to flesh out these things and get a clearer idea of where we want to go as an organization.

Mr. Hopkins said regarding the consultants, there are two different types of consultants we're looking at, and he thinks it's important to look at one; we got into trouble because there are certain things we have not done, like planning for agricultural development for Hawaii. There are legislative mandates we are supposed to do. We do not have the staff or ability to do them with our limited staff and the board, we can't do it. There are things we could use some help with, like hiring consultants to help for us to go forward. There are consultants that can be hired to meet mandates from the legislature, things we cannot do ourselves. We need to look at consultants from both of those aspects.

Mr. Nakamoto agrees we are looking at multiple consultants. He thinks the auditors did a good job of identifying areas that need to improve in order to move the organization forward. What staff is saying is that to prioritize these 33 recommendations, we can't do it all at once. We are doing several things simultaneously, but we want direction from the board to make sure we're heading in the right direction. We

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are looking at consultants to help with land management and administrative record keeping, but we also need technical assistance to help with things like development plans; things that are beyond our capabilities. We will work with other organizations like DBEDT, HDOA and USDA. We have identified key partners in our matrix that we want to either sit down with or consult with in order to develop these strategic plans.

Ms. Kaichi responded to Mr. Hong's question on whether ADC has gone back to the auditor for assistance. She doesn't think that is the auditor's task. According to the Auditor, after they issue their report, they will give ADC a year or two and then come back to ADC to check and see how well ADC has improved over time. The auditor issues the report, the responsibility to fix the items falls on ADC. She doesn't believe ADC was invited to go back to him until the auditor comes back to talk about ADC's improvement.

Mr. Hong disagreed. We can request to talk about how we can move forward, what they're seeing, what their perspective is and have a discussion about the audit findings. We're sitting in a vacuum otherwise to the extent we're only relying on what's written on the page. He spent a good portion of his career as an auditor and they always have discussions with the auditee. There's no reason why we cannot do that with the legislative auditor. If the auditor doesn't want to do it then that's his position but we can request that discussion.

Ms. Kaichi said, we didn't ask so we don't know what the auditor's position is.

Mr. Hong questioned if we didn't ask, why not? We're stuck in a perspective that we have to change some of that paradigm. This is an organization that needs to move forward, and we can't be stuck in just what the auditor says. We have concerns like, where are we on the financial condition, do we have projections for budget, financial statements, things like that. There's a lot of dialog that can go on. Maybe we shouldn't spend as much time on the recommendations. They're really covered by other things or maybe they're really not that important. That's why he's saying, there are really only three or four things that are critical that we need to do. He takes the 80/20 rule.

Ms. Evans stated that in her experience as deputy director for DBEDT, legislative auditor is a rotational thing. They don't pick programs, they have a schedule, and they hope to get around to every state agency every 10 years for these program audits. They have an entry interview when they start the audit, then they have an exit meeting when they have a draft audit completed and they are given the audit and an opportunity to try to correct anything that is not accurate in it. The exit meetings are substantive, and they do provide an opportunity to ask, what do you mean when they put a recommendation in. She assumes since this is a standard part of audit process that a meeting did occur and there was an opportunity to get clarification on the draft findings and recommendations. She's guessing that they are really not available to provide guidance; it is a little different approach.

Ms. Kaichi stated that's exactly what happened.

Mr. Manuel said he's trying to understand the recommendations and the action that's requested from the board. Reading through recommendation 1, they want guidance from the board to work on auditor recommendations. Is that even required? Recommendation 2 is a recommendation to form smaller committees; what are those committees? The third one, without a scope you don't know how much money we're spending, and it gets to Mr. Hong's point, and Ms. Shimabukuro-Geiser's point, if we don't know what our finances look like then what are we capable of funding with the capacity of staff. Maybe a better thing to do is to work through this every month, have this as a standing item so we can try to tackle some of these. Right now, it's really broad. We just need to get the specifics of the auditor's recommendations. As a board member he wants to help staff, but these larger policy conversations aren't getting us towards that end result.

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Chair agreed with Mr. Hong in that there are really only 3 or 4 recommendations that really need to be addressed immediately and there are five recommendations to the board that haven't been addressed. That's where this committee needs to focus.

Mr. Nakatani said they have been sitting on this for 3 or 4 months. Some of the comments we need to let the staff start working on. Whether you agree that what we came up with is a priority or not, we should be doing something. If not then, you should make the recommendations but again some of the things like rules take a long time. While we can draft that, it's not going to be done within a year. The auditors are looking at some progress on what we do so at least we have a priority list. We're not going to tackle all of them and I disagree that even if you only have 4 items, that's not for you to determine because the legislature is going to say did you follow the auditor's report and why haven't you done this x, y and z. What we're trying to do is, do as much as possible, as quickly as possible, so we can at least show some progress and move ahead. Now, some of the things we can do really quickly. As far as a consultant, it's a good point about how much is it going to cost but we don't know. What determines that is, how much money do we have but that was part of the auditor's recommendation so we're just following part of the auditor's recommendation that we hire a consultant to help us with this. If the Board doesn't give ADC approval to do this, then we're back to square one. I mean what's the direction? You need to be involved because this is not staff decision alone, it's the ADC Board and the staff conclusion.

Ms. Shimabukuro-Geiser stated that both Chair and Mr. Hong mentioned there were 3 or 4 priorities; could Chair or Mr. Hong share them? Maybe the Board can have staff address that at the forefront because a lot of these recommendations have status, comments that they are working on it. We can report to the auditor those things have been completed. Since we're in discussion, Chair and Mr. Hong, what do you think the 3 or 4 top priorities are that we should be focusing on?

Chair said, speaking for himself, policies are effective whether they are called policies or administrative rules is something that should be thought out and put in place. We've heard that discussion several times today about not having some policy in place.

Ms. Shimabukuro-Geiser said she'll defer to Mr. Hong. She knows Mr. Hong mentioned, what is our strategic plan. She knows in the list it refers to a 2012 Strategic Plan, but the plan needs to be updated. It doesn't really speak to what is relevant for ADC now.

Mr. Hong said he does think that updating the strategic plan goals and objectives are critical for an organization. We need to know where we're going. A strategic plan is important. Your assets, your inventory; what's the list of your inventory in all the underlying leases? And relative to rules, he thinks we need to be consistent in how we apply things with flexibility. And he thinks we need to have our financial house in order. So, what's your overall goals, your rules, and your financial planning. Once you know what you need in terms of how we handle our finances and then what we need. We can see if we need a consultant to help us. Those are the things that are critical for us. Obviously, you need to have staff to do our mission, but we have to determine what our mission is first.

Ms. Evans thinks Mr. Tanaka had some relevant comments in his presentation on the Kauai agricultural project. He talked about the changing context in agriculture and the need to update agricultural education to address that. She thinks when the statute was written back in the early 1990's agriculture was really different. She agrees with Mr. Hong and Ms. Shimabukuro-Geiser that we could use an investigative committee to look at changing the type of agriculture that will be commercially successful. We have a lot of subsistence farmers in our Ag district which is 45% of the State land. There's room for a wide variety of agriculture, family subsistence, gardening. Consistent with what Mr. Tanaka was saying is that commercial

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agriculture is what the legislature intended for us. While that's changed dramatically, she thinks that is a good goal for ADC.

Mr. Manuel said to follow up on the 3 priorities Mr. Hong listed; he's trying to tie it back to the submittal before the Board. He doesn't see those as priorities outlined in the colorful blue sheet. Mr. Hong talked about our financing, the mission statement, goals and objectives; those are good, one and two on the far-left side. But do we need to amend these or shift them based on what you're recommending or are we comfortable with the priorities that are recommended here and the next steps in the recommendation. That's what's before us to approve, so he's just trying to make sure that what we're having conversations about is reflected in this staff submittal and the priorities. He's fine with the recommended submittals but they're not necessarily lining up with what he's hearing from the Board.

Mr. Nakatani said in the next submittal maybe we can talk about mission, goals and objectives. What we really need from the Board is to let us move ahead. Because what you're doing is, we're in neutral and we keep waiting for the Board to do something. We did a strategic plan in 2020 and submitted it to the Legislature. Now whether you agree with the strategic plan or not, there's a plan that was updated from 2012 that reflects what ADC should be doing and where we should be headed. This plan was submitted to some of the former members for comments and we took their comments and we put it together. I'm not sure what the criticism is that we don't have an updated plan.

Mr. Hong stated we may not be that far off from the strategic plan; we've developed a number of things. The plan needs to be shared with the board and the board has to approve it. As a corporation with special duties and authorities different from other State corporations, that is our responsibility. It's a matter of presenting it to the current board because it was never approved as far as he knows and move forward from there. It's a starting point and any comments and any focus that the board feels should be in this strategic plan that is not currently in the draft strategic plan, then we can update that and move forward.

Chair agreed.

Mr. Nakatani said do you want the strategic plan to be approved? They brought the plan to the board, they asked for comments and staff was under pressure from the Auditor who asked where is your strategic plan? So, they did submit the plan. If you disagree with it, that's fine but put in some constructive criticism, just don't say the board needs to approve the plan. It came before the board.

Chair agreed. He doesn't know if the board had a chance to read the plan, but it is a pretty good plan. From what he understands, it's dynamic.

Mr. Hong said he thinks they all need to be on that same page. Once we have a direction we can move forward to the other priorities.

Mr. Hopkins said he's a bit confused. Are we responding to an auditor's report or are we talking about a strategic plan? We have a motion here on how to deal with the auditor's report. These are different issues. The auditor's report although they overlap, where we're going and our strategic plan and everything else is very important to us as an organization. At the same time, dealing with the auditor's report means we're dealing with something that came to us out of the legislature, we have to deal with it because they're mad at us and we have to deal with that. Let's go forward with this for the auditor's report. Staff has done a lot of work on it and he thinks we ought to just approve it. It's a plan, it's not perfect, he doesn't agree with it completely but there's 33 items there. We have to respond to all 33 items whether we like it or not, cause that's what the auditor told us to do, that's what the legislature is going to beat on us. Let's just go forward with it the best we can. Our next item after this is our mission statement, it's on the agenda. It would be great

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if everything that we are working on for the auditor would make us more important. Let's focus on things to make ourselves better. He's looking at what is expeditious. He strongly urges the board to approve the motion, give staff some directions to go forward with this and let's look at the next item which is our mission.

Mr. Haraguchi supports the staff's recommendation. He does understand where the auditors are coming from. One clarification, on number three, he thinks there was prior discussion on developing a Hawaii Ag Plan and hiring consultants to develop the same plan may be duplicative. Is there an existing Ag Plan? Or does DOA have one, or are we working together on this? That's the question.

Mr. Nakatani said that's a good question. Mr. Hopkins mentioned that those are things we should look at down the road but without approval of this, how can we move forward. You're telling me that you need scope and everything else like that but you know, as Mr. Hopkins said, let us move ahead, look at the consultant, what would we need the consultant for but at this point we're just stuck in neutral, we can't do anything. We can do it in a vacuum, we can move ahead without the board being on board. He thinks the whole notion is that we don't know much of these answers. The consultant was a recommendation of the auditor. It's like saying if you can't do it hire a consultant. All we're saying is that we have the approval to hire the consultant. Yes, we need to look at the scope; yes, we need to see if we have enough funds to do that. Those are all factors and if we don't have that, but you have to let us make that determination, not just question us about all of this because we don't know yet. We haven't gotten the freedom to look at this and say ok, we need to write another plan for agriculture. Is that a plan for ADC; is it a plan for all of agriculture? Do we do marketing? I mean what do we do? Maybe we can come back with some recommendations telling the auditors, we should cover this or what priority from the board as far as we need to hire a consultant. We will go back to the board, but the idea is we have the approval to hire somebody and you can make it conditional but as Mr. Hopkins said, let's just move ahead. Give us some leeway to say ok, let's make this determination. We can always come back to the board; you can ask every month what's the progress and where are we going but we just need to move forward. And as Mr. Hopkins said, he may not agree to all the priorities but nitpicking and saying I want to do this, that's fine. We made the determination of capability and what we think is important to move this thing forward. That's the staff recommendation, now if you think otherwise and you choose to do something else then please help us. The thing is what we're capable of and what we have the manpower to do is what we're trying to address.

Mr. Haraguchi said he agrees with Mr. Nakatani, but his question is, maybe it should be directed to Ms. Shimabukuro-Geiser, isn't the Hawaii Ag plan something that has been done and been revised continuously? Is this something that can be worked through the department of ag or can the dept of ag take the lead in this?

Ms. Shimabukuro-Geiser responded that she thinks what Mr. Haraguchi is referring to is the Hawaii Agribusiness plan and that might be specific to ADC. The department has its own strategic plan which they include ADC's priority actions, along with all the other programs that they have. But she thinks it's mentioned quite often, Hawaii Agribusiness plan and she thinks that's specific to ADC.

Mr. Hong stated, looking at it from recommendation 1, ADC recommends the Board provide guidance and/or approve the priority list to authorize the ED and staff to continue working on the auditor's recommendations. I think we're trying to provide guidance as we indicated through this discussion, so he doesn't have a problem with 1. Number 2 is very similar, with respect to high level executive activities, ADC requests assistance from the Board and recommends the formation of smaller committees, he thinks it's a good recommendation, good for the board and ADC to have the continuing dialogue and he would support that. Recommendation 3 is ADC recommends the Board authorize the ED to retain consultants and other outside technical assistance. The problem is you say the ED can engage consultants to develop the scope of work, to develop the RFP and things like that and then come back to the board for approval of the scope of work, which ultimately gets down to approving a consultant at some future date. He doesn't have a problem with that. But saying carte

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blanche go ahead and engage someone for an undisclosed amount for undetermined length of time for an undetermined amount of resources when we don't know if it fits in the budget, that's a problem.

Mr. Manuel asked if whoever made the motion can amend it to just approve 1 and 2 and remove recommendation number 3. They don't approve recommendation 3. There's too much unknown but move to approve 1 and 2 based on the board dialog.

Mr. Hopkins stated that instead of doing it that way, they should modify number 3 to say the board authorizes the Executive Director to draw up terms of reference for consultants for the board to approve at a later date. Staff said that's what they plan on doing. We should clearly state we authorize the drawing up terms of reference for later approval. He makes that amendment.

Mr. Gomes asked if Mr. Hopkins was making that amendment to the motion.

Mr. Hopkins said, he's asking for an amendment and if the member who made the motion would agree to that, and the member who seconded it, the amendment would be, the ADC Board authorizes the Executive Director to draft terms of reference for consultants for later approval.

Mr. Gomes asked if his amendment referred to recommendation 3.

Mr. Hopkins agreed. He said, under Roberts rules he made that motion and it has to be approved by whoever made the original motion and whoever seconded that motion, as a friendly amendment.

Chair asked who made the motion. Mr. Nakamoto said that Mr. Haraguchi made the motion and Mr. Hopkins seconded it.

Amended motion to approve recommendation 1 and 2 as written and approve the amended recommendation #3 which states: The Board authorizes the Executive Director to draft terms of reference for consultants for the Board to approve at a later date.

Mr. Haraguchi moved to approve the motion as amended. Mr. Hopkins seconded it.

Chair asked if there were any objections to the amended motion. Hearing none, the amended motion was approved.

Approved: Vote, 10/0

N. Request for Approval of the Agribusiness Corporation's Mission Statement, Goals, and Objectives

Motion to approve Agenda Item N: Ms. Evans / Mr. Manuel

Mr. Nakamoto made the presentation on behalf of the staff. There has been a lot of discussion already, but he wanted to point out that staff identified this recommendation from the auditor as top priority. This is the foundation of everything the ADC does. It provides the direction and detail that shows how staff plans to accomplish the goals and the mission. The recommendation is to keep the mission statement as is. He's available for questions.

Chair asked for comments from the public: None.

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Ms. Evans said as the maker of the motion she would like to speak to it. What she liked about the April 28, 2021 submittal to the board was that it focuses on the support for commercial agriculture and it focuses on land acquisition to build a bank for state lands available for commercial agriculture. She thinks that's really important because as they've seen in the Ag district, the value of lands held by trust foundations and for-profit shareholder companies has increased dramatically, not based on ag pricing or ag potential revenue but on other types of higher revenue generating uses. Because that is goal number one, page 2 of item N, she thinks it's very important and significant. The objectives under that with the exception of objective 5, which she's not sure is appropriate for ADC, but the first 4, certainly support that. Goal # 2, adequate reasonably priced water in irrigation systems is critical to making state land possible for agriculture. In every IAL petition that comes before the land use commission which is now part of the office of planning and sustainable development, they look at whether water is available. And then goal #3, to improve the productivity of agricultural operations by providing those possibly shared facilities that individual farmers having a hard time financing and developing and maintaining but which can increase the ability of our farmers to do commercial scale growing is important. She speaks in favor of the 3 goals and the associated objectives for the mission statement goals and objectives.

Mr. Hopkins said he supports it in general, almost completely except he has a problem with goal 3. The comment just a minute ago about shared facilities, that's not what it says here, it says it's restricting us to state owned lands and state-owned facilities. We need to be flexible with shared facilities. If we go purely state owned, we have a problem.

Mr. Manuel has a question for staff, what was the process that staff went through to develop the mission, goals, and objectives, and what was involved in that process?

Mr. Nakatani stated these priorities were done internally after reading a lot of the agriculture plan reports from the past. They read through what their prior priorities were and that's what they put together. Knowing what we're faced with in our projects, water, land banking, facilities and everything, that's how they came up with this outline for these recommendations.

Mr. Manuel thanked Mr. Nakatani for the response. This is a good start to outlining priorities and mission, goals and objectives. One of his comments on the draft was that objectives need to be quantifiable and right now they are really broad. As a planner, he can see ADC doing a lot better at building and making a more robust strategic plan with goals and objectives that are measurable and attainable. He'd love to see us build that out and he'll even offer to do that and provide his expertise to the staff, to make a plan that makes sense for our agency and for the board. There's a long way to go and he thinks it speaks to that, it's a step in the right direction. He thinks that as any planning process they need to design a process that's inclusive of all stakeholders and based on the auditor's responses and some of the critique. It's an internal plan, it's a good start but we need to include other stakeholders, other objectives, and put some meat on this plan, with timeframes and resources and commitments. It's kind of open-ended. It needs more direction. He thinks the board should approve something to move forward, but this needs to be updated and added to.

Mr. Hong agreed with those comments. He thinks it's a good structure but needs to be flushed out with Mr. Manuel's help. It would be good to be able to do that. Like it talks about focusing on the commercial aspects of agriculture, some of that language could be incorporated into goal 1, some of the objectives into goal 1. Relative to Ms. Evan's comment about objective 5, maybe the education is the newsletter. He doesn't see any educational effort on the part of ADC to the general public; that really should be DOA's responsibility and not ADC's. In goal 3, some of that can be flushed out, looking down the road the possibility of a pool of equipment for farmers because not everyone can afford a tractor or specialized equipment, but four or five of our folks might be able to share. He agrees with Mr. Manuel, this is a good structure. It would be helpful particularly for the legislature and other audiences to see that it's been flushed out a little bit more.

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Chair said that since they all agree that it's a good structure can we move to approving this motion and we actually have to make more committees than we have humans on the board. If there aren't any objections can we move to approve this motion?

Ms. Shimabukuro-Geiser asked if they want to stay with objective 5 under goal 1, regarding education?

Mr. Manuel said his response would be instead of amending what staff has developed, we just approve it as is, then work on improving it at a later time. If not, we're going to start wordsmithing the entire document. I don't think that's a good process to go through at this point.

Ms. Shimabukuro-Geiser agrees but thought there was discussion on objective 5 and its relevance.

Chair asked if there were any objections. Hearing none, the motion was approved.

Vote: Approved, 10-0.

O. Appointment of New Member to the Investigative Agricultural Activity Policy Committee to Replace a Retired Member.

Chair stated this was to replace Mr. Schenk and asked the committee chair, Mr. Hopkins, to provide feedback on potential replacements at the next meeting.

Ms. Prescott-Tate stated they could move to defer Item O.

Motion to defer the appointment of New Member to the Investigative Agricultural Activity Policy Committee to Replace a Retired Member: Ms. Evans / Mr. Manuel

Chair asked if there are any discussion/objections. Hearing none, the motion was approved.

Vote: Approved, 10-0.

P. Request for Approval to Issue a Request for Proposal to Construct a Livestock Feed Mill on Oahu and Authorize the Executive Director to Negotiate the Terms and Conditions of a Public Private Partnership to Construct and Operate the Facility

Motion to approve Agenda Item P: Ms. Evans / Mr. Manuel

Chair asked for presentation from the staff. Mr. Nakamoto said ADC received a CIP appropriation to build off of the 0-waste conversion project that ADC was working with the USDA. He stated there were 3 benefits: 1) ADC can build off of the 0-waste conversion working with USDA; 2) remove waste from stream and landfills; and 3) the development of local feed for aquaculture and livestock. Currently, 60 to 70% is being imported. He is available to answer any questions.

Chair asked for comments from the public: None.

Mr. Hopkins stated for those who were not familiar we've had feed mill stuff come up before. There were millions and millions of dollars poured into a pilot feed mill that was constructed at the Panaewa farm at UH Hilo. It belongs to HPU now. It came from OI to HPU and they're trying to pass it over to UH Hilo. UH Hilo doesn't have the money to operate it. We already have large quantities of stuff up there. I'm worried

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about building another while elephant. It doesn't matter if the legislature gave us the money, it's the operating funds. Where are the nutritionists coming from, who's paying for the nutritionist? We need a much better plan than saying let's go out and build this feed mill. We need to show that it's actually feasible and how we move forward with it. We need a much more detailed planning process than saying, let's just go build it. Four million dollars isn't enough money based on what has been spent already. We could spend four million retrofitting an existing mill to bring it up to standards. I would like to see us back up a little bit and do a better planning process on this thing because I don't think we are at the point of a going out there and building it.

Chair said Panaewa was the wrong place, it's on the wrong island and it has no protein for feed. That was the problem. This is a private public proposal. We are tapping and depending on the private side to do the operations; we'll vet them properly.

Mr. Gomes said he agrees with Mr. Hopkins. He knows about Panaewa, but he has questions. Overall, it will take more than 4 million to put together a feed mill. He can see the point about making it on Oahu because that's where the population is. But what kind of feed would be available for livestock and what kind of waste would be used and what do you think you would generate as far as tonnage is concerned. The bulk of cattle feed or users of cattle feed or livestock feed is on the Big Island. That's where the inventory of animals is, and Maui. Another factor is transportation. Young Brothers increasing the rates. How do they get the feed to the users or the stakeholders? That's the kind of questions he has on this feed mill. And with aquaculture what are we talking about volume of feed or how much ponds or what are we looking at overall for aquaculture? Is there enough because to him the farms are on the Big Island, the aquaculture farms are on the Kona coast. He's seen it go before the Board of DLNR asking for extensions or permits out in the ocean or whatever it might be or even other farming facilities

Mr. Nakamoto said this project was not a new project. The trials were done with the aquaculture specialist over at HDOA with USDA to develop the feed. The initial recipe they used was protein meal from local fish producers and fish processors. They extracted oil from the macadamia nut shells and they also used flour. They sent these materials up to a feed specialist on the mainland and he developed a pretty viable feed that was palatable using locally sourced materials. Macadamia nuts from Hawaii, fish waste from the local producers and what we're trying to do now is just establish this pilot project. We understand there are a lot of companies that are paying to dispose of their fish waste and their green waste. We can take that out of the waste stream and develop a local feed. We feel that's a game changer and that's a risk we should take. This was not done without research. The trials have already taking place with the DOA Aquaculture specialist. They have developed a viable feed. Now we want to see if we can take it to the next level and commercialize it. DOA aquaculture division will get to use these to do trials. The operator will be able to recycle the fish waste. It could also be used to develop other feeds for livestock as well. The initial projections we're looking at, he believes the RFP states 2 to 3 tons that this facility needs to produce. We don't have a minimum input because it's a pilot project. If they can produce 1 to 3 tons of feed that would help a lot. With the gas prices rising, shipping cost going up, food cost going up, and this cost is all passed to the farmer. Whether they like it or not 60 -70% of all feed is imported. We can change this; this is one of the bottlenecks in agriculture that could potentially open up more opportunities especially for the aquaculture and livestock industries.

Mr. Hopkins said what he's concerned with is if we're going forward and building this thing here, he's saying four million dollars is not going to be enough. And we're going to get blamed for it when it doesn't work. The amount of waste material we have is not all that great. Talking about restaurant waste, there's already a value on that, the pig farmers. I think unfortunately on a lot of these plans the economics are what he'd have to call highly creative. He's worried about our long-term liabilities that we have when we start building this. He would like to see detailed numbers on this. Basically, he's not going to vote on this one way or the other and the reason why is because he worked at Panaewa for years, not at that particular facility. People say it's a conflict of interest on his part but he's going to say he's not going to vote on it.

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Mr. Nakatani said we have to look at this not only are we creating food, but the concept is 0 waste. What we're trying to do is we're trying to get rid of our waste. We're starting with fish waste, hopefully we go to food waste but that's a big problem that agriculture will be facing. Not only agriculture but how do you get rid of your waste because sooner or later the landfills will start to reject all of this wet waste coming in. This is a good pilot project to start with. It's two-fold, how do you get rid of waste and how can you make a valuable product from the waste. That's the whole concept of moving this thing forward. It's the private sector that's going to take the risk. Yes, the State did put in the money for that, the legislature approved it in 2018. But it's something that we need to look at and work on because you know this affects all of us for the future. We've got to start focusing on ways on how to get rid of waste and how to make a waste product into a valuable product. That's the whole concept.

Mr. Manuel said he's cognizant of the time so he's just reacting to the conversation. He's wondering if we defer this with a request to staff to provide more details than what's in the recommendation. For example, what are the details of the RFP? A lot of the \$1 to 3 million was referenced but it's not in the actual submittal itself. He has questions about compliance with 343, use of state funds. He doesn't see any analysis whether or not we've done an EA on this or if it's exempt from producing an EA. There are some unanswered questions and concerns. He wants to support management of waste, that's important, but giving blanket authority to enter into public private partnership is also a concern. The board should have final decision on all of the terms. He's recommending they defer and then bring it back with more details from staff.

Ms. Evans said she still supports her motion because the Office of Planning and Sustainable Development is responsible for encouraging and promoting sustainability for all of our inputs and outputs and this is an effort to do that. She notes in the RFP that is attached to the floor action, the selected applicant will be responsible for all of the permits and that includes doing an EA or EIS if needed. She thinks we need to get started on this. If there are no applicants, that will tell us that nobody sees a viable business model and we can cancel the RFP and revise. But you won't know that until you post this. She looked at it and thinks staff did a good job on the RFP. She's in favor of supporting the approval of this action.

Mr. Manuel apologized saying he scrolled past the recommendations so thanks for the clarification.

Chair thanked Ms. Evans saying that was a very good explanation.

Mr. Hopkins said he wanted to make a clarification. He is not saying they should support Panaewa. He's been opposed to these projects. It was originally proposed for Waimanalo and it ended up in Panaewa. He's been opposed to this for 25-years because when he'd run the numbers through. He just wants the group to know he's not going out there saying it should be Panaewa. We don't have the viability for it. And he won't vote for it one way or the other.

Mr. Manuel asked Ms. Evans if she would be open to not delegating the final execution, that the board retains final approval as an amendment. He's trying to understand the complexities of public private partnership agreements and that giving that out without the board seeing the final details are concerning to him. He doesn't know if the rest of the board feels the same way but if we're comfortable in delegating that entirely then he's open.

Ms. Evans said because the procurement process is usually based on a point system and then a BAFO if they have a complicated one like this. She's not comfortable with them doing a beauty contest vote at the end of a very formal procurement process. Unless the board members themselves are members of the evaluation committee, which would then preclude them from voting on it, it gets very complicated. She would say they

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should authorize the staff to post it and work through the procurement process with support from the State Procurement Office. Then we see if there is a selected proposal that meets all the criteria in the RFP.

Chair agreed and stated he wanted to go to vote and asked if there were any objections.

Ms. Shimabukuro-Geiser said she is voting with reservations. She supports the zero-waste concept. She knows the DOA's aquaculture manager and staff did have involvement with this. I'm voting with reservations because having 30 years experience with formulating custom feed and importing feed from the mainland and dealing with feed companies that existed here on Oahu she understands the cost of milling in Hawaii, and unless it's subsidized, she doesn't know if it's going to be affordable. But this is a pilot so she's going to vote with reservations. She requested that Mr. Nakamoto forward the food waste work that was done with Todd Low and USDA to the board members because there's been a lot of change in the membership and she thinks that would be good historical background information.

Mr. Hopkins said he formally abstains.

Mr. Gomes said he will also vote with reservations. He said he also has experience over the years in the cattle industry and of them buying feed and they were buying mill run from Oahu and all that went to the wayside. He'll vote but with reservations, he's personally experienced it on their cattle ranch.

Ms. Evans said she votes aye for the proposal.

Chair asked if there were any objections. Hearing none, the motion was approved.

Vote: Approved: 9-0 (Ms. Shimabukuro-Geiser and Mr. Gomes with reservations; Mr. Hopkins abstained)

Q. Request for Approval to Adopt the Tenant Review and Recommendation Committee's Recommendations for Selecting Applicants for ADC Land Licenses

Motion to approve Agenda Item Q: Mr. Hong / Mr. Haraguchi

Mr. Nakamoto said ADC set out to fill the lands a while back. A committee was established around September 2020. They put out the notification in March and received the applications in April. They did the ratings by a point system. They conducted interviews of some of the farmers. So basically, these recommendations were done through the committee's discretion and expertise and they're recommending that they award these lands accordingly. He's available for any questions. Mr. Watanabe was the chair of the committee and he was also available for any questions.

Chair asked for comments from the public: None.

Mr. Manuel asked that, based on the recommendation, are they going to give one person all of our vacant inventory?

Mr. Nakamoto explained that what Mr. Manuel saw was based on the ratings. There was one farmer who qualified for all five. However, that farmer declined. He did his due diligence and found that due to market instability, as well as the development cost, he withdrew his application. He admitted it looked like one person got all the land. The recommendation from the committee was they didn't want one applicant to have all of the land.

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Ms. Shimabukuro-Geiser said just an FYI for transparency, she sent an email as a follow-up to Chair's request for information about solar energy facilities, utility facilities, as licensees for the 511 acres of ADC land on Oahu. As a department they provide technical information to respond to Chair's request at the last board meeting and that was sent on July 27th. If staff would circulate that email response, she just wanted to disclose to everyone for transparency.

Chair stated that the information Ms. Shimabukuro-Geiser sent was very helpful. It wasn't for the 511 acres it was for another parcel. Chair asked Mr. Watanabe if he wanted to say anything.

Mr. Watanabe said the members have a report. He thanked the committee for putting all that work in. He traveled to Oahu and took a look at the land and thanked Chair and Mr. Nakamoto for accompanying him. He also invited Susan Kubo from NRCS since they will be handling the conservation plans and it was important for her to see the land. Sifting through the comments and trying to think of how to improve the process. He said they are open to working with ADC on the conservation plans. Susan is supposed to come up with some points they can assist us with. Frankly, it's going to take a lot of work by the applicants. It's not just clearing the land there are many related issues to having a successful operation. What he would like to do is take the 4 recommendations one at a time. He knows this has been a long meeting, but he would like to get the board's comments on each of the recommendations. Some of them did do the interview and that was very helpful because you cannot make a decision just on what they submit. He agrees with Mr. Manuel that they cannot keep putting applicants on the land if they're not going to follow through. That's how he'd like to move forward starting with recommendation number 1.

Mr. Nakamoto stated that recommendation number 1 was looking at awarding 511 acres, gross acres, 385 useable acres to Cedar Grove Hawaii. They were one of the top scorers. The highest scorer withdrew his application. What was attractive to the committee about Cedar Grove was 1) they wanted to take the whole parcel, which saves them the effort to sub-divide; and 2) the main reason why they were selected was they are interested in doing, in addition to livestock feed and their sod operation, they were trying to do an incubator program for some of the goat farmers who are graduating from goat farm. Right now, there's a gap between the 50 – 40 acres and the 1 acre and what Cedar Grove was proposing was to have some kind of host incubation program within these 511 acres. He's heard it come up several times during today's meeting about how do we help the small farmers. These guys are actually proposing to do that for us. Within their operation they want to establish this program. That's what really drove home the recommendation for the committee. With that he'll open up for discussion.

Mr. Tabata said his question is will Cedar Grove Hawaii sublease those lots and need to come back to the board for approval?

Mr. Nakamoto said that's correct. If that is the goal, then they need to come back to the board for approval.

Chair said that Cedar Grove agreed to clear the lots, bring in irrigation water, and compost the lots.

Mr. Tabata said that's a good deal for the farmers because clearing costs are expensive.

Mr. Nakamoto continued with number 2. The recommendation is to award 234 gross acres or 162 useable acres to Hawaii Sustainable Agricultural Products. Again, the top scorer withdrew his application. The second highest scorer actually applied for multiple areas and was interested in another parcel so that led the committee to Hawaii Sustainable Agricultural Products. They are a group of former researchers from University of Colorado, University of Hawaii and they have a collective of pretty good farmers with a lot of agriculture acumen. They're proposing to identify some kind of crops for local consumption. And again,

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just like Cedar Grove they agreed to clear the land, they agreed to develop the water infrastructure and secure the property.

Chair added that this is the group that wanted to utilize solar on the property and they have agreed that they will not develop solar unless it is accessory to their farming.

Mr. Gomes said on recommendation 1 and recommendation 2, you show that there's useable acres. What would happen to the acreage that they are not using? What would happen to those acres, do they have any plans for that?

Mr. Nakamoto responded that he is not sure if they have any plans for the land. The unusable acres do not have any commercial value for agriculture. It could be classified as untillable or unusable lands but that would be up to the lease holder if they would like to propose some other kind of mixed use in some of what they call the Kudzu lands or the gulch areas, not the flat areas. From their perspective right now, it would be classified as untillable or non-commercial lands.

Mr. Gomes said he has not seen the land but maybe an option to the farmer or Cedar is to get a livestock operation on those remnant pieces, 200 acres or 100 acres, whatever can forage on it.

Mr. Nakamoto responded, that could be considered. Moving on to recommendation 3: to award 416 acres or 280 useable acres to Ohana Hui Ventures, Inc. This group came up in a previous request on a separate issue. This would be for agricultural land. What was attractive in their proposal was they want to do a lot of community relations and community engagement which has been a big issue for us, especially in this area. This particular parcel is abutting the Whitmore Village neighborhood. Some of the members who have been here can recall some of the issues we have had with encroachments and having people from the neighborhood using the state lands for their own personal benefit whether it was for gambling or farming or whatever. Ohana Hui Ventures came in and said they can work with these farmers and help them. They can engage the community. He thinks besides the agriculture proposal they made, the workforce training, the education and the community engagement was really the selling point for the recommendation.

Ms. Shimabukuro-Geiser asked if the allowed agricultural activity on this parcel for Ohana Hui Ventures will be agriculture? It's not going to be mixed-use on this parcel?

Mr. Nakamoto responded this specific parcel would be for agriculture. There is a portion next to NCTAMS, the Naval communications and telecommunications center out there in Whitmore. There is a restricted use easement that doesn't allow for dwellings or residential units. There are height restrictions, you can't put cell towers or satellites or things like that. It will be purely agriculture.

Mr. Gomes said I'm not trying to push the livestock industry but the problem he sees is when you have remnant pieces that are not being used it creates invasive species. It also creates a fire fuel load. If we can get animals in there like sheep or goats or cattle or whatever it reduces that threat. You've already had fires on Oahu, Maui, and the Big Island. That's the reason why he's saying the remnant huge pieces we should try to get some livestock operation in it.

Mr. Nakamoto said recommendation 4 was to award 100 acres to Thomas Law and 100 acres to Tony and Manyvone Law. They're actually brothers. They both applied for the same parcel. The parcel is about 230 acres. The useable acres are still to be determined but they both agreed to work with each other and share the one water saddle that is connected to our ten-gallon island reservoir. They're willing to share the parcel and work with each other, so we're recommending that both get half.

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Mr. Manuel said he has a comment on the water sources which are part of the property recommendations. Just a reminder to ADC and the tenants, Oahu is a ground water management area, so any well water use needs to fall within their water use permit allocation. And then, those relying on surface water systems as we're seeing throughout the state, the sustainability of those sources isn't always secure into our near future. It's unknown whether or not those sources will be available mid-century. He just wants to put in that caveat, while we're supporting agriculture and we want to do that, it's good to see these tenants will be providing irrigation infrastructure but the source of water is always a concern and just something to be mindful of as we put lands into production.

Chair asked if there were any other questions or discussion.

Mr. Hong asked to clarify, the Mililani Mauka property, there's no action on that, do we have a viable applicant at this point?

Mr. Nakamoto stated they were still in the process of interviewing. That particular parcel has some issues with water availability. They want to work through that. The main point of the interviews is that the applicants acknowledge these lands will be issued as is, where is. That they're aware the responsibility to develop and clear is on them and right now we just want to make sure that whoever is going to take the Mililani parcel is aware of that. We haven't found the right person. They hope to come back with a recommendation at the next meeting.

Mr. Hong said he thinks it's fabulous that 4 of the 5 properties have solid recommendations and hopefully we can get these moved to leases and into production as soon as possible.

Chair asked if there was any more discussion.

Mr. Nakamoto stated that this was just for consideration. A vote for approval will be held at a subsequent meeting to approve the recommendations.

Ms. Evans said there is a three-meeting rule in the Sunshine Law that says that an investigative committee's recommendations cannot be voted on at the same meeting as the recommendations are presented.

Chair acknowledged that we don't need to take a vote.

Mr. Nakamoto said that's correct, this just summarized the committee's recommendations. The committee will come back to the board for approval next meeting. If there are any comments or questions in the meantime, you can either contact Mr. Watanabe, the committee chair, or contact the ADC office.

Chair thanked Mr. Nakamoto and said they will wait for the next meeting.

R. Request for Approval for the Establishment of an Investigative Committee Pursuant to HRS Section 92-2.5(b)(1) and the ADC Bylaws Articles 4, Section 3 to Examine the Auditor's Recommendations for the Board of Directors

Chair stated that in light of the previous discussions, this will be deferred to the next meeting to decide on putting these committees together on the different topics they have been talking about.

S. Update on Legislative Investigative Committee to, inter alia:

1. follow up on the audit of ADC, Report No. 21-01;

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2. examine the recommendations made in those audits; and
3. for purposes of improving the operations and management of ADC, its funds, and any other matters.

Ms. Kaichi said there were two sets of subpoenas duces tecum, which are writs for documents to be produced. The first one was a simple request for all the documents they provided to the legislative auditor's office. That was easy to comply with because they kept that separated. The second one was substantive; the meat of what the committee wants to know about ADC. It is extensive. They have until September 7th to produce all of these things. They're providing it to the attorney general's office, to vet the documents for confidentiality and to make sure we're not breaching any privileges, and then they will turn it over to the committee. It's 26 items, with sub-items, so close to 40 items. It's all about what we do, our lands, our tenants, our water, all land improvements, and other assets. That's easy to do, but if you read the entire request it includes information on which lands are vacant, vacancy rates of lands, rent reopening dates, license, permit, right of entry, termination dates; all these sub-categories. Working full-time from now until September 7th we may be able to get as much of these documents as they can find. We may not have all things responsive to the subpoena. Some of these documents don't exist. They're probably going to end up working closely with their attorneys who's going to work closely with the committee to find a way to get this kind of information to them. We don't have time between now and September 7th to create these different types of documents but maybe they can find a way to provide the information. Maybe a series of summaries that contain information they're looking for. That's where we are.

Chair thanked Ms. Kaichi and asked if there were any questions? There were none.

T. Executive Director's Update

1. Whitmore Project
2. HONU Project

Mr. Nakatani said that in the interest of time the ED's update was in their board packet. ADC is starting to look at developing the Whitmore parcel. The university helped with master planning. As they get more information, they will share it with the board. The HONU project was very successful; he's surprisingly pleased with the results. He is available for any questions.

Ms. Evans suggested the board consider going back to monthly meetings rather than every two-months because there's a lot of work to be done and it's hard to carve out a five-hour gap in our schedules.

Chair said he sent an email stating the board will be going to monthly meetings starting at the next meeting, September 29th.

Mr. Nakatani said that the board has to bear with ADC staff because there's a list of things they have to do. It will be very hectic from now till the next meeting. Staff has a lot of the submittals ready to go and he asked the board to bear with them. The office is finally fully staffed, which is 5 and they are trying their best. He agrees with Ms. Evans that meetings should be more often.

Ms. Evans apologized that she did not read Chair's email.

Chair said in staff's defense he has been pushing really hard because these meetings are crazy long, so he appreciates everyone tolerating these many hours.

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U. Adjourn

Chair called for a motion to adjourn: Ms. Evans / Mr. Watanabe

Hearing none, the motion was approved. Meeting adjourned 1:58 p.m.

Respectfully Submitted,

Lynette Marushige

Lynette Marushige

ADC Executive Secretary