

AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Board of Directors Meeting held Virtually on April 20, 2022

Via Zoom Teleconference and/or In-Person at 1428 South King Street, Honolulu, 96814

1 *Pursuant to section 92-3.5, Hawaii Revised Statutes, this meeting was held remotely with Board*
2 *members, Staff, Applicants, and the Public, participating via Zoom meeting venue, and an In-Person*
3 *location was available for public participation at the State of Hawaii, Department of Agriculture*
4 *(HDOA), Hale Waiolama Board Room, 1428 S. King Street, Honolulu, HI 96814.*

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6

7 **Members Present, virtually:**

8

- 9 Frederick Lau, City & County of Honolulu, Chairperson (Chair)
- 10 Mary Alice Evans, Designated Representative, DBEDT, Ex-Officio Member (Ms. Evans)
- 11 James Gomes, Maui County Member (Mr. Gomes) – joined the meeting at 9:08 a.m.
- 12 Lloyd Haraguchi, Member-At-Large (Mr. Haraguchi)
- 13 Glenn Hong, Member-At-Large (Mr. Hong)
- 14 Kaleo Manuel, Designated Representative, DLNR, Ex-Officio Member (Mr. Manuel)
- 15 Karen Seddon, Member-At-Large (Ms. Seddon)
- 16 Phyllis Shimabukuro-Geiser, Chairperson, Board of Agriculture, Ex-Officio Member (Ms. Shimabukuro-
- 17 Geiser)
- 18 Lyle Tabata, Kauai County Member (Mr. Tabata)
- 19 Warren Watanabe, Member-At-Large (Mr. Watanabe)

20

21 **Counsel Present, virtually:**

22

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

24

25 **Staff Present, virtually:**

26

- 27 James Nakatani, Executive Director (Mr. Nakatani)
- 28 Ken Nakamoto, Project Manager (Mr. Nakamoto)
- 29 Lyle Roe, Property Manager (Mr. Roe)
- 30 Lance Tashima, Administrative Services Officer
- 31 Lynette Marushige, Executive Secretary
- 32 Jason Azus-Richardson, IT Specialist
- 33 Mr. Stephen Dalton, IT Specialist (Mr. Dalton)

34

35 **Guests Present, virtually:**

- 36 Joshua Uyehara, Kekaha Agriculture Association (Mr. Uyehara)
- 37 Mike Faye, Kekaha Agriculture Association
- 38 Gilles Lebbe, Green Energy Team (Mr. Lebbe)
- 39 Dan Nellis, Dole Food Company Inc. (Mr. Nellis)
- 40 Carina Ohara
- 41 Ford Fuchigami
- 42 Haku Rivera
- 43 Sandi Kato-Klutke
- 44 Scott Valentino
- 45 Stanley Morinaka
- 46 Alina Tso
- 47 Andres Albano Jr.
- 48 Dane Wicker
- 49 “Public Testimony”

50

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Approved: June 15, 2022

ADC BOD Meeting

1 Guests Present, physical location:

2 None

4 A. Call to Order

5
6 Chair called the meeting to order at 9:03 a.m.

8 B. Roll Call

9
10 Chair conducted a roll call of the Board. Chair called the name of each board member and asked them to
11 identify their presence with a “here” or “present” and to state who if anyone is present in the room with
12 them. Chair stated that the roll call served as the roll call vote, and for each subsequent vote, the Chair
13 would ask if there were any objections. If there are no objections the motion will be approved on the same
14 basis as the initial roll call.

15
16 Roll call: Ms. Evans, Mr. Haraguchi, Mr. Hong, Mr. Manuel, Ms. Seddon, Ms. Shimabukuro-Geiser, Mr.
17 Tabata, Mr. Watanabe. All acknowledged attendance with no guests present. Mr. Gomes joined the
18 meeting at 9:08 a.m.

20 C. Approval of Minutes

21 1. Board of Directors Meeting, February 16, 2022

22 Motion to approve: Mr. Haraguchi, Second: Ms. Seddon

23 No staff comment.

24 No public comment.

25 Mr. Haraguchi pointed out that on page 12, the ACD should be changed to ADC. There were no other
26 corrections.

27 Chair called for the vote. Minutes approved as corrected. 10/0

30 2. Board of Directors Meeting, March 16, 2022

31 Motion to approve: Mr. Gomes, Second: Ms. Evans

32 No staff comment.

33 No public comment.

34 No discussion.

35 Chair called for the vote. Minutes approved. 10/0

37 D. New Business

**38 1. Request for Approval to Hartung Brothers Hawaii, LLC, Inc. Under General Lease No. S-4654 to
39 Construct an Alfalfa Drying Facility in Kekaha, Kauai, Tax Map Key (4) 1-2-001:035**

40 Motion to Approve: Ms. Evans, Second: Mr. Gomes

41 Mr. Roe stood on his submittal and was available to answer questions.

42 Chair asked for public testimony. There was none.

43
44 Mr. Watanabe questioned staff on the 23-year extension. Submittal stated 23-year extension from
45 5/15/2020 is 5/15/2023, when it should be 2043.

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1 Mr. Roe said that is probably correct.
2
3 Mr. Gomes said in 2022 Hartung applied to grow alfalfa, correct?
4
5 Mr. Roe said they are growing alfalfa. The request is to dry alfalfa.
6
7 Mr. Gomes asked during 2009 – 2022, what was the 42-acres used for?
8
9 Mr. Roe responded that is where the processing facility and corporate offices are located.
10
11 Mr. Hong asked for clarification. If the original 20-year lease was from 1980 – 2000, the 23-year
12 extension should be May 16, 2000, not 2020 as on the submittal, till May 15, 2023. They have 11
13 months left. Is that correct?
14
15 Mr. Roe said he would have to double-check that. There were a couple of leases and licenses up for
16 renewal. This one was recently transferred by Executive Order to the Agribusiness Development
17 Corporation (ADC) from HDOA. He hasn't completely wrapped his head around all the nuances yet.
18
19 Mr. Hong just wanted to clarify the dates.
20
21 Chair said the submittal states that the initial lease for 20 years was from May 16, 1980 to May 15,
22 2000. Chair clarified the additional 23 years should be from May 16, 2000 till May 15, 2023.
23
24 Mr. Manuel asked how much alfalfa was being stored and how would this larger storage help in the
25 larger scheme of potential feed for the industry? Is it significant or is it a small step in the right
26 direction? He's just trying to understand how we're engaging in this industry.
27
28 Mr. Roe asked if Mr. Uyehara was present he could answer the question.
29
30 Mr. Uyehara introduced himself and said it is part of a facility that they have been building to keep
31 alfalfa. It is currently operational. They are trying to build a shed over an existing concrete slab. That
32 would allow them to operate under most weather conditions as well as store some the product. It's a
33 step in the right direction. They have approximately 200 acres of the alfalfa planted that they are
34 actively harvesting. They have been selling alfalfa for a few years.
35
36 Mr. Manuel asked if they were selling everything they produce.
37
38 Mr. Uyehara responded yes.
39
40 Mr. Manuel asked what was the annual quantity and what market do they support?
41
42 Mr. Uyehara said they haven't reached a steady state yet, but they are targeting a benchmark of about 14
43 tons per acre per year. They are refining their crop production techniques. They estimated the total
44 state market was on the order of 3,000 acres of production, which was fairly small for the state, but
45 fairly significant for the island. They have been trying to maintain pricing that will help move the
46 needle on local food and feed production. Local feed stores say they could market the alfalfa at a
47 premium rate because it's local, but they chose to sell it at a discount to the dock side cost of mainland
48 alfalfa because that was identified as a hindrance for the local ranch industry. They are trying to figure
49 out at what price point they can be competitive and facilitate growth. They'd like to see if they can help
50 the ranching industry grow.

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ADC BOD Meeting

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Mr. Gomes asked how the alfalfa was going to be sold? As Kauai faced drought conditions ranchers will probably buy more feed. What is their plan? There would be a cost to ship off island.

Mr. Uyehara responded yes, they actually had customers on Maui purchase containers already. To answer his first question, they have a bale wrapper to make haylage or silage depending on the moisture it's wrapped at. They estimate those will be good for 6-12 months in that form. The major obstacle they found was that most ranchers here don't actually know how to use that product. They gave samples to some ranchers and the ranchers told them when they opened it they threw it away because it smelled off. He had to tell them, no, that's silage, it's partially fermented.

Mr. Gomes said yes, it will get moldy. But when it's ensiled it has a better shelf life. The cost is competitive. When they bring in bales locally, it's a one-ton bale versus a double compressed bale like the average guys are using. They're like \$40 a compressed bale.

Mr. Uyehara said they sell in wrapped haylage form, and they sell dry bales. They have a roughly 50-pound small square baler and a thousand-pound round baler. They have a cuber that is part of this drying facility. They're trying to figure out what format works best. It seems feeding is easiest in the small square bales. Local suppliers don't have the equipment to handle the larger bales. It's more economical to handle the larger bales if they choose to transition to that as a feed source or the haylage product. For off-island customers the name of the game is how many tons can you squeeze into a container. In that case, they're thinking bulk loaded cubes. A lot of the cubes exported from the West Coast are basically loaded directly into a shipping container; just straight full of cubes. That seems to be the likeliest format for an inter-island product at least as far as shipping cost efficiency. We're trying to explore all options. In the end they think a mix of the 3 types of product will work.

Mr. Gomes said Molokai tried it and Maui tried it; he wishes them luck.

Ms. Shimabukuro-Geiser expressed her gratitude to Hartung and Mr. Uyehara. She said that it was a really good example of how we have the ability to produce feed or forage in our state. She also wanted to say that Molokai was going through a lot with the drought and the recent quarantine and asked if anyone has contacted Mr. Uehara about feed going to Molokai. She noted that shipping to Molokai and Lanai was a challenge. They're trying to keep the cattle fed because of the quarantine.

Chair asked Mr. Uyehara what their land needs were on Kauai? Are they planning on using more of the ADC land they already have, or do they need more; what's the plan?

Mr. Uyehara said he thinks on the island there's probably 500 acres in demand. There's a lot of horse operations that consume quite a bit of feed. The real question is whether they're going to see the successful development of beef, goats, or sheep, or some other ranching operation for meat for local production and consumption. That will swing the demand in either direction. That's a big question for ranchers because it's a huge commitment. There's a minimum volume requirement for any local slaughterhouse to be able to operate economically. That is a compounded long-term commitment for ranchers because once the cattle get too large to ship off as calves then you're committed to finish them out on the island. They are subject to droughts or other disruptions. In the intervening years, you have risks on the market price, and the slaughterhouse, and marketing distribution. Will they be ready for you when your cattle are ready? We're trying to help everybody put the pieces of the puzzle together. They all have to line up just the right way, at the right time for that market to open. Then if it does, then we're talking about a crazy amount of feed for demand. For example, there's the large poultry operation trying to open on Oahu that would need feed. You're talking thousands of acres of crop

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1 production per year and that's just for one operation. In a large-scale ranch industry, you're talking
2 about a seemingly larger order of magnitude feed requirements. The question is, do they see that
3 industry take off successfully, if yes they will need all the land they can find. If it doesn't then there's
4 still a niche that fits within our current footprint. We're trying to get the industry started. The other part
5 of your question, we have started to work with Aloun Farms, and they've actually got their first
6 plantings about to go into the ground. They anticipate having about 500 acres of a mix of watermelons,
7 pumpkins, honeydew, kabocha pumpkins. That's another thing they're trying to layer into the operation
8 to make better use of the existing footprint. If that takes off, there may be an interest in additional land.
9

10 Mr. Gomes remarked that when the drought hit Molokai the deer population was starving and dying all
11 over the place. He made a few calls to see if they would be interested in getting drop shipped 40-foot
12 containers of feed that would be shipped directly from Oregon at wholesale. They couldn't afford to
13 buy a container to feed their own cattle. They also had the issue with tuberculosis going on. It's a great
14 idea if they could find something, so they don't need to bring in as much grass. You also have the
15 recreational guys, they want that kind of feed and if we can grow it locally, why not.
16

17 Chair asked if there were any other questions.
18

19 Mr. Manuel asked Mr. Uyehara what the method of irrigation for alfalfa was and if he knew the gallons
20 per day per acre that they are currently using.
21

22 Mr. Uyehara responded they use drip irrigation, but he doesn't know the gallons per day per acre
23 because it varies by soil type.
24

25 Mr. Manuel asked if they managed the drip by soil moisture.
26

27 Mr. Uyehara said, yes, soil moisture or observation of the crop. They're aware that if you over water,
28 when you cut, it's too damp.
29

30 Chair asked if there was anyone else? Hearing none Chair called for the vote.
31

32 Motion approved. Vote: 10-0
33

34 **2. Request to Consent to the Assignment of License Agreement Nos. LI-K1102 and LI-KA1501 from**
35 **Green Energy Team, LLC to Mahipapa, LLC for Biomass Production Purposes in Kalepa, Kauai,**
36 **Tax Map Key (4) 3-9-002:001 (por), (4) 3-9-001:004 (por), (4) 3-9-002:009 (por), (4) 3-9-002:020**
37 **(por), (4) 4-2-001:003 (por)**

38 Motion to Approve: Mr. Gomes, Second: Ms. Evans
39

40 Mr. Roe stood on his submittal and was available to answer questions.
41

42 Chair asked for public testimony. There was none.
43

44 Chair asked if there was any discussion.
45

46 Mr. Manuel said the next item identified royalties on minerals, in that case sand, but was that something
47 that the board was interested in related to biomass production or participating in some of the benefits of
48 biomass here and not just lease the crop itself.
49

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- 1 Ms. Evans said she was mindful that the rate payers of Kauai have to absorb additional cost should the
2 Board increase the license fees or add a surcharge. Power is a basic infrastructure for family life. She
3 would be concerned in adding additional costs to that basic infrastructure for the Kauai rate payers.
4
- 5 Mr. Manuel said it was more directed towards the agency and staff and their negotiations with the
6 entity. Too often those subsidies or offsets for renewable energy aren't passed on to the end user. He
7 wanted to bring that up as something to think about in the context of renewable energy. Is that an
8 explicit consideration? That may be something we need a policy for ADC. If ADC was not going to
9 engage in any royalties related to renewable energy production because we don't want any cost increase
10 passed on to any consumer. That information was not in the submittal that's why he asked the question.
11
- 12 Mr. Gomes said the agenda shows 6,000 acres were passed on to ADC but they're going to use about
13 1,000 acres for this particular discussion. What's being done with the other 5,000 acres?
14
- 15 Mr. Roe responded that most is livestock, cattle. In Kalepa there is limited access to water so it's more
16 suited for livestock.
17
- 18 Mr. Gomes asked what kind of infrastructure was needed to get water there. Was that property good ag
19 land or only good for pastureland?
20
- 21 Mr. Roe said some was good for ag land, down toward units A, B, and C. Those are suited for
22 diversified ag. Once you go up mauka, it's more hilly, rockier and a bit more suited for livestock.
23
- 24 Mr. Gomes asked how is the per acre appraised for pastoral and what kind of rates do they pay?
25
- 26 Mr. Roe said \$35 per acre per year.
27
- 28 Mr. Gomes said that was reasonable. If they're into livestock production, are fences erected at their
29 expense?
30
- 31 Mr. Roe responded yes.
32
- 33 Mr. Gomes asked if we had specs as far as when fences were installed?
34
- 35 Mr. Roe responded we do not. That is usually subject to conservation planning.
36
- 37 Ms. Shimabukuro-Geiser said she recalled going with the Board back in January 2015 to see what
38 Green Energy was doing. She asked Mr. Roe if this assignment was approved, does it mean that Green
39 Energy was leaving the island, or do they have fee simple land or leases elsewhere? Were they totally
40 involved with ADC, HDOA, and State leases for their biomass production and operation?
41
- 42 Mr. Roe said he couldn't answer to other State agencies or other land that they may own but for ADC,
43 Green Energy Team would no longer be a part of that. Mahipapa has agreed to retain the current
44 employees but whether or not they're retaining them under Green Energy as a subcontractor or retaining
45 them as direct employees of Mahipapa, he doesn't know the answer to that. The employees who are
46 part of Green Energy now, will remain working.
47
- 48 Mr. Tabata said he believed it's just a name change. There is a section of the ADC property that, within
49 Maalo Road, was fully irrigated with surface irrigation in the sugar days. Above Maalo Road it was
50 unirrigated, all the way up mauka to the foothills into the unfarmable lands. The property mostly being

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- 1 transferred, was unirrigated so it's perfect for tree growing. The areas in the lower lands, if they were
2 able to bring water down, this area could be a very productive ag farming area besides just pasture.
3 We've talked about a pipeline and so forth coming down. That's just a little bit background. The area
4 the trees are on, was formerly unirrigated land.
5
6 Mr. Gomes asked what kind of trees were growing mauka?
7
8 Mr. Roe responded he believes eucalyptus.
9
10 Mr. Gomes asked what was the elevation of the farmable tillable part?
11
12 Mr. Roe said he didn't know but he believes Mr. Lebbe was present and could answer the question.
13
14 Mr. Lebbe introduced himself as the manager for Green Energy Team. The elevation in Kalepa is about
15 500 to 600 feet above sea level.
16
17 Chair asked who is Mahipapa, was it related to HECO?
18
19 Mr. Lebbe responded that it was related to Hawaiian Electric Industries. It's a subsidiary of Pacific
20 Current, which is a subsidiary of Hawaiian Electric Industries.
21
22 Chair asked if management will be retained by Mahipapa?
23
24 Mr. Lebbe said that Mahipapa will buy their power plant, all of their tree plantations. They will take
25 over all of the leases, all of the financing. It will be the same company. He will remain with Mahipapa
26 going forward, together with the entire crew.
27
28 Chair said that is good to know. Green Energy has been doing a good job in his opinion.
29
30 Chair asked if there were questions? Hearing none, Chair called for the vote.
31 Motion approved. Vote: 10-0
32
33 **3. Request for Approval to Terminate "Right-of-Entry and License Agreement" Dated January 13,**
34 **2014 Issued to Pohaku O'Kauai Materials, LLC for Rock and Sand Removal Purposes in Kekaha,**
35 **Kauai, Tax Map Key (4) 1-2-002:001 (por)**
36
37 Motion to Approve: Mr. Tabata, Second: Mr. Watanabe.
38
39 Mr. Roe stood on his submittal and was available to answer questions.
40
41 Chair asked for public testimony. There was none.
42
43 Mr. Gomes said he had some questions. He said knowing we were looking at best managing practices
44 (BMP), why wasn't an EIS required?
45
46 Mr. Roe responded that if he meant an environmental assessment he believed one was completed.
47
48 Mr. Gomes responded yes he meant environmental assessment.
49

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- 1 Mr. Roe said he believed one was done when the license was issued. But, Cardno found deficiencies
2 with some of the BMPs. Like they're supposed to have a retention pond and they don't have one.
3
- 4 Mr. Gomes said he was concerned about the State Historic Preservation Division (SHPD) being
5 involved because these being sand dunes that have a lot of iwi kupuna. It's a big issue at the Maui Lani
6 operation and it's been going on for decades with iwi being found and not reported.
7
- 8 Mr. Roe said he is not aware of anything being found. They are working in the fields of other farms as
9 well, but he was not aware of any being found and not reported.
10
- 11 Mr. Gomes asked if the sand was mined, was the sand being retained in Kauai or shipped on barges
12 back to Oahu?
13
- 14 Mr. Roe said that his understanding was it stayed on Kauai.
15
- 16 Mr. Gomes said the rocks that they mine, they make aggregate out of it and that stays on Kauai?
17
- 18 Mr. Roe responded yes. His understanding was that they haven't been utilizing the rock or they haven't
19 been removing much rock.
20
- 21 Mr. Gomes asked if he knew how many cubic yards were mined over the period of the contract?
22
- 23 Mr. Roe responded it could be determined but he hasn't done that.
24
- 25 Mr. Tabata asked how long they are going to be allowed to negotiate.
26
- 27 Mr. Roe said the recommendation in the submittal stated the license will terminate May 31st if there is
28 no agreement. They could potentially negotiate after that, but they won't have access to the sand.
29
- 30 Mr. Tabata said he wasn't clear on that. So, if they don't come to an agreement by the 31st, they're
31 done?
32
- 33 Mr. Roe responded yes.
34
- 35 Mr. Gomes asked if Mr. Roe knew what the cubic yard would be for them to pay ADC.
36
- 37 Mr. Roe said the appraisal says \$29 per cubic yard. It was a bit of a shock considering what we're
38 charging so that was really the impetus for this request.
39
- 40 Mr. Gomes said \$2.50...\$5.00 split. ADC has been getting cheated.
41
- 42 Mr. Manuel asked Ms. Prescott-Tate, because these are 5F lands and DHHL entitlements, wasn't DHHL
43 or OHA entitled to a percentage of the royalties? Why was it not being split between or are they getting
44 a cut? Does the 20 or 30 percent come off of KAA or ADC or is that part of the discussion?
45
- 46 Ms. Prescott-Tate responded they were entitled to their share.
47
- 48 Mr. Manuel asked, of the royalties as well as the base rent?
49
- 50 Ms. Prescott-Tate said that is correct.

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Mr. Manuel asked that in future discussion about royalties that staff make sure to identify the constitutional provision to make sure the 20 and 30 percent were being paid.

Chair said the Policies committee was addressing that. Chair asked if there was any other discussion. Hearing none, Chair called for the vote.

Mr. Gomes objected. Motion approved. Vote: 9-1; No vote – Mr. Gomes.

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

Motion to approve: Ms. Evans, Second: Mr. Gomes

Mr. Nakamoto stood on his submittal, which was to factor in the rising fuel cost. When he did the submittal, it was \$4.30; yesterday the price was about \$3.98, and it has not gone down for the past two weeks. We are asking for a ten-cent increase from \$1.65 to \$1.75 per thousand. He's available for questions.

Chair asked for public testimony. There was none.

Mr. Gomes asked if fuel costs go down will an adjustment be made?

Mr. Nakamoto responded yes, especially if it goes significantly down, we will consider adjusting it.

Mr. Hong said looking at the spreadsheet at \$4.30/gallon the water cost per thousand is \$2.34. If we charge \$1.75, even if it's \$3.98, it still would be above the \$1.75, we're subsidizing that at \$4.00 a gallon substantially?

Mr. Nakamoto agreed.

Mr. Hong asked if the agency had considered that water charges be bifurcated into a base rate and a fuel adjustment rate, which is typical; the airlines used to do that, the shipping companies, Matson, Pasha, Young Brothers. A fuel adjustment would be based on the last quarter cost of fuel. It lags a quarter but you're fairly current in terms of making sure you're not overly subsidizing or overcharging. The idea is that over time you're paying a rate that reimburses the cost of water.

Mr. Nakamoto said we have not looked at doing that. He noted that the spread sheet does also factor in maintenance and operations.

Mr. Hong said maintenance and operation could be part of your base cost. You could come to the board every-one or two years and see if you need to adjust the base cost, and the fuel surcharge is the quarterly adjustment. Instead of coming to the board every time, you already have the authority in terms of the process and procedure for how you charge for the water. The users become aware of that process and when the fuel cost goes up they know they're going to be charged more the next quarter, so they are conscious of their water usage. This is for the Board; he recommended we consider something like that.

Chair said this is something the Policy committee should take up. Chair said his goal is to have a tenant association and have them pay for all costs associated or at least the part of the cost that they don't want to scrutinize.

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Mr. Nakatani said that this was not the true cost. Remember Larry Jefts was absorbing part of the expenses for running the whole thing. ADC's looking at that but now is not the right time, it would not be affordable to the farmers. And because these farmers are start-ups, ADC should consider keeping the cost down. There are other hidden costs. It's something to consider but we're not ready to do that now.

Chair said he wanted to point out that his two nurseries were at the highest tier that Board of Water Supply (BWS) charges and he pays \$2.15 per thousand. At \$1.75 it's still very reasonable.

Mr. Nakatani noted that because the cost of water has gone so high, ADC sent letters asking the farmers to use the water judiciously and not waste. They need to be more cognizant of how they use the water. No doubt the cost of water in all the systems are going up so we should be aware of that.

Mr. Tabata observed that it appears there is a lot of correction being made in all of the licenses. This overhauling going on, seems to be getting done incrementally. He wants everyone to be aware how this affects the people doing business on the properties. We need to be cognizant of that. He appreciates the work of the staff for following up and doing things that should have been kept up all this time.

Mr. Manuel asked how staff notified users about the increase.

Mr. Nakamoto responded that shortly after the last meeting we did reach out to all of the farmers. Kind of like BWS, we told them we're entering the dry season; please be cognizant of water use; and because of the rise in fuel cost that water cost will likely go up. We did send out notification to the farmers.

Mr. Manuel asked if he knew if the farmers received the notification?

Mr. Nakamoto said the farmers were encouraged to attend this meeting to speak on their own behalf, in the event they opposed the potential cost increase. But he doesn't know if anyone on the list attended.

Mr. Roe said that notification was sent via email and letter. He also sends out an email reminder to those who would be presenting to the board. In this particular case he included all of the tenant farmers in the Galbraith location that use water from Bott Well. He said based on the board's past concerns, we reached out at least 3 different times to the tenant farmers and gave them an opportunity to respond.

Mr. Manuel said he appreciates that. Has staff received any phone calls, or did anybody respond saying thanks for the letter or did anything come from the outreach?

Mr. Roe said he has not contacted. He has had in-person conversations with 2 or 3 farmers, and no one was thrilled about it but they're paying increased fuel cost for their equipment too. It's not as if they are surprised by it, they understand it.

Mr. Manuel said that's good to hear and asked if we have been receiving timely payments on this or what was the delinquency rate at the \$1.65.

Mr. Roe said that he didn't check this month but as of last month everyone was current.

Mr. Manuel just wanted to make sure that this assumption we are going to price people out of business, if people are showing delinquencies at least that we are not seeing that yet. He understands that we are doing this incrementally, but this is a business and he strongly suggested that we do a sufficient cost of service study to provide water to tenants and develop a base rate, the true base rate so there are zero

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1 hidden costs; have the fuel adjustment cost or the energy adjustment cost that are tied to every water bill
2 that any utility runs. ADC runs the Waiahole water system. In that situation, how are those rates
3 determined and are we using the same practice there as we're doing here?
4

5 Mr. Nakatani said correct.
6

7 Mr. Manuel asked if we develop the rate structures for the Waiahole system, how did we develop that
8 and shouldn't we be using the same methodology to develop the rate structures here?
9

10 Mr. Nakatani responded these are two different systems. The Waiahole has a bond so we're responsible
11 to pay back the bond. It's based on cost, and we did a projection for the next 10 years. The main factor
12 is labor. They project the cost, put in a cushion for repair and maintenance for the next 10 years. That's
13 how they determine the rate and it's done annually on the basis it goes up a few cents every 10 years.
14 But, these are two different systems. Waiahole system has a huge volume of water. Some of the
15 farmers build their own reservoir so you have reliability and it's gravity fed so you don't have the
16 pumping cost. The pumping cost is on the dime of the farmers, and they do repair and maintenance.
17

18 Mr. Manuel noted the point he was trying to make was, they have done an evaluation and assessment on
19 fixed costs to operate the system in Waiahole. They have done some of that here the Bott Well situation
20 but not as robustly. They need to uncover those costs and get the true value to understand what they're
21 subsidizing. The point is, the Board should know the cost.
22

23 Mr. Nakatani said that we do know the cost, and that was provided in a spread sheet to the board. What
24 they haven't said, was they want to lower the cost for farmers in Galbraith because it's a developing
25 area. Waiahole is an older area; it's been in existence for over 20 years.
26

27 Mr. Manuel said just to clarify, the sheet that's attached, is that the total cost to run the Bott Well
28 system? Or are there additional costs that we don't know about.
29

30 Mr. Nakatani said let him go back and get the board a sheet that was previously sent by one of the
31 companies, ITC, that gave a breakdown of the costs of what the water would be. But that's not the true
32 cost because one of the farmers is monitoring and running the system. The cost would be even higher.
33 What they're trying to do is keep the cost down.
34

35 Mr. Manuel said he's just trying to understand.
36

37 Mr. Nakamoto added that the only cost that was not factored in their rate was the maintenance. ADC
38 has a maintenance contract with ITC, and they specifically provide oil changes and spot maintenance.
39 That was not factored in. The operation has been zero because as Mr. Nakatani mentioned, Kelena
40 farms does all the water operations on behalf of the farmers. ADC knows the cost of the maintenance
41 contract, but that was not factored in.
42

43 Mr. Manuel said it should be factored in because that was what was done in Waiahole. He said
44 maintenance cost and other costs were factored in. Then you know how much the system is running at.
45 We need to tighten our belts and become a more efficient utility. It's just good to know what our
46 bottom lines are. That's just good practice in all water operating water system management.
47

48 Mr. Hong also thinks ADC should know what the true costs are from top to bottom.
49

1 Ms. Shimabukuro-Geiser asked the Chair if the \$2.15 he was paying for water from BWS, was that
2 potable water?
3

4 Chair responded that it was potable water at the ag rate. A lot of farmers on Oahu deal with ag rate
5 from Board of Water.
6

7 Ms. Shimabukuro-Geiser said for those on the board who have not farmed or applied for an ag water
8 rate, the County water is potable. The ADC water is not, it's irrigation water, and irrigation water
9 should be less per gallon.
10

11 Chair agreed. His point was that at \$2.34 we were moving well over what ag rate was from BWS. He
12 wonders how long we can subsidize the tenants.
13

14 Chair asked if there was any other discussion. Hearing none, Chair called for the vote.

15 Motion approved. Vote: 10-0.
16

17 **5. Discussion on the Request for Proposals to Construct and Operate a High-Pressure Processing**
18 **(HPP) Machine and Agricultural Facilities in the Whitmore Food Hub, Wahiawa, Oahu**
19

20 Chair asked for presentation by staff.
21

22 Mr. Nakamoto said he just wanted to touch on some points. The funding that ADC received from the
23 Department of Business, Economic Development and Tourism (DBEDT) was basically to progress the
24 State's agricultural post-production capacity to support local demand and scalability of value-added
25 exports. ADC understands that this technology could be a potential game changer. It's new technology
26 for the State of Hawaii. ADC is developing a Request for Proposal (RFP) to entice a qualified operator
27 to operate this machine. In consideration of their services, the ADC may consider issuing a ground
28 lease for future development of agricultural facilities. It's a little more complicated which is why we
29 wanted to discuss this with the board, to flush out any flaws in the RFP. This is only for discussion and
30 comments or suggestions from the board.
31

32 Ms. Shimabukuro-Geiser asked if DBEDT was supporting all of the \$5.5 million to purchase the
33 equipment.
34

35 Ms. Evans confirmed that DBEDT entered into a Memorandum of Agreement with ADC about funding.
36 Money was provided by the legislature for that purpose. The money will come from DBEDT.
37

38 Mr. Gomes supported the HPP technology. Will \$5.5 million be enough to acquire one, possibly two
39 machines? How did we come up with that amount of money? Will that be enough?
40

41 Mr. Nakamoto gave a little background. ADC hired the University of Hawaii Community Design
42 Center (UHCDC) that is attached to the school of architecture. UHCDC developed a proof-of-concept
43 study. The study did research on this technology, traveling to L.A. and Portland to visit actual HPP
44 facilities. UHCDC drafted a report. As we proceed we will flush out some of the flaws. ADC is
45 looking for the offeror or potential operator to provide some background and information on costs and
46 requirements for the facility. They believe \$5.5 million is enough to buy one, possibly two HPP
47 machines. As far as, is it enough for everything, that has yet to be determined.
48

49 Mr. Haraguchi said he's all for the HPP machine. He asked if the construction area was in the Master
50 Plan area that was discussed years ago.

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1
2 Mr. Nakamoto said that is correct.

3
4 Mr. Haraguchi noted that a lot of money was spent doing the Master Plan. What he's not comfortable
5 with at this point in time was the attachment to this machine. This will give the selected bidder rights to
6 the whole area, the 12 some acres. The master plan was to provide housing, etc. He was a little
7 uncomfortable with this. Maybe because there's not enough information. As far as a master plan for
8 the area, he's not sure we're at the stage to purchase the machine.

9
10 Chair asked Mr. Nakamoto if he would like Chair to respond.

11
12 Mr. Nakamoto said he just wanted to point out that the total master plan area is 34 acres. The housing is
13 probably Phase V and they're not there yet. We're just trying to put in the infrastructure and facilitate
14 some development. It is not the entire 34 acres that the offeror would receive in consideration for
15 operating the machine.

16
17 Chair concurred with Mr. Nakamoto. It is only a portion of the 34 acres. We've been talking about this
18 for almost a year now and we anticipate the RFP will go out this month. The HPP machine is an
19 integral part of the Wahiawa food hub. We are looking for a public-private partnership to operate and
20 build out a processing and distribution center at the food hub. The study has been done and we are
21 confident that we can buy those machines within the \$5.5 million.

22
23 Mr. Haraguchi thanked Chair for the clarification. He just wanted to make sure this was the same
24 master plan area.

25
26 Chair asked if there were any further questions.

27
28 Mr. Hong said he doesn't know a lot of the background; it sounds like a lot of the work has been done.
29 It sounds like the offeror for this RFP will be really a processor. Will the producer control the end
30 product, or will there be an option that the operator of the HPP could be the marketing arm? What's the
31 cost that they're going to charge for these things to ensure that they're not charging for the fact that \$5.5
32 million has already been invested by a state agency? There's a lot of questions that he has.

33
34 Mr. Nakamoto asked if his question was what the rates would be?

35
36 Mr. Hong said the question was if the processor would be charged for operating the HPP unit, and he
37 assumes there are parameters to insure there were not excessive charges so that we can maximize the
38 amount of product flowing through the facility. Is there an estimate of the total amount of ramp up of
39 product through the facility? He assumes that there is a 5, 10-year business plan on all of this.

40
41 Mr. Nakamoto responded, correct. They will probably come back to the board to set the rate that the
42 operator would charge. As far as the business model, it's new technology, it could be a game-changer
43 because basically it's not using any chemical to extend the shelf life of the product. There are some
44 operating challenges. That's why they're trying to incentivize it a little bit by offering a ground lease to
45 offset the operating challenges for the potential bidder or potential offeror.

46
47 Chair clarified that the research that UHCDC has done actually looked at what the cost of tolling for the
48 machine would be. They are asking and questioning too. They need to wrap up the incubator people
49 who will be using this machine. They are looking at subsidizing the machine for a while. It has
50 tremendous potential. The research is there, a business plan has been formulated for the Whitmore hub.

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1 The literature has been sent out. There's a lot going on over there. ADC will continue providing the
2 board with information that will answer a lot of Mr. Hong's questions.

3
4 Mr. Haraguchi had a couple of questions. He asked if Chair would use this for his business?

5
6 Chair said this HPP machine will give Hawaii a chance for export. It will lengthen shelf life of products
7 like baby food using ulu from 3 weeks currently, to maybe 4 to 6 months. It has tremendous potential
8 for things like salad dressing or other things. They're creating an incubator that will create
9 opportunities for entrepreneurs. Hopefully they will be using products from many of the nearby farms.
10 That's the goal of this machine and that portion of the Whitmore hub.

11
12 Mr. Haraguchi said when he read the RFP it appeared to him that it will probably be run by a mainland
13 company being that this machine is not in Hawaii. Obviously nobody has the experience here. Is it
14 more likely a mainland organization will be running the machine and therefore having the rights to the
15 12.5 acres?

16
17 Mr. Nakamoto responded that ADC would not discriminate but they did specify it's not so much that
18 they be qualified to operate an HPP machine per se. ADC is looking for someone to operate a
19 distribution facility here on Oahu. It takes a lot of moving parts and a lot of coordination, and they
20 would entertain anyone who currently operates one of those kinds of facilities. They would consider
21 any proposal and evaluate and rate accordingly.

22
23 Mr. Haraguchi said he thought the RFP was directed to the HPP machine.

24
25 Mr. Nakamoto said a caveat was included for distribution and processing. It's still in the development
26 stage; they don't want to rush this because it's not going to be easy. He wanted to point out that
27 UHCDC will be presenting its findings to the board at a future meeting regarding business plans and
28 research that was conducted; hopefully next month.

29
30 Mr. Haraguchi asked if the RFP was going out on May 2nd.

31
32 Mr. Nakamoto said no, those dates are fluid, its just a draft. This presentation was just to give the Board
33 time to digest the concept and provide feedback to staff. There are other agencies looking at this as
34 well. Again, they welcome any feedback or comments from the board.

35
36 Chair said that part of the purchase of the machine will require training on use and maintenance of the
37 machine. He asked if there were any other questions and noted this was just a presentation and there is
38 no vote on this item.

39
40 **6. Request for Approval to Enter into a No Cost Service Agreement with Ms. Susan Hendry and Mr.**
41 **Alex Hendry, Whitmore, Oahu, Tax Map Key (1) 7-1-001:005 (por)**

42
43 Mr. Nakamoto apologized for the typo on the submittal and clarified the type of agreement they would
44 use for this was a no cost service agreement. To give some background this is the area where there was
45 a fire. About 2 years ago this area was overrun by criminals and homeless encampments. Ms. Hendry
46 and her son Alex are landowners adjacent to this parcel. They have an access easement through ADC
47 property. They are proposing to put up barrier gates, similar to the barrier gates that ADC has put up
48 along Kamehameha Highway which were damaged but still standing. The No-Cost Service Agreement
49 outlines the details and scope of work to be covered at no cost to the State.

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1 Chair noted that Mr. Nakamoto skipped ahead of him, he needed a motion to approve this submittal.

2
3 Motion to approve Mr. Gomes, Second: Ms. Evans.

4
5 Chair said presentation by staff is already done. Chair asked if there was any public testimony. There
6 was none.

7
8 Chair asked if there was any discussion.

9
10 Mr. Gomes asked if there are still any kind of criminal activity or unwanted people going into the area?

11
12 Mr. Nakamoto responded not on ADC land but in Poamoho, Whitmore vicinity there is still some illegal
13 activity, and he wants to make sure the Hendry's are aware of what they're getting into. As far as the
14 ADC parcels, the encampments have not returned. ADC is in the process of issuing the licenses for the
15 parcels, like to the Laws that were approved for that area, they're cutting grass and on the cusp of
16 getting their conservation plan and they are working on the irrigation, so it is no longer vacant land.
17 The Hendry's have seen they are starting to clear the area and they want to use their easement to get
18 their property ready for agriculture cultivation.

19
20 Chair said that one of his concerns was when they visited that property, the entrance is directly across
21 from Poamoho camp, which is where most of the illegal activity is coming in and there's an
22 encampment right underneath the bridge, adjacent to the gate. That gate is critical to keeping the
23 criminals off this property. He hopes this agreement works.

24
25 Mr. Gomes asked if it was possible to get the community involved, organizations, make a coalition, so
26 forth, eyes on the ground. You can be there with roving patrols, or offer a reward if convicted, these
27 organizations would get some money. People in the area would be the watch dog. It's just a thought.

28
29 Chair said that's a good suggestion.

30
31 Mr. Nakamoto responded that they do have very active and very concerned community members out
32 there who are constantly calling ADC. Part of that vigilance is why we have been able to turn the
33 corner. The community is tired, just as much as we're tired of dealing with it. They have been getting a
34 lot of cooperation from the community especially from Poamoho camp and Whitmore. They will
35 continue to build this relationship with the community.

36
37 Chair asked if there was any other discussion. Hearing none Chair called for the vote.
38 Motion approved. Vote: 10-0

39
40 Ms. Shimabukuro-Geiser asked the Chair if they could have a 5-minute break.

41
42 Chair called for a recess at 10:35 a.m.

43
44 Chair called the meeting back to order at 10:47 a.m.

45
46 **E. Old Business**

- 47
48 **1. For Information Only: Progress Report on the Continuing Work of the Investigative Committee**
49 **on Agricultural Policy and Strategic Planning Regarding the Development of Policies and**
50 **Procedures.**

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1
2 Chair called on Ms. Evans for a presentation by the committee.

3
4 Ms. Evans stated that the board authorized the establishment of a permitted interaction group to follow-
5 up on the recommendations of the House Special Committee based on the findings of the State Auditor.
6 As you may recall, the investigative committee found that ADC lacks sufficient written policies and
7 procedures and recommended that ADC develop written policies and procedures to provide the board
8 with oversight; land and ADC-owned property disposition application processes; property management
9 and file and document management in accordance with recommendation 18 under the auditor’s report.
10 This progress report will not address strategic planning, but it will address the development of written
11 policies and procedures. The committee agreed with ADC’s executive director, that policies and
12 procedures could be written to provide consistent guidance but without having to have the board adopt
13 rules. Those who are familiar with rules, know they are inflexible and difficult to change when
14 circumstances changed. Your policy committee was comprised of Chair, herself, Mr. Hong, Ms.
15 Seddon and supported by staff Mr. Roe. Mr. Roe has been very generous with his time and has
16 provided them with quite a lot of existing written policies and procedures, but they haven’t been
17 collated into a policies and procedures manual yet. The committee has been meeting about every two
18 weeks and they’re not done yet. They created a framework for the policies and procedures manual,
19 which includes definitions; property disposition and evaluation process; rent setting policies and
20 process; environmental policies and process; policies for license termination; policies for document
21 management; property management policies and procedures; standard terms and conditions for licenses;
22 and the procedure for obtaining approval from the Board of Agriculture for projects, plans and facilities.
23 The final document when they are able to provide a draft to the board may include other categories of
24 policies and procedures so this may not be an exhaustive list at this point. They may be ready to
25 provide a draft to the board this calendar year and she welcomes any questions or comments.

26
27 Chair asked if there was any public testimony. There was none.

28
29 Chair asked for Board discussion.

30
31 Mr. Manuel said he just wanted to say thank you to Ms. Evans for taking charge of the policy team.
32 This will definitely help them be more consistent in decision making as a board. He appreciates the
33 extra time and effort she and the team put into it and just wanted to say mahalo.

34
35 Chair agreed and said that Ms. Evans has been invaluable; he doesn’t know how they would have done
36 it without her.

37
38 Ms. Evans said, it’s a team effort and that includes Mr. Nakatani, Mr. Roe and the rest of the staff. She
39 said it’s not a one-person thing.

40
41 Chair noted this was just an update and there was no vote on this item.

42
43 **2. Request to Delegate Authority to ADC Executive Director to Negotiate and Purchase Three Deep**
44 **Wells in Paalaa Uka, District of Waialua, Oahu from Dole Food Company, Inc.**

45
46 Motion to approve: Mr. Gomes, Second: Mr. Haraguchi

47
48 Mr. Nakamoto said this is just a rerun from the January submittal. He provided background on the
49 appraisal that was sent to the board members. They have not received the water sample testing report
50 yet; they were still in the process of getting it. Well number 25 has been used by one of the farmers

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1 since 2008 and has always met food safety requirements as far as crop production. They anticipate the
2 other wells will have the same results. Referring back to the appraisal, it mentioned the useable life of
3 the wells and the estimated costs it would take to rehabilitate these wells, specifically the pump motors.
4 He said they requested \$4 million from the legislature to do the rehabilitation and link up everything
5 back to our farmlands. The legislature was working on the budget right now and they are crossing their
6 fingers that they can get this funding so that the wells can be operational as soon as possible. He asked
7 if there were any questions or comments.

8
9 Chair asked for public testimony.

10
11 Mr. Dalton said there was somebody with their hand raised. Mr. Dalton called on Mr. Nellis.

12
13 Mr. Nellis said he is the General Manager of Dole Food Company. Dole has been working with ADC
14 for several years now to try to get this deal done. Hopefully the board will delegate authority to Mr.
15 Nakatani so we can move forward. We received a purchase contract that has gone back and forth
16 between the lawyers. The most recent revisions by ADC are being reviewed by Dole's lawyer.

17
18 Chair thanked Mr. Nellis for his input. Chair asked if there was any discussion from the board.

19
20 Mr. Manuel noted that the focus of the conversation has been on appraising the value of the well and the
21 cost to rehab it but transferring the water use permits involves a whole other process. Are the wells
22 intended to be used beyond the current end uses?

23
24 Mr. Nakamoto responded yes. ADC will go back in front of the commission.

25
26 Mr. Manuel said there is no guarantee permits will get approved. This is a risk that this board is taking.
27 The Water Commission has to evaluate whether it will or will not allow the expansion or the use beyond
28 the current uses. Anytime you purchase a well you can transfer the permit from one entity to another
29 but that is with the existing end use intact. If you change the end uses, those have to be modified with
30 the Water Commission. He wants to put that flag here as you look into acquiring it. The commission
31 will have to evaluate the request but there's no guarantee the commission will grant the request. He just
32 wants to put that out there.

33
34 Chair had a question for Mr. Nellis. Chair's understanding was that some of the infrastructure is
35 actually feeding the parcels that they're trying to get water to. Are the wells used to provide water for
36 those parcels?

37
38 Mr. Nellis responded that Pump 25 currently provides water to an ADC parcel along Kaukonahua Road.
39 Pump 26 and Pump 24 don't provide water to the other ADC lands previously owned by Galbraith.
40 They did provide water to the lands that ADC purchased that were previously owned by Dole, in
41 particular the parcel along Kamehameha Highway that borders the military, Ka uka Pupukea, Palakauka
42 Road. A good portion of the ADC lands were served by these wells in the past but not Galbraith.

43
44 Chair said that was his concern. The 500-acre parcel that is licensed out to Cedar Grove was taken care
45 of by one of the wells. It's extremely critical we get this on board. The Water Commission looks at it.
46 Hopefully he can help them with that to get it through. It's critical, you can't farm without water.

47
48 Mr. Manuel agreed but he said he just wants to highlight that there is due process to modify permits.
49 That process requires public notice, laws for testimony, it has to go through the commission. He doesn't

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1 see it being problematic, but he just wants to highlight that this is not necessarily a slam dunk. He wants
2 everyone to understand that as they go into this process.
3

4 Chair asked Mr. Manuel if he knew if these wells did feed these properties at one time?
5

6 Mr. Manuel responded that based on the submittal before him, he cannot answer that question. He'd
7 have to look at the original water use permit allocations, the quantities tied to them, and the end use
8 parcels that were attached to them. If there were any changes in those parcels, additions for example,
9 changes in use. For example, if it were a golf course prior and now we're going to change it into
10 diversified ag or some other crop, the commission may have to adjust end use based on water volume.
11 And a lot of the water use permits require an analysis of per acre/per day use. Those are things that
12 need to be vetted out in the modification of a water use permit. In this case, each well has a water use
13 permit. There are other situations where you have multiple sources they treat them as batteries it has an
14 overall allocation. They allocate the aggregation here in the submittal to 5.7 but technically each well is
15 managed at a cap and a lot of it has to do with the pump capacity without affecting resource. And so,
16 that's why an end use analysis is really important and whether or not that 5.7 is sufficient to meet our
17 end needs or if the 5.7 is good enough for existing users and growth then we have to be able to justify
18 that to the water commission in the modification of the permit.
19

20 Ms. Evans asked Mr. Manuel if he knew when the ground water management area was approved for this
21 area and how extensive it is?
22

23 Mr. Manuel responded that what he understands is that Oahu was part of a pre-water code. When the
24 code was established in '87, it basically adopted all of Oahu as a water management area. It's been a
25 management area since the beginning of the water code in '88. A lot of the permits were issued by the
26 Board of Land and Natural Resources, under its authorities before the water code was established. The
27 management of these old permits were tied to old users. They weren't necessarily revisited or updated
28 within the context of the water code. Now that's just an extra step that we're going to have to go
29 through as a board if we do acquire these wells and have them transferred over to us from Dole.
30

31 Ms. Evans asked if the commission has a sustainable yield for the aquafer that these wells draw on?
32

33 Mr. Manuel responded yes. That would be part of the evaluation. If there are changes and
34 modifications that are being sought they would have to evaluate that against the yield that's being
35 withdrawn from the aquafer.
36

37 Ms. Evans asked if it is Mr. Manuel's understanding that with the demise of pineapple and sugar in the
38 central Oahu area, that water usage declined fairly dramatically and that there may now be more water
39 in that aquafer than is being drawn against by current uses?
40

41 Mr. Manuel said he would have to go and look. In general, there was a lot of water that was no longer
42 used with the ceasing of sugar. He doesn't know what aquafer system these wells are part of. And if
43 they're part of, for example Wahiawa, which is the central aquafer, that system allocation is already
44 maxed out. It has other unique, a hydrologic situation happening there. He thinks there is definitely
45 opportunity to evaluate how these wells can be efficiently managed and pumped to serve agriculture
46 needs, we just have to go through that process.
47

48 Ms. Evans said she knows Mr. Manuel has given great deference to the State constitution in looking at
49 requests for water use permits. Will the mandate for agriculture preference be something that the

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1 commission might weigh in looking at a request for new water use permits if there were changes to the
2 various elements of these three wells?

3
4 Mr. Manuel said that's a great question. There are 4 public trust uses of water that the courts
5 highlighted. Agriculture wasn't one of them. Priority goes to public trust and then after that the
6 commission evaluates other uses. Those 4 public trust uses are, water in its natural state, water for
7 traditional and customary practices of Native Hawaiians, domestic uses of water, so individual uses for
8 household consumption and use, and then the reservation or use of water per department of Hawaiian
9 Homelands. Those have to be addressed first and foremost and then the evaluation and weigh in of
10 other uses, in this case, agriculture. The Commission is supportive of agriculture, but it does need to
11 balance that amongst its impacts under the public trust doctrine.

12
13 Ms. Evans asked that was the court case and in what year?

14
15 Mr. Manuel responded that those were a multiple series of court cases that clarified what those trusts
16 are, and Ms. Prescott-Tate could probably highlight a lot. Waiahole, Kukui, are some of those that
17 clarified the commission's constitutional and public trust responsibilities under the water code.

18
19 Ms. Evans thanked Mr. Manuel and added she was surprised that agriculture was not one of the uses
20 that the court deemed a public trust but she's not an attorney, just a planner. The information is very
21 helpful.

22
23 Chair asked if there was anyone else?

24
25 Ms. Shimabukuro-Geiser asked if we are purchasing the wells "as is" and are there any outstanding
26 liabilities that are not factored into ADC's budget?

27
28 Mr. Nakamoto responded we are purchasing the wells "as is". The liability, as Mr. Manuel mentioned,
29 is if we can't get through the commission. As far as rehabilitating and revitalizing these wells, we're
30 fairly confident if we get the appropriation, we'll be able to get them up and running.

31
32 Mr. Manuel added that any well, if you're going to install a new pump, you have to get a pump permit
33 from the water commission. That's another permit. A lot of old wells are not built to standard. Like a
34 building permit, if you apply for a building permit for an old house, usually the County says you have to
35 bring it up to code. What the Water Commission really wants is the integrity of the whole system, the
36 shaft, the well, and the infrastructure do not create conduits for contamination. Especially in
37 agricultural settings that could create potential risks to the aquifer. That's why these permits are in
38 place; to evaluate those potential impacts on the resource itself. When ADC wants to rehab the pumps,
39 the pump permits have to go to the Water Commission for approval. If you're going to increase the
40 capacity of the pump, say it's a 500-gallon per minute pump and you're upping it to 700 or 900, the
41 commission will usually require a pump test to determine if there's greater impact on the resource or
42 what other potential impacts on other adjoining wells to determine whether that's a sustainable quantity
43 that can be withdrawn from that well. These are some of the other permitting processes that need to
44 happen as it relates to these wells we are looking at purchasing.

45
46 Chair asked for any other discussion. Hearing none, Chair called for the vote.

47
48 Mr. Hong then asked for clarification on what the board was authorizing, is it without further board
49 review?

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- 1 Chair said the request was to give the Executive Director the authority to negotiate.
2
- 3 Mr. Nakamoto said, yes, and he just wants to point out that the appropriation is \$4.7 million and there is
4 no more than that if the price goes above that.
5
- 6 Mr. Hong said, so before this is consummated the board will have a chance to look at the due diligence
7 efforts, the condition of the wells, the expected cost to bring them up to standard.
8
- 9 Mr. Nakamoto said this was covered in the appraisal done by Pacific Electrical Mechanical who is one
10 of the experts as far as on island. They provided analysis for all three wells and as Mr. Nellis mentioned
11 Well-25 is running. Well-24 could require some rehabilitation, Well-26 is probably in the worse
12 condition but given that Well-25 was damaged by fire about 20-years ago, it is still up and running and
13 passed all food safety tests for crop production. They are in the process of doing sampling for that to
14 confirm from a certified tester.
15
- 16 Mr. Hong said he would be interested in seeing the assessment for what it would take to bring it up to
17 the current water code as Mr. Manuel mentioned because there are requirements that exist today that did
18 not exist prior to the water code. This assessment is important for the board to see before final review.
19
- 20 Mr. Nakamoto remarked the appraisal was done by Pacific Electrical Mechanical, licensed professionals
21 that actually looked at these wells to determine the life span the existing shaft and what it would take
22 cost-wise to get these wells up and running. That information was provided in the appraisal.
23
- 24 Chair stated that he thinks the appraisers did a pretty good job and they have some cushion there.
25
- 26 Ms. Shimabukuro-Geiser said the approval was for negotiation and purchase not just negotiation and
27 coming back to the board for board approval to purchase. If the board wants to review before the
28 purchase is approved then there needs to be an amendment to the motion.
29
- 30 Chair asked Mr. Nakamoto where in the process they're at.
31
- 32 Mr. Nakamoto responded that as Mr. Nellis mentioned, they are pretty close to completing the purchase.
33 This approval is the last hurdle.
34
- 35 Ms. Evans said she is in favor of approving the motion as written to include the authority to purchase.
36 Water is so critical to agriculture and noting the risks that Mr. Manuel has so clearly outlined for them
37 she still feels that it is important to proceed with the acquisition of the 3 wells to make agriculture in
38 central Oahu viable for the farmers. She would not want to amend the motion to delete the ability to go
39 forward with the purchase.
40
- 41 Chair asked if there was any other discussion.
42
- 43 Mr. Haraguchi said he supports the recommendation as written and ask for the vote.
44
- 45 Chair asked if there was any other discussion. Hearing none, Chair asked if there was anyone in
46 opposition to approving this request.
47
- 48 Mr. Hong said he opposed.
49
- 50 Mr. Manuel noted his reservations.

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Motion approved. Vote: 9-1 (Mr. Manuel with reservations) (Mr. Hong opposed).

F. Executive Director’s Update

- Mr. Nakatani said that Mr. Uyehara already mentioned that they plan to work with Aloun farms to grow some diversified crops. It’s good that they are planting more diversified crops and not just seed corn, but they’ll see what happens, but he thinks it’s a good project.
- Regarding Wahiawa, there’s an amendment to the Environmental Assessment (EA). It’s a minor thing. He said they had a project that included to get rid of the wastewater and they kind of mixed that part of the project, was a slow release so it’s downsizing that project a little bit.
- Legislatively – tracking a couple of bills, SB2480 the bill has to do with the Wahiawa Irrigation and the dam. It’s going before the conference committee and hopefully something good will come out of that. SB2473 relates to ADC moving to DBEDT. This bill is also going to conference. He believes conference starts on Monday.
- Administratively – the Yardi contract has been executed. Hopefully they will be onboard soon to help organize the office.

Mr. Manuel congratulated Mr. Nakatani on the Yardi contract. He asked if Yardi is designing and building, owning, and training staff to manage after design and build, or are they also, as part of the contract, design, build and operate.

Mr. Nakamoto responded that Yardi will tailor a system for ADC and then they also have 5-years licensing that they will stay onboard to train and for technical assistance.

G. Adjourn

Chair asked for motion to adjourn:

Motion: Mr. Manuel, Second: Mr. Haraguchi.

Approved: Vote 10/0

Meeting adjourned at 11:18 a.m.

Respectfully Submitted,

Lynette Marushige

Lynette Marushige
Secretary