

AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Board of Directors Meeting held Virtually on September 21, 2022

Via Zoom Teleconference and In-Person at 235 S. Beretania St., Suite 204, Honolulu, HI 96813

1 *Pursuant to section 92-3.7, Hawaii Revised Statutes (HRS), this meeting was held remotely with Board*
2 *members, Staff, Applicants, and the Public participating via Zoom meeting venue, and an In-Person*
3 *meeting location available for public participation at the State of Hawaii, Leiopapa A Kamehameha,*
4 *State Office Tower Building, 235 South Beretania St., Suite 204, Honolulu, HI 96813.*

5

6 **Members Present, virtually:**

7

8 Frederick Lau, City & County of Honolulu, Chairperson (Chair)

9 Mary Alice Evans, Designated Representative, DBEDT, Ex-Officio Member (Ms. Evans) exited the meeting
10 at 9:38 a.m.

11 Glenn Hong, Member-At-Large (Mr. Hong)

12 Kaleo Manuel, Designated Representative, DLNR, Ex-Officio Member (Mr. Manuel)

13 Phyllis Shimabukuro-Geiser, Chairperson, Board of Agriculture, Ex-Officio Member (Ms. Shimabukuro-
14 Geiser) joined the meeting at 9:50 a.m.

15 Morris Atta (Mr. Atta) (designated attendee for Ms. Shimabukuro-Geiser until her arrival) exited the meeting
16 at 9:50 a.m.

17 Lyle Tabata, Kauai County Member (Mr. Tabata)

18 Warren Watanabe, Member-At-Large (Mr. Watanabe)

19

20 **Members Excused:**

21

22 Lloyd Haraguchi, Member-At-Large

23 Karen Seddon, Member-At-Large

24

25 **Counsel Present, virtually:**

26

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

28

29 **Staff Present, virtually:**

30

31 James Nakatani, Executive Director (Mr. Nakatani)

32 Ken Nakamoto, Project Manager (Mr. Nakamoto)

33 Lyle Roe, Property Manager (Mr. Roe)

34 Lance Tashima, Administrative Services Officer

35 Lynette Marushige, Executive Secretary

36

37 **Guests Present, virtually:**

38

39 Senate Ways and Means Committee

40 Basil Gomez

41 F. Fuchigami

42 “Guest Guest”

43 Joshua Uyehara

44 Kristy Ringor

45 Mike Faye

46

47 **Guests Present, physical location:**

48

49 None.

50

51 **A. Call to Order**

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Chair called the virtual meeting to order at 9:02 a.m..

B. Roll Call

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

Roll call: Ms. Evans, Mr. Hong, Mr. Manuel, Mr. Atta for Ms. Shimabukuro-Geiser, Mr. Tabata, and Mr. Watanabe acknowledged attendance with no guests present. Ms. Evans exited the meeting at 9:38 a.m. Ms. Shimabukuro-Geiser joined the meeting at 9:50 a.m. Mr. Atta exited the meeting at 9:50 a.m.

C. Approval of Minutes – Board of Directors Meeting on August 17, 2022

Motion to Approve: Mr. Manuel; Seconded: Mr. Watanabe

Chair asked if there was anything from the staff. There was none.

Chair asked if there was any comment from the public. There was none.

Chair asked for any Board discussion. Mr. Atta said he would abstain from voting because he was not present. Mr. Manuel stated that if Mr. Atta abstained, we do not have quorum.

Ms. Prescott-Tate reminded the Board that six members present makes quorum.

Chair called for the vote.

Motion approved: 6-0 (Mr. Atta abstained)

Chair asked if the Board should approve the August 17, 2022 minutes from the Executive Session at this time.

Ms. Prescott-Tate responded no, that will be taken up during executive session and to move on to the next agenda item.

D. New Business

Chair informed the Board that before addressing New Business, they will be taking Old Business Agenda Item E-1 out of order.

E. Old Business

- 1. Request for Approval to Adopt the “Land Management Policy and Procedure Manual” as Recommended by the Investigative Committee on Land Management Policy & Procedures (continued from August 17, 2022, Item D-2)**

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103 Chair called for a motion to approve and accept the Land Management Policy and Procedure Manual as
104 presented at the previous meeting. Motion to Approve: Ms. Evans, Second: Mr. Tabata

105 Chair asked Ms. Evans, Chair of the Investigative Committee on Agricultural Policy, to present the findings
106 and recommendation of the committee regarding the Land Management Policy and Procedures Manual.

107 Ms. Evans said that the committee presented the Land Management Policy and Procedures Manual at the
108 previous meeting in August. She does not have a presentation at this time but speaks in favor of the motion
109 based on the nine months of careful due diligence that the committee and staff put into creating the policy
110 manual and ensuring that it is consistent with the auditor's findings and the House Investigative Committee's
111 recommendations.

112 Chair asked if there was anyone from the public who wished to give testimony. There was none.

113 Chair asked if there was any discussion.

114 Mr. Manuel asked Ms. Evans, just for the record, that he provided robust feedback and comments last month
115 so were there any edits made to the policy based on that conversation as detailed in the minutes that they just
116 approved or is the recommended approval an approval as is without incorporating or editing based on his
117 comments?

118 Ms. Evans responded that his comments were very helpful and robust and allowed them to approve, once
119 again, the recommendations that the committee made to the full Board last session. They did not make
120 changes based on the discussion, but she very much appreciated the questions he raised and the opportunity
121 to consider those issues.

122 Mr. Manuel asked Chair to indulge him, as one of the only people providing comments to try to help improve
123 the policy document, he's just going to vote no on this because if the intent is to include the entire Board, he
124 feels that he's been pretty consistent and every time he's asked for guidance on policy he was told it would
125 be taken up in the policy document. To get to this point and realize that it's not being considered and there's
126 no amendments being made, he just can't agree to the policy as drafted. He supports the work that has been
127 done but speaking for himself and having participated and engaged and read through the policy, provided
128 comments and to see those comments not being addressed or incorporated, it doesn't sit well with him, so
129 he'll respectfully be voting no.

130 Chair stated that Ms. Evans did write a relatively lengthy list of comments to Mr. Manuel's responses and the
131 committee did review them. Chair asked if Ms. Evans could chime in.

132 Ms. Evans said that Mr. Manuel's questions were helpful but as the committee went through those comments
133 they were able to see that they were either addressed in the Policy and Procedures Manual that was presented
134 to the full Board or they should be addressed in ways other than through the manual. There was discussion
135 on his questions but that didn't result in changes.

136 Mr. Manuel said that none of that was reflected in the report that was presented today. It's just being told to
137 him now so it would be helpful if the justifications not to include his recommended edits would be on the
138 record. It's helpful to understand why those weren't included. Why those suggestions weren't included were
139 not present in the submittal so it's hard to vote yes on this matter.

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140 Ms. Evans asked that the responses to Mr. Manuel's questions from the last meeting be added to the record of
141 this floor action.

142 Mr. Manuel said if that's the case, could this be deferred till next month and then add the committee's
143 responses. That way he could potentially change his vote if his comments were addressed. It feels awkward
144 to add it to the record when he doesn't get to see it. He will still be voting no. Provide him with a response
145 so he can understand how they came to the conclusion that there was no need to amend the draft policy. He
146 leaves it up to the Board. He's just trying to understand the logic and right now he doesn't have anything
147 except for what Ms. Evan's is telling him. He doesn't see any justification in the submittal as drafted.

148 Chair thought the response was pretty detailed and he doesn't have a problem with sharing it with the Board
149 and he doesn't see a problem with delaying it until next month.

150 Mr. Watanabe asked to make a comment. He agrees with Mr. Manuel. He thinks it's important the full
151 Board understands. This is a very important document for ADC to move forward. He would also like to see
152 the responses to Mr. Manuel's questions. It makes for a better decision.

153 Chair asked Ms. Prescott-Tate if it's ok to defer until the next meeting.

154 Ms. Prescott-Tate said it can be deferred till the next meeting and the comments can be provided.

155 Chair deferred the matter until the next meeting.

156 Mr. Manuel said he appreciates the deferral. He looks forward to reading the responses and making this a
157 stronger document and hopefully voting yes at next month's meeting.

158 Chair asked if they should go back to the regular agenda.

159 Ms. Prescott-Tate responded yes.

160 **D. New Business**

161

162 **1. Request for Approval to Issue a Letter of Intent, Conduct Due Diligence, and Negotiate the** 163 **Purchase of Fee Simple Interest in Real Property Located at Wahiawa, Oahu, Hawaii, Tax Map** 164 **Key (1) 7-3-004:020**

165

166 Chair called for a motion for approval to issue a letter of intent, conduct due diligence, and negotiate the
167 purchase of fee simple interest in real property located at Wahiawa, Oahu, Hawaii, Tax Map Key (1) 7-3-
168 004:020.

169

170 Motion to Approve: Mr. Watanabe, Seconded: Mr. Tabata

171

172 Chair asked for staff presentation.

173

174 Mr. Nakatani stated he will do the presentation. This is to start the due diligence process with a Letter of
175 Intent (LOI). He visited the building and it's not quite an apartment complex, more like worker housing.
176 This will be part of the Whitmore Project. They looked at building housing in Whitmore and if this could be
177 a substitute instead of building it in Whitmore, this is already built and it's a pretty impressive building. It
178 has all the amenities. It's practically in the middle of downtown Wahiawa. It has transportation modes a

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179 block or two away, and drugstores, hospital and everything like that. This would be a perfect worker housing
180 setting. This is subject to appropriation and approval by the Governor and of course approval by the Board
181 so hopefully we can move on this, thank you.

182
183 Chair asked how many units are in the building, it's not mentioned in the submittal.

184
185 Mr. Nakatani responded there are twenty-four units, eighteen parking stalls. Usually worker housing you
186 don't depend on people parking cars, the farmers usually pick up the workers and take them to the worksite.
187 It's a very nice complex, very new so it's pretty solid. It's worth taking a look at.

188
189 Chair asked so it's twenty-four one-bedroom units.

190
191 Mr. Nakatani responded yes.

192
193 Chair asked if there was any other Board discussion.

194
195 Mr. Manuel noted that the map on Exhibit A included in Item D-1 shows a vacant lot. The lot that is
196 highlighted on California Avenue is a vacant lot, so what apartment are you referencing?

197
198 Mr. Nakatani said he's sorry but it's not a vacant lot. It's 360 California Avenue and it's already built. He's
199 not sure what he's looking at but it's not a vacant lot.

200
201 Mr. Manuel said that Exhibit A in Item D-1 has a blue square around the vacant lot on California Avenue.

202
203 Mr. Roe interjected that he generated that map from DPP's (Department of Permitting and Planning) website.
204 The map was just to show the location.

205
206 Chair said he missed asking if there was anyone from the public who wanted to testify. There were none.

207
208 Chair asked if there was any other Board discussion.

209
210 Ms. Evans said she speaks in favor of the motion. During the last year the Office of Planning and
211 Sustainable Development has conducted a comprehensive economic development strategy process that
212 included focus groups on all four counties and on Oahu. The need for farm worker housing was the top
213 priority. It's critical for agriculture to have farm worker housing available in order to allow workers to work
214 in commercial agriculture entities.

215
216 Chair said he did a drive-by to look at the building. It's within walking distance of the new Wahiawa Value-
217 added product center that is being developed on California Avenue. It is near transportation which could get
218 people over to the food hub or even farms in that area. It's a convenient building and this is the approval to
219 begin due diligence.

220
221 Mr. Manuel said he totally supports workforce housing. Just a question he has in anticipation of acquisition.
222 What's the strategy of our property management ability? Coming from an agency that struggles with housing
223 in general, it's a whole other field of expertise and capacity that will need to be built. He just wants to throw
224 that out to the Board knowing that ADC's focus is on Agribusiness, but now we're moving into housing.
225 There is a whole different set of additional kuleana that comes with managing that type of investment.
226 What's the thought on that? Would it be a partnership or leasing it out through a property management
227 company.

228

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229 Mr. Nakatani said this is the strategy also with Whitmore if we were to build housing. It's not the desire of
230 ADC to run housing because that's not our expertise. We'd probably go to some type of non-profit agency or
231 a private entity or some partnership. Right now it's not in our portfolio to run a housing unit. That's
232 something that's been discussed, and we're not in the housing business.
233

234 Chair said in previous discussions about worker housing, for example that was being talked about in
235 conjunction with the food hub, they were looking at a property management group to come in and take care
236 of that. Good question though because he's thought about that too.
237

238 Mr. Atta said he had the same thought as Mr. Manuel and he's glad that it's on the table for discussion.
239 Property management for residential purposes is really different from ag land management. He was
240 wondering how that would work with the staffing that ADC has. He knows ADC is stretched really thin, so
241 he was concerned about that. And the valuation estimate, he knows this is all due-diligence but the six odd
242 million dollars value, is that a number that the seller is putting out? He's assuming as this moves forward
243 that this will go through an appraiser and get appropriate appraisal values and the question that he would
244 have is what kind of parameters would be given to the appraiser if the intent is workforce housing as opposed
245 to market housing. He's assuming, whoever developed this property developed it with that intent so there
246 may be valuation issues that will need to be dealt with. He's just throwing it out there. He supports the
247 intent, but he's concerned about those issues.
248

249 Mr. Nakatani said they visited the site. It's on the market, that's what the seller is putting it on the market
250 for. The seller is aware that everything is subject to appropriation, and everything is subject to appraisal.
251 Yes, there's a valuation question but that's part of our due diligence. It's not a typical apartment, it's more
252 like a barracks type building, three stories. It has a common kitchen and common recreation area; individual
253 rooms, individual toilets. Again, this is part of due diligence. We're aware of what is available, and we're
254 doing a comparison with building new units in Whitmore. And it has to go to the legislature for
255 appropriation. It will be scrutinized again.
256

257 Mr. Atta said based on the description that Mr. Nakatani gave, it sounds like they could be looking at some
258 community concerns about those monster homes. That's what it sounds like in terms of the structure. He just
259 wants to throw it out there from a public perception standpoint. Do we run the risk of having to deal with
260 that issue given the controversial nature of that lately in the papers?
261

262 Mr. Nakatani said that's part of due diligence. But it's already built. He's not sure what it was previously
263 used for but there were people living in the building. Our concern is the condition of the building. That will
264 all come out in due diligence. And again, ADC is not in the business of housing. We would get help from
265 another agency or management company. It's the same issue we would have if we built in Whitmore as part
266 of the Food Hub. But as Ms. Evans pointed out this is an important thing for agriculture and ADC is willing
267 to walk through it.
268

269 Chair said it looks more like an apartment building than a big house. Chair called on Mr. Hong.
270

271 Mr. Hong said it sounds like it's fairly recent construction. Do we know when it was built?
272

273 Mr. Nakatani said he has some information but that's part of due diligence. It's been occupied, it has coin
274 operated washing machines, dryers and everything. He doesn't know exactly what was there before but it's a
275 very nice complex, it doesn't look like it has any repair issues. That's the attractiveness and as Chair pointed
276 out it's close to bus lines and all of the amenities. One of the biggest things, when you look at Whitmore, we
277 would have issues with entitlements to water and building permits. We will do a cost analysis and everything
278 else and come back to the Board. But just looking at it now, it seems like a great buy.

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279

Mr. Hong said as they get into due diligence, obviously you'll look at permitting and does it have all the permits in place for a multi-unit dwelling as well as looking at demand side. He's assuming that generally we know the space demand for that particular type of housing, single individual. Is that sufficient to meet the demand or is it more than the demand out there and how do we manage that if it was a bigger unit then there's demand. It's all a part of due diligence.

285

Mr. Nakatani said yes it's all a part of due diligence. But just looking at the property, and the way it's set up, it looks very, very good. You never know when you start the due diligence and if there's any kind of deficiencies and stuff like that, it will come out.

289

Ms. Evans noted that now ADC is attached to Department of Business, Economic Development (DBEDT), DBEDT has the Hawaii Housing Finance and Development Corporation, which from time to time she sits on that board and she's aware that they have very detailed knowledge of the non-profit that operate affordable rental housing and that might be helpful further down the line to ADC.

294

Mr. Tabata said along those lines he had a question. Now that ADC is under DBEDT, what is the structure, where does ADC sit? He knows this is off topic but if DBEDT has any synergies within the department that can assist and take over, like Mr. Nakatani said up front ADC's not in the housing business. There may be other sections in DBEDT that can assist and oversee a project like this because they have the general knowledge that Mr. Nakatani is confessing not to have. He finds it a bit hard not understanding now the charge that Mr. Nakatani has, what his role is supposed to be, maneuvering from the Department of Agriculture (HDOA) to DBEDT. He just would like to know.

302

Mr. Nakatani said that was a great question. Scott Murakami at DBEDT made arrangements for some of his staff, members of DBEDT, ADC staff, and the ADC Chair to look at the Food Innovation Center. He couldn't make it that day. That had spurred some interest. He received an email from Mr. Murakami, and he said they want to talk with ADC to help with this housing issue, and other issues that will come up. He's not sure what group in DBEDT but it's pretty wide and they're pretty knowledgeable. What's amazing is that everybody's there to help and willing to put it together and they have an interest to see how ADC can fit within DBEDT, not only for our organization but the State. It's very refreshing. We're going to have a meeting in a couple of weeks. It's always been his position that he's not getting into the housing business. He would warn ARM that they shouldn't get into the housing business cause it's like Mr. Manuel said, it brings a different set of problems. A lot of it is social, family and stuff that you never anticipate. So, if you can avoid it, avoid it at all costs.

314

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

316

Motion approved: 7-0

318

2. Request for Approval to Issue a Letter of Intent, Conduct Due Diligence, and Negotiate the Purchase of Fee Simple Interest in Real Property Located at Wahiawa, Oahu, Hawaii, Tax Map Key (1) 7-4-012:005

322

Chair called for a motion for approval to issue a letter of intent, conduct due diligence, and negotiate the purchase of fee simple interest in real property located at Wahiawa, Oahu, Hawaii, Tax Map Key (1) 7-4-012:005.

326

Motion to Approve: Mr. Watanabe, Second: Mr. Tabata

328

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329 Chair asked for presentation by staff.

330

331 Mr. Nakatani said this is a parcel on the corner of California Avenue and Plum Street, 1001 California
332 Avenue. It's adjacent to the property that the Food Innovation Center is on. The property owner came to
333 them and asked if they wanted to purchase it. This has always been on the radar, but the owner wasn't
334 interested in selling that property. Now they're interested in selling. Again they want to start with the LOI
335 and conduct due diligence on this property to be part of the Food Innovation Center. This would be an
336 addition to the Food Innovation Center. The Chair visited the center and said it's already too small and they
337 need more space. This would be a very good addition to that space.

338

339 Chair asked if there was anyone from the public who wished to present testimony. There was none.

340

341 Chair asked for Board discussion.

342

343 Mr. Atta said he had a comment. He knows that they are approving a due diligence inquiry to the property.
344 Just something to think about. He's been involved in a bunch of contaminated property litigation,
345 specifically with regards to service stations, gas stations, and he does know the due diligence that will go into
346 that inquiry. It's something that he wants them to be acutely aware of. Very often the liabilities and risks
347 associated with these sites tend to be pretty high and he just wanted to point that out. He appreciates the fact
348 that they are doing due diligence and not actually moving forward.

349

350 Chair agreed with Mr. Atta. There is always a concern every time he looks at a service station. He has seen
351 some major problems that can take years to take care of. But again, this is just allowing the due diligence. It
352 does have to come back to the Board for approval. Chair asked if there was any other discussion? Hearing
353 none, Chair called for the vote.

354

355 Motion approved: 7-0

356

357 **E. Old Business**

358

359 1. Item 1 was taken out of order before Item D-1 regarding the Adoption of the Policy & Procedure Manual.

360

361 Ms. Evans exited the meeting at 9:38 a.m.

362

363 2. **Presentation and Update by Kekaha Agriculture Association (KAA) Regarding the 2022 Readiness
364 and Environmental Protection Integration (REPI), Program Challenge Grant for an Open
365 Floodable Space Proposal in Kekaha, Kauai, Tax Map Key (4) 1-2-002.001(por.)**

366

367 Chair asked for the representative from KAA to make the presentation.

368

369 Mr. Gomez joined the meeting and said that Mr. Faye was having communication issues this morning, so he
370 was available to speak on behalf of KAA. This presentation follows up on the presentation made to the
371 Board in March 2022 about a request to approve an in-concept lease or license of up to four hundred acres of
372 open space in Kekaha. KAA applied for a grant through the Department of Defense Readiness and
373 Environmental Protection Integration (REPI) Program. The grant will cover design and permitting over the
374 next three years. Total of ten million dollars is needed to complete the project and it will take eight to ten
375 years to complete. KAA will apply for other grants to complete the project.

376

377 Mr. Nakamoto said that Mr. Faye was now available to do the presentation. Mr. Faye entered the meeting.

378

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379 Mr. Faye shared a power point presentation giving an update on the open floodable space project. The initial
380 grant was for 1.9 million. The purpose of the project was to address flood water, sea level rise, climate
381 change, and improve the water quality. The project will use approximately four hundred acres of land near
382 Nahili Pond. Only two hundred acres will be flooded for purposes of trapping sediment. This will improve
383 the quality of water entering the ocean. The land is currently fallow and unlicensed.
384

385 Chair thanked Mr. Faye for the presentation and said he assumes that at some time in the future, they will be
386 back to give the Board another update.
387

388 Mr. Faye said that is correct.
389

390 Ms. Shimabukuro-Geiser joined the meeting at 9:50 a.m.
391

392 Mr. Atta exited the meeting at 9:50 a.m.
393

394 Chair called for a ten-minute recess.
395

396 Recess taken from 9:52 a.m. to 10:12 a.m.
397

398 **2. Annual Performance Review of the Executive Director (continued from August 17, 2022,**
399 **Item E-1)**
400

401 Chair called the meeting back to order at 10:12 a.m.
402

403 Chair stated the Board may go into executive session, pursuant to HRS section 92-5(a)(2), to consider the
404 evaluation of employees where consideration of matters affecting privacy will be involved; pursuant to HRS
405 section 92-5(a)(4), to consult with the Board's attorney on questions and issues pertaining to the Board's
406 powers, duties, privileges, immunities, and liabilities; and, pursuant to HRS section 92-5(a)(8), to deliberate
407 or make a decision upon a matter that requires the consideration of information that must be kept confidential
408 pursuant to a state or federal law.
409

410 Before going into executive session, Chair asked if there was any public testimony? Please be advised that
411 testimony is limited to the decision to go into executive session. There was none.
412

413 Chair asked for a motion to go into executive session.
414

415 Motion: Mr. Tabata, Seconded: Mr. Watanabe
416

417 Chair asked if the staff had any presentation. There was none.
418

419 Chair asked if there was any Board discussion. There was none.
420

421 Chair called for the vote.
422

423 Motion approved: 6-0
424

425 Chair called the meeting back to order at 10:46 a.m.
426

427 Chair stated that the Board deferred the acceptance of the annual performance evaluation of the ADC
428 Executive Director James Nakatani until the next meeting.

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429

430 **F. Executive Director's Update**

431

432 Mr. Nakatani said that ADC received notification from Andros Engineering Corporation at Whitmore, and he
433 believes also on Kauai, that they were moving out of Hawaii. They have been accommodating the Board of
434 Education to look at that site for their commercial kitchen and a temporary site for one of their buildings in
435 Wahiawa, due to displacement while the Wahiawa Civic Center Project is under construction.

436

437 Aside from that ADC is still waiting for their budget to be transferred from HDOA to DBEDT; it is
438 somewhat tied up between the two agencies. We're in a lull period and he's hopeful that in the next couple
439 of weeks the issue will be resolved, and they can start paying their bills again. In the meantime, they are
440 keeping track of ADC's projects, and everything is moving ahead.

441

442 **G. Adjourn**

443

444 Chair called for a motion to adjourn.

445

446 Motion to Approve: Mr. Tabata, Second: Mr. Manuel

447

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

449

450 Motion approved: 6-0

451

452 Meeting adjourned at 10:48 a.m.

453

454

Respectfully Submitted,



Lynette H. Marushige
Secretary

455

456

457