

AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Board of Directors Meeting held Virtually on November 2, 2022

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

Approved: ADC Board Mtg.

January 25, 2023

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

Members Present, virtually:

Frederick Lau, City & County of Honolulu, Chairperson (Chair)
Mary Alice Evans, Designated Representative, DBEDT, Ex-Officio Member (Ms. Evans)
Morris Atta (designated attendee for HBOA, Ex-Officio Member Ms. Shimabukuro-Geiser until her attendance) (Mr. Atta)
Warren Watanabe, Member-At-Large (Mr. Watanabe)
Glenn Hong, Member-At-Large (Mr. Hong)
Lyle Tabata, Kauai County Member (Mr. Tabata)
Karen Seddon, Member-At-Large (Ms. Seddon)
Katie Roth, Designated Representative, DLNR for Ex-Officio Member Kaleo Manuel (Ms. Roth)

Members Excused:

Kaleo Manuel, Designated Representative, DLNR, Ex-Officio Member (Mr. Manuel)
Phyllis Shimabukuro-Geiser, Chairperson, Board of Agriculture, Ex-Officio Member (Ms. Shimabukuro-Geiser)

Counsel Present, virtually:

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

Staff Present, virtually:

James Nakatani, Executive Director (Mr. Nakatani)
Ken Nakamoto, Project Manager (Mr. Nakamoto)
Lance Tashima, Administrative Services Officer
Lynette Marushige, Executive Secretary

Guests Present, virtually:

Mike Dahilig
Ford Fuchigami
Mark Ishmael
David Cho
Colin Peros
Loan Lovan, Scott & Rudy Ing
Sandi Kato-Klutke (Sandi)
Allison Fraley
KITV 4 News
Margaret Bush
Scott Ishikawa
18082

Guests Present, physical location: None.

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A. Call to Order

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, and 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, Ms. Roth, Ms. Seddon, Mr. Atta, Mr. Tabata, and Mr. Watanabe acknowledged attendance with no guests present.

Chair stated that he wanted to apologize for the abrupt cancellation of the October 19, 2022 meeting. Moments before the meeting was scheduled to begin a couple of the members that had previously confirmed their attendance notified him that they were not able to attend. This caused a loss of quorum. It was unfortunate but they will try to do better in the future.

C. Approval of Minutes

1. Board of Directors Meeting, September 21, 2022

Chair asked for a motion to approve the September 21, 2022 Minutes: Mr. Tabata; Second: Mr. Watanabe

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

Chair asked if there was anyone from the public wishing to give testimony. There was none.

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

Chair called for the vote. Ms. Roth and Ms. Seddon abstained from voting because they were not present at the September 21, 2022 meeting. Hearing no objections, the motion was approved.

Motion approved: 6-0 (Ms. Roth and Ms. Seddon abstained.)

2. Executive Session, September 21, 2022

Chair stated that this agenda item will be taken out of order and considered by the Board during executive session prior to agenda Item E-2, pursuant to HRS section 92-5(a)(2), to consider the evaluation of an officer or employee where consideration of matters affecting privacy will be involved.

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D. New Business

1. Request for Approval to Amend License Agreement No. LI-K1901 Issued to Hawaii Labor Solutions Inc. to Remove Field 207 (por.) from the License Agreement; Kekaha, Kauai, Hawaii, Tax Map Key (4) 1-2-002:001 (por.)

Chair asked for a motion to approve: Ms. Evans; Second: Mr. Hong.

Chair asked for Staff presentation.

Mr. Nakatani said it was pretty straight forward. Mr. Johnson wanted to return approximately forty acres and he asks the Board for approval. ADC will be coming back to the Board when they find a replacement tenant for that parcel. If there are any questions he would be happy to answer them.

Chair asked if there was anyone from the public that wanted to give testimony. There was none.

Chair asked if there was any Board discussion.

Mr. Atta stated that when you withdraw land from a disposition it would normally be done for a fairly good economic reason. He doesn't see any reason here for returning the acreage. When running property operations, normally you don't want disruptive withdrawals and additions, without knowing the reasons behind it. If there are reasons, there's no problem. He just didn't see any reason why the return was requested.

Mr. Nakatani responded that the submittal shows that Mr. Johnson had previously requested different parcels of land. He was more satisfied with one parcel and now wants to return land that is less feasible for him. It's a matter of economics for Mr. Johnson. In Kekaha there's a lot of land and this was just his preference and so he just wanted to return this portion. He has enough land for his purposes. Mr. Johnson's operation has changed quite a bit. There was forty acres for tobacco; it was an experiment he was contracted to do. That deal went away so now he's returning the land because it is no longer feasible for him. ADC will be offering to help Mr. Johnson find another assignee for that parcel of land.

Mr. Atta said that he did see the safeguard of finding a suitable assignee. He was just wondering what the rationale was.

Mr. Nakatani said that's the practice in Kekaha. They have people coming in and taking large pieces of land. The last transaction was the BASF land and ADC held them. Well actually it was the Beck's property that they took the lease and they're on the hook for that amount of rental unless they find somebody to take over the lease or license rather, and Hartung stepped up and took that piece of property. That's the rationale and they're trying to be consistent. If at a later date there's hardships they'll come back to the board and the board can make a policy decision if need be.

Mr. Tabata said he spoke to the folks on the West side and they had some questions. He understands the situation and just for the forty-acres it might be hard to find an assignee for this property because, as he understands, it floods when there is a big storm. He wanted to make sure that in the process of finding a new licensee, it's somebody who is suitable and can meet all the qualifications. Forty-acres is a bit small. The other question he had was would reducing the term help some of these situations of something like this happening. Those are some questions that were posed to him by the community.

AGRIBUSINESS DEVELOPMENT CORPORATION

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Mr. Nakatani said he's not sure who's asking these questions but if they put it in writing and come to the board; it's really a board policy. The parcel is small. What they're finding out, and Chair will agree with him, is the tendency to have smaller lots for smaller farmers. They don't like the big lots. We have an example of a tenant that took almost two hundred acres and they reduced it to ninety and they're still having a hard time. But you know that remains to be seen. He talked to Josh, that's good farming land for diversified agriculture. It's a bit overgrown, that might be the issue. If people have questions they should send him the questions and he can answer them.

Mr. Tabata said he'll get it in writing.

Mr. Nakatani said overall, it's the smaller parcels that are attractive to the smaller farmers. While forty acres might seem small, depending on what you farm, forty acres is pretty good size.

Ms. Evans asked Mr. Nakatani if the withdrawal was approved would it be contingent on inspection for hazardous materials or clean up of abandoned equipment or any of the other things we would want to have the current licensee do before the withdrawal becomes firm.

Mr. Nakatani said he thinks they did the inspection and he doesn't think there's any equipment or hazardous material. All of the so-called legacy chemicals have been gone for a long time. He doesn't believe that Mr. Johnson used anything toxic or anything like that. The biggest problem is the area is overgrown. They can check again. He's pretty sure there's no equipment or anything like that. In the past they have been pretty strict about people leaving stuff, but not now. He thinks Mr. Johnson is ok.

Chair said he met with Mr. Johnson a while back. He's a good farmer but he's not using large parcels. He's doing some greenhouse growing of mangos and melons, and the nine acres that he took over was much more conducive to this type of farming. The forty acres is really, really overgrown and just clearing it was a burden for him. He's a smaller farmer, he's a good farmer, and he's productive.

Mr. Hong said in reading the recommendation that ADC is still holding Mr. Johnson responsible for payment under the license until we can get some final resolution, either some kind of additional tenant or renegotiation or something like that. Is Sandi representing him? Why didn't he just make his request directly to the Board?

Mr. Nakatani responded that including Sandi's email in the submittal was an oversight. She's not involved in the decision making. She might be a consultant to him but he's not sure about that.

Mr. Hong said his only point was that the licensee should be making the communications.

Mr. Nakatani said he did.

Chair asked if there was any further discussion. There was none.

Chair called for the vote. Hearing no objection, the motion was approved.

Vote approved: 8-0

AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Board of Directors Meeting held Virtually on November 2, 2022

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2. Request for Approval to Issue License Agreement to Lovan Taro Farm LLC for 60 Acres, More or Less, in Waialua, Oahu, Hawaii, Tax Map Key No. (1) 6-5-001:056 (por.)

Chair asked for motion to approve: Ms. Evans; Second: Mr. Watanabe.

Chair asked for staff presentation.

Mr. Nakatani said this was a carryover from the land that ADC purchased. Lovan's Taro Farm has a Revocable Permit and now they want to have a ten year license. One thing he wanted to point out is the soil conservation plan. He's assuming the Board is going to approve the Land Management Policy and Procedures Manual, and it states that the applicant shall have paperwork submitted within one year of the execution of the license amendment (Policies and Procedures Manual, 5.3 Soil Conservation Plan). He thinks they're in the process of getting a conservation plan and from all indications applicant has cleaned up his act. The farm looks pretty good and he recommends approval.

Chair asked if there was anyone from the public who wanted to provide testimony. There was none.

Chair asked for Board discussion.

Ms. Roth said she was looking at the submittal under the section on source of water and it says that the permittee currently accesses irrigation water via an agreement with Dole. Since she is new to this group, she's curious if more information can be provided about the Dole permit. She assumes Dole has a water use permit with the Commission on Water Resource Management (CWRM). She's just trying to get a better understanding about their end uses.

Mr. Nakatani said he doesn't believe it's a water permit from Dole; that's overstated. Lovan's Taro Farm has permission, he's taking water from Dole irrigation system. So, it's not a permit that each individual has; he's taking it from the ditch.

Ms. Roth said but Dole has a permit correct?

Mr. Nakatani said yes.

Ms. Roth said she was just wondering if the Dole permit is something that could be provided in these submittals. At CWRM they are trying to understand about the end uses associated with all the different permits.

Mr. Nakatani said he can provide that to her but they are taking water from the ditch, which ADC has no control over. Dole's providing the water; it's a separate agreement. ADC is not asking Dole, it's the farmer themselves asking Dole. Hopefully, in the future we'll resolve that issue with Dole.

Ms. Roth said she understood.

Ms. Evans asked Ms. Roth if CWRM could ask Dole directly for information in regard to its water end usage.

Ms. Roth said they could but she was just wondering if as part of the submittals that is something that could be provided or more detail could be provided because it's pretty vague when the

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Minutes of the Board of Directors Meeting held Virtually on November 2, 2022

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submittal lists a source of water. She was just curious if that was something that is normally provided or not or if its something they have to investigate themselves.

Chair thanked Ms. Roth and Ms. Evans and remarked that it's a good point and he thinks it is something they should look into.

Chair asked if there was any other discussion. There was none.

Chair called for the vote. Hearing no objection, the motion was approved.

Vote approved: 8-0

3. Request for Approval to Amend License Agreement No. LI-KA-21-03 Issued to Hawaii Golden Farm, Inc. to Add 231 Acres, More or Less, of Land to Unit A-1 in Kalepa, Kauai, Hawaii, Tax Map Key No. (4) 3-9-002:001 (por.)

Chair asked for motion to approve: Ms. Seddon; Second, Mr. Tabata.

Chair asked for Staff presentation.

Mr. Nakatani said it was more of a housekeeping issue. The request was to put two parcels together on one lease to make it cleaner on paper. Hopefully the map is cleaner, showing where the farm really is. Basically, it's really just to clarify her license with ADC.

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

Chair asked for Board discussion.

Mr. Atta said the request seems to be a housekeeping consolidation of two dispositions. He was curious about the note before the recommendation stating, "Approval of this Land Request represents an annual increase of \$26,300 to ADC in rental income." If it's only a consolidation of two pre-existing licenses, somehow this comment doesn't jive. With an increase in revenue he's not sure how that's occurring unless they're now being charged a higher rate. He just wanted to hear what the source of that comment was from.

Mr. Nakatani said that since we do licenses, not leases and if you look at the map some of it is not farmable. So, he thinks Lyle Roe (Mr. Roe) had discussion with the tenant and came to some agreement that this is what it is so it's being brought to the board.

Mr. Atta said his question was that he wasn't clear on where the additional revenue was coming from.

Mr. Nakatani said he would suspect that the amount of land or the demarcation of the property that's where it is. The write up is a little bit confusing because he thinks that they added some parcels that were not supposed to be a part of this map but part of the agreement that's not there. He can get the answer for him from Mr. Roe. He just wanted to make sure that it was consolidated and move ahead.

Mr. Atta said having additional revenue is good news, he was just puzzled about how it got there.

AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Board of Directors Meeting held Virtually on November 2, 2022

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

Mr. Nakatani said, maybe it wasn't additional revenue, maybe it's revenue we're supposed to be collecting and it was stated incorrectly.

Chair asked if there was any further discussion. There was none.

Chair called for the vote. Hearing no objections to the motion was approved.

Vote approved: 8-0

4. Request for Approval to Grant a Right-of-Entry to County of Kauai to Investigate Potential New Sites for a County Municipal Solid-Waste Landfill in Kekaha, Kauai, Hawaii, Tax Map Key No. (4) 1-2-002:001 (por.)

Chair asked for motion to approve: Ms. Evans; Second, Mr. Hong.

Chair asked for Staff presentation.

Mr. Nakatani said this was a right of entry for the County of Kauai to do due diligence on the landfill that they're looking for, a new one. He just wanted to point out that in the recommendation it says that "staff recommends that the Board approve the land request." It's not a land request, it's a right of entry. There may be people from Kauai calling in if the Board has any questions about the land fill, but it's just exploratory at this point.

Chair asked if there was anyone from the public wishing to give testimony.

Mr. Nakamoto said there is one hand raised. Mr. Dahilig entered the virtual meeting.

Mr. Dahilig introduced himself. He is planning director for the County of Kauai. He thanked staff for assisting with this and said he was available if the Board had any questions.

Chair asked if there were any questions from the board for Mr. Dahilig. There was none.

Chair asked if DHHL had to be informed or can they just go ahead and do this?

Ms. Prescott-Tate asked why DHHL would have to be informed?

Chair said because of the 30% entitlement.

Ms. Prescott-Tate said that would be addressed in the future. Right now, this is just a right of entry for the County of Kauai to do their due diligence, investigate the site. No money is changing hands.

Mr. Nakatani said if they proceed, they will do the Environmental Assessment, which requires everyone to be informed about the project. So, just an FYI everyone will be informed.

Chair said that we should support the project and asked if there was any further discussion. There was none.

Chair called for the vote. Hearing no objection, the motion was approved.

Motion approved: 8-0

AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Board of Directors Meeting held Virtually on November 2, 2022

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

5. Request for Approval to Amend License Agreement No. LI-PU1807 Issued to George Rapoza dba JRs Ranch LLC and Margaret M. Bush to Remove George Rapoza dba JRs Ranch LLC as Licensee for Property in Waiialua, Oahu, Hawaii, Tax Map Key No. (1) 6-5-005:009 (por.)

Chair asked for a motion to approve: Ms. Evans; Second: Ms. Seddon.

Chair asked for Staff presentation.

Mr. Nakamoto explained that Mr. Rapoza is retiring from this area, slowly phasing out. So, the request is to remove him from the license and the applicant is available for any questions.

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

Chair asked for board discussion. There was none.

Chair called for the vote. Hearing no objection, the motion was approved.

Motion approved: 8-0

E. Old Business

1. Request for Approval to Adopt the “Land Management Policy & Procedure Manual” as Recommended by the Investigative Committee on Land Management Policy & Procedures (continued from September 21, 2022, Item E-1)

Chair asked for a motion to approve: Ms. Evans; Second: Mr. Hong.

Chair asked Ms. Evans who headed the committee to conduct the discussion.

Ms. Evans said on behalf of the committee that spent about a year looking at the State auditor’s recommendation and the House Investigative Committee’s further recommendation that ADC adopt written policies and procedures regarding land management. The committee worked with staff, Mr. Nakatani, Mr. Roe, Mr. Nakamoto, and Mr. Takemoto to develop these draft policies and procedures into a manual that will provide guidance going forward. It can be amended by the Board at any time should conditions change. The committee had a full discussion in August and September in response to Mr. Manuel’s very helpful questions. The committee developed a written response to those questions that was included in the Board packet. Should there be any follow-up questions, she and the committee would be happy to address them.

Chair thanked Ms. Evans and asked if there was anyone from the public who wished to give testimony. There was none.

Chair asked for Board discussion.

Mr. Atta said he knows that the policy manual was designed to be changed or amended subject to Board discretion and need. Was there any discussion on targeted, periodic reviews to assess whether or not those changes would be appropriate or not. A lot of these frameworks have a tendency to be reviewed periodically, whether it’s 5, 10, 15 years. He was just wondering whether or not that entered the thought process.

AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Board of Directors Meeting held Virtually on November 2, 2022

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

Ms. Evans said she doesn't recall there being a discussion on a periodic review. There was a very thorough discussion on the use of policies and procedures because it allows the Board at anytime in the future to undertake revisions based on staff recommendations or changed conditions; especially changes in business conditions or land or climate conditions that might warrant some flexibility. But they didn't talk about setting any kind of periodic deadline for making revisions.

Mr. Atta said that's fine. He was just curious because the main point being that the manual could be changed at anytime based on need and that's the key to keeping it flexible. He's happy to see that.

Chair asked if there were any other comments. There was none.

Chair called for the vote. Hearing no objection, the motion was approved.

Motion approved: 8-0

2. Annual Performance Review of the Executive Director (continued from September 21, 2022, Item E-3)

Chair stated this matter will be heard in Executive Session pursuant to HRS section 92-4, which allows the board to hold an executive meeting closed to the public.

The Board may go into executive session for three purposes: 1) pursuant to HRS section 92-5(a)(2), to consider the evaluation of employees where consideration of matters affecting privacy will be involved; 2) pursuant to HRS section 92-5(a)(4), to consult with the board's attorney on questions and issues pertaining to the board's powers, duties, privileges, immunities, and liabilities; and, 3) pursuant to HRS section 92-5(a)(8), to deliberate or make a decision upon a matter that requires the consideration of information that must be kept confidential pursuant to a state or federal law.

Chair asked, before we go into executive session, is there any public testimony? There was none.

Chair asked for a motion to go into executive session: Ms. Evans; Second: Ms. Seddon.

Chair asked if there was any discussion.

Ms. Roth said that CWRM needs to recuse themselves from this. She doesn't know the details but was told she will not be voting on this item.

Ms. Prescott-Tate said she can vote on the motion to go into executive session and then recuse herself from voting on the issue later.

Chair called for the vote. Hearing no objection, the motion was approved.

Motion approved: 8-0

The Board entered executive session 9:40 a.m.

Board returned from Executive Session at 10:02 a.m.

AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Board of Directors Meeting held Virtually on November 2, 2022

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Chair asked for a motion to accept and approve the updated October 12, 2022 annual performance evaluation of the ADC Executive Director James Nakatani: Mr. Watanabe; Second: Ms. Seddon.

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

Chair asked for board discussion. Ms. Roth said she will be recusing herself from voting.

Chair called for the vote. Hearing no objection, the motion was approved.

Vote approved: 7-0 (Ms. Roth abstained)

F. Executive Director's Report

Mr. Nakatani stated that Chair requested an update on the outstanding Galbraith parcels of lands that we're trying to license. By the next board meeting there should be two submittals, one for Ohana Hui Ventures and one for the Laws. The rest of the approved tenants have been doing their due diligence and hopefully they will be coming to the board for licensing shortly.

There is also a CIP request to the legislature. It's quite ambitious and he wanted to point out the two critical ones. The Aahoaka Reservoir on Kauai for \$1.1 million. The other critical one is the clean up of the soil at Galbraith and they're hoping it's around \$500,000 and hopefully they will get the appropriation to clean up the soil. The big one is the Wastewater Reclamation Irrigation Plan, it's a \$124 million. It seems like a lot but actually for that kind of project that's pretty small. The rest is self-explanatory. Number 7, Agricultural lands, Oahu, \$3 million, they had the appropriation a while back but they didn't have clear title so the funding lapsed. He was informed earlier that the lands have cleared title and they will see if they can purchase that property.

Chair asked if Hawaii Sustainable Agricultural Products had submitted their approved conservation plan. He thought they were one of the five tenants that had submitted their conservation plan. Are they moving ahead?

Mr. Nakamoto responded they have submitted their approved conservation plan and the next step is to look at their water situation and come back to the board to issue a license.

Chair asked if the tenants the board will be looking at approving their licenses at the next meeting are the Laws and Ohana Hui?

Mr. Nakamoto responded yes.

Chair said ok, he just wanted to clarify, so three out of five have submitted their conservation plans so he thinks they are moving ahead very well on this.

Ms. Roth said she had a question on the land acquisition request on the CIP form. Does ADC ever seek out, outside funding through grant? That's something that DLNR does regularly when trying to acquire lands and so she was just curious if that's something that ADC also looks into so that they can source money from other non-State partners.

Mr. Nakatani said they looked at it before but there's a caveat that if you charge lease rent that you have to pay that amount and it goes on forever. So, they elected not to enter that program. He said he thinks the first program they looked at was up in Whitmore, which would be a good plan if it stayed in

AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Board of Directors Meeting held Virtually on November 2, 2022

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conservation but in this case it would be for commercial use and it didn't fit that requirement so they elected not to do it. He thanked her for the question.

G. Adjourn

Chair asked if there were any other questions. There was none.

Chair asked for a motion to adjourn: Mr. Tabata; Second: Mr. Watanabe.

Chair called for the vote. Hearing no objection, the motion was approved.

Vote approved: 8-0

Meeting was adjourned at 10:20 a.m.

Respectfully submitted,

Lynette Marushige

Lynette Marushige
Secretary