

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



WENDY GADY
EXECUTIVE DIRECTOR

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION
HUI HO'OU LU AINA MAHIAI

Administration Committee Meeting

Held via Teleconference with In-Person Viewing Location

January 14, 2025
2:00 p.m.

Pursuant to section 92-3.7, *Hawaii Revised Statutes*, this meeting will be held using interactive conference technology (ICT). Board members, staff, persons with business before the Board, and the public may participate remotely online using ICT, or may participate via the in-person meeting site which provides ICT.

Interested persons may submit written testimony in advance of the meeting, which will be distributed to Board members prior to the meeting. If possible, we request that testimony be received by our office not less than seventy-two hours prior to the meeting to ensure that staff has time to disseminate it and that Board members have time to review it. Written testimony may be submitted electronically to dbedt.adc@hawaii.gov or sent via U.S. Postal Service, or delivered to:

Agribusiness Development Corporation
235 S. Beretania Street, Suite 205
Honolulu, Hawaii 96813

When testifying via ICT, via telephone, or in-person, you will be asked to identify yourself and the organization you represent, if any. Each testifier will be limited to two minutes of testimony per agenda item.

The public may participate in the meeting via:

ICT: <https://us06web.zoom.us/j/83882611331>

Telephone: (669) 900-6833, Webinar ID: 838 8261 1331

In-Person: at the meeting location indicated below

ICT ACCESS

To view the meeting and provide live oral testimony, please use the link above. You will be asked to enter your name in order to access the meeting as an attendee. The Board requests that you enter your full name, but you may use a pseudonym or other identifier if you wish to remain anonymous. You will also be asked for an email address. You may fill in this field with any entry in an email format, e.g., ***@***.com.

As an attendee, your microphone will be automatically muted. When the Chairperson asks for public testimony, you may click the Raise Hand button found on your Zoom screen to indicate that you wish to testify about that agenda item. The Chairperson or staff will individually enable each testifier to unmute their microphone. When recognized by the Chairperson, please unmute your microphone before speaking and mute your microphone after you have finished speaking.

For ICT, telephone, and in-person access, when testifying, you will be asked to identify yourself and the organization, if any, that you represent. Each testifier will be limited to two minutes of testimony per agenda item.

TELEPHONE ACCESS

If you do not have ICT access, you may get audio-only access by calling the Telephone Number listed above.

Upon dialing the number, you will be prompted to enter the Meeting ID that is listed next to the Telephone Number above. After entering the Meeting ID, you will be asked to either enter your panelist number or wait to be admitted into the meeting. You will not have a panelist number. Please wait until you are admitted into the meeting.

Administration Committee Agenda

January 14, 2025

When the Chairperson asks for public testimony, you may indicate you want to testify by entering “#” and then “9” on your telephone’s keypad. After entering “#” and then “9”, a voice prompt will let you know that the host of the meeting has been notified. When recognized by the Chairperson, you may unmute yourself by pressing “#” and then “6” on your telephone. A voice prompt will let you know that you are unmuted. Once you are finished speaking, please enter “#” and then “6” again to mute yourself.

For ICT, telephone, and in-person access, when testifying, you will be asked to identify yourself and the organization, if any, that you represent. Each testifier will be limited to two minutes of testimony per agenda item.

Instructions to attend State of Hawaii virtual board meetings may be found online at <https://cca.hawaii.gov/pvl/files/2020/08/State-of-Hawaii-Virtual-Board-Attendee-Instructions.pdf>.

IN-PERSON ACCESS

There will also be one meeting location, open to the public, which will have an audio-visual connection. That meeting will be held at:

State of Hawaii, Leiopapa A Kamehameha
State Office Tower Building
235 S. Beretania St., Suite 204
Honolulu, HI 96813

For ICT, telephone, and in-person access, when testifying, you will be asked to identify yourself and the organization, if any, that you represent. Each testifier will be limited to two minutes of testimony per agenda item.

LOSS OF CONNECTIVITY

In the event of a loss of ICT connectivity, the meeting will be recessed for a period not to exceed thirty minutes to restore connectivity with all board members and the public in-person access location noted above. In the event that audio connectivity is re-established within thirty minutes without video connectivity, interested participants can access the meeting via the telephone number and Meeting ID number noted above. In the further event that connectivity is unable to be restored within thirty minutes, the meeting will be automatically continued to a date and time to be posted on the ADC website at <https://dbedt.hawaii.gov/adc/> no later than close of business the next business day. New ICT, telephone, and in-person access information will be posted on the website no less than twenty-four hours prior to the continued meeting date. Alternatively, if a decision is made to terminate the meeting, the termination will be posted on the ADC website.

SPECIAL ASSISTANCE

If you require special assistance, accommodations, modifications, auxiliary aids, or services to participate in the public meeting process, including translation or interpretation services, please contact staff at (808) 586-0186 or by email at dbedt.adc@hawaii.gov.

Please allow sufficient time for ADC staff to meet requests for special assistance, accommodation, modifications, auxiliary aids, translation, or interpretation services.

NOTE: MATERIALS FOR THIS AGENDA WILL BE AVAILABLE FOR REVIEW IN THE ADC OFFICE, 235 S. BERETANIA STREET, SUITE 205, HONOLULU, HAWAII 96813 ON AND AFTER JANUARY 7, 2025.

Agribusiness Development Corporation Non-Discrimination Statement

The Agribusiness Development Corporation does not discriminate on the basis of race, color, sex, national origin, age, or disability, or any other class as protected under applicable federal or state law, in administration of its programs, or activities, and the Agribusiness Development Corporation does not intimidate or retaliate against any individual or group because they have exercised their rights to participate in actions protected by, or oppose action prohibited by, 40 C.F.R. Parts 5 and 7, or for the purpose of interfering with such rights.

If you have any questions about this notice or any of the Agribusiness Development Corporation’s non-discrimination programs, policies, or procedures, you may contact:

Mark Takemoto
Acting Non-Discrimination Coordinator
235 S. Beretania St., Ste 205
Honolulu, HI 96813
(808) 586-0186
dbedt.adc.titlevi@hawaii.gov

If you believe that you have been discriminated against with respect to an Agribusiness Development Corporation program or activity, you may contact the Acting Non-Discrimination Coordinator identified above.

AGENDA

- A. Call to Order
 - B. Approval of Minutes
 - 1. Regular Session Administration Committee Meeting, May 14, 2024
 - 2. Regular Session Administration Committee Meeting, October 11, 2024
 - C. Action Items
 - 1. Determine recommendation of the license fee for new applicants based on current appraisal rates for recommendation to the Board of Directors; deferred from October 11, 2024
 - D. Informational Items
 - 1. Update and discussion regarding FY2024 budget actuals and schedule for board input for the FY2027 budget
 - E. Adjourn
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The Board may go into executive session on any agenda item pursuant to the exceptions provided under section §92-5, Hawaii Revised Statutes.

AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Administration Committee Meeting held Virtually on May 14, 2024

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

Pursuant to section 92-3.7, Hawaii Revised Statutes (HRS), this meeting was held remotely with Committee 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 Hawai'i, Leiopapa A Kamehameha, State Office Tower Building, 235 S. Beretania St., Room 204, Honolulu, HI 96813.

Members Present, virtually:

Warren Watanabe, Member-At-Large (Mr. Watanabe)
Lyle Tabata, Kauai County Member (Mr. Tabata)
Dane Wicker, Designated Representative, DBEDT, (Mr. Wicker)

Members Excused:

Jayson Watts, Maui County Member

Counsel Present, virtually:

Delanie Prescott-Tate, Deputy Attorney General

Staff Present, virtually:

Wendy Gady, Executive Director (Ms. Gady)
Mark Takemoto, Sr. Executive Assistant (Mr. Takemoto)
Lyle Roe, Asset Manager (Mr. Roe)
Ingrid Hisatake, Secretary

Guests Present, virtually:

None.

Guests Present, physical location:

None.

A. Call to Order

Mr. Tabata called the meeting to order at 1:35 p.m. and conducted a roll call of Administration Committee (Committee) members. Mr. Tabata, Mr. Wicker, and Mr. Watanabe all acknowledged their presence and noted that they were alone.

B. Approval of Minutes

1. March 7, 2024 Administration Committee Minutes: Motion by Mr. Watanabe to approve the minutes as presented; Second by Mr. Wicker. Motion passed without objection.

C. Action Items

1. **Committee discussion regarding scoring process and procedure; approval of scoring matrix**

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Mr. Roe provided a broad overview of the application rating sheet. Mr. Roe asked the Committee members to utilize the “comments/notes” section of the rating sheet so that feed back could be provided to applicants who did not make the cut. Mr. Watanabe asked about scoring for worker protection standard and safe pesticide use. Mr. Roe noted farm inspections would occur after preliminary scoring by the Committee which would evaluate such concerns.

Ms. Gady described the GAP services that various entities offer for GAP certification.

Mr. Takemoto asked if the application specified GAP requirements, or farmer documentation/records about pesticide use or worker protection. Mr. Roe noted the request for application specified that farming practices would be evaluated but that we had not, in the past, looked at farm violations or record-keeping.

Mr. Wicker asked if GAP certification was currently required for licensees? Mr. Roe responded no, that this would be the first time. Mr. Wicker supported the requirement.

Mr. Tabata asked about approved conservation plans. Mr. Roe noted that current license terms require licensees to obtain an approved conservation plan within one year of executing a license and then to bring conservation practices in line once a plan was approved by the appropriate soil and water conservation district. Ms. Gady noted that staff was attempting to develop high-level and basic conservation planning for an entire property that would provide guidance immediately upon execution of the license.

2. Approval of tentative review and approval schedule for applications

Mr. Roe provided a broad overview of the tentative timeline for review and approval schedule for the committee, noting a desire to have initial requests for tenant approval at the July 18th meeting. Members agreed that the timeline seemed realistic if there were not any unexpected issues that cropped up. Mr. Watanabe moved to approve the draft schedule; second by Mr. Wicker; there were no objections.

D. Informational Items

1. Staff presentation summarizing the land applications received by ADC (this agenda item was taken first)

Mr. Roe provided a broad overview of the applications received to the Committee. Mr. Watanabe asked how strict the Committee should be on incomplete applications. Mr. Roe noted his recommendation that the Committee consider full and complete applications first. If there is space leftover, the Committee may wish to look at some of the incomplete applications.

Mr. Wicker asked about the organization of the applications; was there a way to categorize the applications into complete and incomplete. Mr. Roe concurred, noting that was how he envisioned the organization of the applications. Mr. Tabata concurred and asked staff to organize the applications into Tier 1 applications which would be considered complete, and Tier 2 applications which would be considered incomplete.

E. Adjourn

Mr. Tabata noted that they were at the end of the meeting and called for a motion to adjourn. Motion by Mr. Wicker, Seconded by Mr. Watanabe. Motion passed without objection.

The meeting was adjourned at 2.15 p.m.

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Date of Next Meeting: The next meeting was not yet scheduled.

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AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Administration Committee Meeting held Virtually on October 11, 2024

Via Zoom Teleconference and In-Person location at 235 S. Beretania St., Rm. 205, Honolulu, HI 96813

Pursuant to section 92-3.7, Hawaii Revised Statutes (HRS), this meeting was held remotely with Committee 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 Hawai'i, Leiopapa A Kamehameha, State Office Tower Building, 235 S. Beretania St., Room 205, Honolulu, HI 96813.

Members Present, virtually:

Jason Okuhama, Member-At-Large, (Member Okuhama)
 Jesse Cooke, Honolulu City & County Member, (Member Cooke)
 Jayson Watts, Maui County Member, (Member Watts)

Members Excused:

Lyle Tabata, Kauai County Member
 Glenn Hong, At-Large Member

Counsel Present, virtually:

Jennifer Waihee-Polk, Deputy Attorney General (Ms. Waihee-Polk)

Staff Present, virtually:

Wendy Gady, Executive Director (Ms. Gady)
 Mark Takemoto, Senior Executive Assistant
 Ken Nakamoto, Project Manager, ZOOM operator (Mr. Nakamoto)

Guests Present, virtually:

Joshua Uyehara (Mr. Uyehara), Kekaha Agriculture Association (KAA)
 Alec Sou, Aloun Farms (Mr. Sou)

Guests Present, physical location:

None.

A. Call to Order

Member Okuhama called the meeting to order at 2:08 p.m. and conducted a roll call of the Administration Committee members. Member Okuhama, Member Cooke, and Member Watts acknowledged their presence and noted they were alone.

B. Approval of Minutes

1. None.

C. Action Items

1. **Review Budget Draft and Prepare Recommendation(s) to the full Board**

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Member Okuhama asked for a motion to review budget draft and prepare recommendation(s) to the full Board.

Motion by Member Cooke; Second by Member Okuhama.

Ms. Gady gave the staff presentation of the FY 2026 Budget Draft and stated that new items included the estimate for commercial real estate space on Kauai. The general funds, payroll services, and OCE were the same as last year. The commercial common area maintenance fee was an estimate based on common area maintenance. The water delivery amount was based on the past fees for Waiahole and Galbraith. The investment earnings come from the Waiahole revolving fund. Money to pay OHA & DHHL was based on current revenues. One of the things ADC has not had in the past was professional development. Adding that item to the budget allows staff to get professional training in doing their jobs. Ms. Gady pointed out that the general obligation bond repayment of \$434,000 actually runs about 40% of the revenue for Waiahole. This impacts ADC in that the cost of payroll was outside of that amount and leaves very little available funds for maintenance. Routine maintenance to the level needed has not be done because ADC must continue to make the bond repayments. Insurance is ongoing. The environmental compliance was broken out so the Board could see how many contractors ADC has to employ for environmental compliance to be compliant with the lawsuits we are subject to. Travel includes Board travel. PR includes monthly newsletters. ADC is no longer in contract with Mana Means and we will be going out to bid on that. Repairs and maintenance are routine for Kauai. Contractors and security are the 24/7 security guard at the Bott Well. This is an ongoing charge.

Member Watts asked what happened with Mana Means.

Ms. Gady replied that the contract was for a specific amount of money, which has been expended. By procurement rules, you have to go back out to bid.

Member Watts asked if Memberships include the Hawaii Chamber of Commerce?

Ms. Gady stated she was unsure but noted that ADC has never belonged to the Kauai Chamber of Commerce, and they have an Agriculture Committee and an Economic Development Board that routinely helps the Ag community. They have been a strategic partner for ADC in going to the legislature every time we needed testimony in regard to East Kauai Irrigation System.

Member Watts suggested ADC become a member of the Hawaii Chamber of Commerce and should attend Hawaii on the Hill, which the Hawaii Chamber of Commerce puts on in Washington, DC. DBEDT and HTDC have a large display at this event. As part of Hawaii on the Hill, the Taste of Hawaii was all Agriculture with farmers and value-add products. There was no ADC logo in sight, which could be great exposure for ADC.

Member Cooke asked that the next time the budget was presented that the previous year be included so any changes could be seen.

Ms. Gady stated there are actuals for 2024, but she does not have actuals for 2025 yet.

Member Watts asked Ms. Waihee-Polk in voting for this, could Ms. Gady make changes to it later?

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Ms. Waihee-Polk said the motion could be amended to be approved subject to Ms. Gady looking into the cost of joining the Hawaii Chamber of Commerce and adding the 2024 actuals to the draft budget and bringing that to the Board.

Ms. Gady asked Member Watts if his recommendation was for individuals to join the Chamber or for ADC to join.

Member Watts stated it would be ADC joining the Chamber.

Member Okuhama asked if anyone from the public wished to give testimony. There was none.

Member Cooke stated that he believed that some of the Board members will want to see the actuals from the previous year.

Member Cooke withdrew his motion to approve. Member Okuhama withdrew his second.

Member Cooke made a new motion to approve the review budget draft recommendations subject to adding the 2024 actuals and Ms. Gady inquiring into the cost of ADC joining the Hawaii Chamber of Commerce.

Member Okuhama seconded the motion. Hearing no further discussion, Member Okuhama called for the vote. Motion unanimously approved: 3-0.

2. Determination of the License Fee for New Applicants based on current Appraisal Rates for recommendation/presentation to the full Board

Member Okuhama called for discussion on the license fee for new applicants and called on Mr. Uyehara to give testimony.

Mr. Uyehara from KAA stated that he'd canvassed the KAA members that have licenses and leases with ADC and with private landowners in the area, and the numbers they've seen so far for Kekaha don't seem accurate in terms of actual rent and structure. It's difficult to evaluate without further information. When KAA conducts appraisals, you get a lot more information with the background and methodology applied. Things like CAM [Common Area Maintenance] would be well defined. It's hard to tell exactly what's included in the scope or what's intended to be covered by market rent. For pasture on Kauai, for cattle ranchers \$100 per acre was not viable. There were a lot of concerns, especially in the context of this potentially being used as a basis for rent for new tenants especially given that it's difficult to establish a good marginal value for rent on Ag land in West Kauai when the majority of the previously productive Ag lands were not being rented at all. It would be different if land was fully occupied. ADC was trying to establish fair market value, but at this point, much of the rest of the state where the majority of acres were previously in agricultural production were fallow. There's concern about the accuracy, content, and definition behind these numbers and the appropriateness of their use to set rates for new tenants.

Member Cooke asked Mr. Uyehara what amount he thinks is fair.

Mr. Uyehara stated that recently, without divulging CBI [confidential business information], they looked at \$150 per acre, per year rent that was a baseline. In past discussions with ADC, KAA tried to ensure that baseline plus the common area infrastructure fee, which is what KAA charges under the RMOA [Revised and Amended Memorandum of Agreement], and 100% of that goes into maintenance, repair,

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and upgrade of the ADC property and irrigation system; those two things together would put it in the ballpark of a reasonable rate. KAA has always tried to be as efficient as possible to incentivize fuller occupancy of the property. That number right now was a total of about \$600 to \$650. That number can fluctuate based on the KAA's budgeting process, which determines the common area infrastructure fee. The maintenance aspect of that was the majority of the cost, about by a factor of three. So \$150 to the rent and \$450 to maintenance at least for parts of the operation that KAA was accountable for. That covers the maintenance of the irrigation system, drainage, canals, roads, area security, and the other operational activities KAA takes care of like mowing and keeping the property in good shape. That was a much larger component of the cost to the tenants than rent. It's hard to understand exactly what was supposed to be captured by the numbers, because that detail from the appraiser wasn't included in the submittal.

Member Okuhama asked how the maintenance fee was calculated. Was it based on current acreage leased or based on something else? ADC has several thousand acres. How did KAA come up with \$450 per acre.

Mr. Uyehara stated that they look at what it cost KAA to maintain the entire property and irrigation systems and roads, etc. under their responsibility. KAA spends well into the six figures to maintain the Kokee ditch system, because it's part of their responsibility and part of the future potential capacity of the property there. They have a de minimis rent associated with that part of the system but it's a necessary cost. The numerator of this equation was the total operating cost to maintain everything on the property then divide that among the acres that were actually leased. It means that current tenants of ADC land on Kauai carry the cost to maintain everything, whether or not that infrastructure actually serves the current tenants. KAA's board is generally aligned with the broader mission of trying to promote agricultural economic development. They understand the need to carry some of the costs, even if there's no direct benefit to the operations they manage. KAA's commitment to ADC in the RMOA was that they would do that. This latest phase of the Waimea Watershed Agreement mediation process, for example, was centered around the Kokee system and the ramifications of the pullback from KIUC with the energy project. All that part of the infrastructure really serves is less than 20 acres of the 3,000 or so that were leased, but it's occupying a significant percentage of KAA's time. KAA understands that it's a significant factor in the future capacity of the property as far as the ability to support agriculture on the Mauka lands. KAA does what it takes to do the job, regardless of how much was actually rented out.

Member Okuhama asked wouldn't more acreage being leased reduce the maintenance per acre.

Mr. Uyehara agreed and stated that the RMOA built in flexibility that they should also be trying to promote additional agriculture. From past discussions with previous ADC executive directors, ADC wanted to keep rent reasonable. It can't be egregiously low, especially if they look beyond putting out fires with the infrastructure to promote additional activity. How can we incentivize new farmers to bring them onto the land or de-risk the start of their operations. KAA has done some wetland Kalo and other small farmers. Some of the work KAA did was to support the Waiaka farmers. KAA does a lot of infrastructure and groundwork to support startup farms. Any surplus goes into promoting additional occupancy or development of the land or doing engineering for infrastructure extension. If they're able to double the occupancy, and there's enough land to do that, then we would look at what those additional revenues can be used for besides defraying the cost of the infrastructure. What's the most effective way we could apply those funds into common area infrastructure, processing facilities, things that would really promote further development of Ag and other projects like restoration of the Puu Lua reservoir, things like that. There's never going to be an end to the kinds of things that we can do.

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Member Okuhama stated that what Mr. Uyehara was saying was that KAA currently charges \$450 per acre for CAM while ADC gets \$150 per acre for the land.

Ms. Gady clarified that \$150 per acre per year was invoiced by ADC. Of the \$150, \$75 goes to pay OHA and DHHL for the ceded lands. ADC bills for rent. KAA bills for CAM.

Member Cooke asked when the last time the \$150 was raised.

Ms. Gady asked Mr. Nakamoto when ADC did the last appraisal in Kekaha.

Mr. Nakamoto said the last Kekaha appraisal was in 2004.

Ms. Gady said part of the catalyst for the Kekaha appraisal was the Board asking does ADC even know the market rate? And ADC's getting pressure from the legislature to cover expenses with the land rental.

Member Cooke stated there's data in the appraisal showing a big increase from 2004 until now. Going up to \$600 per acre may be a little egregious. When was the last time the rents were increased? ADC should still be supporting agriculture and not charging what private landowners do, but ADC does need to bump up rent to what other agencies that support agriculture are charging. Not raising rent for 20 years is concerning.

Mr. Uyehara mentioned that in 2004 ADC had much more of the land actually rented because there was still some sugar growing on ADC land. ADC should look at what the occupancy was as well. What you're seeing is the average remaining rents will go up over time. But the total acreage in production has shrunk dramatically from then to now. Rents are not representative of the equilibrium pricing for actually expanding agriculture.

Member Cooke stated that it's been around \$150 for 20 years and it still hasn't filled up. If ADC's not getting folks at \$150, then we're always going to be in this spot.

Mr. Uyehara stated that back then people were concerned with the stability of the Kekaha ditch infrastructure. That's been addressed, like the black pipe siphon, or the critical flume sections in the canyon. Now the water allocation issues are of concern. Private parties were relying on the State to resolve these issues. Things still have to be resolved like the Department of Health, NPDES/HAR 11-56, non-point source mediation. Until that's resolved KAA won't be able to complete installation of the pressurized pipe system, which was contingent on whether the KIUC Project moved forward. Now the KIUC project won't be moving forward. There are other issues with the property that were serious impediments to full occupancy. ADC needs to address all those things. With respect to the Kokee property, that'll be an impediment to occupancy of the Mauka lands. ADC's seeing some interest now. But there are issues that still need to be addressed.

Member Cooke commented that he's seen lease rates on Oahu of \$100 to \$300 a month.

Mr. Uyehara mentioned that he's had to pay some of those rents when they were operating in central Oahu. ADC's also competing with non-production Ag uses and valuations.

Member Cooke asked if Mr. Uyehara was talking about Ag zoned land.

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Mr. Uyehara agreed. They're going to get competition from other uses such as from solar utility projects; everything except for the class A land. That's what sets the floor on a lot of that market rent.

Member Okuhama stated that \$450 an acre for maintenance is concerning. That is pretty extreme. You're talking about whole system issues, water systems, etc. That is a sizable amount of maintenance per acre compared to what he's seen and what the appraiser had put down. The maintenance fee at \$450 is three times the cost of the land rent.

Member Cooke asked if KAA has provided a summary of how that \$450 was being used for common area maintenance.

Mr. Uyehara stated that KAA provides a report to ADC every year, audited financials as to how the money was used. The issue was splitting that across the acres that aren't actually leased. Private landowners try to allocate cost per acre owned but KAA's covering the entire maintenance for the operation and the property on just what's actually leased or licensed out.

Member Cooke asked about this \$450, if all of the land were leased what would that \$450 go down to.

Mr. Uyehara stated that probably less than 1/3rd of the total acres in production now than at its peak under Kekaha sugar. If it were against all land considered tillable, it'd be divided by at least 3, if not more.

Ms. Gady stated that in the case of the Department of Ag you are eligible for rent forgiveness that allows people to get up to speed and running pretty quickly. And a lot of times there's a great deal of clean up that has to happen before people can start farming on some of the ADC lands.

Member Cooke stated that he saw that Kalepa and Kekaha were almost basically the same, except for the CAM expense.

Ms. Waihee-Polk responded that according to the ADC Land Management Policy and Procedure Manual 4.1 says rent shall be based on Agricultural Fair market appraised value however, the ADC Board may modify the rent rates and schedules if appropriate. So it's going to depend on the Board.

Member Cooke said as a Board member he wanted to support Ag and ADC should not charge what a private landowner was going to charge but we've got to find a balance. KAA was doing good work in Kekaha, but at the same time, ADC was struggling to break even because they haven't raised rents at all in the past 20 years. That's worrisome. He's open to learning more from Mr. Uyehara and the folks at Kekaha.

Member Okuhama stated this was something the committee needs to review further, and not make a recommendation or presentation to the Board at this time.

Member Watts stated that he'd support that and he'd like to make a motion to defer pending further investigation.

Member Cooke asked what about other regions that might be more straight forward like Kalepa or Oahu. Can the committee make some decisions there?

Ms. Waihee-Polk said that's up to the committee. If the Committee wants to defer for now, or if you want to make a determination on certain parts, you can.

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Member Watts stated that he'd like to learn more. He doesn't feel they have enough information right now to make a determination.

Ms. Waihee-Polk stated that if the committee was not unanimous, they won't be able to take action anyway.

Member Watts stated that he preferred to take it up as a whole versus piecemeal.

Member Cooke asked if Oahu's valuations were drastically different.

Member Watts stated that they're able to get input from Mr. Uyehara on Kauai, but there's nobody to talk to from Oahu.

Ms. Waihee-Polk asked if the Board has access to the appraisers today.

Mr. Nakamoto responded not now but ADC could approach our appraisers and ask them to do a supplement if more information was disclosed. The appraisers would be open to help gather more information from KAA as well.

Member Cooke stated that Mr. Uyehara had concerns about the infrastructure maintenance costs obtained through CAM and then charging folks too much on the rent. Does Wahiawa and Kalepa have these big time infrastructure expenses like Kekaha? Or are they less of a concern so we can move forward in those regions. He believed the concerns in Kekaha were not the same as elsewhere and maybe the committee can reach a conclusion at least on those rates.

Member Watts asked if ADC had current appraisal rates on everything.

Member Cooke stated that for diversified agriculture, Kekaha and Kalepa were both at \$600 a year and then Galbraith was at \$1,800 a year.

Member Okuhama stated that based on his experience working with a lot of farmers, that's fair. He's seen farmers paying \$200 to \$400 an acre per month. So \$1,800 a year is \$150 an acre a month. That's below what you normally see small farmers paying right now on Oahu. Ultimately the CAM ADC charges would be the cost ADC incurs to operate these lands; it's a moving target based on ADC's expenses. But \$150 per acre was more than fair.

Member Watts stated that on Maui, they lease land to the community at a \$150 per acre per year, and this includes water.

Member Cooke commented that's really good.

Ms. Gady asked what the size of the community was and if they are gardens.

Member Watts replied the first phase they've done was a hundred acres broken up into 2, 4, 6, 8, and 10 acre parcels. It's \$150 per acre, per year, including water, and a \$500 down deposit.

AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Administration Committee Meeting held Virtually on October 11, 2024

Via Zoom Teleconference and In-Person location at 235 S. Beretania St., Rm. 205, Honolulu, HI 96813

Member Cooke stated that he wouldn't want to increase rent by a huge amount; he would like to see it step up once to figure out where the ceiling would be. A competent farmer should be able to cover \$150 a month for an acre.

Member Okuhama stated that it looked like work needed to be done, and not just hitting them with a big increase going forward. The farmers were used to paying \$150 a year. We definitely have to look at how to ramp it up.

Member Watts stated that ADC hasn't kept up with the times by incrementally increasing rent. He'd like to see more discussion, and then talk to some tenants; not just increase it.

Member Cooke replied that on Oahu \$150 a month was pretty desirable. He's not saying ADC should immediately go to \$150 a month because that would be a huge increase from what they're paying now. But \$150 a month was not a bad rate for folks; it's still really desirable.

Member Watts asked Ms. Gady if ADC had queried any of their tenants on a potential rate increase.

Ms. Gady replied no. The current licenses have steps. In doing the accounting reconciliation ADC found that some of the step increases were not made.

Member Okuhama stated that the existing licenses were covered. What they're working on now were the new license applications; new farmers. He deals with a lot of smaller farmers and he knows what they're paying. ADC needs to ask them for enough financial information to do an analysis on what they're current rental was and he thinks the newer ones were paying \$150 per acre per month. They've already had to pay that in the marketplace.

Ms. Gady stated that on Oahu the rents were higher because that's where the market is. It's important that ADC become more transparent. ADC went out and hired an appraiser to get some information, and if there's more research to be done, let her know.

Member Okuhama commented that to a certain degree ADC had been subsidizing these farmers by keeping the rent low. Maybe more Oahu than West Kauai. We need data, facts for the legislature, on the number of farmers we were subsidizing and the economic impact on production numbers. This was what these farmers who we put on these lands at a \$100 or \$150 per acre per month were generating in sales.

Member Cooke asked if ADC raised any lease rates, would it be on just the new folks coming in, or would it be on past folks because they already had their leases in place.

Ms. Gady stated that the current license rates were already set for the life of the license. This would only be for the new licenses.

Member Watts stated that changes things for him. If this was for people coming in, they're coming in eyes wide open, and know what the rates are. That's different from upping rates on current tenants.

Member Okuhama stated the current licenses have set increases but he's unsure if there's any kind of re-up or renegotiation period or it becomes market rate at some point and how CAM was decided.

Ms. Gady pointed out that the agenda specified determination of the license fee for new applicants.

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Member Okuhama asked if the Committee still wanted to defer making a recommendation pending more research.

Member Watts stated that he's okay with deferring Kauai but moving forward on Oahu.

Member Okuhama asked Ms. Waihee-Polk if they can say the rent was a certain amount and then follow up later on the CAM. If we want to defer determination of the CAM to consider different options, could we do that?

Ms. Waihee-Polk stated that this would be a general position of the Board. What the Board approves, the Board can modify rent, rates, or schedules as appropriate; the Board doesn't give up that.

Member Okuhama asked Ms. Gady and staff if \$1,800 a year, \$150 an acre per month was acceptable from a staff point of view.

Ms. Gady stated that is a really attractive rate on Oahu. Given the state of the land that they're moving on, she would ask the Board to waive year one costs, and maybe start with year two. It's the Board that sets the policy, but \$1,800 was reasonable.

Member Cooke asked if the \$150 per acre per year was in Galbraith?

Member Okuhama stated that he wasn't sure.

Member Cooke stated he's unsure if he agrees with a ten times increase for the new folks. He would like to know what they're paying in Galbraith and try do a long-term step up for the new folks.

Ms. Waihee-Polk stated that the committee could wait until they get more information.

Ms. Gady stated that current rates in and around Galbraith are \$100 to \$200, and there's a small amount at \$400 per acre.

Member Cooke asked if that was for a full year.

Ms. Gady stated that the bulk of them were \$100 to \$200 per year.

Member Okuhama commented that's really low. He further stated that if they want to make a recommendation for Oahu at the \$1,800 per year as an appraisal estimate. He asked about the CAM cost.

Ms. Gady stated many of the tenants on Oahu rent doesn't reopen until anywhere from 2027 to 2030, and then rent reopens once every 10 years. The CAM was based on the actual cost that ADC's incurred.

Member Okuhama stated that it comes out to \$200 an acre with the CAM, still within the realm of what's the average end of the marketplace, probably a little on the lower end.

Member Cooke wanted to think about it. This was a pretty big jump, even if it's new folks. The main thing was to support agriculture. We're getting close to private rates on the new folks.

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Member Okuhama stated that the Committee can put it on the side then, because they need it to be unanimous. We can always talk about it more. You can always do step ups, you can waive a period of time, you can do a lot of different things. We can discuss more and come up with a good plan.

Member Cooke mentioned that current applicants have been paying upwards of \$200 to \$350 a month. He doesn't want to go there. He wants to discuss it more. Farmers struggle. But if you're only paying \$200 a year that kind of breeds inefficiency too.

Mr. Nakamoto stated that there's someone from the public who wished to testify.

Mr. Sou stated that it's hard to speak on an appraisal without seeing it. Being on Kauai for the last two years, there's significant operating costs from the standpoint of logistics. 95% of your market is outside of Kauai. The disadvantage was not only logistics but you're short of labor and extra cost in housing labor. He probably has more insight on Kekaha, but was curious about how in-depth the appraisal was. He does not charge water at all. It's all one rate. Being closer to the port although it's only 7 to 8 miles, that's significant in terms of travel, distance, and operational costs. He thinks, whatever ultimately was decided on Kekaha it should be at least 20% - 30% less than what lease would be on comparable size of acre operation.

Member Cooke asked Mr. Sou, being a big-time farmer, what do you think about lease rates on Oahu. What has he seen as a monthly rate for some of these folks.

Mr. Sou stated that he believes the Galbraith land was undervalued. It should not be the same as Kekaha because the market isn't here. It should be a realistic number that farmers can afford if you're farming 10 or 15 acres but as you get up in size, it's a different ball game.

Member Cooke asked Mr. Sou if he felt that \$150 a month for those small sizes, was an unfair request for the private market, not ADC.

Mr. Sou replied that it's realistic if they can afford it. Because ultimately people always have in mind that they want to be able to own it outright versus being on State land.

Member Okuhama stated that the committee has much to review before going forward. We really need to set some rates for the new tenants. We'll have to know what they're paying. We need to move quickly. The discussion on agenda item 2, will be continued at the next meeting.

D. Informational Items

1. None.

E. Adjourn

Member Okuhama noted that they were at the end of the meeting and called for a motion to adjourn.

Motion by Member Cooke; Second by Member Watts. Hearing no objections or abstentions the motion passed: 3-0.

The meeting was adjourned at 3:21 p.m.

Staff: Ingrid Hisatake

Date: January 7, 2025

As discussed in the October 11, 2024 Administration Committee meeting, staff has determined that the cost of the Chamber of Commerce Hawaii membership for ADC is a special rate of \$375.00 + tax.

STATE OF HAWAII
**AGRIBUSINESS DEVELOPMENT
CORPORATION**

C-1

STAFF SUBMITTAL TO THE ADMINISTRATION COMMITTEE
January 14, 2025

Subject: Determine recommendation of the license fee for new applicants based on current appraisal rates for recommendation to the Board of Directors; deferred from October 11, 2024

Applicant: Agribusiness Development Corporation (Applicant)

Authority: Section 163D-4(a)(5), Hawaii Revised Statutes

BACKGROUND:

On November 2, 2022, the ADC Board of Directors approved the Land Management Policy & Procedure Manual (Manual). Section 4.1 Rent Setting Policy states, “Rent shall be based on agricultural fair market appraised value, however, the ADC Board may modify the rent rates and schedules, if appropriate.”

Section 4.4 License Re-opening, “In general, it shall be the policy of ADC to issue Licenses with re-opening clauses for the purpose of adjusting the rental rate, every five years with an escalator at 2.5% of current rent. Exceptions may be made with appropriate justification and approval by the ADC Board.”

In 2024, the Agribusiness Development Corporation (ADC) staff commissioned a fair market rent appraisal of various lands located on the islands of Oahu and Kauai. The appraisal report (Report) was received in August 2024 and specifically appraised ADC properties in Kalepa (Kauai), Kekaha (Kauai), Galbraith (Oahu), and Whitmore (Oahu).

REQUEST:

The request is for approval for the rent rates listed below to be used for new and if appropriate re-opening of land agreements.

KEKAHA				
DivAg				
	RENT	CAM	TOTAL	COMMENTS
Appraised	600	117	717	Appraisal Report dated August 2024 conducted by Medusky & Co., Inc. Numbers indicated are \$/acre/year
Current	150	480	630	Based on May 26, 2010 Board decision (see minutes and letter).
Proposed	237	480	717	rationale: use appraised total as cap, less current KAA CAM to establish new ADC rents. Results in \$87/a/y increase.

KALEPA				
DivAg				
	RENT	CAM	TOTAL	COMMENTS
Appraised	600	26	626	Appraisal Report dated August 2024 conducted by Medusky & Co., Inc. Numbers indicated are \$/acre/year
Current	100	18	118	CAM assessed by Kalepa Koalition is approximate.
Proposed	600	25	625	CAM is variable and set by Kalepa Koalition membership to manage security gates and clearing roadside.

Determine recommendation of the license fee for new applicants based on current appraisal rates for recommendation to the Board of Directors; deferred from October 11, 2024
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KALEPA				
Pasture	RENT	CAM	TOTAL	COMMENTS
Appraised	100	26	126	Appraisal Report dated August 2024 conducted by Medusky & Co., Inc. Numbers indicated are \$/acre/year
Current	30	18	48	CAM assessed by Kalepa Koalition is approximate.
Proposed	100	25	125	CAM is variable and set by Kalepa Koalition membership to manage security gates and roadside clearing.

OAHU				
DivAg	RENT	CAM	TOTAL	COMMENTS
Appraised	1,800	594	2,394	Appraisal Report dated August 2024 conducted by Medusky & Co., Inc. The report also indicates a water delivery charge of \$1.75/1,000 gal. (which is the current ADC rate for Bott Well system). Numbers indicated are \$/acre/year
Current	400	(var)	400	CAM for Galbraith farmers is variable based on toilet and security charges assessed to ADC on a montly basis.
Proposed	1,800	594	2,394	Based on appraisal report.

REMARKS & DISCUSSION:

The approximate land without land agreements and the potential gross revenue generated is as follows. The information does not include payments for ceded lands.

Central Oahu

Diversified Agriculture land 700 acres @ \$1,800/acre/year = \$1,260,000 annually
 Common Area Maintenance 700 acres @ \$594/acre/year = \$415,800 annually

Kalepa

Diversified Agriculture land 160 acres @ \$600/acre/year = \$96,000 annually
 Pasture land 0 acres @ \$100/acre/year = \$0.00 annually
 Common Area Maintenance 160 acres @ \$25/acre/year = \$4,000 annually

Kekaha

Diversified Agriculture land 3,000 acres @ \$237/acre/year = \$711,000 annually
 Pasture land 0 acres @ \$100/acre/year = \$0.00 annually
 Common Area Maintenance 3,000 acres @ \$480/acre/year = \$1,440,000 annually

Determine recommendation of the license fee for new applicants based on current appraisal rates for recommendation to the Board of Directors; deferred from October 11, 2024
January 14, 2025

RECOMMENDATION:

Based on the foregoing, it is recommended that the Board:

1. Approve the Request to use the recommended rent rates for new land Lease or License Agreements.

Respectfully Submitted,
Mark Takemoto

MARK H. TAKEMOTO
Senior Executive Assistant

Approved for Submittal:



Wendy Gady
Executive Director

Exhibit A
FY2024 Actuals

ADC General Funds

G-24-161 Revenues	FY2024 Budget	FY2024 Actual	Variance
Legislative Appropriation	17,360,761	3,360,761	(14,000,000)
Restriction	(188,862)	(188,862)	-
Total Revenues	17,171,899	3,171,899	(14,000,000)

G-24-161 Expenditures FY2024	Budget	Actual	Variance
Kekaha	-	591,919	591,919
Galbraith	1,379,999	47,012	(1,332,987)
Whitmore 24	-	4,488	4,488
Whitmore Wings	-	94,899	94,899
Whitmore 256	-	138,264	138,264
Paalaa Uka	-	12,500	12,500
Kalepa	-	4,487	4,487
*Galbraith - Water Infrastructure	2,000,000	-	(2,000,000)
*Whitmore 24 - FPIN	10,000,000	500,000	(9,500,000)
*Paalaa Uka - Land Acquisition	3,000,000	-	(3,000,000)
Wilikina Aquaculture	-	3,500	3,500
Payroll	750,506	608,060	(142,446)
Admin	-	197,011	197,011
Insurance	-	4,560	4,560
Transfer to Special fund	41,394	-	(41,394.00)
Waiahole Water System	-	188,027	188,027.00
Total Expenditures	17,171,899	2,394,727	(14,777,172)
Revenue less expenditure	-	777,172	777,172

*Funds removed because of the Lahaina wildfire

ADC revolving fund

S-24-312 Revenues	FY2024 Budget	FY2024 Actual	Variance
Kekaha	579,122	635,961	56,839
Galbraith	386,518	431,289	44,771
Navy 2468	490,498	-	(490,498)
Misc	10,500	57,227	46,727
East Kauai (Kalepa)	216,914	359,612	142,698
Whitmore 24	56,952	56,371	(581)
Whitmore 24 - Reimbursement for UHCDC expenditure	130,524	130,524	-
Whitmore 24 - Reimbursement of Prior Period Expenditures (for UHCDC)	119,476	119,476	-
Tamura Warehouse	19,166	20,764	1,598
Whitmore 256	118,354	147,729	29,375
Kalaeloa Rendering Plant	37,120	43,307	6,187
Dole 73	1,741	2,177	436
Paalaa Uka	94,526	91,713	(2,813)
Kunia	3,200	8,311	5,111
Other	-	167	167
OHA/DHHL	(408,282)	(480,612)	(72,330)
Total Revenues	1,856,329	1,624,016	(232,313)

S-24-312 Expenditures FY2024	Budget	Actual	Variance
Kekaha	902,620	435,523	(467,097)
Galbraith	520,850	297,108	(223,742)
Navy 2468	446,736	568,334	121,598
East Kauai (Kalepa)	-	4,460	4,460
Whitmore 24 (UH)	130,524	130,524	-
Whitmore 256	-	9,682	9,682
Whitmore 194	-	5,178	5,178
Paalaa Uka	93,750	93,750	-
Kunia	-	1,683	1,683
Wahiawa Irrigation System	15,050	303,081	288,031
East Kauai Irrigation System	15,050	15,043	(7)
Wilikina Aquaculture	-	58,575	58,575
Payroll	74,273	2,446	(71,827)
Admin	126,350	163,790	37,440
Insurance	200	-	(200)
Waiahole Water System	15,050	19,868	4,818
Total Expenditures	2,340,453	2,109,045	(231,408)
Revenue less expenditure	(484,124)	(485,029)	(905)

ADC Waiahole Water System

S-24-325 Revenues	FY2024 Budget	FY2024 Actual	Variance
Water Delivery	1,440,454	1,324,883	(115,571)
Investment Earnings	12,500	51,231	38,731
Total Revenues	1,452,954	1,376,114	(76,840)
S-24-325 Expenditures FY2024	Budget	Actual	Variance
Payroll	556,541	508,587	(47,954)
Admin	313,594	90,852	(222,742)
Machinery and Equipment	-	22,040	22,040
Insurance	6,000	1,000	(5,000)
Materials & Supplies	71,400	32,470	(38,930)
R & M	71,951	10,674	(61,277)
GO Bond Repayment	433,468	424,937	(8,531)
Total Expenditures	1,452,954	1,090,560	(362,394)
Revenue less expenditure	-	285,554	285,554

Exhibit B
FY2025 Budget

FY2025 Budget

POSITION COUNT BY MOF		
MOF	BJ Table ID	Sum of FY 25 FTE
A	J1	9.00
A Total		9.00
W	J1	2.00
	T1	6.00
W Total		8.00
Grand Total		17.00

J1 = Permanent FTE
T1 = Temporary FTE

SUMMARY BY CATEGORY AND MOF		
Category	MOF	Sum of FY 25 \$\$
P/S	A	835,366
	W	212,115
P/S Total		1,047,481
OCE	A	1,544,993
	W	2,266,180
OCE Total		3,811,173
EQUIP	A	-
	W	-
EQUIP Total		-
M/V	W	110,000
M/V Total		110,000
Grand Total		4,968,654

SUMMARY BY CATEGORY AND MOF		
Category	MOF	Sum of FY 25 \$\$
P/S	W	556,541
	P/S Total	
OCE	W	896,413
	OCE Total	
EQUIP	W	-
	EQUIP Total	
M/V	W	-
M/V Total		-
Grand Total		1,452,954

PART I - OPERATING COSTS BY COST ELEMENT

Category	Sum of FY 25 \$\$
P/S	1,604,022
OCE	4,707,586
EQUIP	-
M/V	110,000
Grand Total	6,421,608

PART II - OPERATING COSTS BY MOF

MOF	Sum of FY 25 \$\$
A	2,380,359
W	4,041,249
Grand Total	6,421,608

Exhibit C
FY2026 ADC Budget Requests

						FY 26			FY 27		
Req Cat	B&F Code	Prog ID/Org	Dept Pri	Description	MOF	FTE (P)	FTE (T)	\$ Amount	FTE (P)	FTE (T)	\$ Amount
OTHER REQUESTS:											
SY		170KB-01	36	Add Gen Funds for Attorney General Support	A			120,000			
		170KB-01	36	Add Revolving Funds For Attorney General Support	W						

NEW CIP REQUESTS					ADC requests			Submitted to Legislature	
Req Cat	Dept Pri	Prog ID	Project No.	Project Title	MOF	FY 26	FY 27	FY 26	FY 27
P	10	BED170	ADC007	State Postharvest Facility Construction, Oahu	C	6,300,000		1,800,000	
P	11	BED170	ADC003	Small Animal Slaughterhouse, Oahu	C	4,000,000		4,000,000	
P	12	BED170	ADC005	Food and Product Innovation Network, Statewide	C	9,500,000		350,000	
A	14	BED170	202603	Wahiawa Reservoir and Spillway Purchase	C	5,600,000			
P	15	BED170	181618	Kekaha Irrigation System Improvements, Kekaha, Kauai	C	6,470,000		6,470,000	
C	16	BED170	15003	Wastewater Reclaimed Water Irrigation System, Wahiawa, Oahu	C	4,000,000			
P	17	BED170	221611	Agricultural Infrastructure Improvements, Oahu	C	9,200,000		9,200,000	
O	20	BED170	202404	Commercial Land Purchase, Oahu	C	500,000	4,500,000		
O	21	BED170	181616	Acquisition of Agricultural Lands, Waimea, Kauai	C	1,300,000			
O	24	BED170	202407	Purchase of Land locked between State owned land, Oahu	C	3,000,000			
H	25	BED170	ADC008	Galbraith Agricultural Lands Improvements, Oahu	C	500,000			
O	35	BED170	181615	Acquisition of Agricultural Lands, Waialua, Oahu	C		9,100,000		
		BED170		Land Acquisition for Water Security, Lihue, Kauai	C			3,000,000	

O		BED170	202408	Value-Added Product Development Center, Hawaii	C			1,300,000	250,000
TOTAL - REQUESTS									
						50,370,000	13,600,000	26,120,000	250,000

Exhibit D
Budget Timeline

Budget Timeline

Timeframe	Report / Action
Mid to late March	ADC Administration Committee meet to discuss budget initiatives
Late March to mid-April	ADC Administration Committee meet to discuss budget initiatives and formulate budget requests
May	ADC Admin Committee adjust budget requests pending outcome of Legislative session
July	ADC Admin Committee adjust budget requests pending outcome of Governor's veto
August	Admin Committee report to full ADC Board requested budget
September	ADC submit to DBEDT budget requests for DBEDT Director's consideration