

AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Administration Committee Meeting held Virtually on March 28, 2025

Via Zoom Teleconference and In-Person location at 235 S. Beretania St., Suite 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 Office Tower Building, 235 S. Beretania St., Suite 205, Honolulu, HI 96813.

Members Present, virtually:

Lyle Tabata, Kauai County Member, (Chair)
Jesse Cooke, Honolulu City & County Member, (Member Cooke)
Glenn Hong, Member-at-large, (Member Hong)
Jason Okuhama, Member-at-large, (Member Okuhama)

Members Excused:

Jayson Watts, Maui County Member

Counsel Present, virtually:

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

Staff Present, virtually:

Wendy Gady, Executive Director
Mark Takemoto, Senior Executive Assistant (Mr. Takemoto)
Ingrid Hisatake, Secretary III, Zoom Operator

Guests Present, virtually:

ADC Guest
Arumuganathaswami
Edward Becker, Medusky & Co., Inc. (Mr. Becker)
Judy Liu
Leslie Milnes (Mr. Milnes)
Magdalena Marban
Ryan Kagimoto

Guests Present, physical location:

None.

A. Call to Order

Chair called the meeting to order at 2:02 p.m. and conducted a roll call of the Administration Committee members. Chair, Member Cooke, Member Hong, and Member Okuhama acknowledged their presence with no one present in the room with them.

B. Approval of Minutes

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None.

C. Committee & Permitted Interaction Group Reports

None.

D. Action Items

- 1. Determine recommendation of the license fee for new Kauai applicants based on current appraisal rates, reported to the Administration Committee on October 14, 2024, for recommendation to the Board of Directors; deferred from October 14, 2024 and again on January 14, 2025**

Chair called on Mr. Takemoto for the staff presentation.

Mr. Takemoto said that at the prior Administration Committee meeting questions were raised about how the appraisal was conducted. The appraisal was shared with various Kauai stakeholders and Mr. Becker, from Medusky & Co., Inc., was available to answer any questions. Staff asked that the committee make a decision on the rent amount for new applicants so we may proceed with contacting applicants for Kauai land and issue rights-of-entry for them to prepare to license the farmlands. Staff asked that the committee approve the rent amounts as listed in the submittal.

Chair asked if anyone from the public wished to provide testimony.

Mr. Milnes stated that he represented the overall farming community in Kalepa and is President of the Kalepa Coalition. Regarding the appraisal, looking at the valuations for diversified ag, the comparables are not truly diversified ag. Some lessees and licensees are using the land for base yards and other things beyond diversified ag. Grove Farm was \$200 per acre for diversified ag. Pasture rates for ranchers were \$50 per acre. Looking at the long-term pasture comparables, they originally came from DLNR [Department of Land and Natural Resources] and Hawaii Department of Agriculture (HDOA). Another farmer charging a higher rate has improved the land beyond diversified ag adding structures where they hold community meetings and have added taro farming. When we started farming it was \$5. Then it went to \$30 with the provision that it went up 2.5% every five years. Realistically looking at what the rates are here on Kauai, looking at comparable properties that are specifically in diversified ag and no other uses we feel that \$200 per acre is a reasonable amount, not \$600 per acre. Another thing to consider is there is no CAM [Common Area Maintenance] because all of the roads are improved and maintained by the tenants through an MOU [Memorandum of Understanding] and not a CAM rate charged by ADC. The tenants cover that cost, and they interact with the association to pay their fair share annually through our budgeting. Our proposed rate for pastoral is \$50 per acre per year based on no other use but pastoral.

Member Cooke asked Mr. Milnes if his concern was for the current ADC tenants or the folks who get licenses later on.

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Mr. Milnes said his concern was for the future tenants. The current tenants realize they may be charged a higher rate because of inflation, or because of a change in the general attitude of the ADC Board wanting more money for the acreage. So, it's for the future, not for the current tenants. There are some current tenants that would like to step into some of the units that may become available in the future but really can't see paying much more than hopefully \$50 per acre on pastoral, which doesn't have any irrigation or water sources for diversified ag and no CAM.

Member Cooke asked if Mr. Milnes believed ADC would not be able to find anyone to license lands at the proposed rates?

Mr. Milnes said at the diversified ag rate like Hawaii Golden Farms. One lot changed from pastoral to diversified ag and they recently entered into an agreement at a higher rate. It is costly for Kauai to compete with Oahu marketing rates because of shipping and handling. You are going to have trouble finding people at \$600 per acre. More likely \$200 per acre. You may want to consider rather than upping the rent by 2.5% every five years to look at compounding ever two years or even yearly based on the annual inflation rate.

Member Hong asked if the issue of the comparables had been brought to the attention of the appraiser.

Chair asked Mr. Becker to speak on behalf of Medusky.

Member Hong said that Mr. Milnes indicated that the comparables used in the study were not true comparables for diversified ag and pastoral use and the comparables were used for other things like base yards. Was that brought to your attention, discussed, and resolved?

Mr. Becker responded no.

Member Hong asked Mr. Takemoto how much pastureland ADC had available in Kalepa.

Mr. Takemoto replied none.

Member Hong stated that the discussion of pastoral lands was really not germane at this point because there are no pastoral lands.

Mr. Takemoto replied that's correct.

Member Hong asked so we're basically talking about diversified ag only.

Mr. Takemoto said that right now ADC is focusing on diversified ag for food production. Not so much ranching.

Member Hong asked Mr. Milnes if prior to this meeting he had raised the issues brought up today with anyone from ADC?

Mr. Milnes replied that he had not been able to because the research took so much time. He asked Mr. Takemoto if there were 130 acres of pastoral land available near the Wailua Reservoir.

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Mr. Takemoto responded that there are tenants in Kalepa who are using land for pastoral purposes that would be better suited for diversified ag once the land is cleared. It's heavily forested right now. A farmer is looking at clearing the land and using it for diversified ag.

Member Hong asked Mr. Becker if he could address the concerns regarding the comparables, where Mr. Milnes said the properties were not comparable.

Mr. Becker stated that if they were talking about the portions of property used for base yards and meeting places, it was a matter of degree. If you don't know those details, you have to look at each transaction and see what the impact of those additional uses are. When we research these things, we contact all of these people. Some talk to us; others don't. In certain instances, we were able to get a hold of recorded documents. We spoke with other appraisers. Generally, this is not the kind of information that's readily available. It takes a lot of work to get down to the details, and many of the details are not shared.

Chair asked Mr. Becker why the CAM amount was so different from what's currently being charged.

Mr. Becker said he was unaware of what was currently being charged. Basically, the CAM expenses are estimated based on actual costs incurred for the last five years, then prorated over the land area. He was not provided a breakdown of where the current CAM number came from.

Chair asked if he was given access to KAA [Kekaha Agriculture Association] records.

Mr. Becker responded no.

Mr. Takemoto clarified that Medusky was given access to ADC's costs.

Chair asked how an accurate number could be provided when you don't talk to the group responsible for the water and infrastructure.

Mr. Takemoto said the appraiser was provided with ADC's costs and the appraiser did speak with different landowners about their various costs to come up with the CAM.

Member Hong shared Chair's concern and wanted to know exactly what services were specifically being provided by the CAM. Once you have a total cost of the CAM services, how are they allocated. Assuming it's on a per acre basis, what happens if you don't have full utilization of all acres? Has there ever been an audit of the CAM costs? The difference between \$117 and \$480 is significant. It sounds like we don't have answers at this point.

Member Okuhama noted that there was only so much acreage under license, and the Kekaha area was so vast, with a relatively smaller amount of licensees carrying the entire acreage, it's not necessarily fair when it comes to the CAM because of the agreement between ADC and KAA that they've got to carry the whole property. How many acres are licensed right now and what is the total area that's gotta be covered.

Mr. Takemoto said ADC does not charge the CAM. KAA does. ADC recommends the cost of rent and takes into account the CAM charge. Staff recommend an increase in rent from \$150 to

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\$237, and the CAM continues to be under KAA's control. The question for the committee is do you want to raise the amount charged for rent? Also, to get a clear understanding of the CAM costs, does the committee want Staff to arrange for an audit of the CAM; where you can look at the numbers and try to fit it into an actual amount of CAM plus rent?

Chair called on Arumuganathaswami to provide testimony.

Arumuganathaswami stated he was with the Kauai Hindu monastery and is a member of the Kalepa Coalition with Mr. Milnes. They license 320 acres where they grow hardwood trees and Noni trees. He would like the CAM to be ignored because it varies depending on the requirements. Almost all the land in Kalepa was licensed so the CAM can be divided by licensed acres. Kekaha has thousands of unlicensed acres that need to be divided among a smaller amount of licensees. If the whole place was leased out, the CAM would be much lower per acre. What's presented in the appraisal was not what's happening on the ground.

Member Hong said again it seems like the comparables are not really comparable. There are large divergences between the uses of the properties that may not be as applicable to use in an appraisal for diversified agriculture. There's also the CAM. Yes, an audit of the CAM needs to be done to understand what services are being provided and how the funds are being allocated.

Member Okuhama asked if the forested land in Kalepa that was to be used for diversified ag had access to water.

Mr. Takemoto explained that there was not easy access to water. But there's a farmer who is interested, and he's acknowledged that the clearing cost may be prohibitive but other tenants may come on board for some relief.

Member Okuhama said comparing \$600 a year in Kalepa to Oahu makes Oahu seem pretty low, plus all the cost to bring in water. We need to take a good look at the costs involved. If the area is heavily forested, is that a reasonable amount? And \$237 in Kekaha and \$600 in Kalepa. It seems odd when Kalepa requires so much work. Just looking at rent and not CAM. Can we give them some discount or grace period. The Kalepa property has way more challenges.

Mr. Takemoto agreed, saying the land has not been farmed for a long time and there will be greater costs associated with farming land that has been fallow for a number of years. The Board does have the discretion to give rent credits. Staff recommended going by the appraised value, and having the prospective farmer make a case to the Board for rent credit or some other form of relief.

Member Cooke asked what's the total amount of acreage ADC has in Kalepa.

Mr. Takemoto replied almost 6,000 acres. All of it is licensed except for about 160 acres.

Member Cooke responded that there appeared to be a higher demand for Kalepa than Kekaha.

Mr. Takemoto said the Kalepa tenants were originally under DLNR leases. The newer farmers are doing diversified ag, like Hawaii Golden Farm.

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Mr. Milnes asked to address the parcel that will be moved from pasture to diversified ag. That area doesn't really have access to water other than the main transmission line off the North Fork to Wailua Reservoir. It would be easier for a rancher to go in and take care of that parcel than a diversified ag guy. To get that parcel open and used, I would think you'd want to consider pastoral. Hawaii Golden Farm has taken ag pastoral lands, but that land was designated for diversified ag back when the land was with DLNR. The other thing I want to point out is that you've got diversified ag and intensive ag. Diversified ag can work on properties as small as 3 to 5 acres. If you're looking at good acreage cost for a diversified and intensive ag, it might be wise to look at a sliding rule between 3 to 50 acres at one cost per acre per annum, and 35 to 100 acres being at another rate. So, you know, you probably could get \$400 to \$500 per acre for a small parcel of 10 acres.

Mr. Takemoto said ADC has opened up applications for new farmers to come in. We do have farmers interested in the property. The Board will decide. But the committee must make a recommendation to the full Board on the rental fee. We need that amount to move forward. We have tenants waiting and we'd like to start the licensing process.

Mr. Milnes made a rent suggestion on behalf of the Kalepa Coalition. He suggested \$50 per acre per year for pastoral and \$200 per acre per year for diversified ag. He believed the whole intent was to provide lands that were reasonable for farming on Kauai.

Member Okuhama asked Mr. Takemoto if raising the rent in Kalepa to more than \$100 per acre per year would cause the prospective licensees to back out because the rent was too high. Or are they serious about this land knowing the problems.

Mr. Takemoto replied he couldn't say anything with absolute certainty but there's very little acreage available in Kalepa as compared to Kekaha. A tenant is interested, but overcoming the difficulty on the property may become an issue. Staff need to know the rental amount to approach the prospective tenant. Once the rent was known the prospective tenant can decide if the rent was too high.

Member Hong stated he was not comfortable that the appraised number was actually the market rate. He'd like greater certainty that the category of property was actually diversified ag for Kalepa and Kekaha.

Chair agreed with Member Hong that the committee needed an audit of the CAM. We need a better system rather than moving money from \$600 down to \$237 in Kekaha, knowing that CAM was not included and the situation with Hartung. The CAM numbers are going to increase. There's a lot of uncertainty. I believe we should keep the rates as-is for now, do some research and adjust the rates every five years. If we need a decision today, I'd like to keep it as-is and audit KAA's CAM numbers so we have more information for discussion.

Mr. Takemoto asked if that was the motion.

Chair asked if the Board could entertain an amendment to the Staff's recommendation.

Ms. Prescott-Tate stated that the subject to be determined was the recommendation of the license fee for the new Kauai applicants. What would be the recommended amount for Kekaha?

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Chair stated that for Kalepa, if the current rate for diversified ag is \$100 and pasture is \$30, they should remain the same.

Member Hong suggested that the rental rate for diversified ag in Kalepa be increased to \$200 per acre per year and keep the pasture rate as \$30 per acre per year. Then we look at the CAM costs. Once we have that we can readjust any remaining properties going forward. If any properties in Kalepa need a lot of work, infrastructure, water, site-work, the tenant can ask the Board for an adjustment. For Kekaha, I'd recommend a rate of \$235 per acre per year. So, \$200 per acre per year for diversified ag in Kalepa. Maybe increase the pasture rate to \$50 per acre per year knowing there was no pastureland available in Kalepa right now. And for Kekaha, recommend rent of \$235 per acre, per year. This is somewhat of a compromise. It sounds like the market will not view these amounts as unreasonable.

Ms. Prescott-Tate asked if these were the amounts the committee was going to recommend to the Board.

Member Cooke asked that the rates for Kalepa and Kekaha be subject to change at a later date.

Ms. Prescott-Tate confirmed that the recommended rent for Kalepa was \$200 per acre per year for diversified agriculture and \$50 per acre per year for pastureland. And the recommended rent for Kekaha was \$235 per acre per year for diversified agriculture. All amounts subject to change at a later date.

Chair called for a motion to approve the recommended rental rates of:

Kalepa diversified agriculture: \$200 per acre per year.

Kalepa pasture: \$50 per acre per year.

Kekaha diversified agriculture: \$235 per acre per year.

The amounts can be revised for new licensees in the future once the committee gets better data.

Subject to 2.5% increase every five years pursuant to the Land Management Policy & Procedure Manual.

Motion by Member Hong; second by Member Okuhama.

Hearing no further Board discussion Chair called for the vote. Hearing no objections or abstentions the motion was unanimously approved: 4-0.

D. Informational Items

1. Budget participation by the Board for FY2027, current schedule for Budget discussion

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Chair noted that the next item was just informational and called on Mr. Takemoto for the Staff presentation.

Mr. Takemoto said at the last Administration Committee meeting it was noted that the budget for FY 2025-2026 had already been submitted. Things like CIP [Capital Improvement Projects] and project fund requests had already been put together with DBEDT [Department of Business, Economic Development & Tourism] and were before the legislature. If the Admin Committee wanted to work on the next budget, Staff recommends focusing on desired budget requests now. The committee members should individually come up with recommendations then provide any recommendations individually to the Chair. The recommendations will be placed on the agenda for discussion in public meetings. The Admin Committee's recommendations must be presented to the full Board no later than July/August 2025. Staff will need to work on presenting the Board's recommendations for inclusion in DBEDT's budget by August/September 2025.

Member Hong asked to clarify that the timeframe for budget planning for FY 2027 was from March 2025 to September 2025

Chair stated that's correct. The budget was a bi-annual budget; two years at a time.

Mr. Takemoto explained that the next budget request would be for FY 2027. Just to clarify, the 2026 budget was being debated in the legislature right now. That's funding from July 2026 to June 2027.

Member Okuhama asked if staff could provide a format of the budget to look at.

Mr. Takemoto said it's an odd situation. ADC requests positions or initiatives but ADC has no control over how much money the legislature will provide. The requests must be very specific; like for equipment or positions or to hire a contractor. Those are the things ADC would be requesting. Once the 2026 budget process was complete a copy can be provided to the Board.

Member Okuhama asked that instead of always being dictated projects could we ask for projects to be funded; things ADC thinks would be a good thing to do?

Mr. Takemoto replied yes.

Chair stated this was a new opportunity for the Board.

F. Adjourn

Having no further business to discuss Chair called for a motion to adjourn.

Motion by Member Okuhama; Second by Member Hong.

Chair called for the vote. Hearing no objections or abstentions the motion was unanimously approved: 4-0.

The meeting was adjourned at 3:20 p.m.