

AGRIBUSINESS DEVELOPMENT CORPORATION
Minutes of the Board of Directors meeting of October 3, 2018
Department of Agriculture Plant Quarantine Conference Room
1879 Auiki Street, Honolulu, Hawaii 96819

Members:

Letitia Uyehara	Yukio Kitagawa
Sandra Klutke	Denise Albano
Margarita Hopkins	Douglas Schenk
Scott Enright, DOA	Jeffrey Pearson, DLNR
Robbie Melton, DBEDT	

Absent:

Lloyd Haraguchi	Leilyn Koev
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Guests:

Wally Johnson, Global Ag.	Joshua Uyehara, KAA/Hartung
David Cho, Senator Dela Cruz's office	Leslie Campaniano, Hartung

Staff:

James Nakatani
Myra Kaichi
Lynn Owan
Ken Nakamoto
Todd Low
Cindy Doi

Counsel:

Andrew Goff, Deputy Attorney General

A. Call to Order.

Chairperson Uyehara called the meeting to order at 9:15 am.

B. Approval of Minutes from the August 29, 2018 meeting.

Mr. Schenk moved to approve; Ms. Klutke seconded the motion; motion carried unanimously.

C. Request for Approval to Issue a sub-license from Sunrise Capital Inc. to Global Ag. Services for a portion of Field 314, Kekaha, Kauai, Tax Map Key (4) 1-2-02-001 (por).

Ms. Owan made the presentation to issue a sub-license from Sunrise Capital Inc. (Sunrise) to Global Ag. Services (Global Ag). She gave a background that Sunrise began its tenancy with ADC as a start-up shrimp and bi-valve operation. Approved in 2009, Sunrise currently licenses 423.85 acres. The lease rents were crafted to ensure the success of the company, beginning with discounted rent values, and

subsequent deferments of rent increases. Sunrise has since merged its cooperative organization with Hendrix Genetics USA LLC and is enjoying further success. ADC has been slowly converting Sunrise to a more conventional rent structure, more in line with other tenants. Of the 423.85 acres, 382 acres currently accrues rent at \$150.00/acre/year. The remaining 41.85 acres accrues rent at \$50.00/acre/year. Sunrise agrees that all 423 acres should bear rent at \$150/acre/year. Global Ag. is owned and operated by Wallace and Jorienda Johnson. Global Ag. specializes in labor for agricultural research and production operations and have staffed agricultural research operations on Kauai for over seven years. It also facilitates visas for foreign workers and holds a federal labor license which allows it to source labor from international sources. Global Ag is seeking lands in Kekaha for the purpose of managing a tobacco research project. Sunrise has agreed to sublicense 9 acres under LI-K1001 which are currently fallow. Global Ag. desires a 2-1/2 year sublicense, with two options to extend for an additional three years per option. The maximum term for the sublicense is therefore 8-1/2 years. License LI-K1001 will expire on July 20, 2029. The recommendation: Approve the rent increase for all 423.85 acres to Sunrise Capital, Inc. to \$150.00/acre/year. Approve a sublicense from Sunrise Capital, Inc. to Global Ag. Services, Inc., subject to the following terms and conditions: (1) term of this sublicense is 2 ½ years with two options to extend for consecutive three-year periods each; (2) annual rent shall be \$150.00/acre/year; (3) no subletting to be permitted without ADC's prior approval in writing.

Chair stated that we are only acting on the sublicense portion of this request and the rent issue with Sunrise will be at another meeting.

Mr. Pearson moved to approve the sublicense to Global Ag; Ms. Klutke seconded the motion.

Mr. Kitagawa asked if it was Sunrise who was doing shrimp operation and are they still there raising shrimp. Ms. Owan yes and they would like to expand and they have two facilities one on an ag park and another location with breeding of shrimp and this location. Is Global Ag farming now or a doing consulting services? Mr. Johnson stated that they were one of the originals when the cooperative was started and he sold his lease to BASF then started the labor business. They are looking ag services or research business to augment their labor business. They provide temporary labor from out of state. Ms. Klutke said ADC gave a sublicense through Beck's for 12 acres of mangos.

Ms. Melton asked on the tobacco research that they were working on. Mr. Johnson replied the company he is working with is doing work on low nicotine tobacco which would be shipped off island and essentially if it works out properly they may do a continuance tobacco nursery on new types of tobacco for the low nicotine market that is being generated. Tobacco crop matures in about 100 days.

Ms. Hopkins asked if it is the vision of Global Ag to have a seed tobacco business in Hawaii similar to the corn seed business. Mr. Johnson replied it is similar where they produce new types and the climate would allow to grow year round where most of the places where tobacco is grown is seasonal. Also there are not too many diseases that affect tobacco.

Ms. Owan mentioned that Global Ag's sub-license would require a conservation plan and utilization plan.

Motion carried unanimously.

D. Request for Approval to Issue a Revocable Permit to Kelena Farms Inc. for 337.774 acres in Wahiawa, Oahu; Tax Map Key (1) 6-5-02-10 (por), 7-1-01-03, 6-5-02-25 (por), 7-1-01-02 (por).

Mr. Nakamoto made the presentation to issue a revocable permit to Kelena Farms, Inc. for 337.774 acres. He gave a background that ADC issued a land license to Twin Bridge Farms, Inc. for 79.991 acres of the Galbraith Agricultural Lands (GAL). Twin Bridge Farms has decided to not farm on the GAL and will focus on developing the land they purchased in Waialua. Since ADC acquired the GAL, it cleared approximately 950 acres of trees and grass. However, 450 acres, including the 79.991 acres previously approved to be licensed to Twin Bridge Farms has remained unused and is becoming overgrown, which will likely add to the upfront cost for the small farmers. ADC would like someone to occupy the unused areas temporarily to prevent the land from becoming overgrown with trees and tall grass. Kelena Farms has shown interest in temporarily occupying the land to control the overgrowth of weeds and other vegetation in exchange for rent credit not to exceed the annual base rent. Additionally, they plan to grow 20 acres of cabbage and bell peppers. The recommendation is to approve the issuance of a revocable permit to Kelena Farms for 337.774 acres in Wahiawa subject to the following terms and conditions: (1) term of this lease shall be month-to-month; (2) base rent rate shall be \$100 per acre per year; (3) rent credits with the maximum of up to the total annual rental amount for 1 year may be applied; and (4) no subletting to be permitted without ADC's prior approval in writing.

Mr. Schenk moved to approve the recommendation; Ms. Melton seconded the motion.

Motion carried unanimously.

E. Request to amend prior board approval of a Land License to Mr. William Wise III dba Waihii Farms for land and improvements located at Whitmore, Oahu, Tax Map Key (1) 7-1-02-04 (por) to include Kalama Hardwood LLC.

Mr. Nakamoto made the presentation to amend the prior board approval of a land license to William Wise III dba Waihii Farms (Licensee) for land and improvements located in Whitmore. He gave a background that since 1999, William Wise III dba Waihii Farms had been leasing 16 acres of land from Dole Foods Company where he and his family operate an ornamental floriculture nursery. In 2015, ADC issued a land license to the Licensee to continue his agricultural activities. The Licensee and his family also do wood milling and wood work on the property under Kalama Hardwood LLC. ADC received a request from the Licensee to add Kalama Hardwood LLC to the license agreement in response to a complaint from a Whitmore neighbor alleging the Kalama Hardwood is illegally operating on State land leased to Waihii Farms. Also allegation was made that the Licensee are illegally clearing land and operating a dump site on the property. On August 16, 2018, ADC along with inspectors from the Department of Planning and Permitting and the State Department of Health met with the Licensee and conducted an inspection. The Licensee informed the inspectors that he has an approved Soil Conservation Plan for the operation. The entire license areas was inspected and could not find any evidence supporting the complaint's accusations. Further, according to the City and County of Honolulu Land Use Ordinance, wood milling and wood work is a permissible use on agricultural land. The Licensee is in good standing with ADC and is current on their rent. The recommendation is to: (1) approve the request to amend the 35 years with an option to extend an additional 35 years; (2) base rent shall be \$850.00 per month based on \$250.00/acres/year for the 12 acres of usable land and \$600 per

month for the residential unit; (3) rental rate shall re-open on the 10th, 20th, and 30th years; and (4) no subletting to be permitted without ADC's prior approval in writing.

Mr. Pearson moved to approve the recommendations; Ms. Melton seconded the motion.

Mr. Schenk asked on the residential property. Mr. Nakamoto replied it is owned by ADC that is a small unit with a county water line.

Mr. Kitagawa asked if this involves additional acres. Mr. Nakamoto replied no additional acres and is 500 square foot workshop.

Mr. Nakamoto stated this is to add Kalama Hardwood to Waihii Farms license. Kalama Hardwood has been established last year and want to do the right thing by adding that business to their license. He wasn't sure if Waihii Farms was doing this hardwood business from the beginning. This was a permissible use but the only condition was that any woodwork must be done 300 feet from a residential unit. There was also a compliant regarding their road which there was acquisition that Waihii Farms was grading and grubbing an access road which was cut by Dole or before. ADC investigated and did not see any evidence of excavating or grading. The only improvement was that Waihii Farms put cold plain on the road so they could go up and down during rainy times.

Motion carried unanimously.

F. Information on the upcoming agricultural Hackathon. Seeking suggestions for challenges and workshop ideas.

Ms. Melton made an update on the agathon and upcoming agricultural Hackathon. This year focus is on sustainability and one of the five pillars of sustainability is agricultural production. They are joining the Governor's co-challenge to be held on October 20 to November 10th. The planning committee for the agathon will be in charge of the agricultural sustainability program. They need to provide the top challenges for agriculture that the participants will work on as a project. Mr. Enright will get back to Ms. Melton.

Mr. Pearson moved to go into executive session; Mr. Schenk seconded the motion; motion carried unanimously.

Five minute break was called at 9:55 am.

G. Update on (1) Clean Water Act Federal Lawsuit, Na Kia'i Kai, Surfrider Foundation and Pesticide Action Network North America vs State of Hawaii, Agribusiness Development Corporation and Department of Health, civil No. 1:16-cv-00405-ACK-RLP and (2) Compliant Under Title VI of the Civil Rights Act of 1964, EPA File No. 45RNO-16-R9, Both filed by Earthjustice.

Executive session pursuant to HRS 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.

Ms. Melton moved to get out of executive session; Ms. Klutke seconded the motion; motion carried unanimously.

Five minutes break was called at 10:15

H. Executive Director's Reports and Updates.

1. Kekaha – Hartung Housing Concept

Mr. Nakatani stated the Hartung Brothers is exploring the possibility of building worker housing in Kekaha to address its farm labor needs, and possibly the needs of other operations in the area. A potential site is the former county recycling center between the main canal and Kekaha Road. Hartung will likely make a presentation in the near future on the project but would like to hear any concerns or questions that the board may have that could incorporate into its presentation.

Joshua Uyehara and Leslie Campaniano from Hartung Brothers were present. Mr. Uyehara stated that they do not have a lot of engineering plans yet but they were thinking to ask conceptually if ADC would be open to Hartung pursuing further. If there is some support depending on the details, then they would do further site engineering and come back with an actual specific concept as to what they are looking for. At a high level for Hartung they are looking to build sixty head count of capacity for seasonal workers housing. Right now they are leasing houses for six months to one year to house workers for 10 weeks of work. They are in escrow right now to buy a million dollars' worth of houses to house their workers and they see that hopefully a temporary stop gap until they are able to identify a suitable location to construct purpose design farmworker housing. It is a critical need. Is the ADC open to the concept of building farmworker housing on ADC property in the Mana area?

Mr. Kitagawa stated that it is a good idea and have seen it operate in Kunia and works out pretty well but needs to be controlled.

Mr. Enright said ADC needs to look at the housing situation. He supports Hartung to move forward.

Mr. Kitagawa said these comments based on HARC it is important to get outside support. He wondered if the County has condo permits. That would be one way to look at housing.

Ms. Klutke stated that she has concerns because of the farmworkers housing to be on ADC lands that would be in the Kekaha community. Is there other ADC property for possible housing?

The timeline is as soon as possible. Maybe in two to three years they want to start building hopefully sooner but for right now they want to work on the concept. Mr. Enright asked to have Ms. Campaniano come back to the Board to make a report on the progress.

Ms. Klutke commented that in Kalepa there are abandon vehicles and equipment on tenant properties and have asked them to clean it up but have not done so.

2. Whitmore

Mr. Nakatani reported that the surroundings south side of Whitmore Village is the subject area along Uwalu Circle has been plagued with criminal trespassing for decades due to its proximity to the residences and the gullies and natural forested areas in accessible by vehicles which abuts the street. Since ADC acquired the property in 2015, it has been inundated with calls and complaints from the community about illegal structures, drug use, loud noise, fires, fights, loose dogs, gambling, prostitution and illegal dumping. In response, the ADC has been actively clearing land and installing signage and barriers to restrict access to the area where the illegal activities are occurring. The ADC did request from the City & County of Honolulu to install "No Parking Tow Away Zones" signs along the street. There is a Neighborhood Board meeting on October 15, 2018 where ADC will present a petition signed by several Whitmore residents in favor of installing the signs on Uwalu Circle.

Another issue is the numerous encroachments on ADC property located behind the residences along Circle Mauka Street and Circle Mauka Place. On August 13, 2018, the ADC issued notification to the residents to inform them that anyone who wants to claim the unpermitted structures on ADC property has 30 days to do so. The residents were enraged and demanded that ADC cease and desist any action until proper community input and negotiations has been made. The ADC sent a subsequent letter on September 12, 2018 to postpone the deadline and inform the residents that we are seeking a facilitator to help both parties come to a resolution. ADC is planning to hold a community meeting this month to initiate the facilitation process. There were claims made by some of the residents that ADC and its tenants have no rights to the land which consist of a drainage easement and natural forested areas because Dole gave them permission to use the property 20 years ago. Dole denies giving the residence permission to use the land purchased in 2015.

Mr. Kitagawa felt that we should meet with the community who has concerns and want to do something about it. That would take a long time to heal these concerns but we need to deal with this to the point where the residence will feel satisfied. But they need to know that they are not dealing with Dole any more. This is ADC's issue and we need to work it out.

Mr. Enright commented that if the homeowners are encroaching on state lands, it probably does not qualify as a community concern. We can talk to them but they have encroached on state land and need to pull back. Time can be given but ultimately that needs to happen. He feels a fence is warranted whenever you interface with residential communities.

Mr. Kitagawa emphasized that it's an issue we need to deal with and the board would need to take the lead. It needs to come from the board.

Mr. Nakamoto commented that we will be having a community meeting hosted by our nonprofits in Whitmore. It's scheduled for next week Friday which would be the first to get a feel and announce that we will be hiring a facilitator and will getting input from the community. He did assure some of the homeowners that we are willing to work with them.

Mr. Kitagawa thanked Senator Dela Cruz who was at the first meeting with the community and will continue to work together.

Mr. Enright asked David Cho, staff of Senator Dela Cruz, where is the Senator on this issue. Mr. Cho replied they have been working with ADC staff as well as the nonprofits to try to get the community

meeting scheduled for next week and doing community outreach. They will also try to mitigate some of the concerns coming in. They understand that ADC took the advisement of their deputy attorney general to move forward. There is liability issues while anyone is on state property. They will see what happens next week but they are trying to prepare as much as they can. The meeting is October 12, 2018 at 6:00 pm at Helemano Elementary.

Chair commented that the ADC staff is doing a good job on this issue but it takes a lot of effort, resources and time which impedes other progress on other issues that ADC needs to pay attention. We need to expand our ADC staff in order to address some of these issues more fully.

Mr. Nakatani reported that there are two sides of these issues: one is the legal side where our deputy attorney general gave us legal advice on how to proceed. The political side is whether we are willing to give it to the community. One issue is to protect our two tenants that are adjacent to these parcels. Thanks to the Senator, Mr. Kitagawa and the two non-profits who are willing to get involved and engage with the community.

Mr. Kitagawa stated that one of the board's consideration is whether ADC might consider providing access to the land with the community. The main thing is to keep the board aware of the actions that we need to face.

3. Galbraith Ag. Lands

Mr. Nakatani reported that the ADC is struggling to get Galbraith small farmer to comply with the terms and conditions of their License agreement. Numerous letter were sent to farmers but little action has been taken to comply with their License. Staff will continue to try to make contact with some of the farmers.

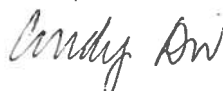
Chair asked that the members of the land committee look at issues brought up today. The committee needs to look at land issues and also look at policies regarding getting more tenants on the Galbraith lands. There is need for more refinement in the selection process so that would be one of the tasks being asked of this committee.

Next meeting would be mid November before the holiday.

Mr. Enright moved to adjourn; Mr. Schenk seconded the motion.

Meeting adjourned at 11:20 am

Respectfully submitted,



Cindy Doi
secretary