

**AGRIBUSINESS DEVELOPMENT CORPORATION**

Minutes of the Board of Directors meeting of December 12, 2018  
1259 Whitmore Avenue, Wahiawa, Hawaii 96786

Members:

Letitia Uyehara	Denise Albano
Lloyd Haraguchi	Robbie Melton, DBEDT
Scott Enright, DOA	Sandra Klutke
Margarita Hopkins	Leilyn Koev
Douglas Schenk	Yukio Kitagawa

Absent:

Jeffrey Pearson, DLNR

Guests:

Joshua Uyehara, KAA	David Bissell, KIUC
Senator Dela Cruz	David Cho, Sen Dela Cruz's office
Anna Doquisa community	Tina Lee, Sen Dela Cruz's office
Elaine Ringor, community	Jane Au, Aina Momona
Renee Manding, community	Ray Rulloda, community
Les Decosta	Maria Camat, community
Diane Gilmore, community	Michael Barros, community
Al Purquza, WCA	William & Louella Robertson, community
Mario Raquino, resident	Mitch Aaira, Whitmore
Carolyn Ringor, Rooted	Jazmine Corpus, Rooted: Kekahi Me Ka Aina
Craig Wagnild, Sunrise	

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 9:45 am

Chair took items in a different order to allow everyone to speak and comment on Item B. Item D will be taken up first.

D. Request for approval to: 1) re-characterize 233.16 acres under Sunrise Capital LLC's LI-K1001, from tillable to non-tillable and 2) increase rent to \$150/acre/year for 190.17 tillable acres; Kekaha, Kauai, Tax Map Key (4) 1-2-02-001 (por.)

Ms. Owan made the presentation to re-characterize 233.16 acres under Sunrise Capital from tillable to non-tillable and increase rent to \$150/acre/year for 190.17 tillable acres; Kekaha. She gave a brief background on the request which was deferred from our last meeting. Sunrise requests that acreage in Fields 309, 310, 315 and 316, for a total of 233.18 acres be re-characterized from tillable to non-tillable. The current rate for non-tillable land is \$1/acre/year. Sunrise has acknowledged that the discounted rate should be discontinued and the diversified ag rate of \$150/acre/year for the tillable fields is appropriate. The staff recommends to: 1) approve the re-characterization of 233.18 acres from tillable to non-tillable, at the non-tillable rate of \$1/acre/year; 2) approve discontinuation of the discounted rate of \$50/acre/year and increase to the diversified ag rate of \$150/acre/year, to be assessed on the remaining 190.67 acres, 3) require applicant to submit a request for ADC Board approval to issue a sub-license to Hartung Brothers, Inc. for the respective fields that were covered by the former Service Agreement dated November 1, 2012.

Mr. Enright moved to approve the staff recommendations; Mr. Haraguchi seconded the motion.

Craig Wagnild attorney for Sunrise answered a few questions that were brought up at the last meeting. There were two questions: 1) why is Sunrise requesting this now. It is because at the time Sunrise initially licensed the property they were not really aware of the issue and it came up recently in connection with the sub-licensing. Sunrise recognizes that other agency licensee has tillable and non-tillable with different rates so they were requesting that the ADC review the non-tillable land licensing. Sunrise is asking that the Board treat this the same as non-tillable land that other licensee in the Kekaha area. To some point in the future, based on the plans Sunrise has for the involvement of the land they would utilize portions of the land that is designated as non-tillable. For this request, they are asking to return the lands to tillable because they will be using it. The other question is why Sunrise does not return the lands back to ADC. The answer is that Sunrise has plans to utilize all the lands and those plans are currently being discussed and finance is being worked out. Sunrise will come back to the ADC with their plans in the future. Sunrise will maintain all their licensed area of tillable and non-tillable. Sunrise feels that it is appropriate to increase the rent as with the other licensee for the tillable acres.

Ms. Klutke asked for Sunrise's plan maybe every six months or yearly on what their plans are for the non-tillable acres. It could be left fallow forever at a dollar an acre. Mr. Wagnild agreed and has no objections. Ms. Owan stated that she spoke to Mr. Sweeney yesterday and did request a letter to provide a conceptional plan of the non-tillable acres. Hendrix Company is coming to see Sunrise next month so something in writing should be received

Mr. Haraguchi asked whether the non-tillable could become a RP. Mr. Wagnild replied Sunrise has plans for the tillable and non-tillable therefore they don't want it to be under a revocable permit.

Ms. Klutke stated that if we approve this, she would like ADC to review and go back to look at their tillable and non-tillable lands and make adjustments because she feels there are portions of the lands on 315 and 316 that are tillable and at the same time look at all the lands we have to see if it is non-tillable.

Ms. Klutke stated that the Service Agreement between Hartung and Sunrise expired on October 31, 2018. She questioned when are they going to renew the Agreement. Mr. Wagnild replied they plan to renew the Agreement very soon. Ms. Klutke asked that the renewal be done by the next meeting. Mr. Wagnild agreed.

Motion carried unanimously.

C. Request for consent to an indenture of mortgage, security agreement financing statement by the KIUC to the United States of America, Rural Utilities Service (RUS) and the National Rural Utilities Cooperative Finance Corporation (CFC).

Ms. Kaichi made the presentation and gave a brief background on the consent. The conclusion is that KIUC and its members are in the middle of an aggressive, and largely successful, campaign to reach complete independence from fossil fuels. They believe that an indenture of mortgage arrangement will be more beneficial to their financing needs moving forward, than the more traditional debt financing with each lender, and particularly to receiving further financing from the RUS. The existing mortgages on the ADC Kalepa lands should not be impacted by this transition and will be administered by the trustee. The recommendation is that this Board approve KIUC's request to consent to the mortgage of those portions of General Lease No. S-3911 that are on ADC's Kalepa lands.

Ms. Klutke moved to approve the recommendation; Mr. Enright seconded.

Motion carried unanimously.

B. Request to approve the issuance of Revocable Permits for Circle Mauka residents in Whitmore, Oahu, Tax Map Key (1) 7-1-02-04 (por.)

Mr. Nakamoto made the presentation and gave a brief background on issuing a RP for Circle Mauka residents in Whitmore. He mentioned that notifications were given informing residents that there are encroachments and personal property behind the residence including structures, gardens, personal items and livestock and was planning to remove the encroachments and any unclaimed property in 30 days. Residence voiced strong opposition and expressed a desire to continue using the land behind their residence. ADC reconsidered and is agreeable to allow the residents to use the land for home gardening, which is compatible use with neighboring homes and agricultural operations. On November 13, 2018 the ADC held a public meeting to discuss the issuance of revocable permits to the residents for gardening purposes as a possible solution. While residents supported the concept, some had concerns about the tenure and permissible users. Some residents would like to see a long-term solution, which included acquiring the land from ADC. When issuing a revocable permit, all standard terms and conditions must be followed. The issuance of a RP will protect both parties by giving residents authorization to use

the state land abutting their property for home gardening and bringing the encroachments into compliance with all county, state, and federal ordinances and laws. Although gardening is not part of ADC's mission, it is open to discussion with the Whitmore residents about possible long-term plans to establish a community garden. The recommendation is to approve issuance of revocable permits for Circle Mauka residents, subject to the following terms and conditions: 1) term of the permit is month-to-month; 2) base rental rate shall be \$0.05/square feet/year (\$12.50/month for 3,000 sq. ft); 3) permitted area shall not exceed 3,000 square feet; and 4) permittee shall not assign or sublease the whole or any portion of their premises without the prior written approval of the ADC Board.

Ms. Klutke moved to approve the recommendations; Ms. Hopkins seconded the motion.

Ms. Melton asked what is the average size of the property. Mr. Nakamoto replied about 1000 sq feet and it must be for compatible use that surround the homes with agricultural operations. Mr. Nakatani stated that we would like to follow what the City and County allows in residential areas. Whatever the City and County law permits as far as animals and others will be followed.

Mr. Kitagawa asked about the berm which was a concern. Dole had a berm that was bulldozed and a tenant put in a berm closer to the residence. Mr. Nakamoto stated that he met with the tenant and they did show receipts showing where he got the soil and proved that it was uncontaminated. The documents were reviewed because it is an environmental concern and ADC took it very serious. DPP and DOH came to inspect this farm to make sure they are in compliance.

Community testimony -

Mr. Al Purquza testified as a resident. He feels that they need to protect our ag lands with no high rises. This will affect Whitmore, Wahiawa area.

Jazmine Corpuz who is a resident and on behalf of a non-profit that has support from other community members has an idea where the community can sustain their own culture, traditions and property. The community wants to do the right thing and would like the support for this board. She has goats to keep the brush down and keeping their property sustainable. She stated that ADC purchased the land three years ago and only now this has come up and no one has complained until now. But the complaints are from the vacant land where there is homeless, illegal activity and drug use. ADC is pushing a permit on them when they are not the ones doing wrong. They should be treated differently because they are residents. They are on agricultural lands and not residential lands. She would like to use the non-profit who has worked hard for the needs to make themselves sustainable. The residents who are taking care of the property should be the ones who should make the decisions. They would like to work as a non profit with the board to oversee the lands and teach the community how to grow their own food to be sustainable. She says it needs to be looked into further before a decision is made. There are other options that could be looked at to come to an agreement. She asked that the ADC work with her non-profit to be sustainable and has that support from the community to oversee the lands. They are on agricultural lands and traditional farming goes hand in hand with livestock and not just gardening. If they are encroaching on ADC lands, another meeting should be called

to relook at how they could be licensed like the other tenants. She feels this is not the time to finalize and approve anything. It needs to be looked at further and have more community input.

Mitchell Aiau also spoke on his concerns.

Mrs. Ringor asked if the ADC would waive the fee for the permit every year? Would ADC pay the fee for the residents? Mr. Nakamoto replied that the permit is a month to month which means the long term solution will still be in play and will cover both sides to further the discussion. We are open for discussion. Senator Dela Cruz stated that what is being asked is similar to other tenants like rent credits. If the tenants are compliant with the law and take care of the land, could they be offered rent credits. Chair stated that this would be up for further discussion. She has determined to defer this issue for further discussion.

Short recess called at 11:05 am. Called back to order at 11:30 am

E. Request to adopt the Land Investigative Committee's recommendations for refining the land application process.

Mr. Nakamoto made the presentation on the Land Investigative Committee's recommendation for refining the land application process. He reviewed the recommendations on certain changes to the land application by adding language about the requirements, so applicants are aware of the preferred and mandatory requirements for farming on State land. These changes will show how the applicants plan to run their businesses. Another recommendation is to amend the rating sheet to place emphasis/weight qualifications deemed high priority. The last recommendation is to expand the outreach and solicitation to other groups, organizations, and entities. These groups, organization, and entities should include but not be limited to Hawaii Department of Agriculture, USDA, Hawaii Farm Bureau, Hawaii Farmers Union Foundation, Go Farm, Office of Hawaiian Affairs, and various community groups in the region. In conclusion ADC's land application process is a work in progress. Its goal is to develop a process to find the most qualified applicants and award land licenses based on merit. It is apparent that small farmers vary greatly in terms of financial resources, farming experience, business acumen, and English language proficiency. Refining the land application and rating sheet will help ADC differentiate the best candidate from the rest of the field. The recommendation is to adopt the Land Investigative Committee's process and incorporate the suggested changes to the land application and rating sheet.

Mr. Haraguchi moved to approve the recommendations; Ms. Albano seconded the motion.

Ms. Klutke asked what is the most difficult part of the application for the farmer. Mr. Nakamoto replied probably the business plan. Small farmers have a difficult time formulating a business plan. Also the cash flow projections because many are under capitalized and it is hard to project cash flows based on grants. Also tax clearance could be a problem. Mr. Nakamoto stated that there are three parts that we look at: License, Conservation plan, and liability insurance. Those three things are needed to get onto the lands to farm.

Mr. Haraguchi asked after the selection process is done by a committee, when the farmers are selected will it come back to the ADC board for approval. Mr. Nakamoto replied yes. In the past the selection committee was appointed by the chair then they formed a list and visited the farms and then the farmers were selected. Staff prepares the license then came back to the board for approval. This is now it was done in the past. The process would probably be the same but more screening questions will be added.

Ms. Hopkins asked what is the rational for a minimum five years farm experience since its three years for DOA. Mr. Nakamoto replied initially for the grading sheet was for five years requirement and was not in our application. If we are going to put it in their requirement or qualification they wanted to put it up front in the application itself so that interested farmers are aware that this is a preferred qualification that we are looking for. Chair said we want experience farmers because this is not a new farmer program and there are other programs that help new farmers. If we are going to grow ag we need experience farmers who have the ability to take more acreage and build on that.

Motion carried unanimously.

Meeting adjourned at 11:45 am

Respectfully submitted,



Cindy Doi  
secretary