

AGRIBUSINESS DEVELOPMENT CORPORATION
Minutes of the Board of Directors meeting of March 27, 2019
1849 Auiki Street, Honolulu, Hawaii 96819

Members:

Letitia Uyehara	Sandra Kato-Klutke
Yukio Kitagawa	Leilyn Koev
Denise Albano	Margarita Hopkins
Douglas Schenk	Kaleo Manuel, DLNR
Len Higashi, DBEDT	Phyllis Shimabukuro-Geiser, DOA

Absent:

Lloyd Haraguchi

Guests:

David Cho, State Senate	Dawn Huff, KIUC/Joule Group
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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 9:10.

B. Approval of Minutes from February 20, 2019.

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

Ms. Hopkins made a few corrections.

Mr. Nakatani commented on the minutes that Remedio Dabalez's comments were not noted. However his comments were noted on the minutes.

C. Request for approval to re-issue a revocable permit to Taiwan Gu and Hawaii Golden Farm LLC for 200 acres in Kalepa, Kauai, Tax Map Key (4)3-9-02-020.

Ms. Owan made the presentation and gave a background for a request to re-issue a RP to Taiwan Gu and Hawaii Golden Farm. On February 1, 2018, RP No. 1803 was issued to Taiwan Gu and Hawaii Golden Farm for Unit A-1, a 200-acre parcel. The RP was signed with the understanding that ten acres may be withdrawn from the permit and issued to GoFarm at a later date. Permittee also has a 35-year license for 68 acres in Unit C-1 in Kalepa, a section of which houses a packing and staging area. Units A-1 and C-1 area separated by a parcel under a license to another farmer. Permittee worked persistently to obtain an approved Conservation Plan for Unit A-1, has completed fencing of this parcel and overall has been a good tenant. Rent account is current. Permittee is interested in converting a long-term license at a later date. GoFarm has not currently expressed interest in farming on this parcel.

The recommendation is approval the re-issuance of a month-to-month RP No. 1803 with the following conditions: 1) continue the term on month-to-month; 2) continue the RP fee of \$100 per acre per year; 3) no subletting to be permitted without ADC's prior approval in writing.

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

Chair asked when would they come to the Board for a license. Mr. Nakatani replied they want a license and have made improvements so they have invested into the property. They will be coming back to the board to request a license.

Motion carried unanimously.

D. Request for approval of Sunrise Capital, Inc.'s request to develop a salt water well in a portion of Field 408, Kekaha, Kauai Tax Map Key (4)1-2-02-001.

Ms. Owan made the presentation for approval of Sunrise Capital Inc's request to develop a salt water well in a portion of Field 408, Kekaha, Kauai. Originally approved in 2009, Sunrise currently license 423.85 gross acres. They are in the process of planning to expand their operation and will provide the ADC with proposed development plans. The expansion includes the development of a salt water well that will replace one of two existing wells that serve its breeding facility. The proposed well will supply additional water and serve as a backup to provide water to the hatchery. The application for a well construction permit, to be filed with DLNR, Commission on Water Resource Management requires written permission from the landowner and can take up to 120 days to process. Sunrise is the owner of the well until the expiration or sooner termination of LI-K1001, at which time the ADC has the option to required Sunrise to cap the well at Sunrise's sole cost and expense.

The recommendation is the Board approve the request to construct a salt water well in the northeast corner of Field 408 subject to the following conditions: 1) prior to proceeding

with construction of the well, Sunrise shall inform the ADC of CWRM's approval of the well construction permit; 2) Sunrise shall submit the plans and drawings of the well to the ADC during the construction phase and as-built plans upon completion of the well; 3) prior to operating the well, Sunrise and the ADC shall memorialize an agreement whereby Sunrise is responsible for the operation, maintenance and liability of the well.

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

Ms. Klutke commented that the well is deteriorated and understands why they would like to replace this well.

Motion carried unanimously.

E. Request for approval to withdraw a portion of Field 123, from Beck's Superior Hybrids license in Kekaha, Kauai, Tax Map Key (4) 1-2-02-001 (por).

Ms. Owan made the presentation. In 2016, former tenant BASF Plant Science agreed to sell, assign, and transfer all of its right, title and interest in its license for land and its lease to Beck's Superior Hybrids. The assignment and transfer was approved by this Board on September 28, 2016. LI-K0801 covers a total of 977.25 tillable acres and 244.64 non-tillable acres. About twelve years ago, BASF planted mangoes on a 13.25 acre portion of Field 123 but when Beck's became the Licensee, they were not interested in maintaining it. In May 2017, Hawaii Labor Solutions applied to continue to grow the mangoes under a three-year sub-license with Beck's which was approved by the Board. As this portion of Field 123 is fairly rocky and not favorable for crop growing, Beck's does not have any future plans to utilize the acreage. They are willing to withdraw the parcel from their License so that HLS can apply to license it directly from the ADC.

The recommendation is that the Board approve the withdrawal of 13.25 acres of Field 123 from Beck's Superior Hybrids, Inc. LI-K0801.

Ms. Klutke moved to approve the recommendation; Ms. Koev seconded the motion.

Ms. Hopkins asked how much is charged for non-tillable acres. Ms. Owan replied \$1.00 per acre per year is charged but this acreage is for tillable.

Motion carried unanimously.

F. Request for approval to issue a license to Hawaii Labor Solutions, Inc. for a portion of Field 123 in Kekaha, Kauai, Tax Map Key (4) 1-2-02-001 (por).

Ms. Owan made the presentation. At its June 21, 2017 meeting, the Board approved the issuance of a 3-year sublicense under license LI-K0801, from Becks to Hawaii Labor Solutions for 13.25 acres in Field 123. HLS is a Hawaii corporation of providing contract labor, whose principal officer is Wallace Johnson. He was the president and chief executive officer of Far West Ag, and became one of ADC's first Kekaha land

licensees. Far West subsequently merged with BASF, which assigned and transferred all its interest to Beck's. With a long-term license, HLS is planning to improve irrigation and perform tree maintenance and fruit to produce off-season mangoes.

The recommendation is the issuance of a license to Hawaii Labor Solutions subject to the general terms and conditions of ADC's licenses in Kekaha, including but not limited to the following: 1) term of this sub-license shall be for thirty-five years; 2) rent at \$150/acre/year with rent reopening at the expiration of the ninth, nineteenth, and twenty-ninth years of the term; 3) payment of security deposit equal to two times the monthly rent; 4) payment of its pro-rata of the current Kekaha Agriculture Association fees; 5) payment of its share of all State and County taxes; 6) HLS shall not sub-license the whole or any portion of its premises without the prior written approval of the ADC Board.

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

Mr. Manuel corrected recommendation number 1, it should not be as a sub-license but a license.

Motion carried as amended.

G. Request to amend previous approval dated November 28, 2018 of issuance of land license and land lease to Kauai Island Utility Cooperative from 25 years to 35 years for 413.27 acres in Kekaha, Island of Kauai, Tax Map Key (4) 1-2-002-001 (por).

Ms. Kaichi commented that this item was approved November 28, 2018 and still needs to keep some things confidential because they are still in negotiation of the terms of the power purchase agreement. The negotiations are very close. One of the items that came up is the term of the land license. KIUC is requesting that instead of 25 years they move the initial term of the license to 35 years. The November request was for a 25-year license with a 25-year extension option which is 50 years. They are asking today for a 35-year third year extension so it takes it to 65 years. Its additional 10 years for the first term.

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

Ms. Hopkins asked on the \$450 an acre a year allocated between the ADC as lease rent and the KAA maintenance fee. What is the division that ADC and KAA would receive. Ms. Kaichi replied she was not sure yet and is between ADC and KAA. The discussion could start at \$150.

Ms. Klutke asked what happens to the equipment once it is no longer usable that is on ADC lands. Ms. Kaichi replied there is a standard language that says they need to remove their equipment and lands should be in the original status. Ms. Klutke asked if this opens up ADC to approve solar panels on our valuable ag lands. It worries her when we give 500 acres to one entity for solar panels in the middle of Kekaha. Ms. Shimabukuro-Geiser replied that she believes currently no solar panels can be on prime

ag lands. Ms. Huff replied these are B lands. When this was first discussed and went to KAA, these lands were lands that they can't use or don't want. KAA identified a corridor which is not useful for farming that they could work within. It would not be for all 413 acres but are still working on the design work and looking not to exceed the original estimate of 250 acres which it is not the final design. The panels are set apart so someone could farm in between the panels.

Ms. Klutke asked when would they start using the land. Ms. Huff replied if all permits goes well, construction would be in 2020 with two years of construction but no firm construction schedule yet. Ms. Klutke stated that without the approval and solar panels, the pump station cannot be operational. She asked why they didn't tell us how much acres would be needed when coming in for the approval of the pump station. Ms. Huff replied at the time they did not have the size of the solar project and contemplating if they wanted a dedicated solar or tie it into the KIUC grid and use the consistent solar or additional solar build out on the KIUC grid. Through further design work, they have determined that it's best to have a dedicated solar as opposed to tying directly into KIUC's grid. They were not ready and not sure on the direction they would go. Ideally they would have known at the time but they had not done enough engineering work.

Mr. Kitagawa asked how this project would help the community. Ms. Huff replied from an energy prospective, KIUC is constantly trying to get more electricity rates and hydro is the lowest cost of energy that they have right now. So to develop more hydro makes sense even at the beginning of the project it is cost competitive with the least cost of energy with solar mattering. This is one of the lowest cost of energy options. Eventually this would put downward pressure on rates especially after the loan is paid off. Right now it's existing hydro is between \$.05 and .06 so it is a big island benefit that will be owned by the members so it is an asset that the members own long term. The KIUC board often refers it to a legacy project.

Mr. Manuel commented that on the agenda it mentioned 35-year license but does not mentioned the 30-year extension option and there is no submittal.

Chair deferred this item until more clear information is given regarding the use of the land which questions have come up today.

H. Request to rescind approval dated April 27, 2016 to issue land licenses to Lay Vong Khamchanh and Yaeng Luangsiyoth for Galbraith small farmer's parcels at the Galbraith Agricultural lands in Wahiawa, Oahu, Tax Map Key (1) 7-1-01-02, Lots #1 and #2.

Mr. Nakamoto made the presentation. He reported that ADC has dedicated 10 small farm lots ranging in size from 6 to 82 acres to fulfill the County's request to provide farm land for small farm operators. On April 27, 2016, the Board approved the issuance of land licenses to the selected small farmers to farm on the Galbraith agricultural lands. To date, we have not heard back from Yaeng Luangsiyoth and Lay Vong Khamchanh. Three of the farmers have received notice to proceed and are farming. The others are still

pending because they have not completed one or more of the following: 1) register farm to do business in the State of Hawaii with the Department of Commerce and Consumer Affairs; 2) obtain a GET identification number from the Department of Taxation; 3) contact the Soil and Water Conservation District Office and complete a soil and water conservation plan for their designated lot; 4) and/or signed land license. Letters were certified mailed to the two farmers and the final letter sent warning that if we didn't hear back, the ADC would consider rescinding the approval. The ADC has provided ample time and opportunity to contact the ADC staff that they are still interested. To date, ADC didn't receive a response from either and for that reason would like to move on and re-open the respective lots to interested farmers.

The recommendation is to rescind the approved dated April 27, 2016 to issue land license to Lay Vong Khamchanh and Yaeng Luangsiyoth for Galbraith small famers' parcels at the Galbraith Agricultural Lands in Wahiawa, Oahu, TMK (1) 7-1-01-02, Lots #1 and 2.

Mr. Kitagawa moved to approve the recommendation; Mr. Schenk seconded the motion.

Ms. Hopkins asked do they understand English and were the letters sent to them in their language. Mr. Nakamoto replied yes they understand English and has relatives that understand English. But have not sent letters in their own language.

Ms. Hopkins asked how long it takes for the soil conservation plan Mr. Nakamoto relied the soil conservation plan is solely dependent on the farmers but ADC did do a soil conservation plan for the whole area. For the individual lots, the farmer needs to either reach out to NRCS which will do it for free or pay a consultant to do a plan which cost between \$2-3,000. Some are waiting two to three years. Ms. Klutke said she understands because there is only one person on Kauai and most of the farmers do not speak English. We cannot get them to understand that this is a requirement.

Motion carried unanimously.

I. Update on Masterplan for development of the Whitmore project, Tax Map Key Nos. (1) 7-1-002-009 and 004, and the Tamura warehouse Tax Map Key No. (1) 7-4-012-016.

Mr. Nakamoto updated the master plan for the Whitmore project which the legislature provided funding. PBR was contracted to prepare an EA and posted our draft EA on the OEQC for public comment. We do not have funding to complete any construction or planning at this point. We are still in the design phase and still waiting.

Mr. Low updated the Tamura warehouse project, we completed work with University of Arkansas for the design center for proof concept. The budget was over that amount and was given to the University by the Legislature, so the Legislature is reworking the project and are hiring their own local architect for the design and come up with their own concept. University of Hawaii is looking to see their own needs and will come back with a new proposal.

Mr. Higashi commented we should work on how to maintain it moving forward and it is an important consideration long term.

The Board will be kept in the loop as it progresses.

J. Update on 147 acres of land situated in Mokuleia, Waialua, island of Oahu set aside to the ADC in 2014. Tax Map Key Nos. (1) 6-9-001-002, 003, and 036,

Mr. Nakatani updated that we have not progressed very far. We did receive a request from the DOA that wants to take over this parcel. It is up to the Board if we would like to give it to DOA. We would come back to give the Board a recommendation. Mr. Nakamoto said this land was transferred from DLNR. Mr. Wauderbach who is a whole over is on the property with a RP who is raising fish. ADC tried to negotiate with him for a portion to license but he wanted the entire TMK. Therefore negotiations fell through and have kept him on a RP. Ms. Shimabukuro-Geiser said that DOA was asked to support the project because Mr. Wauderbach has a strong financial investor that is willing to partner with him. DOA staff expressed a willingness to help him if his parcel would come to the DOA. Ms. Kaichi said that it is odd that the tenant is the one who is driving this. If for any reason that this parcel does not go to DOA, then we would need to decide what we would do because we cannot come to an agreement with this tenant who refuses to sign a license on our terms. We can talk to the DOA if the board decides to transfer.

K. Update and findings from the Land Investigative Committee.

Mr. Nakamoto made the presentation. We are planning to solicit applications. At the last board meeting, the chair asked the land investigative committee to solicit farmers and rate land applications that we already received. They did meet but did not review applications. He provided a draft letter to potential applicants together with organizations, groups, government and agricultural groups. The letter will state the prerequisites and general terms and conditions. The deadline to submit applications to the ADC is June 30, 2019.

The recommendations are: changes to the application by adding language about the requirements, so applicants are aware of the preferred requirements for farming on State land. The information requested will show ADC how the applicants plan to run their businesses. Expanding the outreach and solicitation to other groups, organizations, and entities. The conclusion is ADC's land application process is a work in progress. ADC's goal is to develop a process to find the most qualified applicants and award land licenses based on merit. Small farmers vary greatly in terms of financial resources, farming experience, business acumen, and English language proficiency. Refining the request for application will inform interested applicants of its preferred qualifications, which will help ADC differentiate the best candidate from the rest of the field. At the next meeting we will make the final recommendations.

Chair asked if we would have some kind of process for an annual review to see how the farmer is doing. If the farmer is not in compliance, we should get them off the property and give someone else a chance. Mr. Nakamoto commented that right now there is no land or property manager on Oahu to go out and do inspections.

Mr. Kitagawa asked on the hiring of the new positions that are currently in the budget for ADC. Mr. Nakatani replied ADC has three positions and we are working with the DOA's Human Resources division. Ms. Shimabukuro-Geiser replied they are getting the information to establish the position descriptions for the new positions. The DOA has made the three positions as priority and are assisting ADC to get the recruitment going and finding qualified candidates. Ms. Kaichi commented that she will be sending the organizational chart to HR and once that is finalized, the letters to the governor will be sent. The account clerk position should be filled within the next six weeks. After that the property manager then asset manager will be worked on. The plan is hopefully to have the three positions advertised and conduct interviews and then make the selection. Ms. Shimabukuro-Geiser stated that it all depends on how quickly the paperwork can be done and advertised and if a candidate is found then hopefully in June someone could be on board. Ms. Kaichi stated that we are hoping but not to say that we can because there are a lot of things that are beyond their control.

Chair asked for an update at the next meeting on these three positions. Ms. Shimabukuro-Geiser said she asked DOA's Human Resources that these positions be priority and to expedite.

Short recess called at 11:20 am

Item N was taken up next.

N. Standing Committee – Update and Reports

- 1) Land development
 - a. site visit of the Waialeale Livestock Research station in Haleiwa, Oahu

Mr. Nakamoto made the presentation on the site visit. This meeting was a posted meeting with notes being taken that was given to the Board members. He said there was a good representation of people and had a good discussion. He also said the majority of people present were supportive of being transferred and used for agriculture, as opposed for it being subdivided for DHHL housing. Representative Sean Quinlan was present being a voice and taking responsibility saying he is willing to take the lead in this project and help with the community efforts. There was a plan to do a community sweep whereby campus security was going to go out with UH and HPD. The community wanted to know who gets the property and what will it be used for.

Mr. Low gave a short update on the property. There needs to be a large community outreach and framework. Received a proposal from UH Community Design Center and

they are looking at a year because they work with stakeholders which goes through many iterations of what could happen on the property. Then it goes to the public. Now there is pressure for the UH to do something or at least maintain the property. There is cost for that and they are not willing to do. They are talking directly to the administration of UH and there is pressure. Then it's up to us on how and when you want to take it and in what form would it come over if we do so.

Mr. Schenk stated it was a hot issue because of the turnout from the community. The use of the property is enhanced. He feels it would be a ten- or twenty-year effort to revitalize it to turn it around. If the UH would put in that kind of effort with involvement, and come back to ADC with some positive and encouraging plan instead of saying this is to take as is. The UH Community Design Center is the one we would be working with in conjunction with the University of Arkansas.

Ms. Kaichi said UH is waiting to hear from ADC. ADC said that we are not ready to accept the property as is and said that we are ready to pursue our own quiet title, concern with the kuleana parcel but could work with them. Their risk manager suggested maybe a lease for a portion of the property not the mauka parcel but start with the makai side but was told by the CFO that it was all or nothing. That is where it was left.

Mr. Kitagawa asked when this property would be transferred – it is not a given that we would transfer the property. He had a chance to talk to Rep Quinlan – it was something that he had a concern. These are the issues that need to be worked out. He is not convinced that ADC should take this property. He feels it would take millions of dollars to get rid of the structures.

Mr. Nakatani said we should put it in writing because more than the ADC is involved.

Chair asked what the next step is as far as board action. Mr. Nakatani said we should write to UH and send it back to them. We should not have to take it on ourselves. We should see what the problems are. There is an appropriation in this session of \$125,000 for a proposal plan for a year of work that include agriculture to the ADC. That is the proposal on paper to show as an initial step. Does the board want to take up this cost?

Chair questioned that if the funds come to ADC, then we have no say into the matter with regard that ADC must take this project and do the plan. Is there an assumption that we are very interested in taking it over therefore we want to do this component of the project which is to work with the community to come up with a solution. Mr. Nakatani replied this is an outreach plan to say this is the way to go. Ms. Kaichi stated that she could go back to the UH and say that we are still interested. If UH sells it because we were taking too long that is the risk that we take. But if we do get the appropriation then we will be asking UH for cooperation because we would like to do community outreach.

Mr. Schenk suggested that ADC's position be that we are interested only if the outreach is done by the UH. Mr. Manuel stated that if the legislature is going to appropriate funds to do community outreach and planning, sometimes you do not get to choose who gets it.

But if a planning firm is hired to come up with a master plan the benefit to the board would be that it would identify the appropriate land uses that the community and other stakeholders and at that time we would know whether ADC is suitable and the right agency to take on that position. We would not acquire that property unless it comes out that these are agricultural enterprises or opportunities for this board to acquire this property and at that point if it does not fit ADC and fits another organization or a portion of it then we can go back to the UH and say that we will only take a portion that fits within our mandate and the rest is given to another agency or entity.

There is no decision and will continue with due diligence.

L. Update on Ohana Best, LLC disposition for 160 acres, Tax Map Key No. (1) 7-1-001-005 (por) in Wahiawa, Oahu.

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

Mr. Schenk moved to get out of executive session; Ms. Klutke seconded the motion.

M. Update on (1) Clean Water Act Federal Lawsuit, Na Kiai Kai, Surfrider Foundation and Pesticide Action Network North America vs State of Hawaii, ADC and DOH Civil No. 1:16-cv-00405-ACK-RLP and (2) Complaint Under Title VI of the Civil Rights Act of 1964, EPA File No. 45RNO-16-R9, both filed by EarthJustice.

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

Mr. Schenk moved to get out of executive session; Ms. Klutke seconded the motion.

O. Executive Director's Reports and Updates.

Mr. Nakatani reported on Kalepa lands. He reported that a site inspection was conducted by Sam Lee on the progress of ADC's ranchers and farmers. The over-all evaluation of the areas inspected was Fair-Good. Also bills being heard by the legislative was updated.

P. Adjourn.

Meeting adjourned at 12:55 pm.

Respectfully submitted,



Cindy Doi
secretary