

AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Board of Directors Meeting held Virtually on March 16, 2022
Via Zoom Teleconference

Approved: April 20, 2022 ADC BOD meeting

Considering the evolving COVID-19 situation, protecting the health and welfare of the community is of utmost concern. As such, the meeting was held remotely with Board members, Staff, Applicants, and the Public, participating via Zoom meeting venue.

Members Present, virtually:

- Frederick Lau, City & County of Honolulu, Chairperson (Chair)
- Mary Alice Evans, Designated Representative, DBEDT, Ex-Officio Member (Ms. Evans)
- Glenn Hong, Member-At-Large (Mr. Hong)
- Karen Seddon, Member-At-Large (Ms. Seddon)
- Phyllis Shimabukuro-Geiser, Chairperson, Board of Agriculture, Ex-Officio Member (Ms. Shimabukuro-Geiser)
- Lyle Tabata, Kauai County Member (Mr. Tabata)
- Warren Watanabe, Member-At-Large (Mr. Watanabe)
- Kaleo Manuel, Designated Representative, DLNR, Ex-Officio Member (Mr. Manuel)
- Lloyd Haraguchi, Member-At-Large (Mr. Haraguchi)
- James Gomes, Maui County Member (Mr. Gomes)

Counsel Present, virtually:

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

Staff Present, virtually:

- James Nakatani, Executive Director (Mr. Nakatani)
- Myra Kaichi, Sr. Executive Assistant (Ms. Kaichi)
- Ken Nakamoto, Project Manager (Mr. Nakamoto)
- Lyle Roe, Property Manager (Mr. Roe)
- Lance Tashima, Administrative Services Officer
- Lynette Marushige, Executive Secretary (Ms. Marushige)
- Mr. Stephen Dalton, IT Specialist (Mr. Dalton)

Guests Present, virtually:

- Grant Kunishima, Sunrise Capital (Mr. Kunishima)
- Mike Faye, Kekaha Agriculture Association (Mr. Faye)
- Basil Gomez, Kekaha Agriculture Association (Mr. Gomez)
- Joshua Uyehara, Kekaha Agriculture Association (Mr. Uyehara)
- Doug Codiga, Kekaha Agriculture Association attorney (Mr. Codiga)

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- Scott Enright
- Sandi Kato-Klutke
- Linda Lovan
- Evan Mendenhall
- J. Taniguchi
- Earl Yamamoto

A. Call to Order

Chair called the virtual meeting to order at 9:03 a.m.

B. Roll Call

Chair conducted a roll call of the Board. In accordance with the Governor’s emergency proclamation dated January 26, 2022 related to COVID-19 Omicron Variant, Chair called the name of each board member and asked them to identify their presence with a “here” or “present” and to state who if anyone was present in the room with them. Chair stated that the roll call served as the roll call vote, and for each subsequent vote, the Chair would ask if there were any objections. If there were no objections the motion will be approved on the same basis as the initial roll call.

Roll call: Ms. Evans, Mr. Gomes, Mr. Haraguchi, Mr. Hong, Mr. Manuel, Ms. Seddon, Ms. Shimabukuro-Geiser, Mr. Tabata, and Mr. Watanabe acknowledged attendance with no guests present.

C. Approval of Minutes

1. Minutes for the Board of Directors Meeting, January 26, 2022

Chair asked for a motion to approve: Mr. Gomes, Second: Mr. Watanabe

No staff comment. No public comment.

Mr. Hong stated that on pages 2 to 3 it indicated a series of questions asked by Mr. Gomes and answered by Mr. Gomez. Mr. Hong questioned whether it was Mr. Gomes asking the questions and Mr. Faye answering.

Ms. Marushige clarified that the discussion was between Mr. James Gomes and Mr. Basil Gomez.

Mr. Manuel said on the middle of page 18, “mike” should be microphone or mic versus mike. Also, on that same line, there’s a “he” missing after “disrespects that”.

Ms. Shimabukuro-Geiser noted the misspelling of a crop on page 12, second paragraph below item 7, end of the third line, it says cassava. It is casaba.

There were no other corrections.

Chair called for the vote.

Hearing no objection, the minutes were approved as corrected.

Vote: Approved 10/0.

D. New Business

- 1. Request for Approval for Sunrise Capital, Inc. Under License Agreement No. LI-K1001 and Lease Agreement No. S-5367 to Construct Greenhouses and Settling Ponds in Kekaha, Kauai, Tax Map Keys (4) 1-2-002:001 (por) and (4) 1-2-002:022**

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Chair asked for a motion to approve: Mr. Tabata, Second: Mr. Haraguchi.

Mr. Roe stood on the submittal except to note that this request primarily involved Lease Agreement S-5367 and parcel 22.

Chair asked if anyone from the public wished to testify. There was none.

Chair asked if there was any discussion.

Mr. Gomes asked Mr. Roe if it was correct that the rent was \$3,180.00 per year, which equated to about \$265.00 per month, and they've had this lease for approximately twenty-seven years.

Mr. Roe responded yes.

Mr. Gomes asked if ADC received a percentage of the income. He stated that for Department of Land and Natural Resources (DLNR) land leases the State receives a percentage of the income. Is it the same for ADC? Mr. Gomes also asked if Mr. Roe had any idea what kind of income the applicant made, and if they were exporting shrimp.

Mr. Roe responded he does not know. The lease agreement came over from the Department of Agriculture (HDOA) on September 23, 2021. He was not familiar with HDOA leases. He does know that the rent was based on an appraisal, which was done every ten years or so, but he doesn't think they receive any sort of payment based on gross receipts.

Mr. Gomes asked Ms. Shimabukuro-Geiser if she knew since the lease was under HDOA, if they got some kind of income from them. The rent was cheap. If it's a big business, and they make a lot of money, ADC should get a part of it.

Ms. Shimabukuro-Geiser said it would be stated in the lease that was in effect between the tenant and HDOA. HDOA does collect percentage rent as Mr. Gomes refers to. Some leases were based on a formula and sometimes there's no percentage rent. Agriculture parks do have percentage rents, but if it was a non-agricultural park parcel she's not sure. Ms. Shimabukuro-Geiser noted that Ms. Evans hand was raised, she's also on the HDOA board, but without a copy of the lease she wouldn't know. HDOA transferred lands to ADC for a program on Kauai.

Ms. Evans said the board's policy and procedures Permitted Interaction Group (PIG) was working on a recommendation to the full board that will include the question of how to set rents. She would recommend that instead of making a decision on one particular license that the board go with the staff recommendation for now. When the PIG makes its report to the board, there'll be an opportunity for debate and discussion. They can establish a consistent approach instead of trying to make a decision on each license as it comes in for modification. That's her recommendation.

Chair stated the committee had put in a lot of hours and was very close to presenting a draft proposal at the next board meeting. It's been a difficult road to try and plug in all of these variables and trying to make them consistent but they're very close. Chair asked if there were any other discussions on this proposal. Shrimp production, and especially broodstock areas around the world grow in greenhouses as protection from the birds, the weather, and everything else. It's really important. He's surprised they haven't done it already. He strongly supports this.

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Mr. Manuel said he had some technical questions, if the applicants were not available then perhaps Mr. Roe can answer the question. There are two wells on the property, were they planning a third one?

Mr. Roe said, yes, it was approved in 2020 on adjacent field 408.

Mr. Manuel said he will check on the permitting process because they've had issues with the other wells. Could Mr. Roe, or the applicant, walk him through the before and after schematic in the submittal? Looking at the before and after and seeing changes, but on page 30 of the pdf, there are big gray squares. Are those the new settling ponds that were described in the narrative?

Mr. Roe said he believed the squares on the right were the settling ponds but the tenant was available to answer questions.

Mr. Dalton asked Mr. Kunishima to come forward and state his name.

Mr. Kunishima stated his name and said he was from Sunrise Capital, and the new general manager as of this year. He confirmed that the squares on the right side of the photo were on lot 408 and were going to be used for settling ponds for the greenhouses that were on the other lot.

Mr. Manuel asked if the settling ponds were unlined.

Mr. Kunishima said yes.

Mr. Manuel asked if there was a way to monitor the water. He stated they were basically pumping salt water, and settling salt water onto the land, which percolates into the basal. Does Mr. Kunishima have an indication of the water quality or basal lands in that space?

Mr. Kunishima said not right now and not without having to dig and sample the water.

Mr. Manuel said they were very close to the ocean so he assumed the lens was thin.

Mr. Kunishima said yes, when they dig down there was already salt, they hardly get any fresh.

Mr. Manuel asked if Mr. Kunishima knew how much of their broodstock was exported and if any stays for local consumption or use.

Mr. Kunishima said Kauai Shrimp was the by-product of their broodstock company. The farm next to the landfill was their pond production.

Mr. Manuel asked if Mr. Kunishima could guess, what percentage of their product was for local consumption versus export.

Mr. Kunishima guessed that about 90% of what they produce was for local consumption. They produced about 750,000 pounds of meat per year, but they export only 200,000 animals, which was not that many pounds.

Mr. Manuel asked if they would be open to reporting their annual amount of production to the board so it can be tracked for purposes of documenting the doubling of local food production. It would be great to understand how much they were contributing to the local economy versus export.

Mr. Kunishima responded their meat production was about \$5 million a year gross.

Mr. Manuel said the intent of his comments to all the licensees was for better data collection so we can show our improvement or how much we're producing in the state for local consumption versus export.

Ms. Evans wanted Mr. Manuel to know that collecting data was one of the policies and procedures that the committee will be sending to the board so that it's consistent across all of the licensees rather than a request that was made only when the licensee came in for a change.

Chair asked if there was any other discussion.

Ms. Shimabukuro-Geiser said she will check with HDOA's market analysis branch to see if they have data on aquaculture for the shrimp industry and share that with the board. Ms. Shimabukuro-Geiser also shared, and Mr. Tabata could confirm, that the shrimp has also been part of the farm to school program on Kauai. It has made its way to Department of Education and the Hawaii Health Systems menus. To anyone who dines out, she's seen restaurants advertise Kauai shrimp in their menus. From her personal observation they were trying to make an effort to provide local food.

Mr. Tabata added they also have provided free services to feed the needy in the community. He asked if Mr. Kunishima could talk about their contributions to the community.

Mr. Kunishima stated they donate about 1,500 pounds every other month to the community. It goes to the needy, especially during COVID, they really tried to help the community.

Mr. Manuel said mahalo. These are examples he liked to see where it's creating local economy, local food production, and that's definitely something they should support.

Chair asked if there were any further questions, or discussion. Hearing none he called for the vote.

Vote: Approved 10/0.

2. Request for Approval to Renew License Agreement No. LI-PU1809 Issued to K&L Produce, LLC for 136.6 Acres, More or Less, for Six Months in Waialua, Oahu, Tax Map Key (1) 6-5-005:002 (por)

Chair asked for a motion to approve: Mr. Gomes, Second: Mr. Watanabe

Mr. Roe stood on the written submittal but was available for questions.

Chair asked if anyone from the public wished to testify. There was none.

Chair asked if there was any discussion.

Mr. Manuel thanked staff for including the lease agreement and supporting attachments to the submittal. It was very helpful.

Mr. Roe said that was Ms. Prescott-Tate's doing.

Mr. Gomes said that some of the pictures in the submittals were black and he could not make them out but the pictures that were clear, showed the tenant was a very bad steward for the property. Hopefully

moving forward in the next six months he can address all of this. It's totally uncalled for the way the tenant kept the property.

Chair asked Mr. Roe if the tenant will be able to move out in six months.

Mr. Roe responded that the tenant assured him they can. There may be some tenant farmers that need more than six months but time will tell. There were provisions in the license to enforce the move, and if they go past the deadline, there would incur additional rent.

Chair asked if they were actually subletting some of the property.

Mr. Roe said he can't prove that without looking at their books.

Mr. Haraguchi asked Mr. Roe if there were environmental issues, which it looks like there may be. Do the tenants have the financial means to remediate the property and if they don't was ADC responsible to clean up. It reminds him of Kahuku where subletting was hard to control. He asked that Mr. Roe inspect the property, get answers on the financial things, and if there were other sublessors.

Mr. Roe responded that Mr. Nakatani had asked him to keep a close eye on the property moving forward. He'll be looking for open pits and items pushed into the berm. Mr. Roe said that the license makes them responsible for the cleanup and if they had to go to court to enforce it, they probably would.

Mr. Haraguchi asked if anyone was aware of their financial situation because otherwise ADC will be responsible for the cleanup.

Mr. Roe said not without having access to their books.

Chair said they have not experienced these same problems with the Galbraith and Whitmore properties. Mr. Roe has been pretty much on it from what he has seen. The properties were required to have restrooms, dumpsters and for such a large area, they were getting a handle on things. He thought staff was doing a good job.

Mr. Haraguchi agreed and thanked staff.

Chair asked if there was any further discussion. Hearing none he called for the vote.

Vote: Approved 10/0.

3. Request for Approval-in-Concept to Issue a License to Kekaha Agriculture Association for up to 400 Acres, More or Less, for an Open Floodable Space in Kekaha, Kauai, Tax Map Key (4) 1-2-002:001 (por)

Chair asked for a motion to approve: Ms. Evans, Second: Mr. Gomes

Mr. Roe stood on his submittal but he and Mike Faye were available for questions.

Chair asked Mr. Dalton to admit Mr. Faye to the meeting.

Mr. Dalton called Mr. Faye forward and asked him to state his name and title.

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Mr. Faye introduced himself and said he had Mr. Gomez with him in his office.

Chair asked if Mr. Faye was going to do a presentation.

Mr. Faye responded they had presented at a prior meeting and were there to answer any questions.

Mr. Manuel stated that in the map with the submittal showed untillable lands where the flooding area would be located. There was no cultivation happening on those fields correct?

Mr. Faye responded that was correct. He believed the last cultivation was during the Robinson days, shortly after Amfac left. Maybe Mr. Tabata can fill them in when those fields were last cultivated. Currently they have reverted back to marsh conditions.

Mr. Tabata said that was in November 1999.

Mr. Manuel observed the lands haven't been used for approximately two decades. Looking at that same map, what was the total acreage of the KIUC solar fields? Was there a possibility of putting elevated solar panels on the untillable flood fields versus having them on agriculture fields? He was just thinking of a more comprehensive way of utilizing the ADC properties and having an energy and water management area. He wasn't sure how far away the solar panels could be from the reservoir but he wanted to share his thoughts although he wasn't sure how far along the project was. It's important these projects fit into our agricultural production goal, so making it explicit that these untillable lands were helping, would be helpful.

Mr. Hong said he liked that Mr. Manuel was thinking out of the box. Another alternative would be to ask does this actually start to create wetlands or was it a way to turn it into wetlands. There's value in wetlands because you can transfer wetland from one area to another, wildlife conservation, things like that. It may not be kept in open wetlands under the current plan but if it could be, there might be a tremendous amount of conservation and economic value to something like that. His comment was not necessarily tied to the present recommendation but it's a further step beyond what we could do here. There may be value in establishing conservation or other wetlands here.

Ms. Evans said she liked that concept because with climate change and sea level rise these lower floodable areas were going to continue to experience increased rising groundwater inundation. Over time Mr. Hong may get his wish. We're going to experience increased sea-level rise and that brings groundwater inundation. She liked what KAA was proposing because they were moving with what climate change scientists have projected, instead of trying to fight it. She'll support the proposal.

Chair agreed and stated they were doing it proactively. Chair asked Mr. Faye if he wanted to comment on Mr. Manuel's thoughts.

Mr. Faye said there were actually 5-ponds historically in Koloa closer to Polihale. The open floodable space was in the vicinity of the old Nohili pond. The solar area was the combined Limaloa and Kawaiie wetlands. What they're hoping to do was have a long-term commitment to seek federal funding to assist with the inevitable sea-level rise issue. They have been fortunate to have Mr. Gomez leading the way and pointing the issues out. Part of the open floodable space in that location was partly due to consultation with the Navy and the PMRF runway. There's an existing conservation wetland in the vicinity of Kawaiie dry ditch. It's within yards of the runway and was kind of a concern of the Navy. The Nohili area formerly had a pump, where they could pump out water. Since the clean water act mediated settlement was put in place they have not pumped there. This concept would allow them

to reestablish the Nohili pump. If that doesn't work they could still develop a series of ponds to help clean and filter the water down to Kawaiele where it would get pumped. Part of the goal here was to trap sediment coming off the mountain that they have virtually no control of. There were really no conservation plans in the mauka lands and there's an over abundance of feral goats and they produce a lot of sediment. The issue with the clean water act was they had been pumping dirty water, sediment laden water into the ocean. This way they were hoping to capture that sediment and actually rebuild those fields so they become tillable and remain tillable for the future as we keep millimeters ahead of sea-level rise. If this is as successful as they hope they may want to propose another one of these open floodable spaces in the Kawaiele area because they have a lot of sediment coming from that area. Possibly even a couple of areas closer to Kekaha town. The main thing we wanted to do was control where the water was. Right now, it's uncontrolled. If they can control it they can manage it and then we can utilize the sediment to rebuild the fields. Mr. Faye asked Mr. Gomez if he wanted to add anything.

Mr. Gomez declined saying he believed Mr. Faye had adequately summed it up.

Mr. Manuel said thank you, it's exciting. He wondered if in their Readiness and Environmental Protection Integration (REPI) proposal they have a way to evaluate the efficacy of the floodable area. Were you going to monitor the turbidity in the long term to determine what was the net benefit or the reduction of sediment that was being discharged into the ocean? Do they have a way to measure that?

Mr. Faye said yes definitely. They were taking this in steps. The first step was requesting for site assessment evaluation and engineering and determine which of those protocols were going to be put in place, and how they were going to do that. Once they get that completed, then they will go for the actual construction costs to modify the drains. The drains have been in place since the 1920's and they have never been studied. They were put there for sugar. We're looking at how to modernize this and apply this in agriculture. One of the key things, part of the REPI, the mediated settlement was to eventually get to a National Pollutant Discharge Elimination System (NPDES) or an NPDES-like agreement with the Hawaii Department of Health. We can't get the NPDES permit to fit or get it to apply correctly, but we would like to get into an agreement that would be like an NPDES permit and that would definitely have the monitoring of the sediment. We see this as wasting a resource, a waste of the *lepo* (Hawaiian for dirt). We want to keep it on the property where it can turn into good agricultural fields.

Chair said that's a good point, and asked Mr. Tabata for his thoughts.

Mr. Tabata said this project goes back to when the issue of discharge into the ocean first arose. He was a county engineer at the time and he dialogued with Mr. Faye and Mr. Nakatani on a series of settling ponds as a natural type of filtering and settling system. He thinks that will work very well to protect the environment. Hopefully, it transfers the wetland because the birds are an issue so close to the airport. When it rains, it's really bad out there. The flooding is tremendous and a lot of sediment comes down from the mauka lands. This is an alternative worth trying versus acres and acres of settling ponds. In the plantation days they used settling ponds to settle out the mill wash water and if you go out to the Westside you will see a distinct color change in what comes off the hillside and the lower lands. This was an attempt to comply, but as Mr. Faye mentioned this does not fit the needs of an NPDES program because the NPDES program needs a point source. With the demise of the sugar industry and shutting down of the Sugar Mill there's no point source anymore. This is the best solution.

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Mr. Manuel asked if wetlands were one option, in the interim could wetland kalo cultivation work if you're flooding it or is this area not good for that. He's throwing it out there to get back to agriculture. Is kalo cultivation an option?

Mr. Tabata said, he thinks it can be done, if they have the farmers. A couple of weeks ago there was an article on the first kalo harvest from a section adjacent to the Mānā reservoir that KIUC will be using but Mr. Faye can fill you in on that. But yes, that was something they were looking at.

Mr. Faye concurred that it was something they were hoping to do. They will be getting water from the West Kauai Energy Project. They will be studying the viability of putting leaf taro as an agricultural component and the fields around the Mānā reservoir will become part of the system. They're looking at one hundred acres of wetland, agriculture in taro or watercress or some product like that. We're definitely looking at all those kinds of uses in those surrounding lands. The taro that Mr. Tabata mentioned was closer to Kekaha, in the Pokii area where taro was last cultivated around the 1900's. It's good heavy soil that works really well and the farmer was super happy. He said one hour of sunshine in Kekaha was worth a whole day in Hanalei.

Chair said the taro field was looking really good. Chair asked if there was any other discussion.

Mr. Roe asked if Chair had invited public testimony.

Mr. Dalton stated there was no one from the public.

Chair called for the vote.

Vote: Approved, 10/0.

- 4. Request for reconsideration of the January 31, 2018 Board authorization for the Kekaha Agriculture Association (KAA) to pursue a declaratory order to designate a portion of the Agribusiness Development Corporation's (ADC) Kekaha lands as Important Agricultural Lands in accordance with Chapter 205, Hawaii Revised Statutes (HRS), and to certify ADC's authorization as the landowner of lands set aside for control and management of ADC via Executive Order No. 4007, rather than the Department of Land and Natural Resources**

Chair asked for a motion to approve: Mr. Gomes, Second: Mr. Tabata.

Ms. Kaichi presented the staff submittal. The crux of this issue was when it first came to the board in 2018 ADC took the position that DLNR owned the fee. After much analysis and discussion and having gone to the Land Use Commission (LUC) to discuss the KAA Important Agricultural Land (IAL) petition, ADC believed that they own and control the fee. It's kind of interesting because in January 2018 when this first came to the board, Exhibit C in the submittal, the board took the position that this had to go to DLNR. By November 2018, ADC came back to the board with a request to accept the transfer of HDOA Kekaha lands and also to authorize KAA to include those HDOA transferred lands in the IAL petition, and to give ADC authorization to certify, first to consent to the transfer, and then to certify as the fee owner for purposes of the IAL petition. So somewhere during 2018, ADC slowly moved themselves into this interpretation that the set aside to a state agency that's exempted from HRS chapter 171 gave ADC the right to control the fee. That's the evolution of that interpretation. So, if there's any questions, she or Ms. Prescott-Tate can try to address them.

Chair asked if anyone from the public wished to testify. There was none.

Chair asked if there was any discussion.

Mr. Manuel asked staff to explain why the submittal stated ADC acquired 12,860 gross acres but the petition was for 12,123 acres. Why aren't all the lands being submitted for IAL? Where were the lands that were not being considered, these six hundred acres? There's no map so he cannot gauge what the application was for.

Ms. Kaichi thanked Mr. Manuel and stated that the question was addressed in the petition. She asked Chair if he could call Mr. Faye back.

Mr. Faye said certain portions of the property were excluded near the Kekaha Mill where the carpenter shop and base yard activities were going on. Field 201 was the area they were looking to develop workforce housing. It could be included but they thought they would leave that out. The other portions not included were the solar fields and the site of the Mānā powerhouse. KIUC expressed concern about that and being there was so much other land included, it was not necessary. That's the main reason the acres were different. Some other areas of the 12,800 acres were also excluded or withheld for other purposes like Kaumualii Hwy, and some other lands were excluded from the transfer to ADC. Maybe KAA's attorney Mr. Codiga or Mr. Uyehara who are the lead on this project could provide input.

Mr. Dalton said they were both present and asked Chair if it was ok to call Mr. Uyehara forward.

Chair responded, absolutely.

Mr. Dalton asked Mr. Uyehara to join the meeting and to state his name and organization.

Mr. Uyehara said he was with KAA and to answer the questions, there were some lands near buildings zoned light industrial and the adjacent lands in case they were to build workforce housing. One policy issue they looked into was that a lot of the IAL incentives related to infrastructure and housing. These incentives were available to projects located off the IAL designated area as long as they were primarily meant to serve the IAL designated area. Because of policy and regulatory uncertainties tied to executing those kinds of projects they thought it would be simpler to exclude it from the IAL area. If to the extent they could take advantage of any incentives that would still be available because anything they build would obviously be in service for the rest of the property, it would still be able to benefit from those things. A similar issue arose with the West Kauai energy project. There were still a lot of uncertainties related to the project regulatory requirements that may be created. In consultation with KIUC they were asked to carve out that area. If in the future everyone decides it's a good idea, they could go back and petition to include those later on. There's nothing prejudicial about their petition that prevents someone from going back and designating portions later on. That's the reason why they took the position that they did.

Mr. Manuel asked if the land Mr. Uyehara mentioned for workforce housing, field 201 was it currently in Agriculture. Did ADC issue a license to KAA for that or is that vacant?

Mr. Uyehara responded it was vacant right now. KAA's using it for a base yard for all of the materials they're going to use for installation of the pressurized pipe system. A couple of years ago they received approval in concept to plan for workforce housing in that area. In their conceptual plan, they thought the most suitable use would be housing because it's adjacent to residential housing, adjacent to Kekaha Road. The residents would probably not appreciate if they put it to full scale agriculture. The infrastructure for housing was already there so it seemed an appropriate use.

Mr. Manuel asked if the property was already licensed to KAA by ADC.

Mr. Uyehara responded no, not yet.

Mr. Manuel stated so it's on ADC inventory and KAA would have to submit for workforce housing. That's a path to cross later, whether or not ADC has authority to do that. If workforce housing was within ADC's mission, should ADC focus on what agricultural workforce housing should look like and how it could be designed? It could create good policy for other agriculture lands throughout the state. He just wanted to check on that. He thanked Mr. Uyehara for the follow-up details and asked that a map and the petition would be helpful for future submittals.

Ms. Evans said the petition could be found on the LUC website.

Mr. Manuel reiterated that if the board was being asked to approve something it would be helpful to have all the materials attached to the submittal.

Ms. Evans said the board was not being asked to approve the petition, because they don't have the authority. What they were doing was approving the action to allow KAA to pursue the petition with the LUC. The workforce housing question was a great one. The Office of Planning and Sustainable Development had put in a bill that would have modified the IAL part of Chapter 205 to provide a stronger incentive than currently existed in the current language. While she doesn't know what the legislature will do, she feels that workforce housing in IAL were linked at the hip. It's important to have that possibility when you were doing IAL type agriculture.

Chair agreed and asked if there was any further discussion.

Ms. Shimabukuro-Geiser stated HDOA had a mild concern about the authority of ADC versus DLNR as the landowner. Because Mr. Manuel, as the DLNR Chair's designee, was not concerned about that issue, and ADC was willing to defend that position, the concern was not as big a concern for her as before. She made this comment because she knows previously there was some concern.

Mr. Watanabe supported the recommendation; he strongly supports the IAL initiative. He commented that he remembered spending monthly meetings for years to get the IAL Act passed and he thinks it's important, it's important for the state to strongly support it. For informational purposes, Mr. Watanabe noted that Maui County was starting their process of IAL designations. There have been issues like with Oahu but that was the process. Let KAA proceed, it's a great idea and he supports this petition.

Chair asked if there were any further discussions. Hearing none he called for the vote.

Vote: Approved, 10/0.

E. Old Business

None

F. Executive Director's Update

Mr. Nakatani had to leave to attend a legislative hearing so Ms. Kaichi provided an update on legislative bills related to ADC: SB2480, SB3096, SB2473, and SB2418.

Mr. Nakamoto was asked to give an update on the impact gas prices had on ADC water delivery. The issue was pretty straight forward but if there were questions, Mr. Nakamoto would respond.

Mr. Nakamoto said the gas prices have gone up tremendously and he doesn't see an end in sight. Last week the price of gas was \$3.75 a gallon. It was \$1.60/\$1.70 per gallon back in 2020. He was currently doing a cost analysis and will likely come back to the board at the next meeting to request a price adjustment.

Chair asked on the May 29, 2021 increase from \$1.70 to \$2.44, was that prior to ADC increasing the water fees to the tenants?

Mr. Nakamoto responded around that time they did the last increase of about 40%.

Chair asked so we're looking at another 40% increase?

Mr. Nakamoto said correct. The State Procurement Office puts out a pricing for each week. Last week it was \$3.75. He suspects it went up again this week but he didn't check.

Mr. Manuel said he thinks there should be policies on what costs an agency that's supporting agriculture passes on to the tenants. Is this something ADC should subsidize as part of business? It's a hard conversation to have but we need to think seriously about it. We're isolated here and the gas prices continue to increase. The alternatives, like renewable energy that could bring the cost down, do we take the burden on creating alternatives that will reduce the pressure on our tenants? That's something we need to be more aggressive about based on our current trends, these rising gas trends.

Ms. Evans said that ADC has a number of different financial tools that can be used to offset the cost of doing agriculture in Hawaii. A banker she knew said agriculture was wonderful except for the cost of water, the cost of land, the cost of labor, and the cost of capital financing. All of our farmers face incredible challenges to stay in business. The policy committee was looking at all of those tools, not just the cost of water but how to set our license fees and other kinds of pricing mechanisms to find a balance between funding the corporation and ensuring that farming was still economically feasible.

Chair asked if there was any further discussion.

Ms. Shimabukuro-Geiser recalled back in 2020 or 2021 when ADC increased the water rate HDOA was getting complaints about the rate increase from the tenants. She suggested there be communication with the users to prepare them for the increase. She doesn't know if there was any policy under review regarding rental or water user rate increases but lessons learned from the pandemic, we do a better job as an agency if we inform our water users so they can better prepare. She knows we're not required to go to public hearing for rate increases on water but she just wanted to express that communication is important.

Chair agreed 100% and asked that Mr. Nakamoto or Mr. Roe prepare something to notify the tenants.

Mr. Nakamoto responded they are planning to send out a notification similar to what the Board of Water Supply sent out especially as we're entering dryer weather. The notice will remind the tenant to look at their operations and be as efficient as possible. Notification will be sent out as soon as possible.

G. Adjourn

AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Board of Directors Meeting held Virtually on March 16, 2022
Via Zoom Teleconference

Approved: April 20, 2022 ADC BOD meeting

Chair asked if there was any other discussion. Hearing none, the Chair asked for a motion to adjourn.
Motion by Mr. Manuel, Seconded by Mr. Hong.

Before adjourning, Chair announced that this was Ms. Kaichi's last meeting; she will be retiring on April 1, 2022. He thanked her for all her help on everything. She will be greatly missed as they had depended upon her a lot throughout the years, and they wished her well.

Hearing no objection, the meeting was adjourned at 10:17 a.m.

Respectfully Submitted,



Lynette Marushige
Secretary