

AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Board of Directors meeting held on February 26, 2020

1849 Auiki Street, Honolulu, Hawaii 96819

Members Present:

Sandra Kato-Klutke, Kauai Member (Chairperson)
Lloyd Haraguchi, Member-At-Large
Kevin Hopkins, Hawaii Island Member
Yukio Kitagawa, Member-At-Large
Douglas Schenk, Maui Member
Warren Watanabe, Member-At-Large
Phyllis Shimabukuro-Geiser, Chairperson, Board of Agriculture
Kaleo Manuel, Designated Representative, DLNR, Ex-Officio Member
Mary Alice Evans, Designated Representative, DBEDT, Ex-Officio Member

Absent:

Leilyn Koev, Member-At-Large

Counsel Present:

Andrew Goff, Deputy Attorney General

Guests Present:

Mr. Mike Faye, Kekaha Agricultural Association
Mr. Mark Ishmael, County of Kauai
Mr. Mark Stoutemyer, Corteva Agriscience

Staff Present:

James Nakatani, Executive Director
Myra Kaichi, Sr. Executive Assistant
Lynn Owan, Administrative Services Officer
Ken Nakamoto, Property Manager
Todd Low, Special Projects, Aquaculture Development, HDOA

A. Call to Order.

Chairperson Kato-Klutke called the meeting to order at 9:00 a.m.

Chair introduced Ms. Mary Alice Evans from DBEDT and Lori Nakamura from ADC. Mr. Nakatani introduced property manager, Mr. Lyle Roe, who is stationed at the Whitmore office. Mr. Roe has a farming background and his initial focus is to look at small farm operations. He produces a monthly report which you can request via email.

B. Approval of minutes from the December 11, 2019 meeting.

Motion moved and seconded to approve minutes.

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Chair asked for any corrections to the minutes. No corrections raised. Chair noted that Ms. Leilyn Koev was present at the December 11, 2019 meeting. Ms. Koev's name will be added and the revised minutes will be posted.

Vote: Approved, 9-0.

- C. Request for approval to issue a Lease Agreement to AgTech Pacific for warehouse space and auxiliary land, located at Whitmore, Oahu, Tax Map Key (1) 7-1-02-09 (por.)

Mr. Ken Nakamoto presented testimony as submitted. Staff recommends approval. Motion moved and seconded.

Mr. Schenk asked about their business hours. Mr. Nakamoto stated they are open Monday – Saturday. Customer ingress/egress is via the auxiliary area.

Chair asked what the monthly rent is and if tenant pays property taxes. Rent is approximately \$3,500/month. Mr. Nakamoto stated that AgTech does not pay property taxes since that is by TMK which is calculated by acre (not square footage), and also, ADC is exempt. AgTech pays Dole for water. They are a good tenant and their account is current. They service a lot of our farmers.

Vote: Approved, 9-0.

- D. Request for Approval to Re-Issue a Revocable Permit to Manoa Honey Company for storage space in Whitmore, Oahu; Tax Map Key (1) 7-1-02-09 (por.)

Mr. Ken Nakamoto presented testimony as submitted. Staff recommends approval. Motion moved and seconded.

Mr. Hopkins asked why the rates are different for this tenant vs. AgTech's rate. Mr. Nakamoto explained that this space is warehouse/storage space and AgTech's is for commercial use.

As mentioned previously, tenant has expressed interest in moving his processing operation from Wahiawa town to the Whitmore area; ADC has not received any formal proposal as of yet.

Chair asked where his hives are located. Mr. Nakamoto stated they are in various neighborhoods - Waianae, Diamond Head, Koko Head.

Mr. Manuel asked how many tenants are in the warehouse. Mr. Nakamoto stated there are 2, one of which is Manoa Honey.

Vote: Approved, 9-0.

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- E. Request for Approval to Re-Issue a Revocable Permit to Oceanic Companies, Inc. for a covered parking area in Whitmore, Oahu; Tax Map Key (1) 7-1-02-04 (por.)

Mr. Ken Nakamoto presented testimony as submitted. Staff recommends approval. Motion moved and seconded. There were no questions posed.

Vote: Approved, 9-0.

- F. Request for approval to issue a License Agreement to Poohala Farms, LLC for land in Waialua, Oahu; Tax Map Key (1) 6-5-02-01.

Mr. Ken Nakamoto presented testimony as submitted. Staff recommends approval. Mr. Nakamoto stated that ADC will follow-up on the licensee's renewal of their conservation plan. Motion moved and seconded.

Mr. Nakamoto explained that the adjacent parcel is owned by the tenant on which he has his goat farm, dairy and creamery. The Wahiawa ditch passes through his private farm.

Ms. Shimabukuro-Geiser asked, if in 5 years ADC needs to relocate Poohala, does ADC have alternative land for their operation? Mr. Nakamoto responded, possibly; Poohala will need to apply for it and follow the usual process. He confirmed that the tenant is aware of the uncertainty of the disposition of the parcel.

Mr. Schenk asked if there is a provision for crop damage. Mr. Nakamoto stated there will be a provision should the wastewater project impact the current agreement.

Mr. Manuel asked about the ditch. Mr. Nakamoto explained that the tenant's source of water is from the Wahiawa ditch which tunnels under ADC property and daylights on the adjacent Poohala-owned property. They have a water agreement with Dole.

Vote: Approved, 9-0.

- G. Request for approval of request by Senter Petroleum, under Revocable Permit No. 7299, to install a security fence around their underground tanks, Kekaha, Kauai, Tax Map Key (4)1-2-02-01 (por.)

Ms. Lynn Owan presented testimony as submitted. Staff recommends approval. Motion moved and seconded.

Mr. Manuel asked about the location of the tanks. Ms. Owan stated they are near what is called the carpenter shop, across the street from the old sugar mill. There have been no issues with the tanks. Clarification was made that the tanks are above-ground.

Ms. Shimabukuro-Geiser asked that staff's recommendation item 1 be amended as follows:
Building an 8-ft high fence around the above-ground storage tanks and gasoline tanks as shown in the approved building plans.

Vote to amend recommendation: Approved, 9-0.

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Vote to approve recommendation with amendments: Approved, 9-0.

- H. Request for conditional approval of the issuance of new right of entry and soil-removal agreement to County of Kauai, Tax Map Key (4)1-2-02-001 (por) and the termination of License No. LI-K1103 to County of Kauai and Waste Management of Hawaii, Inc.

Ms. Myra Kaichi presented testimony as submitted. Staff recommends approval. Additional information on the calculation of net value of topsoil was provided. Kekaha Agriculture Association calculated a net value of \$6.40/cubic yard. The County of Kauai calculated it at \$5.18/cubic yard. The difference between the two values was split and therefore \$5.80 is the recommendation. Motion moved and seconded.

Mr. Schenk asked how much soil is available in the mud press and where is it located. Mr. Mike Faye of Kekaha Agriculture Association (KAA) stated there is a lot of soil available in the mud press. The site is just outside of Kekaha and to access it, the trucks are able to use roads outside of the community to avoid traversing past schools, etc. Distance to/from the site to the landfill is approximately 1.5 miles.

Mr. Haraguchi asked about the condition of the soil in the mud press. Mr. Faye stated the soil is ideal for what the County of Kauai wants to use it for but it is not ideal for agricultural use; it has too many rocks in it.

Mr. Hopkins asked about the \$2,000/month to KAA. Ms. Kaichi explained that the \$2,000/month is an access fee that COK pays to KAA based on a historic arrangement; money is used to maintain the roads on the property. It is separate from the soil removal fee.

Mr. Manuel asked if the total amount of soil to be excavated (based on the 5 year estimate), is there enough available in the mud press? Mr. Faye stated, yes.

Mr. Mark Ishmael of the County of Kauai (COK) presented COK's request to set the royalty rate at \$5.00/cubic yard. Their calculation of Best Management Practices (BMP) cost estimate is higher than KAA's mainly because of the NPDES requirements COK needs to meet.

Mr. Manuel asked for KAA's response to COK's \$5.00 request. Mr. Faye stated he does not have a strong objection to it but does stand by his calculations.

Mr. Nakatani clarified that if COK had to go outside to purchase the soil, it would be approximately \$10/cubic yard plus transportation; double what ADC would charge.

Mr. Schenk asked about the term of the request given the uncertainty of the costs to comply with NPDES requirements; 5 years seem long.

Mr. Manuel suggested using the \$5.18/cubic yard rate and building-in a caveat that the situation will be re-visited when actual expenses incurred are available. Mr. Faye asked that the caveat also apply to KAA as they have to comply with more strict requirements and may also incur unexpected costs. Ms. Kaichi clarified that COK is operating under a general construction permit while ADC will be operating under the Clean Water Act. The Court has determined that ADC needs to obtain an

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NPDES permit and has 2 years to obtain the permit. ADC will also have unknown costs to manage any additional contamination that may enter ADC's land and may eventually be discharged.

Ms. Kaichi amends her recommendation to add that the subject be revisited as numbers become more concrete and we have empirical data to adjust the royalty rate as needed. She recommends the rate be set at \$5.80 for an initial 2-year period. Motion moved and seconded.

Mr. Hopkins made a motion to amend recommendation item 3.

COK will pay a royalty of \$2.60/cubic yard to ADC and \$2.60/cubic yard to KAA for a total royalty of \$5.20/cubic yard. Royalties to be revisited in 2 years, after review of actual costs as presented by ADC, KAA and COK.

Vote to amend recommendation: Approved, 9-0.

Vote to approve recommendation with amendments: Approved, 9-0.

- I. Request for approval of a farmer incubator pilot program on 38 acres of Pioneer Hi-Bred International, Inc. land in Kekaha, Kauai, Tax Map Key (4)1-2-02-001 (por.)

Ms. Myra Kaichi presented testimony as submitted. Staff recommends approval. Motion moved and seconded.

Mr. Schenk asked for background on the project. Mr. Mark Stoutemyer of Corteva Agriscience explained that on Oahu they have a great partnership with GoFarm Hawaii and have donated 30 acres to that program to incubate farmers. Graduates of that program are now leasing land from Corteva and are feeding into the farm to state initiatives. They want to expand their program to Kauai but since they lease the land, an alternative model needs to be utilized. This model is unique in that Corteva will help small farmers help reach profitability by subsidizing a lot of the costs for them. If successful, this model could be used elsewhere.

Mr. Manuel asked about the water source for this project. Mr. Stoutemyer confirmed that it is from Kekaha ditch and will be wet land. Mr. Mike Faye of KAA stated that KAA strongly supports the program.

Ms. Shimabukuro-Geiser was pleased that this is food-production related project.

Chair inquired about item (a) under Corteva's responsibilities. Mr. Kaichi explained that the specific vehicle has not yet been determined. It will likely be similar to a sublicense but a lot of the responsibilities will not be applicable to the farmer but to Corteva so a hybrid type of agreement is being considered.

Chair asked if this project was offered to the community. Mr. Stoutemyer explained that for this pilot program, they wanted to partner with farmers that they are familiar with that have good track records, given the liabilities. Through this project, they'd like to develop a model and then they hope that others will pick up on the model and help other farmers.

Mr. Hopkins suggested seeking help from the Universities for technical assistance.

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Chair asked for clarification on the recommendation. Ms. Kaichi explained that the recommendation is to approve the allowance of Corteva/Pioneer to let the farmers onto their land, to use their land, rent free, under a yet-to-be-determined agreement.

Recommendation amended as follows:

Staff recommends that this board approve the farmer incubator pilot program and disposition to be established and administered by Pioneer Hi-Bred International, Inc. and Corteva Agriscience using approximately 38 acres of lands currently licensed to Pioneer in LI-K0803.

Ms. Shimabukuro-Geiser stated that in the Act 100 report, the ADC section notes 'discretion for training' which she thinks may apply in this situation and it also reflects ADC's mission. Mr. Manuel suggested building-in an evaluation period of 2 years for the training program in the agreement. Motion moved and seconded.

Vote to amend recommendation: Approved, 9-0.

Vote to approve recommendation with amendments: Approved, 9-0.

- J. Discussion on the Board's powers, duties, privileges, immunities, and liabilities regarding Ohana Best vs. State of Hawaii, Agribusiness Development Corporation and James Nakatani in his individual capacity and as Executive Director of ADC, Civil No. 19-1-1640-10, Circuit Court, State of Hawaii.

"The Board may go into executive session, pursuant to H.R.S. §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."

Motion moved and seconded to move to Executive Session.

The Board emerged from Executive Session without any action.

- K. Executive Director's Reports and Updates:

1. Whitmore

- a. ADC Property Manager – Mr. Nakatani commended Mr. Roe for doing a great job out at Whitmore. He has been out in the field several times a week looking at hazardous conditions, pesticide containers, sanitation, etc.

- b. Enforcement Sweeps – Refer to submission.

2. Kekaha

- a. Umi's Farm – Impressive farming being done at Umi's Farm. The trellising of trees is an interesting method.

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- b. Kiko Road – Refer to submission.
- 3. Todd Low – Thank you to Mr. Todd Low for his role as acting secretary while ADC was without a secretary.
- 4. Strategic Plan – Mr. Nakatani reminded members to send him their input on the material he sent out. Please submit your responses in 15 days.
- 5. Other items - Mr. Manuel asked if there is a plan to place a property manager on Kauai. Mr. Nakatani answered that yes, ADC is learning what works best and would like to place an asset manager out there. Mr. Manuel mentioned having a person like Mr. Nakamoto who does a good job participating in neighborhood board meetings would be good for ADC on Kauai. Mr. Nakatani shared that a PR firm is being hired to help us with community outreach and will provide ADC guidance.

L. Adjourn

The meeting was adjourned at 11:56 a.m.

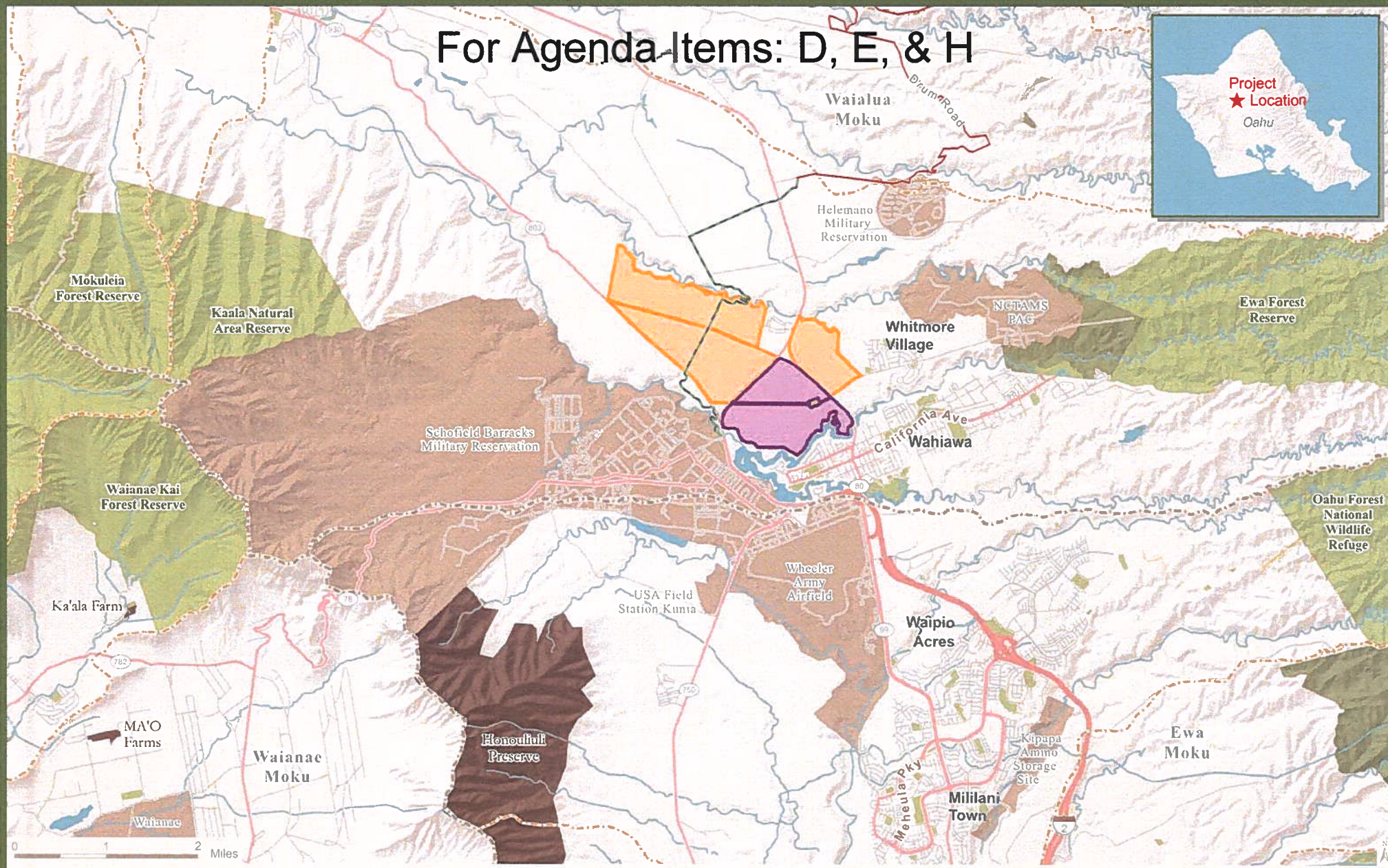
Respectfully submitted,

Lori Nakamura
ADC Executive Secretary

THE TRUST FOR PUBLIC LAND - HAWAII

GALBRAITH PROJECT - HONOLULU COUNTY - OAHU

For Agenda Items: D, E, & H



The Trust for Public Land conserves land for people to enjoy as parks, gardens, and other natural places, ensuring livable communities for generations to come.

Galbraith Project - Proposed Ownership

- Office of Hawaiian Affairs
- State of Hawaii Agribusiness Development Corporation

Completed TPL Project

- Military Land
- Moku Boundary*
- Ahupua'a Boundary*

Trails/Roads of Interest

- K3/K4 Helemano Trail
- Drum Road

Protected Land**

- Other Private Protected Land
- Conservation Easement

*Moku and Ahupua'a boundaries have changed over time. Moku and Ahupua'a boundary data source: IslandBreath.org, retrieved 8/31/2012.

**Protected Land includes Local Parks, Reserves, Game Management Areas, Forest Preserved, State Parks, and National Wildlife Refuge Areas

November 6, 2012
Cartography by
The Trust for Public Land
www.tpl.org

THE
TRUST
for
PUBLIC
LAND

DAVID Y. IGE
Governor

JOSH GREEN
Lt. Governor



Item D

JAMES J. NAKATANI
Executive Director

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION

235 S. Beretania Street, Room 205
Honolulu, HI 96813
Phone: (808) 586-0186 Fax: (808) 586-0189

May 20, 2020

Subject: Request for Approval to Negotiate and Enter Into a Water User Agreement for the Delivery of Irrigation Water from the Bott Well Pump Station, Waialua, Oahu

Authority: Section 163D-4(a)(5), Hawaii Revised Statutes

BACKGROUND:

The Bott Well Pump Station (well) is located at the Galbraith Agricultural Lands (GAL) in Waialua, Oahu near the intersection of Kaukonahua Road and Wilikina Drive in the central-western point of the small farmer lots (See attached map). The well has a capacity of 3 MGD and is the lifeline for the farmers on the GAL. The Agribusiness Development Corporation (ADC) has a ground water use permit (WUP 976) with an allocation of about 2 MGD from the Commission on Water Resource Management.

Since acquiring the GAL in 2013, the ADC has invested over \$5,000,000 in irrigation improvements, which include replacement of the well's diesel engine, rehabilitation of the distribution line and risers, installation of water meters and risers for the small farmer lots, construction of reservoirs and storage ponds, and other expenses. Additionally, the ADC spends roughly \$200,000 annually on an operation and maintenance contract for the maintenance of the well, distribution lines, and water meters, as well as to perform limited operations. The ADC initially planned to charge an estimated \$1.50 to \$1.80 per 1000 gallons to cover the cost of the operation and maintenance, as well as the costs not covered in the contract such as, diesel fuel, daily operations, and future maintenance. However, there is currently no additional assessment issued by ADC for water delivery largely in part due to the lack of water users, irrigation staff, and an agreement or condition in the License Agreement that provides a structure for such an assessment.

Fearing that ADC would charge an astronomical amount for water based on the operations and maintenance plan proposed by its contractor, Kelena Farms proposed that it will continue performing majority of the daily operations on its own, which included purchasing diesel fuel, operating the well pump, and filling reservoirs and storage ponds at no additional cost the small farmers, which at that time was only two farmers. Today, the well provides irrigation water to 1,000 acres. It should be noted that these lands would not be as productive without Kelena Farms' help in developing the infrastructure and assisting the small farmer. However, the increase in demand for irrigation water has driven up the operating cost exponentially, which is putting a strain on Kelena Farms financially. Kelena Farms informed ADC that operating the well on behalf of the small farmers is no longer feasible given the growing demand and requested that the rest of the farmers pay their fair share.

OPERATIONAL PLAN:

Given the diversity and needs of the farmers on the GAL, this transition will require continued diligence and flexibility from the ADC and the farmers. The ADC is proposing a 2-part plan for taking over the operations of the well. First, ADC plans to impose a fee for water delivery from the well. This will provide ADC with much needed capital to pay for the operation and maintenance of the irrigation system, which includes the well. Secondly, the ADC will work with its operation and maintenance contractor and the farmers on developing standard operating procedures. This will allow ADC to account for the oversights in the existing contract and develop a new scope of service so it can contract out to a third party.

The proposed fee will be codified along with the rights of the farmers and ADC in a Water User Agreement (Agreement), which is based on a pro rata share of the land and water availability to ensure no farmer uses a disproportionate amount. Any farmer, existing or future, who uses water from the well is required to sign the Agreement, which will be made part of their License Agreement. The starting rate per 1,000 gallons under this Agreement is \$0.89. This assessment for water delivery will be in addition to the Licensee's base rent for the land, which ranges between \$200-\$400 per acre per year (does not include fees for security and portable toilets). The Agreement is set to take effect upon approval.

In addition to the Agreement, the ADC plans to revise the scope of services to address oversights in the current operation and maintenance contract. The plan is to solicit a contractor who will be responsible for the day to day operations. This will relieve Kelena Farms from having to operate the well. ADC's current operation and maintenance contract terminates August 2020.

CONCLUSION:

The Water User Agreement is the first part of the plan to take over the operation of the well. The Agreement will provide ADC with a structure within the License Agreement to impose a fee for water delivery, which is critical for the maintenance and improvement of the system to ensure it can provide water to the farmers for their operations.

RECOMMENDATION:

Authorize the Executive Director, and or, a designee to negotiate and enter into a Water User Agreement for the delivery of water from the Bott Well Pump Station subject to the following terms and conditions:

1. The Agreement shall be effective upon approval;
2. The starting rate shall be \$0.89 per 1,000 gallons;
3. No water shall be delivered without an Agreement.

Respectfully submitted,



James J. Nakatani
Executive Director

Water User Agreement
Addendum to License Agreement LI-GA1234
Exhibit E

Item D, Exhibit A
ADC Board Meeting
May 20, 2020

This Agreement entered into between the State of Hawaii Agribusiness Development Corporation (“ADC”) whose address is 235 S Beretania St Ste 205, Honolulu Hawaii 96813, and ABC, LLC. (“USER”) whose address is 1234 Xyx St., Waipahu Hawaii 96797.

Whereas the USER desires to use water delivered through irrigation infrastructure owned by ADC, USER hereby enters into this Water User Agreement (“Agreement”) and agrees to comply with the terms of this Agreement, their License Agreement No. LI-GA1234 (“License”), HRS ch. 174C, and any other applicable county ordinances and state and federal laws, rules and regulations, now or hereafter in effect.

To that end, the parties agree to the following terms:

1. Availability. ADC agrees to deliver to USER a quantity of available water based on the USER’S pro rata share of the acreage of the designated service area of the water system; provided that ADC reserves the right, at its sole discretion, to ration or reallocate any or all available water at any time. USER expressly acknowledges that ADC does not guarantee the availability of water.
2. Character of Use. Water delivered by ADC shall be used only for agriculture-related purposes, in accordance with the terms of USER’S License and conservation plan.
3. Potability. USER acknowledges that water obtained from ADC is not potable. USER is solely responsible for their use of the water.
4. Fees and Schedule. USER agrees to pay ADC \$ _____ per 1,000 gallons of water as metered, plus applicable taxes, beginning at the time of execution of this Agreement. ADC shall invoice USER on or around the 15th of every month for the previous month of service, commencing from the date of execution of this Agreement. Payment shall be due on the 15th of the month after the date of invoice. ADC reserves the right to assess a monthly late fee of 5% on USER’s past-due balance for each month of delinquency. Further, ADC reserves the right adjust future water rates, payment terms, policies, and time and place of payment, from time to time, as determined by ADC’s Board of Directors, and subject to the costs associated with operating and maintaining the well and delivery systems. USER expressly acknowledges that ADC is only providing infrastructure for the delivery of water and is not selling water.
5. Operation. The meter and main valve shall be the property, and under the sole control, of ADC. USER is expressly prohibited from manipulating or adjusting valves, meters, or flow under the ADC’s control. Violations of this term shall constitute grounds for both the immediate termination of this Agreement and termination of water. USER agrees to promptly report any meter or system issues to ADC, or their contracted system operator. USER is prohibited from tampering with, adjusting, desecrating, or intruding upon any portion of the water system, prior to and including, the meter, or any other point of the water system that exists upstream of the meter.
6. Infrastructure. All water delivery infrastructure from the water source, up to and including the main meter, is the property of ADC. ADC shall install, at the USER’S expense, a meter to monitor USER’s water use. ADC, or their contracted system operator, shall be solely responsible for monitoring and maintaining the meter, and reserves the right to repair or replace the meter, as necessary, and bill associated costs to the USER. USER shall be responsible for the installation, management, maintenance,

and repair of all infrastructure from the meter to the various distribution points in their fields.

7. Improvements. USER agrees to provide ADC with drawings and schematics of all irrigation lines in relation to the premises, including meters, valves, junctions, backflow preventers, connections, boosters, etc., and to update those drawings and schematics as USER's system is modified or improved.
8. Water Storage. USER shall maintain and repair, at USER's sole cost, any reservoir or other water storage facilities (collectively "Water Storage") on the licensed premises to a condition acceptable to ADC. ADC shall have no obligation whatsoever to maintain or repair the Water Storage. Any improvements made to the Water Storage must be approved by ADC in accordance with the License. Any damages to ADC's Water Storage or to any third party as a result of misuse or negligence by User shall be User's responsibility.
9. Contamination. USER shall maintain either a minimum three (3) foot airgap between the termination of any Water Storage feed line and the surface of the water at all times, OR a back-flow preventer, so positioned between the meter and the Water Storage, to prevent back-flow contamination of ADC's irrigation main line.
10. Hold Harmless. USER agrees to hold ADC harmless from any damages, including loss of crop due to availability, quantity, potability, or suitability of the water ADC provides. This paragraph shall survive the termination of this Agreement.
11. Indemnity. USER shall indemnify, defend, and hold harmless the State of Hawaii, ADC, and their officers, employees, and agents from and against any claim or demand for loss, liability, damage, cost, expense, and attorneys' fees, including claims for property damage, personal injury, or wrongful death, arising out of any act or omission of USER, and from and against all actions, suits, damages, and claims by whomsoever brought or made by reason of the non-observance or non-performance of any of the terms, covenants, and conditions herein or the laws, ordinances, rules, and regulations of the federal, state, or county governments now or hereafter in effect. This paragraph shall survive the termination of this Agreement.
12. Force Majeure. ADC shall not be liable for any failure of or delay in the performance of this Agreement for the period that such failure or delay is beyond the reasonable control of the parties, materially affects the performance of any of its obligations under this Agreement, and could not have been reasonably foreseen or provided against.
13. Governance. USER agrees to comply with and be bound by any bylaws, rules, and policies of ADC, and the laws, ordinances, rules, and regulations of the federal, state, or county governments, now or hereafter in effect. It is expressly agreed that this Agreement shall be governed by the laws of the State of Hawaii, and that any lawsuit or disagreement shall be brought in a court of the State of Hawaii.
14. Severability. Should any provision of this Agreement be declared void or unenforceable, all remaining provisions shall remain in full force and effect.
15. Default. In the event the USER shall default on any provision of this Agreement that is not delinquency-related, by refusing or failing, without just cause, to utilize the water delivery system in a manner as set forth in this Agreement, ADC may issue a Letter of Default with an itemized list of corrective actions. USER shall have 30 days from the date of the letter to satisfactorily address the list of corrective actions, after which ADC reserves the right to sever USER's water connection until all corrective actions have been

satisfactorily made. ADC may restore the water connection upon written request from USER.

For default involving non-payment or partial-payment, ADC reserves the right to shut off water immediately at such time that delinquency occurs, as determined by the invoice due date. Reconnection shall occur only after full payment has been made, and upon written request from the USER.

(The balance of this page is intentionally blank.)

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on this _____ day
of _____, 2020.

LICENSOR:

State of Hawaii
Agribusiness Development Corporation

By: _____

Its: Executive Director

LICENSEE:

ABC, LLC
a Hawaii Limited Liability Company

By: _____

Its:

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DAVID Y. IGE
Governor

JOSH GREEN
Lt. Governor



JAMES J. NAKATANI
Executive Director

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION
235 S. Beretania Street, Room 205
Honolulu, HI 96813
Phone: (808) 586-0186 Fax: (808) 586-0189

Attachment for Items E, F, G
ADC Board Meeting
May 20, 2020

December 11, 2019

Subject: Request to adopt the Land Investigative Committee's recommendation for selecting applicants for ADC land licenses

Authority: Section 163D-4(a)(5), Hawaii Revised Statutes

BACKGROUND:

On February 20, 2019, the land investigative committee (committee) was tasked by the Chair of the Agribusiness Development Corporation (ADC) Board of Directors with assisting ADC in 1) developing a solicitation to interested farmers and rating sheet for applications, which was adopted on April 24, 2019, and 2) evaluating the land applications ADC received in response to the solicitation. The objective of the committee was to develop a merit-based process to identify highly qualified applicants to farm on ADC's agricultural lands.

On May 1, 2019, the ADC solicited applications (see Exhibit A) from interested farmers to fill six (6) non-contiguous parcels located in Whitmore, Oahu. Four (4) lots ranging from 10-80 acres (1 Lot x 80 acres, 1 Lot x 20 acres, 2 Lots x 10 acres) dedicated for truck crops are located at the Galbraith Agricultural Lands Small Farmer Lots, one (1) 145-acre parcel dedicated for truck crops is located at the Galbraith Agricultural Lands North, and one (1) 194-acre parcel dedicated for greenhouses and orchards is located at Whitmore Agricultural Lands.

In addition to the individuals who submitted expression of interest for land, the ADC expanded its solicitation outreach to include the Hawaii Department of Agriculture, USDA, Hawaii Farm Bureau, Hawaii Farmers Union Foundation, Go Farm, Office of Hawaiian Affairs, DHHL, UH-CTAHR, Kamehameha Schools Bishop Estate, Dole Foods, Star Advertiser, and various community groups in the area. The deadline to submit applications was June 30, 2019.

FINDINGS

Findings #1:

In total, the ADC received 24 land applications. Of the 24 land applications received, two (2) were missing financials and/or a business plan and were deemed to be incomplete, and one (1) was submitted after the deadline and would only be considered if the committee was unable to identify a suitable applicant amongst those who turned in their land application on time. The 21 completed land applications were divided into three (3) groups based on the three (3) different areas they applied for. 17 applied for the Galbraith Agricultural Lands Small Farmer Lots, one (1) applied for the Galbraith Agricultural Lands North, and three (3) applied for the Whitmore Agricultural Lands.

Request to adopt the Land Investigative Committee's recommendations for selecting applicants for ADC land licenses.

December 11, 2019

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Using their discretion and expertise, the committee evaluated the land applications and awarded points for each of the following categories: a maximum score of 15 points for experience; a maximum score of 20 points for marketability of product; a maximum score of 40 points for finances; a maximum of 20 points for business plan; and a maximum of 5 points for farming practices. The maximum score an applicant could receive is 100 points. The following were the top scores for each area:

Galbraith Agricultural Lands North

1) SJ Farms

Whitmore Agricultural Lands

1) Helemano Farms

2) A. Leiomalama Solomon

Galbraith Agricultural Lands Small Farmer Lots

1) Island Green Produce

2) Bounpheng Farm

3) Glory Herb Farm

4) Zhao Produce

Findings #2:

In addition to evaluating the individual land applications, the committee also conducted farm visits and interviews with the top-rated applicants to help them formulate their recommendations. The following are the farms the committee visited:

SJ Farms



Cabbage patch on SJ Farms

SJ Farms is currently farming in Kunia, Oahu. Their major crops include cabbage, watermelon, bell peppers, bananas, and tomatoes. They are excellent operators and one of the largest growers of local produce in the State. They currently sell produce to large retailers and local distributors based on the customer's needs. Their request is for 145 acres.

Request to adopt the Land Investigative Committee's recommendations for selecting applicants for ADC land licenses.

December 11, 2019

Page 3 of 6

Helemano Farms



Christmas trees on Helemano Farms in Whitmore

Helemano Farms is currently farming in 35 acres in Whitmore and Mililani Mauka, Oahu. His major crops include Christmas trees and lychee. He is an excellent operator and his farm was clean and tidy. He is currently the only Christmas tree grower on Oahu. He is requesting 15 acres.

A. Leiomalama Solomon



Ulu trees

A. Leiomalama Solomon is currently operating a 5-acre farm in Kona, Hawaii. Her major crop is breadfruit. She is a good operator and her farm was neat and clean. She currently has 150 trees on her farm, which were fruiting. She is requesting 150 acres.

Request to adopt the Land Investigative Committee's recommendations for selecting applicants for ADC land licenses.

December 11, 2019

Page 4 of 6

Island Green Produce, Inc.



Thai basil growing on Island Green Produce

Island Green Produce, Inc. is currently farming on 30 acres in Ewa. Their major crop includes cucumber, daikon, basil, and tomatoes. They are good operators and their farm operation was neat and clean. They currently sell produce directly to local distributors and local markets. They also have an outlet store in Chinatown Market Place in Kalihi. They are requesting 80-100 acres.

Bounpheng Farm LLC



Field of okra on Bounpheng Farm

Bounpheng Farm LLC is currently farming on 20 acres in Mokuleia, Oahu. Their major crops include okra, peanuts, and dragon fruit. They are good operators. However, they had quite a few dogs tied up and running around, which they said was for security. They currently sell their produce to a middle man who sells it to retail stores like Chinatown Market Place in Kalihi and open markets. They are requesting 80 acres.

Request to adopt the Land Investigative Committee's recommendations for selecting applicants for ADC land licenses.

December 11, 2019

Page 5 of 6

Glory Herb Farm



Italian basil growing on Glory Herb Farm in Mililani

Glory Herb Farm is currently farming on 30+ acres in Waianae Valley and Mililani Ag Park on Oahu. Their major crops in Italian basil and other herbs on a smaller scale. They are excellent operator and their farm was clean, tidy, and highly productive. They export most of their crop to Canada and the Pacific Northwest. They also sell to local distributors and markets. They are requesting 80-100 acres.

Zhao Produce



Prepped field and basil in the background

Zhao Produce is currently farming on 20 acres in Ewa. Their major crops include sweet potato, ginger, taro, and basil. They are good operators and their farm was clean and neat. They export most of their crop to the U.S. Mainland. They live in a house on the farm along with 7 of their workers. They are requesting 80-100 acres and to build a living quarter on ADC property.

RECOMMENDATIONS

The committee through its evaluation has identified the top applicants based on their experience, marketability of product, finances, business plan; and farming practices. With this report are the full scoring results for each area, shown in Exhibit B. The committee's selection and recommendations are summarized below for the Board's review and consideration:

Recommendation #1:

Award the Galbraith Agricultural Lands North to SJ Farms. SJ Farms received one of the highest scores overall and was the sole applicant for the area.

Recommendation #2:

Award the Whitmore Agricultural Lands to Heleman Farms and A. Leiomalama Solomon. Heleman Farms received one of the highest scores overall. However, they are only requesting 15 acres of the 194 acres (140+ acres usable) to expand their current Christmas tree operation in Whitmore. A. Leiomalama Solomon is willing and able to move her entire operation from Kona to Whitmore. Since Heleman Farms had the highest score, the committee recommends awarding the requested 15 acres to them and awarding the remaining acreage to A. Leiomalama Solomon. Should Heleman Farms refuse the offer, the committee recommends awarding the entire parcel to A. Leiomalama Solomon.

Recommendation #3:

Award the four (4) lots at the Galbraith Agricultural Lands Small Farmer Lots to the highest scores. Island Green Produce had the highest score and shall be awarded the largest lot (80 acres), Bounpheng Farm shall be awarded the second largest lot (20 acres), and Glory Herb Farm and Zhao Produce shall be awarded 10 acres each. It should be noted that the top four applicants are requesting 80-100 acres. Should any of the applicants refuse the offer, the committee recommends giving ADC the authority and discretion to consolidate parcels so that there is more land available for the operation selected. The committee believes they will have a greater chance of being successful if they have larger scale. Furthermore, it is vital to rest fields and rotate the crop cycle, and this is only possible with more land.

CONCLUSION

This presents the summary of the committee's evaluation of the land applications. The committee made their selection in confidence based on their expertise and discretion and believes that the land application process has identified the most qualified applicants who can help the State increase its local agriculture productions.

RECOMMENDATION

Based on the finding above, the recommendation is to adopt the Land Investigative Committee's recommendation for selecting applicants for ADC land licenses.

Respectfully submitted,

James J. Nakatani
Executive Director

GALBRAITH FARM LOTS
STATE OF HAWAII
AGRI-BUSINESS DEVELOPMENT CORPORATION

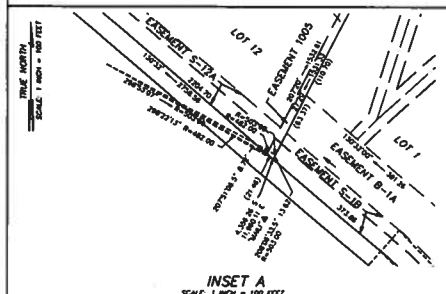
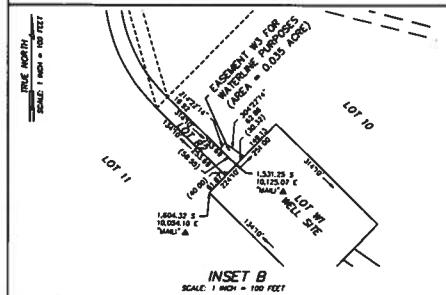
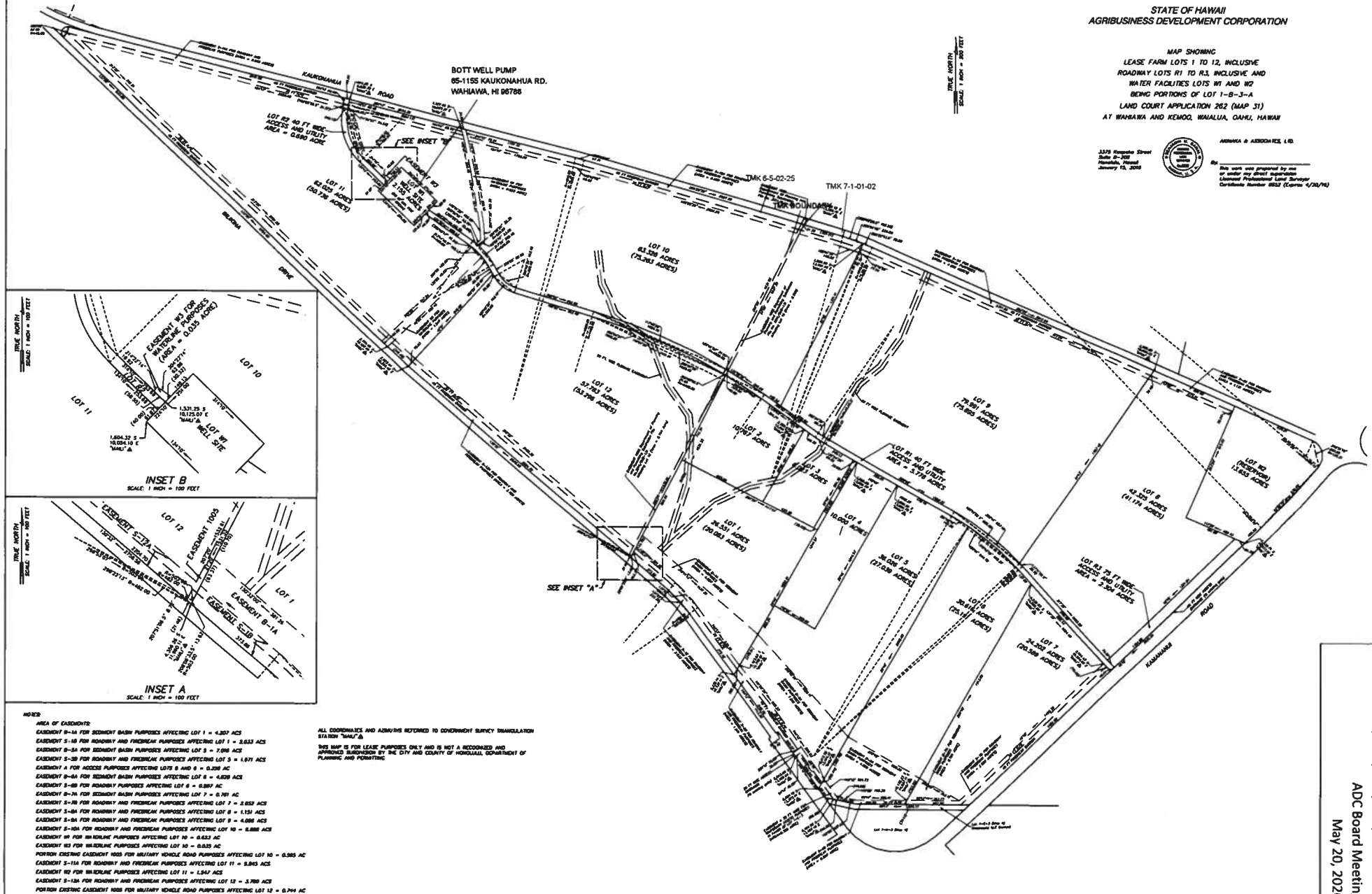
MAP SHOWING
LEASE FARM LOTS 1 TO 12, INCLUSIVE AND
ROADWAY LOTS R1 TO R3, INCLUSIVE AND
WATER FACILITIES LOTS W1 AND W2
BEING PORTIONS OF LOT 1-B-3-A
LAND COURT APPLICATION 262 (MAP 31)
AT WAHAWA AND KEMO, MAHALA, OAHU, HAWAII

3370 Kapaemahu Street
Suite 200
Honolulu, Hawaii
January 15, 2008



AGRI-BUSINESS DEVELOPMENT CORPORATION

This work was prepared by me
or under my direct supervision
I am a Licensed Professional Land Surveyor
Certificate Number 6622 (Expires 4/30/14)



NOTES:

AREA OF EASEMENTS:

EASEMENT 9-1A FOR SEDIMENT BASIN PURPOSES AFFECTING LOT 1 = 4.257 ACS

EASEMENT 9-1B FOR ROADWAY AND FIREBREAK PURPOSES AFFECTING LOT 1 = 0.633 ACS

EASEMENT 9-2A FOR SEDIMENT BASIN PURPOSES AFFECTING LOT 2 = 7.096 ACS

EASEMENT 9-2B FOR ROADWAY AND FIREBREAK PURPOSES AFFECTING LOT 2 = 1.671 ACS

EASEMENT 9-3 FOR ACCESS PURPOSES AFFECTING LOTS 3 AND 4 = 0.309 AC

EASEMENT 9-4A FOR SEDIMENT BASIN PURPOSES AFFECTING LOT 4 = 4.028 ACS

EASEMENT 9-4B FOR ROADWAY PURPOSES AFFECTING LOT 4 = 0.887 AC

EASEMENT 9-5A FOR SEDIMENT BASIN PURPOSES AFFECTING LOT 5 = 0.791 AC

EASEMENT 9-5B FOR ROADWAY AND FIREBREAK PURPOSES AFFECTING LOT 5 = 2.852 ACS

EASEMENT 9-6A FOR ROADWAY AND FIREBREAK PURPOSES AFFECTING LOT 6 = 1.151 ACS

EASEMENT 9-6B FOR ROADWAY AND FIREBREAK PURPOSES AFFECTING LOT 6 = 4.086 ACS

EASEMENT 9-7A FOR ROADWAY AND FIREBREAK PURPOSES AFFECTING LOT 7 = 0.888 ACS

EASEMENT 9-7B FOR ROADWAY PURPOSES AFFECTING LOT 7 = 0.633 AC

EASEMENT 9-8 FOR WINDLINE PURPOSES AFFECTING LOT 8 = 0.633 AC

EASEMENT 9-9 FOR WINDLINE PURPOSES AFFECTING LOT 9 = 0.633 AC

PORTION EXISTING EASEMENT 1000 FOR MILITARY VEHICLE ROAD PURPOSES AFFECTING LOT 10 = 0.365 ACS

EASEMENT 9-10A FOR ROADWAY AND FIREBREAK PURPOSES AFFECTING LOT 10 = 0.843 ACS

EASEMENT 9-10B FOR WINDLINE PURPOSES AFFECTING LOT 10 = 1.947 ACS

EASEMENT 9-11A FOR ROADWAY AND FIREBREAK PURPOSES AFFECTING LOT 11 = 3.708 ACS

PORTION EXISTING EASEMENT 1000 FOR MILITARY VEHICLE ROAD PURPOSES AFFECTING LOT 11 = 0.794 ACS

ALL COORDINATES AND ADJUSTMENTS REFERRED TO GOVERNMENT SURVEY TRIANGULATION STATION "WALU" A

THIS MAP IS FOR LEASE PURPOSES ONLY AND IS NOT A RECORDED AND APPROVED SURVEY BY THE CITY AND COUNTY OF HONOLULU, HAWAII FOR PLANNING AND POSTING

TAX MAP KEY: 6-5-002.003 & 7-1-000.002

Items E-1, E-2, E-3, E-4, Exhibit A
ADC Board Meeting
May 20, 2020

DAVID Y. IGE
Governor

JOSH GREEN
Lt. Governor



Item E-1

JAMES J. NAKATANI
Executive Director

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION

235 S. Beretania Street, Room 205
Honolulu, HI 96813
Phone: (808) 586-0186 Fax: (808) 586-0189

May 20, 2020

Subject: Request for Approval to Issue a Land License to Glory Herb Farm LLC for Agricultural Purposes, Waialua, Oahu; Tax Map Key (1) 7-1-01-02 (por).

Applicant: Glory Herb Farm LLC

Authority: Section 163D-4(a) (5), Hawaii Revised Statutes

Area: Lot 2 – 10.767 acres

Tax Map Key: (1) 7-1-01-02 (por)

Character of Use: Diversified Agriculture

Land Status: Acquired in fee by the State of Hawaii Agribusiness Development Corporation, December 12, 2012 from the George Galbraith estate

Trust Land Status: Section 5(b) lands of the Hawaii Admission Act

DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: Yes: ___ No: X

License Term: 5 years

Base Rental Rate: Year 1-3 – annual fee of \$200 per acre;
Year 4 & 5 – annual fee of \$400 per acre;
Re-open

Water meter and:
installation cost For a 2" meter estimated to cost \$5,310.00

Security Cost: \$75.75 per month

BACKGROUND:

The Agribusiness Development Corporation (ADC) dedicated a portion of the Galbraith Agricultural Lands (GAL) in Whitmore, Oahu to fulfill the City and County of Honolulu's mandate to provide farm lots for small and immigrant farm operators in exchange for funding from the Clean Water and Natural Land Fund to purchase land from the Galbraith Estate. Over 400 acres were divided up into 12 farm lots ranging from 6 to 80 acres. The lot sizes were determined based on the farmer's preference and land availability.

Glory Herb Farm LLC (applicant) was one of four farmers that were selected from a pool of applicants based on merit by a selection committee. The committee's selections were approved by the ADC Board on December 11, 2019. Using their discretion and expertise, the committee selected the most experienced and economically viable farm operations. The committee also made site visits to their farms to observe their current operations. Attached to this submittal are the selection committee's recommendations to the ADC Board.

The applicant is currently farming on 35 acres in Waianae Valley and Mililani Ag Park on Oahu. Their major crops in Italian basil and other herbs on a smaller scale. They are excellent operator and their farm was clean, tidy, and highly productive. They export most of their crop to Canada and the Pacific Northwest, but they also sell to local distributors and markets. They requested 80-100 acres.

LAND REQUEST:

The Applicant is seeking to expand its 35-acre farm operation and is requesting a land license to farm on the GAL. The applicant was awarded the Lot 2, which is approximately 10.767 acres. The lot is relatively flat and has limited infrastructure. The only water source available is the Bott Well Pump Station, which services a 12" water main that transmits water to the entire GAL.

The subject area is 1 of 12 lots located within the 400+ acres dedicated for small farmers. These lots are subject to the following terms and conditions:

Rental Rate

An inexpensive base rental rate of \$200 an acre per year for years 1 to 3 is being proposed to offset the farmer's startup, and other costs for security, water meter, and irrigation system for their operation. For years 4 and 5, the proposed base rental rate will be \$400 per acre per year, which is closer to going rate for agricultural land in Central Oahu. ADC may choose to re-open negotiations after the 5th year, provided that the applicant is compliant with the terms and conditions of their license and are current with payment.

Land Preparation

These lots will be issued as is and the farmers are responsible for clearing the land. Prior to putting farmers on the land, the ADC deacidified the soil by incorporating coral sand (18 tons per acre) to condition the soil, and disc plowing of the fields 2 to 4 times.

Because this cost may not be economically feasible for smaller farmers, the fields themselves the land preparation was completed by Kelena Farms and ADC. In addition to coral sand, Hawaiian Earth Recycling applied organic compost (84 tons per acre) and disc plowed the land again to incorporate the compost into the soil to improve the physical condition of the soil (retention of nutrients and moisture) at no cost to the state.

A soil analysis result taken revealed elevated soil pH levels above the optimum level of 6.0. The same holds true for the phosphorus, potassium, calcium and magnesium levels, which are above their respective optimum levels. Soil acidity and nutrient deficiency problems should not be an issue with initial crop planting once the land is cleared.

Irrigation System

The farmers are responsible for paying for the water meter and installation costs and developing an irrigation distribution system for their designated farm lots. Based on the lot acreage either a 2", 3" or 4" sized water meter, with a riser will be installed along with a concrete pad (see estimated cost below).

The subject area has two 4" water meters. The following is a breakdown of the cost to the farmer:

2" Riser	\$825
2" meter & backflow valve & ball valve	\$2,700
Concrete Housekeeping pad	\$1,785
Total (per meter)	\$5,310

Water User Agreement

All farmers using water from the Bott Well Pump Station are required to sign a water user agreement as part of their license agreement. The source water will be pumped from the Bott Well Pump Station or reservoir directly to the farmer's fields or storage ponds. Currently, the water use permit allows for a 2 million gallon per day use. The quantity of available water will be based on the user's pro rata share of the acreage of the designated service area of the water system. The estimated cost for water ranges from \$0.89 per thousand gallons. In addition to the cost of their water delivery charge, farmers may be required to pay for their own water storage, pumping, and irrigation distribution system for their designated farm lots.

Security

A Security guard is stationed at the Bott Well to provide 24-hour security to prevent theft to the Bott Well pump, industrial diesel engine and farming equipment parked at the base yard nearby. It is recommended that all Galbraith farming equipment be parked at the base yard when not in use. The cost to provide 24-hour security at the well site is \$550.56 per day. The yearly cost is equal to \$200,954.40.

As more farmers begin farming on the land, security hours will be reduced and provided from 6:00 pm to 6:00 am, Monday thru Friday as well as on the weekends (24 hours). The security cost for 12 hours a day for 5 days a week is equal to \$66,067.20. The weekend cost is equal to \$60,561.60. The total cost is equal to \$126,628.80. Farmers

are expected to pay 80% of the cost equal to \$101,303.04. The security cost per acre per year is equal to \$84.42.

The hours of farm operation are from sunrise to sunset (6:00am to 7:00pm). No one is allowed on the farm afterhours.

Base Yard

The farmers may develop a base yard within their licensed area to store items, which include but is not limited to, boxes for harvesting, farming equipment and tools, fertilizers, and pesticides, provided that, the total area does not exceed 400 square feet and complies with all County, State, and Federal laws and ordinances. Pursuant to State law, single stand-alone recycled ocean shipping containers or cargo containers that are used as nonresidential commercial buildings are exempt from building permit and building code requirements where they are no more than one thousand square feet in floor area. The farmer may place up to 2 shipping containers within their licensed area.

Miscellaneous and Others

Farmers will be required to pay \$25 per month for half of the cost to provide portable toilets on the Galbraith land.

OPERATIONAL PLAN:

The applicant plans to grow Italian basil, sweet thai basil, and small herbs such as mint and thyme depending on the quality of the soil and water for export and local markets.

CONSERVATION PLAN:

The farmers are required to develop a soil conservation plan in cooperation with the West Oahu Soil and Water Conservation District and submit an approved plan to the Licensor prior to receiving a notice to proceed begin farming.

CONCLUSION:

ADC staff continues to struggle to get small and immigrant farmers to adhere to the terms and conditions of their license agreements. ADC staff is constantly having to inform these farmers about their past due payments or demand that they perform corrective measures to address certain issues on their farms before it became a detriment to the environment and neighboring farms. For these reasons, ADC is reluctant to long-term land license to small and immigrant farmers. Instead, ADC is recommending a shorter-term license, which may be extended to a longer-term, provided that, the farmer is compliant with the terms and conditions of their license and are current with their payments.

RECOMMENDATION:

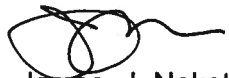
Approve the issuance of a land license to Glory Herb Farm subject to the following conditions:

May 20, 2020

Page 5 of 5

1. The term of this land license shall be for 5 years.
2. The base rent will be \$200 an acre per year for years 1-3 or \$2,153.40 per year. Years 4 & 5 the base rent will increase to \$400 an acre per year or \$4,306.80 per year.
3. No subletting to be permitted without ADC's prior approval in writing.
4. The licensee shall be responsible for obtaining a water user agreement and paying for the following irrigation cost; \$5,310 for a 2" water meters and installation (excludes costs for irrigation system for their operations).
5. The licensee shall be responsible for paying \$84.42 per acre per year or \$75.75 per month for security.
6. The licensee shall be responsible for paying \$25 per month for portable toilets.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'James J. Nakatani', with a stylized flourish extending to the right.

James. J. Nakatani
Executive Director

DAVID Y. IGE
Governor

JOSH GREEN
Lt. Governor



Item E-2

JAMES J. NAKATANI
Executive Director

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION

235 S. Beretania Street, Room 205
Honolulu, HI 96813
Phone: (808) 586-0186 Fax: (808) 586-0189

May 20, 2020

Subject: Request for Approval to Issue a Land License to Bounpheng Farm LLC for Agricultural Purposes, Waialua, Oahu; Tax Map Key (1) 7-1-01-02 (por).

Applicant: Bounphheng Farm LLC

Authority: Section 163D-4(a) (5), Hawaii Revised Statutes

Area: Lot 1 – 26.551 gross acres (20.083 usable acres)

Tax Map Key: (1) 7-1-01-02 (por)

Character of Use: Diversified Agriculture

Land Status: Acquired in fee by the State of Hawaii Agribusiness Development Corporation, December 12, 2012 from the George Galbraith estate

Trust Land Status: Section 5(b) lands of the Hawaii Admission Act

DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: Yes: ☐ No: ☒

License Term: 5 years

Base Rental Rate: Year 1-3 – annual fee of \$200 per acre;
Year 4 & 5 – annual fee of \$400 per acre;
Re-open

**Water meter and:
installation cost** For a 3" meter estimated to cost \$7,735.00

Security Cost: \$141.28 per month

BACKGROUND:

The Agribusiness Development Corporation (ADC) dedicated a portion of the Galbraith Agricultural Lands (GAL) in Whitmore, Oahu to fulfill the City and County of Honolulu's mandate to provide farm lots for small and immigrant farm operators in exchange for funding from the Clean Water and Natural Land Fund to purchase land from the Galbraith Estate. Over 400 acres were divided up into 12 farm lots ranging from 6 to 80 acres. The lot sizes were determined based on the farmer's preference and land availability.

Bounpheng Farm LLC (applicant) was one of four farmers that were selected from a pool of applicants based on merit by a selection committee. The committee's selections were approved by the ADC Board on December 11, 2019. Using their discretion and expertise, the committee selected the most experienced and economically viable farm operations. The committee also made site visits to their farms to observe their current operations. Attached to this submittal are the selection committee's recommendations to the ADC Board.

The applicant is currently farming on 20 acres in Mokuleia, Oahu. Their major crops include okra, peanuts, and dragon fruit. They are good operators. However, they had quite a few dogs tied up and running around, which they said was for security. They currently sell their produce to a buyer who sells to retail stores like Chinatown Market Place in Kalihi and open markets. They requested 80 acres.

LAND REQUEST:

The Applicant is seeking to expand or possibly relocate its 20-acre farm operation and is requesting a land license to farm on the GAL. The applicant was awarded Lot 1, which is approximately 26.551 acres. The lot has a gentle slope and has limited infrastructure. The only water source available is the Bott Well Pump Station, which services a 12" water main that transmits water to the entire GAL.

The subject area is 1 of 12 lots located within the 400+ acres dedicated for small farmers. These lots are subject to the following terms and conditions:

Rental Rate

An inexpensive base rental rate of \$200 an acre per year for years 1 to 3 is being proposed to offset the farmer's startup, and other costs for security, water meter, and irrigation system for their operation. For years 4 and 5, the proposed base rental rate will be \$400 per acre per year, which is closer to going rate for agricultural land in Central Oahu. ADC may choose to re-open negotiations after the 5th year, provided that the applicant is compliant with the terms and conditions of their license and are current with payment.

Land Preparation

These lots will be issued as is and the farmers are responsible for clearing the land. Prior to putting farmers on the land, the ADC deacidified the soil by incorporating coral sand (18 tons per acre) to condition the soil, and disc plowing of the fields 2 to 4 times.

Because this cost may not be economically feasible for smaller farmers, the fields themselves the land preparation was completed by Kelena Farms and ADC. In addition to coral sand, Hawaiian Earth Recycling applied organic compost (84 tons per acre) and disc plowed the land again to incorporate the compost into the soil to improve the physical condition of the soil (retention of nutrients and moisture) at no cost to the state. A soil analysis result taken revealed elevated soil pH levels above the optimum level of 6.0. The same holds true for the phosphorus, potassium, calcium and magnesium levels, which are above their respective optimum levels. Soil acidity and nutrient deficiency problems should not be an issue with initial crop planting once the land is cleared.

Irrigation System

The farmers are responsible for paying for the water meter and installation costs and developing an irrigation distribution system for their designated farm lots. Based on the lot acreage either a 2", 3" or 4" sized water meter, with a riser will be installed along with a concrete pad (see estimated cost below).

The subject area has a 3" water meters. The following is a breakdown of the cost to the farmer:

3" Riser	\$1,100
3" meter & backflow valve & ball valve	\$4,850
Concrete Housekeeping pad	\$1,785
Total	\$7,735

Water User Agreement

All farmers using water from the Bott Well Pump Station are required to sign a water user agreement as part of their license agreement. The source water will be pumped from the Bott Well Pump Station or reservoir directly to the farmer's fields or storage ponds. Currently, the water use permit allows for a 2 million gallon per day use. The quantity of available water will be based on the user's pro rata share of the acreage of the designated service area of the water system. The estimated cost for water ranges from \$0.89 per thousand gallons. In addition to the cost of their water delivery charge, farmers may be required to pay for their own water storage, pumping, and irrigation distribution system for their designated farm lots.

Security

A Security guard is stationed at the Bott Well to provide 24-hour security to prevent theft to the Bott Well pump, industrial diesel engine and farming equipment parked at the base yard nearby. It is recommended that all Galbraith farming equipment be parked at the base yard when not in use. The cost to provide 24-hour security at the well site is \$550.56 per day. The yearly cost is equal to \$200,954.40.

As more farmers begin farming on the land, security hours will be reduced and provided from 6:00 pm to 6:00 am, Monday thru Friday as well as on the weekends (24 hours). The security cost for 12 hours a day for 5 days a week is equal to \$66,067.20. The weekend cost is equal to \$60,561.60. The total cost is equal to \$126,628.80. Farmers are expected to pay 80% of the cost equal to \$101,303.04. The security cost per acre per year is equal to \$84.42.

The hours of farm operation are from sunrise to sunset (6:00am to 7:00pm). No one is allowed on the farm afterhours.

Base Yard

The farmers may develop a base yard within their licensed area to store items, which include but is not limited to, boxes for harvesting, farming equipment and tools, fertilizers, and pesticides, provided that, the total area does not exceed 600 square feet and complies with all County, State, and Federal laws and ordinances. Pursuant to State law, single stand-alone recycled ocean shipping containers or cargo containers that are used as nonresidential commercial buildings are exempt from building permit and building code requirements where they are no more than one thousand square feet in floor area. The farmer may place up to 2 shipping containers within their licensed area.

Miscellaneous and Others

Farmers will be required to pay \$25 per month for half of the cost to provide portable toilets on the Galbraith land.

OPERATIONAL PLAN:

The applicant plans to rotate a diverse crop in 1-3-acre plots, which banana, papaya, okra, eggplant, bottle gourd, tomato, and bitter melon. The farmer primarily sells to local markets.

CONSERVATION PLAN:

The farmers are required to develop a soil conservation plan in cooperation with the West Oahu Soil and Water Conservation District and submit an approved plan to the Licensor prior to receiving a notice to proceed begin farming.

CONCLUSION:

ADC staff continues to struggle to get small and immigrant farmers to adhere to the terms and conditions of their license agreements. ADC staff is constantly having to inform these farmers about their past due payments or demand that they perform corrective measures to address certain issues on their farms before it became a detriment to the environment and neighboring farms. For these reasons, ADC is reluctant to long-term land license to small and immigrant farmers. Instead, ADC is recommending a shorter-term license, which may be extended to a longer-term, provided that, the farmer is compliant with the terms and conditions of their license and are current with their payments.

RECOMMENDATION:

Approve the issuance of a land license to Bounpheng Farm LLC subject to the following conditions:

1. The term of this land license shall be for 5 years.

May 20, 2020

Page 5 of 5

2. The base rent will be \$200 an acre per year for years 1-3 or \$4,016.60 per year. Years 4 & 5 the base rent will increase to \$400 an acre per year or \$8,033.20 per year.
3. No subletting to be permitted without ADC's prior approval in writing.
4. The licensee shall be responsible for obtaining a water user agreement and paying for the following irrigation cost; \$7,735.00 for a 3" water meters and installation (excludes costs for irrigation system for their operations).
5. The licensee shall be responsible for paying \$84.42 per acre per year or \$141.28 per month for security.
6. The licensee shall be responsible for paying \$25 per month for portable toilets.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'James J. Nakatani', with a stylized flourish extending to the right.

James. J. Nakatani
Executive Director

DAVID Y. IGE
Governor

JOSH GREEN
Lt. Governor



Item E-3

JAMES J. NAKATANI
Executive Director

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION

235 S. Beretania Street, Room 205
Honolulu, HI 96813
Phone: (808) 586-0186 Fax: (808) 586-0189

May 20, 2020

Subject: Request for Approval to Issue a Land License to Island Green Produce, Inc. for Agricultural Purposes, Waialua, Oahu; Tax Map Key (1) 7-1-01-02 (por).

Applicant: Island Green Produce, Inc.

Authority: Section 163D-4(a) (5), Hawaii Revised Statutes

Area: Lot 9 – 79.991 gross acres (75.895 usable acres)

Tax Map Key: (1) 7-1-01-02 (por)

Character of Use: Diversified Agriculture

Land Status: Acquired in fee by the State of Hawaii Agribusiness Development Corporation, December 12, 2012 from the George Galbraith estate

Trust Land Status: Section 5(b) lands of the Hawaii Admission Act

DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: Yes: ____ No: X

License Term: 5 years

Base Rental Rate: Year 1-3 – annual fee of \$200 per acre;
Year 4 & 5 – annual fee of \$400 per acre;
Re-open

Water meter and installation cost: For two 4" meter estimated to cost \$17,870.00

Security Cost: \$562.74 per month

BACKGROUND:

The Agribusiness Development Corporation (ADC) dedicated a portion of the Galbraith Agricultural Lands (GAL) in Whitmore, Oahu to fulfill the City and County of Honolulu's mandate to provide farm lots for small and immigrant farm operators in exchange for funding from the Clean Water and Natural Land Fund to purchase land from the Galbraith Estate. Over 400 acres were divided up into 12 farm lots ranging from 6 to 80 acres. The lot sizes were determined based on the farmer's preference and land availability.

Island Green Produce, Inc. (applicant) was one of four farmers that were selected from a pool of applicants based on merit by a selection committee. The committee's selections were approved by the ADC Board on December 11, 2019. Using their discretion and expertise, the committee selected the most experienced and economically viable farm operations. The committee also made site visits to their farms to observe their current operations. Attached to this submittal are the selection committee's recommendations to the ADC Board.

The applicant is currently farming on 30 acres in Ewa. Their major crop includes cucumber, daikon, basil, and tomatoes. They are good operators and their farm operation was neat and clean. They currently sell produce directly to local distributors and local markets. They also have an outlet store in Chinatown Market Place in Kalihi. They requested 80-100 acres.

LAND REQUEST:

The Applicant is seeking to expand or possibly relocate its 30-acre farm operation and is requesting a land license to farm on the GAL. The applicant was awarded Lot 9, which is approximately 79.991 acres. The lot has a gentle slope and has limited infrastructure. The only water source available is the Bott Well Pump Station, which services a 12" water main that transmits water to the entire GAL.

The subject area is 1 of 12 lots located within the 400+ acres dedicated for small farmers. These lots are subject to the following terms and conditions:

Rental Rate

An inexpensive base rental rate of \$200 an acre per year for years 1 to 3 is being proposed to offset the farmer's startup, and other costs for security, water meter, and irrigation system for their operation. For years 4 and 5, the proposed base rental rate will be \$400 per acre per year, which is closer to going rate for agricultural land in Central Oahu. ADC may choose to re-open negotiations after the 5th year, provided that the applicant is compliant with the terms and conditions of their license and are current with payment.

Land Preparation

These lots will be issued as is and the farmers are responsible for clearing the land. Prior to putting farmers on the land, the ADC deacidified the soil by incorporating coral sand (18 tons per acre) to condition the soil, and disc plowing of the fields 2 to 4 times.

Because this cost may not be economically feasible for smaller farmers, the fields themselves the land preparation was completed by Kelena Farms and ADC. In addition to coral sand, Hawaiian Earth Recycling applied organic compost (84 tons per acre) and disc plowed the land again to incorporate the compost into the soil to improve the physical condition of the soil (retention of nutrients and moisture) at no cost to the state.

A soil analysis result taken revealed elevated soil pH levels above the optimum level of 6.0. The same holds true for the phosphorus, potassium, calcium and magnesium levels, which are above their respective optimum levels. Soil acidity and nutrient deficiency problems should not be an issue with initial crop planting once the land is cleared.

Irrigation System

The farmers are responsible for paying for the water meter and installation costs and developing an irrigation distribution system for their designated farm lots. Based on the lot acreage either a 2", 3" or 4" sized water meter, with a riser will be installed along with a concrete pad (see estimated cost below).

The subject area has two 4" water meters. The following is a breakdown of the cost to the farmer:

4" Riser	\$1,450
4" meter & backflow valve & ball valve	\$5,700
Concrete Housekeeping pad	\$1,785
Total (per meter)	\$8,935

Water User Agreement

All farmers using water from the Bott Well Pump Station are required to sign a water user agreement as part of their license agreement. The source water will be pumped from the Bott Well Pump Station or reservoir directly to the farmer's fields or storage ponds. Currently, the water use permit allows for a 2 million gallon per day use. The quantity of available water will be based on the user's pro rata share of the acreage of the designated service area of the water system. The estimated cost for water ranges from \$0.89 per thousand gallons. In addition to the cost of their water delivery charge, farmers may be required to pay for their own water storage, pumping, and irrigation distribution system for their designated farm lots.

Security

A Security guard is stationed at the Bott Well to provide 24-hour security to prevent theft to the Bott Well pump, industrial diesel engine and farming equipment parked at the base yard nearby. It is recommended that all Galbraith farming equipment be parked at the base yard when not in use. The cost to provide 24-hour security at the well site is \$550.56 per day. The yearly cost is equal to \$200,954.40.

As more farmers begin farming on the land, security hours will be reduced and provided from 6:00 pm to 6:00 am, Monday thru Friday as well as on the weekends (24 hours). The security cost for 12 hours a day for 5 days a week is equal to \$66,067.20. The weekend cost is equal to \$60,561.60. The total cost is equal to \$126,628.80. Farmers

are expected to pay 80% of the cost equal to \$101,303.04. The security cost per acre per year is equal to \$84.42.

The hours of farm operation are from sunrise to sunset (6:00am to 7:00pm). No one is allowed on the farm afterhours.

Base Yard

The farmers may develop a base yard within their licensed area to store items, which include but is not limited to, boxes for harvesting, farming equipment and tools, fertilizers, and pesticides, provided that, the total area does not exceed 600 square feet and complies with all County, State, and Federal laws and ordinances. Pursuant to State law, single stand-alone recycled ocean shipping containers or cargo containers that are used as nonresidential commercial buildings are exempt from building permit and building code requirements where they are no more than one thousand square feet in floor area. The farmer may place up to 2 shipping containers within their licensed area.

Miscellaneous and Others

Farmers will be required to pay \$25 per month for half of the cost to provide portable toilets on the Galbraith land.

OPERATIONAL PLAN:

The applicant will invest in important equipment as well as features required to meet FDA Food Safety Standards. Their plan is to grow cucumber, daikon, and long eggplant for local markets and distributors. In addition to their main crops, the applicant's plan includes installing a greenhouse to grow cilantro.

CONSERVATION PLAN:

The farmers are required to develop a soil conservation plan in cooperation with the West Oahu Soil and Water Conservation District and submit an approved plan to the Licensor prior to receiving a notice to proceed begin farming.

CONCLUSION:

ADC staff continues to struggle to get small and immigrant farmers to adhere to the terms and conditions of their license agreements. ADC staff is constantly having to inform these farmers about their past due payments or demand that they perform corrective measures to address certain issues on their farms before it became a detriment to the environment and neighboring farms. For these reasons, ADC is reluctant to long-term land license to small and immigrant farmers. Instead, ADC is recommending a shorter-term license, which may be extended to a longer-term, provided that, the farmer is compliant with the terms and conditions of their license and are current with their payments.

May 20, 2020

Page 5 of 5

RECOMMENDATION:

Approve the issuance of a land license to Island Green Produce, Inc. subject to the following conditions:

1. The term of this land license shall be for 5 years.
2. The base rent will be \$200 an acre per year for years 1-3 or \$15,179.00 per year. Years 4 & 5 the base rent will increase to \$400 an acre per year or \$30,358.00 per year.
3. No subletting to be permitted without ADC's prior approval in writing.
4. The licensee shall be responsible for obtaining a water user agreement and paying for the following irrigation cost; \$17,870.00 for two 4" water meters and installation (excludes costs for irrigation system for their operations).
5. The licensee shall be responsible for paying \$84.42 per acre per year or \$562.74 per month for security.
6. The licensee shall be responsible for paying \$25 per month for portable toilets.

Respectfully submitted,

A handwritten signature in black ink, consisting of a large, stylized 'J' and 'N' followed by a horizontal line.

James J. Nakatani
Executive Director

DAVID Y. IGE
Governor

JOSH GREEN
Lt. Governor



Item E-4

JAMES J. NAKATANI
Executive Director

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION

235 S. Beretania Street, Room 205
Honolulu, HI 96813
Phone: (808) 586-0186 Fax: (808) 586-0189

May 20, 2020

Subject: Request for Approval to Issue a Land License to Zhao Produce for Agricultural Purposes, Waialua, Oahu; Tax Map Key (1) 7-1-01-02 (por).

Applicant: Zhao Produce

Authority: Section 163D-4(a) (5), Hawaii Revised Statutes

Area: Lot 4 – 10.00 acres

Tax Map Key: (1) 7-1-01-02 (por)

Character of Use: Diversified Agriculture

Land Status: Acquired in fee by the State of Hawaii Agribusiness Development Corporation, December 12, 2012 from the George Galbraith estate

Trust Land Status: Section 5(b) lands of the Hawaii Admission Act

DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: Yes: ____ No: X

License Term: 5 years

Base Rental Rate: Year 1-3 – annual fee of \$200 per acre;
Year 4 & 5 – annual fee of \$400 per acre;
Re-open

**Water meter and:
installation cost** For a 2" meter estimated to cost \$5,310.00

Security Cost: \$70.35 per month

BACKGROUND:

The Agribusiness Development Corporation (ADC) dedicated a portion of the Galbraith Agricultural Lands (GAL) in Whitmore, Oahu to fulfill the City and County of Honolulu's mandate to provide farm lots for small and immigrant farm operators in exchange for funding from the Clean Water and Natural Land Fund to purchase land from the Galbraith Estate. Over 400 acres were divided up into 12 farm lots ranging from 6 to 80 acres. The lot sizes were determined based on the farmer's preference and land availability.

Zhao Produce (applicant) was one of four farmers that were selected from a pool of applicants based on merit by a selection committee. The committee's selections were approved by the ADC Board on December 11, 2019. Using their discretion and expertise, the committee selected the most experienced and economically viable farm operations. The committee also made site visits to their farms to observe their current operations. Attached to this submittal are the selection committee's recommendations to the ADC Board.

The applicant is currently faring on 20 acres in Ewa. Their major crops include sweet potato, ginger, taro, and basil. They are good operators and their farm was clean and neat. They export most of their crop to the U.S. Mainland. They live in a house on the farm along with 7 of their workers. They requested 80-100 acres.

LAND REQUEST:

The Applicant is seeking to expand or possibly relocate its 20-acre farm operation and is requesting a land license to farm on the GAL. The applicant was awarded Lot 4, which is approximately 10.00 acres. The lot has a gentle slope and has limited infrastructure. The only water source available is the Bott Well Pump Station, which services a 12" water main that transmits water to the entire GAL.

The subject area is 1 of 12 lots located within the 400+ acres dedicated for small farmers. These lots are subject to the following terms and conditions:

Rental Rate

An inexpensive base rental rate of \$200 an acre per year for years 1 to 3 is being proposed to offset the farmer's startup, and other costs for security, water meter, and irrigation system for their operation. For years 4 and 5, the proposed base rental rate will be \$400 per acre per year, which is closer to going rate for agricultural land in Central Oahu. ADC may choose to re-open negotiations after the 5th year, provided that the applicant is compliant with the terms and conditions of their license and are current with payment.

Land Preparation

These lots will be issued as is and the farmers are responsible for clearing the land. Prior to putting farmers on the land, the ADC deacidified the soil by incorporating coral sand (18 tons per acre) to condition the soil, and disc plowing of the fields 2 to 4 times. Because this cost may not be economically feasible for smaller farmers, the fields themselves the land preparation was completed by Kelena Farms and ADC. In addition

to coral sand, Hawaiian Earth Recycling applied organic compost (84 tons per acre) and disc plowed the land again to incorporate the compost into the soil to improve the physical condition of the soil (retention of nutrients and moisture) at no cost to the state. A soil analysis result taken revealed elevated soil pH levels above the optimum level of

6.0. The same holds true for the phosphorus, potassium, calcium and magnesium levels, which are above their respective optimum levels. Soil acidity and nutrient deficiency problems should not be an issue with initial crop planting once the land is cleared.

Irrigation System

The farmers are responsible for paying for the water meter and installation costs, and developing an irrigation distribution system for their designated farm lots. Based on the lot acreage either a 2", 3" or 4" sized water meter, with a riser will be installed along with a concrete pad (see estimated cost below).

The subject area has a 2" water meters. The following is a breakdown of the cost to the farmer:

2" Riser	\$825
2" meter & backflow valve & ball valve	\$2,700
Concrete Housekeeping pad	\$1,785
Total (per meter)	\$5,310

Water User Agreement

All farmers using water from the Bott Well Pump Station are required to sign a water user agreement as part of their license agreement. The source water will be pumped from the Bott Well Pump Station or reservoir directly to the farmer's fields or storage ponds. Currently, the water use permit allows for a 2 million gallon per day use. The quantity of available water will be based on the user's pro rata share of the acreage of the designated service area of the water system. The estimated cost for water ranges from \$0.89 per thousand gallons. In addition to the cost of their water delivery charge, farmers may be required to pay for their own water storage, pumping, and irrigation distribution system for their designated farm lots.

Security

A Security guard is stationed at the Bott Well to provide 24-hour security to prevent theft to the Bott Well pump, industrial diesel engine and farming equipment parked at the base yard nearby. It is recommended that all Galbraith farming equipment be parked at the base yard when not in use. The cost to provide 24-hour security at the well site is \$550.56 per day. The yearly cost is equal to \$200,954.40.

As more farmers begin farming on the land, security hours will be reduced and provided from 6:00 pm to 6:00 am, Monday thru Friday as well as on the weekends (24 hours). The security cost for 12 hours a day for 5 days a week is equal to \$66,067.20. The weekend cost is equal to \$60,561.60. The total cost is equal to \$126,628.80. Farmers are expected to pay 80% of the cost equal to \$101,303.04. The security cost per acre per year is equal to \$84.42.

The hours of farm operation are from sunrise to sunset (6:00am to 7:00pm). No one is allowed on the farm afterhours.

Base Yard

The farmers may develop a base yard within their licensed area to store items, which include but is not limited to, boxes for harvesting, farming equipment and tools, fertilizers, and pesticides, provided that, the total area does not exceed 400 square feet and complies with all County, State, and Federal laws and ordinances. Pursuant to State law, single stand-alone recycled ocean shipping containers or cargo containers that are used as nonresidential commercial buildings are exempt from building permit and building code requirements where they are no more than one thousand square feet in floor area. The farmer may place up to 2 shipping containers within their licensed area.

Miscellaneous and Others

Farmers will be required to pay \$25 per month for half of the cost to provide portable toilets on the Galbraith land.

OPERATIONAL PLAN:

The applicant plans to rotate crops such as taro, yams, sweet potato as well as herbs and tropical fruit for export and local markets.

CONSERVATION PLAN:

The farmers are required to develop a soil conservation plan in cooperation with the West Oahu Soil and Water Conservation District and submit an approved plan to the Licensor prior to receiving a notice to proceed begin farming.

CONCLUSION:

ADC staff continues to struggle to get small and immigrant farmers to adhere to the terms and conditions of their license agreements. ADC staff is constantly having to inform these farmers about their past due payments or demand that they perform corrective measures to address certain issues on their farms before it became a detriment to the environment and neighboring farms. For these reasons, ADC is reluctant to long-term land license to small and immigrant farmers. Instead, ADC is recommending a shorter-term license, which may be extended to a longer-term, provided that, the farmer is compliant with the terms and conditions of their license and are current with their payments.

RECOMMENDATION:

Approve the issuance of a land license to Zhao Produce subject to the following conditions:

1. The term of this land license shall be for 5 years.

May 20, 2020

Page 5 of 5

2. The base rent will be \$200 an acre per year for years 1-3 or \$2,000.00 per year. Years 4 & 5 the base rent will increase to \$400 an acre per year or \$4,000.00 per year.
3. No subletting to be permitted without ADC's prior approval in writing.
4. The licensee shall be responsible for obtaining a water user agreement and paying for the following irrigation cost; \$5,310.00 for a 2" water meters and installation (excludes costs for irrigation system for their operations).
5. The licensee shall be responsible for paying \$84.42 per acre per year or \$70.35 per month for security.
6. The licensee shall be responsible for paying \$25 per month for portable toilets.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'James J. Nakatani', with a stylized flourish extending to the right.

James J. Nakatani
Executive Director

DAVID Y. IGE
Governor

JOSH GREEN
Lt. Governor



Item F

JAMES J. NAKATANI
Executive Director

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION

235 S. Beretania Street, Room 205
Honolulu, HI 96813
Phone: (808) 586-0186 Fax: (808) 586-0189

May 20, 2020

Subject: Request for Approval to Issue a License Agreement to SJ Farms, Inc. for Land in Waialua, Oahu; Tax Map Key (1) 7-1-01-03 and (1) 6-5-02-10 (por).

Authority: Section 163D-4(a)(5), Hawaii Revised Statutes

Area: 152 gross acres (145 usable acres)

Field No. n/a

Tax Map Key: (1) 7-1-01-03 & (1) 6-5-02-10 (por)

Land Status: Acquired in fee by the State of Hawaii Agribusiness Development Corporation, December 12, 2012 from the George Galbraith estate

Trust Land Status: Section 5(b) lands of the Hawaii Admission Act

DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: Yes: ____ No: X

Character of Use: Diversified Agriculture

License Term: 30 years

Annual Rent: Year 1-3 – annual fee of \$200 per acre;
Year 4-10 – annual fee of \$400 per acre;
Re-openers every 10 years

BACKGROUND:

On May 1, 2019, the Agribusiness Development Corporation (ADC) sent out solicitations to various agriculture-related government agencies, organizations, businesses, and numerous interested farmers whom expressed interest to ADC, informing them that it

was accepting applications to fill available lots designated for field crops at the Galbraith Agricultural Lands (GAL).

The subject area, which is located just north of the 400+ acres dedicated for small farmers, has been identified as one of the most difficult and costly lots to farm due to the fact it does not have any infrastructure (water and access roads). Unlike the small farmer area where Kelena Farms and ADC installed common infrastructure and prepared the land, the farmer would be responsible for the development of the infrastructure on the subject area, which includes clearing the land, connecting to the existing irrigation main and the Bott Well Pump Station, constructing a reservoir and/or storage ponds, constructing interior farm roads, and installing a water meter and irrigation distribution lines.

Out of all the applicants who submitted applications for lots at the GAL, SJ Farms, Inc. received the highest ratings from the selection committee in terms of experience, business acumen, marketability of crops, finances, and Food Safety proficiency. They were also happened to be the sole applicant for the subject area.

SJ Farms, Inc. (applicant) is currently farming in Kunia, Oahu. Their major crops include cabbage, watermelon, bell peppers, bananas, and tomatoes. They are excellent operators and one of the largest growers of local produce in the State. They currently sell produce to large retailers and local distributors based on the customer's needs. They requested 100+ acres.

LAND REQUEST:

The applicant is seeking to expand its current operation and is requesting a land license to farm the GAL. The applicant was awarded the subject area, which is 152 gross acres more or less. The lot is relatively flat with a gentle slope and no infrastructure. The applicant will be responsible for security and providing portable toilets for the subject area. The lot is accessible via gravel road off Kaukonahua Rd.

Water User Agreement

All farmers using water from the Bott Well Pump Station are required to sign a water user agreement as part of their license agreement. The source water will be pumped from the Bott Well Pump Station or reservoir directly to the farmer's fields, reservoir, or storage ponds. Currently, the water use permit allows for a 2 million gallon per day use. The quantity of available water will be based on the user's pro rata share of the acreage of the designated service area of the water system. The estimated cost for water ranges from \$0.89 per thousand gallons. In addition to the cost of their water delivery charge, farmers may be required to pay for their own water storage, pumping, and irrigation distribution system for their designated farm lots.

OPERATIONAL PLAN:

The applicant plans to continue to grow fruits and vegetable to include but not to cabbage, bell pepper, watermelon, tomato, and banana (up to 3,750,000 lbs. per year) and continue to deploy a plan with conservation practices, correct soil chemistry, and an efficient irrigation system.

CONSERVATION PLAN:

The applicant is required to develop a conservation plan and submit for acceptance to the ADC.

CONCLUSION:

The applicant has a remarkable track record and is proposing to make a substantial investment to farm this lot. Because the development of the land may take time, the ADC is recommending a long-term agreement to allow the applicant to amortize its investment.

RECOMMENDATION:

Approve the issuance of a land license to SJ Farms, Inc. for land in Whitmore, Oahu; Tax Map Key (1) 7-1-01-03 and (1) 6-5-02-10 subject to the following terms and conditions:

1. The term of the License shall be for 30 years.
2. The rental rate shall be \$200 per acre per year for years 1-3 or \$29,000.00 per year for tillable acreage and \$400 per acre per year for years 4-10 or \$58,000.00 per year. The rental rate shall re-open every 10 years.
3. The Applicant shall pay its share of fees and taxes when due;
4. The licensee shall be responsible for obtaining a water user agreement; and
5. No subletting to be permitted without ADC's prior approval in writing.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'James J. Nakatani', with a stylized flourish extending to the right.

James J. Nakatani
Executive Director



DAVID Y. IGE
Governor

JOSH GREEN
Lt. Governor



Item G

JAMES J. NAKATANI
Executive Director

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION

235 S. Beretania Street, Room 205
Honolulu, HI 96813
Phone: (808) 586-0186 Fax: (808) 586-0189

May 20, 2020

Subject: Request for Approval to Issue a Land License Agreement to Helemano Farms LLC for Land in Whitmore, Oahu; Tax Map Key (1) 7-1-02-34 (por).

Authority: Section 163D-4(a)(5), Hawaii Revised Statutes

Area: 15 acres

Field No. n/a

Tax Map Key: (1) 7-1-02-34 (por)

Land Status: Acquired in fee by the State of Hawaii Agribusiness Development Corporation, December 13, 2016 from Dole Food Company

Trust Land Status: Section 5(b) lands of the Hawaii Admission Act

DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: Yes: ☐ No: ☒

Character of Use: Diversified Agriculture

License Term: 30 years

Annual Rent: Year 1-10 – annual fee of \$100 per acre
Year 11-20 – annual fee of \$150 per acre
Year 21-30 – annual fee of \$200 per acre

BACKGROUND:

On May 1, 2019, the Agribusiness Development Corporation (ADC) sent out solicitations to various agriculture-related government agencies, organizations, businesses, and numerous interested farmers whom expressed interest to ADC, informing them that it was accepting applications to fill available land in Whitmore, Oahu.

The subject area, which is located on Whitmore Ave. in Whitmore Village next to the Navy Base, has been approved for orchard operations and greenhouses by the ADC Board due to its high elevation (1,000+ feet above sea level) and lack of water. The former pineapple land has not been farmed in decades and the farmer will be responsible for the development of the infrastructure on the subject area, which may include clearing the land, connecting to the existing Board of Water Supply water meter on Whitmore Ave., constructing a reservoir and/or storage ponds, constructing interior farm roads, and installing an irrigation distribution lines. Because orchard crops do not require as much water as field crops, the farmer may choose to rely on natural rainfall and humidity levels once the trees are established.

Helemano Farms LLC (applicant) received the highest ratings in terms of experience, business acumen, marketability of crops, and finances among the orchard applicants. The applicant is currently farming on 35 acres of ADC land in Whitmore across the street of the subject area where they grow Christmas trees. Although they are not growing food crops, the applicant is providing local consumer with an alternative to imported Christmas trees, which are prone to harbor invasive species that can harm our ecosystem. They requested 15 acres.

LAND REQUEST:

The applicant is seeking to expand its current operation and is requesting a land license to farm the land. The applicant was awarded the subject area, which is 15 acres. The lot is relatively flat with a gentle slope and no infrastructure. The lot has access via gravel road off Whitmore Ave.

OPERATIONAL PLAN:

The applicant plans to continue to grow Christmas trees. The applicant also plans to plant fruit trees, which include but not limited to, lychee, citrus, and avocado.

CONSERVATION PLAN:

The applicant is required to develop a conservation plan and submit for acceptance to the ADC.

CONCLUSION:

Having someone on the land will provide ADC with a long-term solution to an ongoing problem with overgrown trees, illegal dumping and criminal trespassing, which has plagued this property. Because orchard crops take years to harvest, the ADC is recommending a long-term agreement to allow the applicant to amortize its investment.

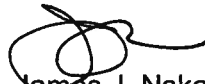
RECOMMENDATION:

Approve the issuance of a land license to Helemano Farms LLC for land in Whitmore, Oahu; Tax Map Key (1) 7-1-02-34 subject to the following terms and conditions:

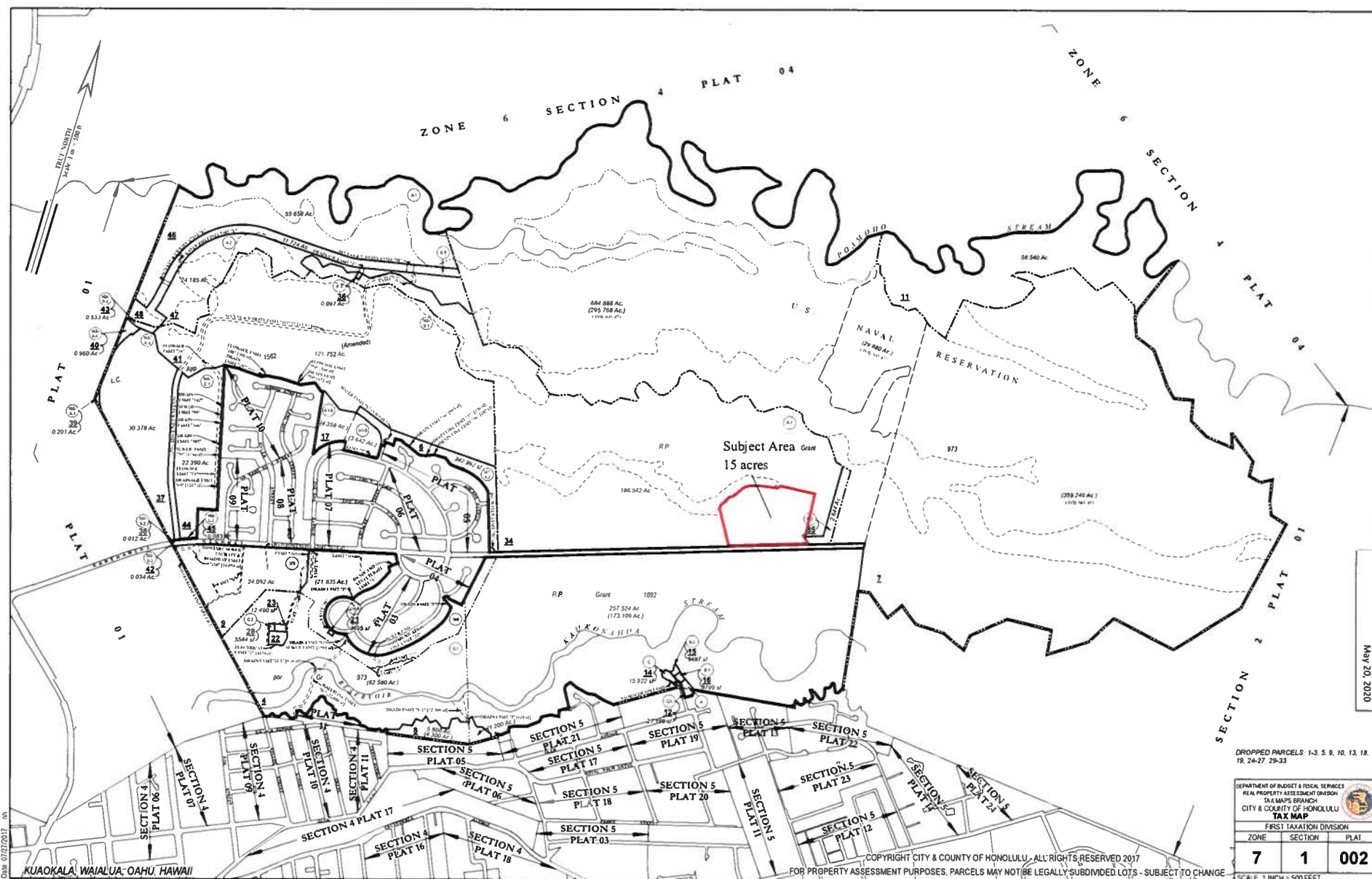
1. The term of the License shall be for 30 years.

2. The rental rate shall be \$100 per acre per year for years 1-10 or \$1,500.00 per year for tillable acreage, \$150 per acre per year for years 11-20 or \$2,250.00 per year, and \$200 per acre per year for years 21-30 or \$3,000.00 per year.
3. The Applicant shall pay its share of fees and taxes when due;
4. No subletting to be permitted without ADC's prior approval in writing.

Respectfully submitted,

A handwritten signature in black ink, consisting of a large, stylized 'J' and 'N' followed by a horizontal line.

James J. Nakatani
Executive Director



Item G, Exhibit A
ADC Board Meeting
May 20, 2020

DAVID Y. IGE
Governor

JOSH GREEN
Lt. Governor



Item H

JAMES J. NAKATANI
Executive Director

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION

235 S. Beretania Street, Room 205
Honolulu, HI 96813
Phone: (808) 586-0186 Fax: (808) 586-0189

May 20, 2020

Subject: Request for Approval to Issue a Revocable Permit to Ho Farms LLC for Agricultural Purposes, Waialua, Oahu; Tax Map Key (1) 6-5-02-25 (por).

Applicant: Ho Farms LLC

Authority: Section 163D-4(a) (5), Hawaii Revised Statutes

Area: Lot 12 – 57.783 gross acres (53.296 usable acres)

Tax Map Key: (1) 6-5-02-25 (por)

Character of Use: Diversified Agriculture

Land Status: Acquired in fee by the State of Hawaii Agribusiness Development Corporation, December 12, 2012 from the George Galbraith estate

Trust Land Status: Section 5(b) lands of the Hawaii Admission Act

DHHL 30% entitlement lands pursuant to the Hawaii State Constitution:
Yes: ____ No: X

License Term: Month-to-month

Base Rental Rate: \$100 per acre per year

Water meter and installation cost: N/A

Security Cost: N/A

BACKGROUND:

The Galbraith Agricultural Lands (GAL) small farmer area is comprised of 12 contiguous lots ranging in size from 6 to 80 acres. The subject area, identified as Lot 12, is the only remaining lot in the small farmer area not encumbered by a license agreement. The subject area was omitted from ADC's latest solicitation because a portion of the lot has been included in ADC's plans for the Wahiawa Reclaimed Water Irrigation System project, which will convey effluent from the City and County of Honolulu's Wahiawa Wastewater Treatment Plant to the GAL. The ADC is proposing to construct additional storage onsite to impound recycled R-1 water for reuse.

May 20, 2020

Page 2 of 2

Ho Farms LLC (applicant) is currently farming on Lot 11 next to the subject area where they grow tomato, cucumber, and eggplant. They are requesting additional acreage to effectively rotate their crops and consolidate their operations in Ewa and Kahuku.

LAND REQUEST:

The requested area, identified as Lot 12, is approximately 57.783-acre. The lot has a moderate slope (100+ ft. elevation change), which presents challenging growing conditions even for experienced farmers. The land was previously occupied by Kelena Farms for field crop trials and is currently fallow. The lot is being maintained by Kelana Farms and is free of tall grass and trees.

The applicant is aware that the ADC will be opening the land up to interested farmers and acknowledges that ADC may withdraw the land when this plan come to fruition. The ADC will work with the farmer to ensure they have ample time to harvest their crops to minimize crop loss and or damage.

OPERATIONAL PLAN:

The applicant's plan is to continue its ongoing operations. They plan to grow short-term crops such as tomato and cucumber.

CONSERVATION PLAN:

The applicant is required to submit their conservation plan to the ADC.

CONCLUSION:

The ADC does not have any immediate plans to open the lot to interested farmers seeking a land license. The ADC proposes to allow Ho Farms LLC to temporarily use the lot for its operation on a month to month basis to keep the land from becoming overgrown until it can identify a long-term tenant.

RECOMMENDATION:

Approve the issuance of a revocable permit to Ho Farms LLC subject to the following terms and conditions:

1. The term of this revocable permit shall be on a month-to-month basis;
2. The base rent shall be \$100.00 per acre per year or \$444.13 per month; and
3. No subletting to be permitted without ADC's prior approval in writing.

Respectfully submitted,



James J. Nakatani
Executive Director

GALBRAITH FARM LOTS
STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION

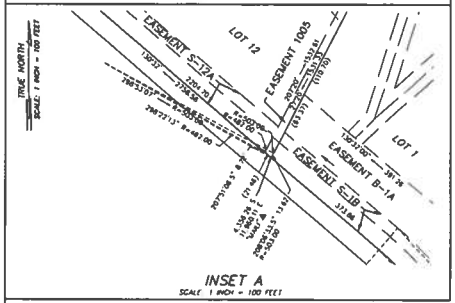
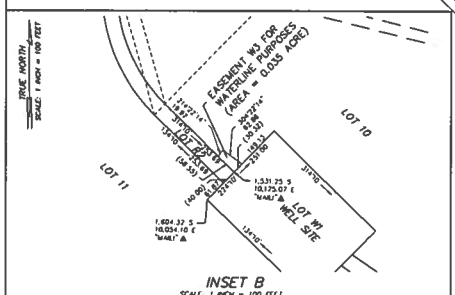
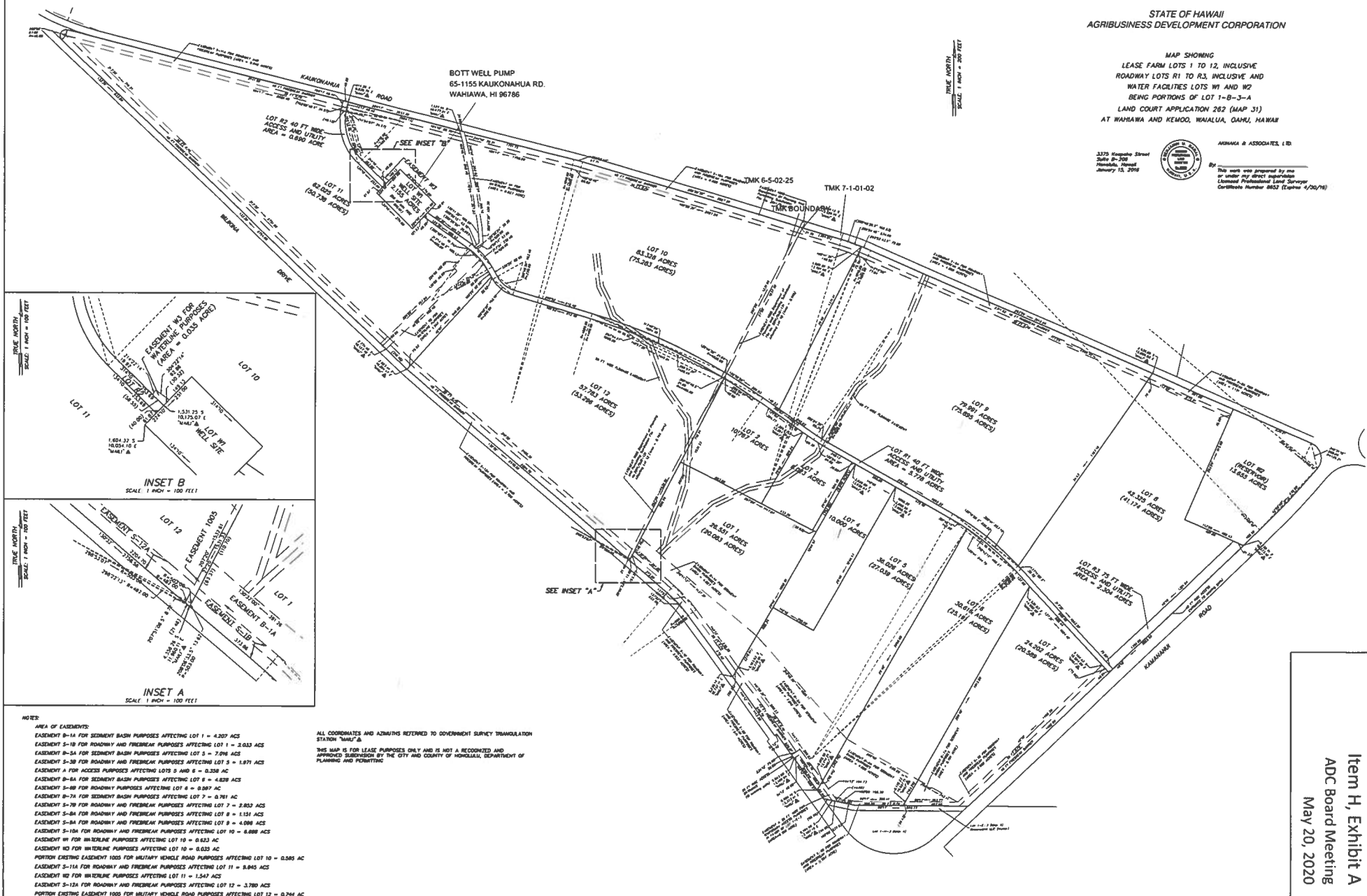
MAP SHOWING
LEASE FARM LOTS 1 TO 12, INCLUSIVE
ROADWAY LOTS R1 TO R3, INCLUSIVE AND
WATER FACILITIES LOTS W1 AND W2
BEING PORTIONS OF LOT 1-B-3-A
LAND COURT APPLICATION 262 (MAP 31)
AT WAHAWA AND KEMOO, WAIALUA, OAHU, HAWAII

3375 Kapaemahu Street
Suite 200
Honolulu, Hawaii
January 15, 2020



AKHANA & ASSOCIATES, LTD.

This work was prepared by me
or under my direct supervision.
Licensed Professional Land Surveyor
Certificate Number 8652 (Expires 4/30/24)



NOTES:
AREA OF EASEMENTS:
EASEMENT S-1A FOR ROADWAY AND FIREBREAK PURPOSES AFFECTING LOT 1 = 4.207 ACS
EASEMENT S-1B FOR ROADWAY AND FIREBREAK PURPOSES AFFECTING LOT 1 = 3.633 ACS
EASEMENT S-1C FOR ROADWAY AND FIREBREAK PURPOSES AFFECTING LOT 1 = 7.096 ACS
EASEMENT S-1D FOR ROADWAY AND FIREBREAK PURPOSES AFFECTING LOT 1 = 1.871 ACS
EASEMENT A FOR ACCESS PURPOSES AFFECTING LOTS 5 AND 6 = 0.358 ACS
EASEMENT B-1A FOR ROADWAY AND FIREBREAK PURPOSES AFFECTING LOT 5 = 4.829 ACS
EASEMENT S-1B FOR ROADWAY AND FIREBREAK PURPOSES AFFECTING LOT 5 = 0.887 ACS
EASEMENT B-1C FOR ROADWAY AND FIREBREAK PURPOSES AFFECTING LOT 5 = 0.781 ACS
EASEMENT S-1D FOR ROADWAY AND FIREBREAK PURPOSES AFFECTING LOT 5 = 2.853 ACS
EASEMENT S-1E FOR ROADWAY AND FIREBREAK PURPOSES AFFECTING LOT 5 = 1.131 ACS
EASEMENT S-1F FOR ROADWAY AND FIREBREAK PURPOSES AFFECTING LOT 5 = 4.698 ACS
EASEMENT S-1G FOR ROADWAY AND FIREBREAK PURPOSES AFFECTING LOT 5 = 0.888 ACS
EASEMENT W1 FOR WATERLINE PURPOSES AFFECTING LOT 10 = 0.633 ACS
EASEMENT W2 FOR WATERLINE PURPOSES AFFECTING LOT 10 = 0.633 ACS
PORTION EXISTING EASEMENT 1005 FOR MILITARY VEHICLE ROAD PURPOSES AFFECTING LOT 10 = 0.585 ACS
EASEMENT S-11A FOR ROADWAY AND FIREBREAK PURPOSES AFFECTING LOT 11 = 8.845 ACS
EASEMENT W2 FOR WATERLINE PURPOSES AFFECTING LOT 11 = 1.547 ACS
EASEMENT S-12A FOR ROADWAY AND FIREBREAK PURPOSES AFFECTING LOT 12 = 3.780 ACS
PORTION EXISTING EASEMENT 1005 FOR MILITARY VEHICLE ROAD PURPOSES AFFECTING LOT 12 = 0.744 ACS

ALL COORDINATES AND ADJUSTMENTS REFERRED TO GOVERNMENT SURVEY TRIANGULATION STATION "WALU" A.
THIS MAP IS FOR LEASE PURPOSES ONLY AND IS NOT A RECOGNIZED AND APPROVED SURVEYOR BY THE CITY AND COUNTY OF HONOLULU, DEPARTMENT OF PLANNING AND PERMITTING.

Item H, Exhibit A
ADC Board Meeting
May 20, 2020

DAVID Y. IGE
Governor

JOSH GREEN
Lt. Governor



Item I

JAMES J. NAKATANI
Executive Director

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION

235 S. Beretania Street, Room 205
Honolulu, HI 96813
Phone: (808) 586-0186 Fax: (808) 586-0189

May 20, 2020

Subject: Request for Approval to Issue a Revocable Permit to Kelena Farms, Inc. for Land in Waialua, Oahu; Tax Map Keys (1) 6-5-02-11; (1) 6-5-02-06; (1) 6-5-02-08; and (1) 6-5-01-46.

Authority: Section 163D-4(a)(5), Hawaii Revised Statutes

Area: 345.38 Acres

Field No. N/A

Tax Map Key: (1) 6-5-02-11; (1) 6-5-02-06; (1) 6-5-02-08; (1) 6-5-01-46

Land Status: Acquired in fee by the State of Hawaii Agribusiness Development Corporation from Dole Food Company, Inc.

Trust Land Status: Section 5(b) lands of the Hawaii Admission Act

DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: Yes: ____ No: X

Character of Use: Diversified Agriculture

License Term: Month to month

Annual Rent: \$100 per acre per year

BACKGROUND:

Since 2012, the Agribusiness Development Corporation (ADC) has acquired over 3,000 acres in Central Oahu as part of its land acquisition campaign to preserve agricultural land and expand its land inventory, so it can provide long-term agreements to farmers. Some of the land ADC acquired were actively being farmed and encumbered by License Agreements at the time of the purchase. While most of these "carry-over" License

Request for Approval to Issue a Revocable Permit to Kelena Farms, Inc. for Land in Waialua, Oahu; Tax Map Keys (1) 6-5-02-11; (1) 6-5-02-06; (1) 6-5-02-08; and (1) 6-5-01-46.

May 20, 2020

Page 2 of 3

Agreements from previous landowners have been terminated and issued as ADC License, the subject area is the last remaining as a holdover.

Kelena Farms, a Hawaii Corporation and one of the largest producers of fresh fruits and vegetables, has been farming on five (5) contiguous parcels, which includes the subject area since 2008 under a Dole License Agreement where they grow watermelons, bell peppers, and cabbage. They are excellent operators and currently sell produce to large retailers and local distributors based on the customer's needs. The ADC's plan was to offer Kelena Farms the first right of refusal to continue farming the land under an ADC License Agreement once it had acquired all five (5) parcels. To date, ADC has acquired four (4) out of the five (5) parcels in piecemeal from Dole. It is uncertain when ADC will acquire the last remaining parcel because it is undergoing quiet title litigation, which could take years to resolves.

LAND REQUEST:

The subject area is approximately 345.38 acres and is comprised of four (4) parcels located just northwest of the Galbraith Agricultural Lands on Kaukonahua Road. The land is relatively flat with a gentle slope. The infrastructure, which includes a reservoir, interior farm roads, well connection, and irrigation distribution lines, were furnished and installed by Kelena Farms (No State funds). They currently have an agreement with Dole to transport irrigation water from Dole's Well #25 located over a mile away at the Dole Plantation. Kelena Farms also provides security and portable toilets for their employees on subject area, which has no potable water or sewer connection. The only access is via gravel road off Kaukonahua Road.

OPERATIONAL PLAN:

The applicant plans to continue to grow fruits and vegetable to include but not limited to cabbage, bell pepper, and watermelon and continue to deploy a plan with conservation practices, correct soil chemistry, and an efficient irrigation system.

CONSERVATION PLAN:

The applicant is required to develop a conservation plan and submit for acceptance to the ADC.

CONCLUSION:

Kelena Farms has a remarkable track record and is one of the largest producers in the State. They have made a substantial investment to farm the subject area and are good stewards of the land. For these reasons, the ADC is recommending issuing a Revocable Permit to allow them to continue their operations until a long-term agreement can be negotiated.

Request for Approval to Issue a Revocable Permit to Kelena Farms, Inc. for Land in Waialua, Oahu; Tax Map Keys (1) 6-5-02-11; (1) 6-5-02-06; (1) 6-5-02-08; and (1) 6-5-01-46.

May 20, 2020

Page 3 of 3

RECOMMENDATION:

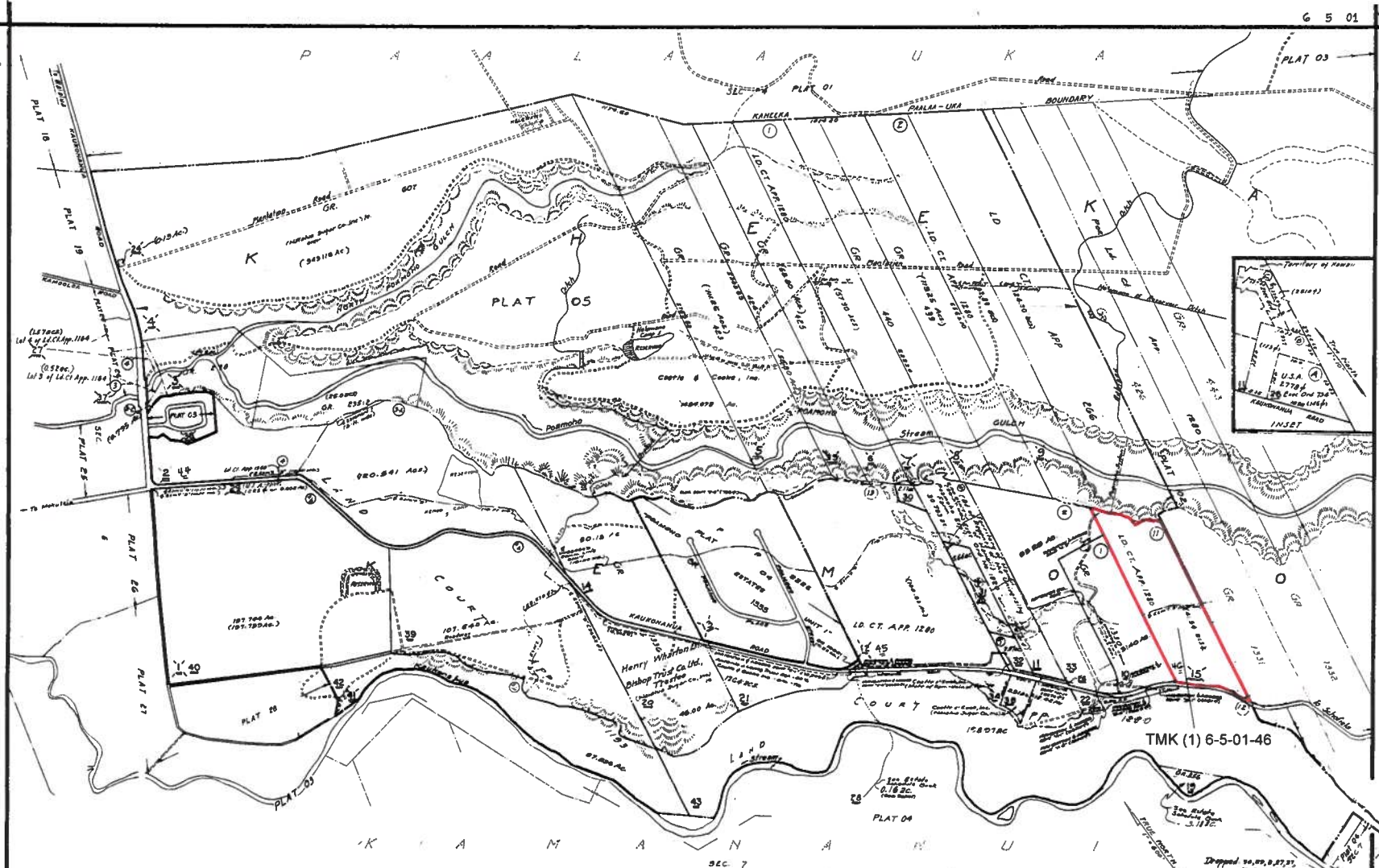
Approve the issuance of a Revocable Permit to Kelena Farms, Inc. for land in Whitmore, Oahu; Tax Map Keys (1) 6-5-02-11; (1) 6-5-02-06; (1) 6-5-02-08; and (1) 6-5-01-46 subject to the following terms and conditions:

1. The term of the License shall be on a month-to-month basis;
2. The rental rate shall be \$100 per acre per year, or \$2,878.16 per month for tillable acreage; and
3. No subletting to be permitted without ADC's prior approval in writing.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'James J. Nakatani', with a stylized flourish extending to the right.

James J. Nakatani
Executive Director



KAHEKA KEMO, WAIALUA, OAHU

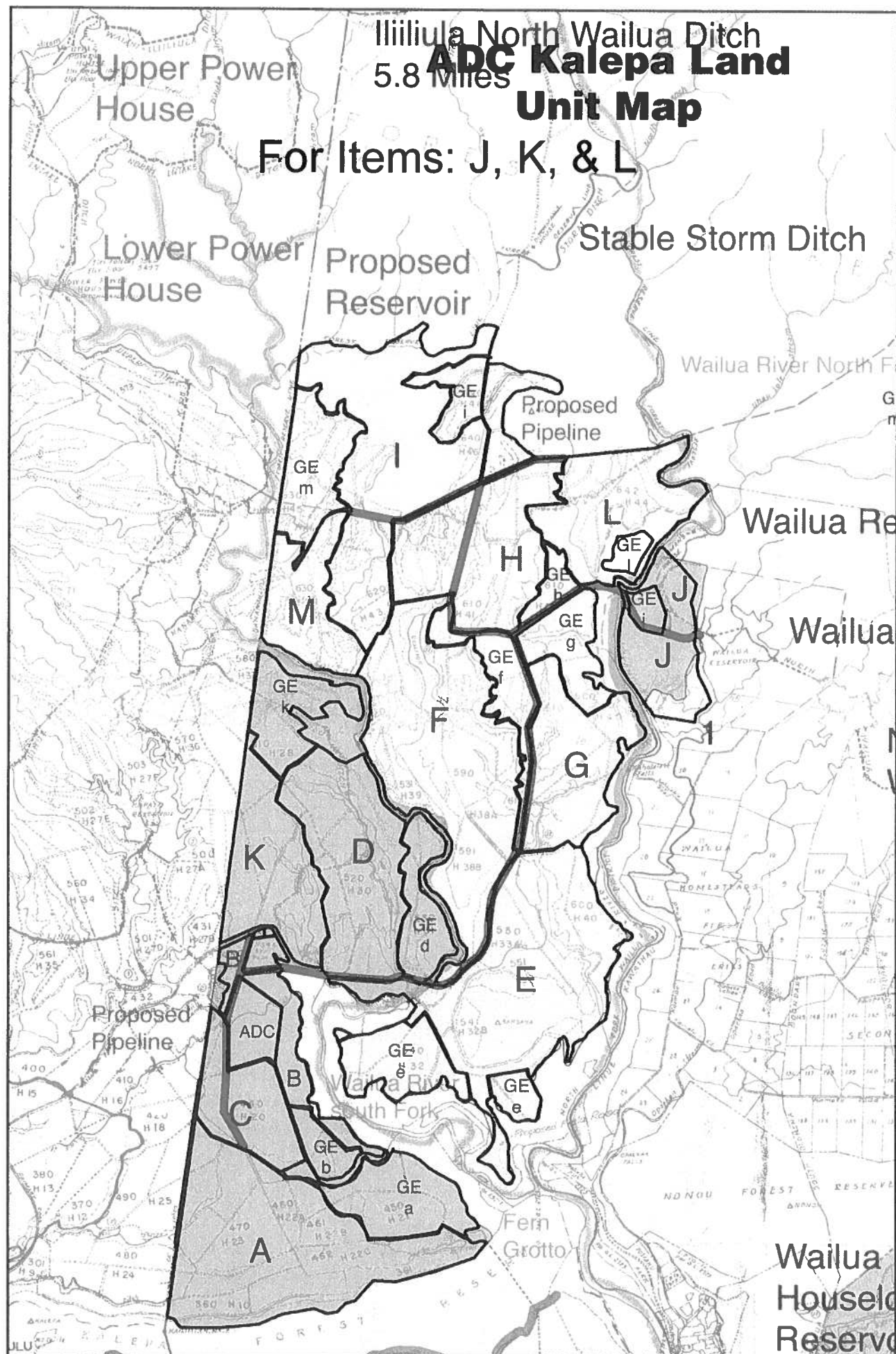
FIRST DIVISION		
ZONE	SEC	PLAT
6	5	01
CONTAINING PARCELS		
SCALE: 1 in = 600 Ft.		

NOTICE: Owner's interest and
holder's interest are shown on this
map and may not be equal.

MAR 11 2002 19 2002

PRINTED

Item 1, Exhibit B
ADC Board Meeting
May 20, 2020



DAVID Y. IGE
Governor

JOSH GREEN
Lt. Governor



Item J

JAMES J. NAKATANI
Executive Director

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION

235 S. Beretania Street, Room 205
Honolulu, HI 96813
Phone: (808) 586-0186 Fax: (808) 586-0189

May 20, 2020

Subject: Request for approval to terminate RP 1803, issued to Taiwan Gu and Hawaii Golden Farm LLC for 200 acres and issue 10-year License for the same parcel, to Hawaii Xing Long Farm and Hawaii Golden Farm Inc., TMK (4)3-9-002:020 (por.)

Applicant: Hawaii Xing Long Farm and Hawaii Golden Farm Inc.

Authority: Section 163D-4 (a) (5), Hawaii Revised Statutes

Area: Unit A-1 – approximately 182 acres

Tax Map Key: (4)3-9-002:020 (por.)

Land Status: Encumbered by Governor's Executive Order 4328 and 4401, respectively, to the Agribusiness Development Corporation (ADC) for agricultural purposes.

Trust Land Status: Section 5(b) lands of the Hawaii Admission Act

DHHL 30% entitlement lands pursuant to the Hawaii State Constitution? Yes X No

Character of Use: Diversified Agriculture (Sweet Potato, Taro and Ginger cultivation)

Term: 10 years

Base Rental: \$100 per acre per year (Annual Rent: \$18,200)

BACKGROUND:

On October 11, 2017, the ADC Board approved issuance of a revocable permit (RP 1803) to co-tenants Taiwan Gu and Hawaii Golden Farm LLC (collectively, "The Farm") for approximately 200 acres in Unit A-1 for diversified agriculture. Since commencement of RP 1803, The Farm has fenced the parcel, obtained an approved conservation plan, and successfully grown crops of sweet potato and ginger. In addition, it has built good rapport with neighboring tenants.

The Farm also occupies Unit C-1 in Kalepa, under LI-KA1503, a 35-year license for 68 acres of diversified ag, a section of which houses a packing and staging area.

Request for approval to terminate RP 1803, issued to Taiwan Gu and Hawaii Golden Farm LLC for 200 acres and issue 10-year License for the same parcel, to Hawaii Xing Long Farm and Hawaii Golden Farm Inc., TMK (4)3-9-002:020 (por.)
May 20, 2020
Page 2 of 2

Taiwan Gu has commenced operating as Hawaii Xing Long Farm, which is currently registered with the Business Registration Division of the Hawaii Department of Commerce and Consumer Affairs (BREG). Hawaii Golden Farm LLC converted to Hawaii Golden Farm Inc. in December 2018 and is registered with BREG.

Per an updated map of Unit A-1, the area is approximately 182 acres, not 200 acres.

LAND REQUEST:

The Farm requests to change RP1803 to a ten-year license that will be issued to Hawaii Xing Long Farm and Hawaii Golden Farm Inc. The licensed area is 182 acres, more or less.

OPERATIONAL/UTILIZATION PLAN:

Continue to grow sweet potato and ginger.

CONSERVATION PLAN:

Continue to follow the approved conservation plan.

CONCLUSION:

The Farm has been in good standing with RP 1803. Issuing a ten-year license will be beneficial to both the ADC and The Farm.

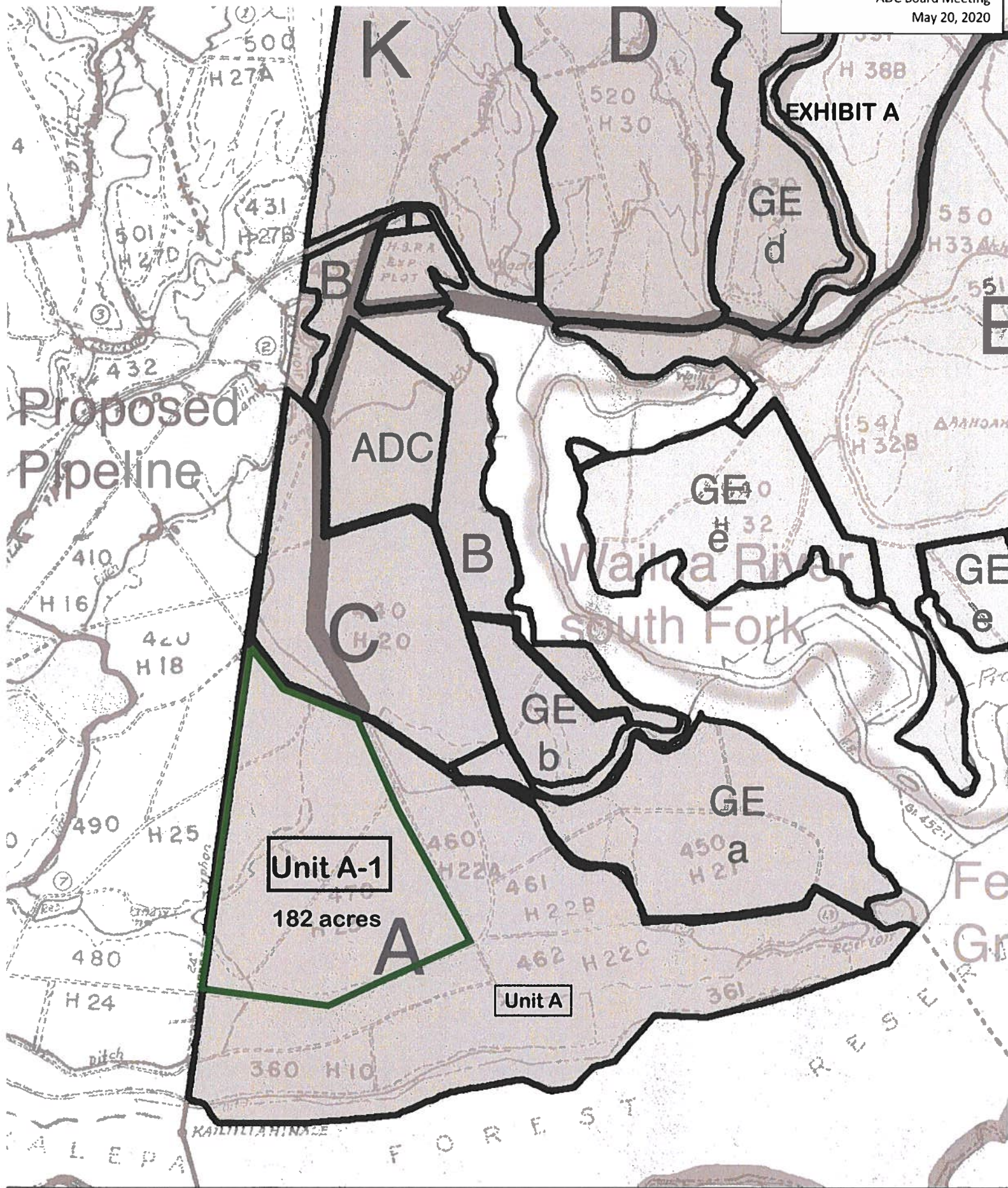
RECOMMENDATION:

Approve the termination of RP 1803 and issuance of a new ten-year license to co-tenants Hawaii Xing Long Farm and Hawaii Golden Farm Inc with the following conditions:

1. The term of the land license shall be for 10 years.
2. The rent shall be at the diversified ag rate of \$100 per acre per year for 182 acres.
3. Applicant shall follow current approved Utilization Plan and Conservation Plan.
4. No sublicensing is permitted without ADC's prior approval in writing.

Respectfully submitted,


James J. Nakatani
Executive Director



DAVID Y. IGE
Governor

JOSH GREEN
Lt. Governor



Item K

JAMES J. NAKATANI
Executive Director

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION
235 S. Beretania Street, Room 205
Honolulu, HI 96813
Phone: (808) 586-0186 Fax: (808) 586-0189

May 20, 2020

Subject: Request for Approval to Issue a Land License to Aurora Bunao & Arnold Bunao for Agricultural Purposes, in Kalepa, Kauai, Tax Map Key (4)3-9-002:020 (por)

Applicant: Aurora Bunao & Arnold Bunao

Authority: Section 163D-4 (a) (5), Hawaii Revised Statutes

Land Area: 179 acres, more or less

Field No. Unit C (por)

Tax Map Key: (4)3-9-002:020 (por)

Land Status: Encumbered by Governor's Executive Order 4328 and 4401, respectively to the Agribusiness Development Corporation (ADC) for agricultural purposes.

Trust Land Status: Section 5(b) lands of the Hawaii Admissions Act

DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: Yes X No

Character of Use: Ranching and Diversified Agriculture

License Term: 2 years with 3-year option to extend

Rate: \$100.00/acre/year

BACKGROUND:

The Kalepa lands and its existing tenants were transferred from the Department of Land and Natural Resources (DLNR) to the Agribusiness Development Corporation (ADC) pursuant to Governor's Executive Order 4328 and 4401. The existing tenants, which includes the Applicant, had DLNR 30-day revocable permits at the time the land and existing agreements were assigned to ADC. In 2013, when ADC began issuing license agreements, the existing tenants in Kalepa were given the choice of being issued a

license or remain on 30-day revocable permits (RP). While the base rental rate under an RP was less than the base rental rate under a license, the existing tenants were informed that under an RP the ADC has the right to withdraw a portion of or the entire property at any given time with a 30-day written notice.

The Applicant opted for a license and was issued a 5-year license agreement for Unit C, which is a total of 179 acres (175 acres for cattle ranching and 4 acres for diversified agriculture). Since Units A, B, and C are irrigated lands and have a higher appraised value, the base rental rate for ranching on these Units was \$50 per acre per year and \$100 per acre per year for diversified agriculture use. On December 15, 2014, ADC received a letter from the Applicant requesting that their license agreement character of use be changed from ranching and diversified agriculture to ranching only. Their current base rental rate for total 179 acres is \$50 per acre per year; or \$9,795 annually; or \$816.25 per month.

The Applicant has about 80 head of cattle in their pasture, which is in fair to good condition. The Applicant recently purchased a tractor mower to maintain the tall grass to keep the pasture viable for cattle grazing. As tenants, they have been repeatedly delinquent on their rent payments. The Applicant is current today after paying \$10,400 in back rent to the ADC upon receiving notice that their license was reopening. They requested a 10-year license and an incremental rent increase. However, no proposed payment schedule was submitted with their request.

LAND REQUEST:

The subject area, identified as Unit C (por), is approximately 179 acres. The land is relatively flat and has access to irrigation water through open ditches. Unit C is considered ideal crop land because of its features. It should be noted that the ADC Board intentions at the time the Kalepa lands were assigned to ADC was to increase diversified agriculture on Units A, B, and C, which includes the subject area.

LAND UTILIZATION PLAN:

The Applicant plans to maintain their cattle operation and grow more diversified agriculture, which include but is not limited to, bananas and fruit trees. However, the applicant's land utilization plan did not provide the specific details (acreage, type of crop, etc.).

CONSERVATION PLAN:

The applicant is required to develop a conservation plan and submit for acceptance to the ADC.

CONCLUSION:

The subject area has been identified as ideal lands for diversified agriculture because of its topography and access to water. With a growing demand from crop farmers for land in Kalepa, which currently has no vacancies, the ADC is reluctant to issue a long-term license at a low rate for cattle ranching on this high-valued Unit. Furthermore, the

May 20, 2020

Page 3 of 3

Applicant's account payment history has been poor. For these reasons, the ADC is recommending a shorter-term license and a base rental rate of \$100 per acre per year to reflect the going diversified agriculture rate for land in Unit C.

RECOMMENDATION:

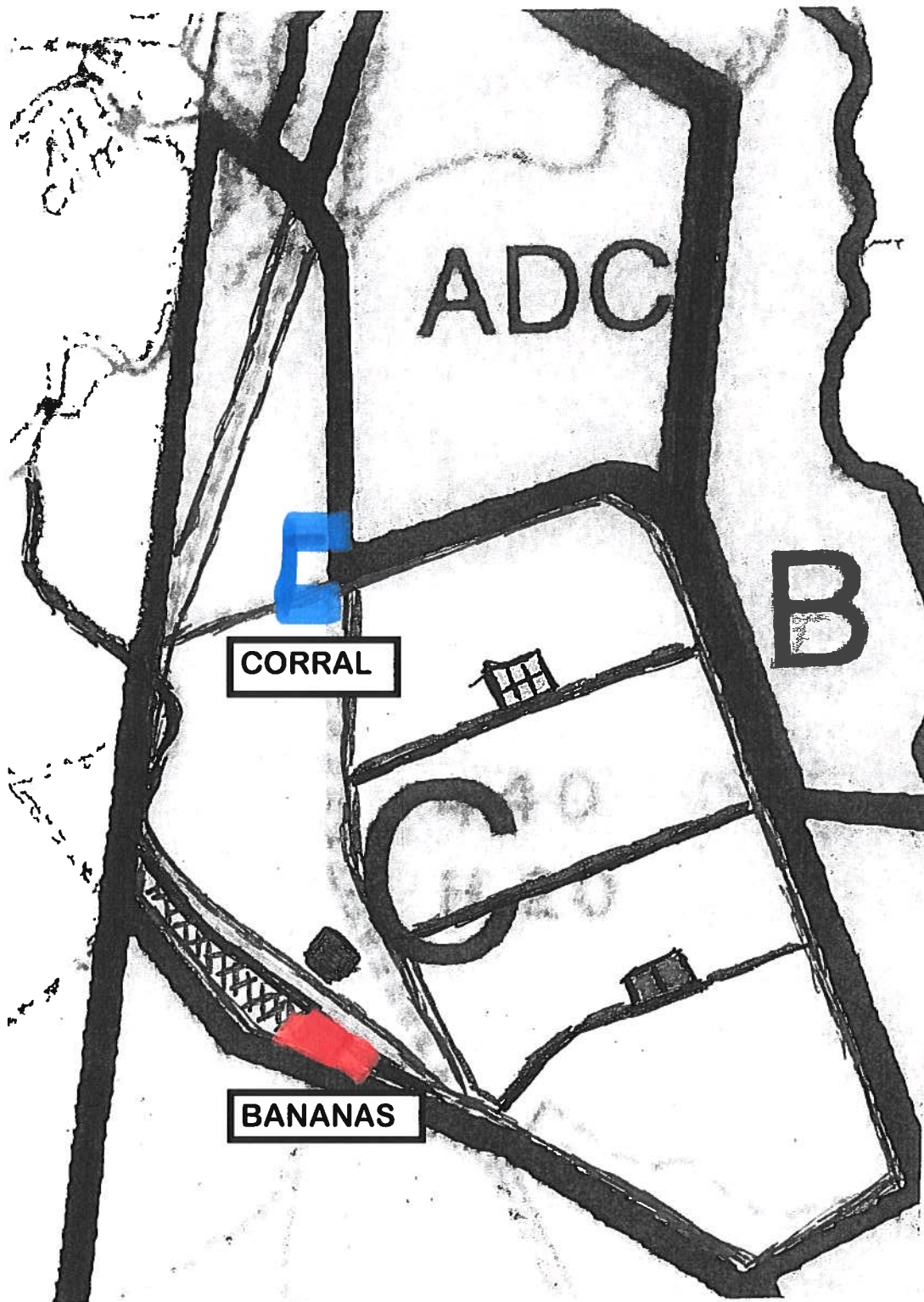
Approve the Issuance of a Land License to Aurora Bunao & Arnold Bunao for agricultural purposes subject to the following conditions:

- 1) The term of the license shall be for 2 years with the option of renewing for an additional 3 years;
- 2) Base rental fee for 179 acres shall be \$100/acre/year; or \$17,900 annually; or \$1,491.67 per month.
- 3) Failure to pay monthly rent promptly, not more than 90 days delinquent, may result in the cancellation of the 3-year extension option.
- 4) The Licensee is required to pay a monthly maintenance fee to the Kalepa Coalition.
- 5) The Licensee shall not sublicense the whole or any portion of their premises without the prior written approval of the ADC Board.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'James J. Nakatani', with a stylized flourish extending to the right.

James J. Nakatani
Executive Director



- storage shed
- Perimeter Fencing
- ▤ Old holding Corral
- ▤ Proposed New Corral
- ▤ Interior Fencing
- ▤ Common Road
- Historical Ditch/water resource managed by: Eastside water coop.
- ▤ Fruit Trees Garden

DAVID Y. IGE
Governor

JOSH GREEN
Lt. Governor



Item L (rev)

JAMES J. NAKATANI
Executive Director

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION

235 S. Beretania Street, Room 205
Honolulu, HI 96813
Phone: (808) 586-0186 Fax: (808) 586-0189

May 20, 2020

Subject: Request for Approval to Withdraw 200 acres for Diversified Agriculture from Unit A (por), Under Revocable Permit (RP) 1802, Issued to William Sanchez, in Kalepa, Kauai, Tax Map Key (4)3-9-002:020 (por)

Applicant: N/A

Authority: Section 163D – 4 (a) (5), Hawaii Revised Statutes

Land Area: 200 acres

Field No: Unit A (por)

Tax Map Key: (4)3-9-002:020 (por)

Land Status: Encumbered by Governor's Executive Order 4328 and 4401, respectively to the Agribusiness Development Corporation (ADC) for agricultural purposes.

Trust Land Status: Section 5(b) lands of the Hawaii Admission Act

DHHL 30% entitlement lands pursuant to the Hawaii State Constitution:
Yes X No

Term: N/A

Character of Use: N/A

Base Rent: N/A

BACKGROUND:

The Kalepa lands and its existing tenants were transferred from the Department of Land and Natural Resources (DLNR) to the Agribusiness Development Corporation (ADC) pursuant to Governor's Executive Order 4328 and 4401. The existing tenants, which includes Mr. Sanchez, had DLNR 30-day revocable permits at the time the land and existing agreements were assigned to ADC. In 2013, when ADC began issuing license agreements, the existing tenants in Kalepa were given the choice of being issued a license or remain on 30-day revocable permits (RP). While the base rental rate under an RP was less than the base rental rate under a license, the existing tenants were informed that under an RP the ADC has the right to withdraw a portion of or the entire property at any given time with a 30-day written notice.

Mr. Sanchez initially made requests for long-term licenses for Unit A and M. When ADC staff first submitted Mr. Sanchez's request to the ADC Board for approval, it was pointed out that Unit A was well-suited for diversified agriculture, thus, had a higher appraised value than Unit M. On June 12, 2013, the ADC Board approved the issuance of a 35-year license for 108 acres of Unit M (por) at \$30/acre/year and a 5-year license for 598 acres of Unit A at \$50/acre/year. After a lengthy discussion between Mr. Sanchez and the ADC Board members about the difference in base rental rates between the Units, Mr. Sanchez ultimately decided to decline ADC's offer for a 5-year license at \$50/acre/year for Unit A. He subsequently withdrew his application for a License and opted for a 30-day revocable permit at \$15/acre/year which the ADC Board approved on August 20, 2013.

Mr. Sanchez currently holds two rental agreements with the ADC, 1) 35-year license, LI-KA1404, effective January 23, 2015 for 235 acres, identified as Unit M, and 2) 30-day month-to-month revocable permit (RP) 1802 for 398 acres on Unit A (por). He also has other large land holdings around Kauai that he leases from State and/or private landowners. Mr. Sanchez has been a good tenant—both rental accounts are in good standing and he keeps his Units in good condition. Unfortunately for Mr. Sanchez, Unit A is a highly valued parcel and the ADC is requesting to withdraw up to 200 acres to increase its diversified agriculture production in Kalepa.

LAND REQUEST:

Unit A has a total of 598 acres. The land is relatively flat and has access to irrigation water through open ditches. The land is currently being occupied by Mr. Sanchez and Taiwan Gu dba Hawaii Golden Farms and Hawaii Xing Long Farms. The ADC received an expression of interest from Hawaii Golden Farms and Hawaii Xing Long Farms for 200 acres to grow sweet potato and ginger. Hawaii Golden Farms and Hawaii Xing Long Farms started with 5 acres in Kekaha. They eventually moved to Kalepa where they currently operate on 240 acres more or less on Unit A and C. To date, they have made substantial investments in Kalepa, which includes construction of a packing facility, infrastructure improvements, and installation of cattle fencing. They are excellent growers and currently export their crops, as well as supply the local Kauai markets.

Because there's active cattle grazing on Unit A, field crops grown on this Unit must be compatible with cattle due to Food Safety Regulations. For these reasons, the ADC are not considering other farmers who requested land to grow leafy greens and/or other vegetables to be consumed raw.

LAND UTILIZATION PLAN:

Not applicable.

CONSERVATION PLAN:

Not applicable.

CONCLUSIONS:

Unit A has been identified as ideal crop land because of its topography and access to water. With a growing demand from crop farmers for land in Kalepa, which currently has no vacancies, the ADC is requesting approval to withdraw land from Unit A for diversified agriculture. A 200-acre withdrawal has the potential for being rented at \$100/acre/year, as opposed to \$15/acre/year under the current RP. The difference in rent revenue will be \$17,000 per year.

RECOMMENDATION:

Approve the withdrawal of 200 acres for Diversified Agriculture from Unit A (por), Under Revocable Permit (RP) 1802, issued to William Sanchez, effective upon approval, subject to the following terms and conditions:

- 1) The location of the 200 acres is to be determined;
- 2) The revocable permit fee shall be \$15/acre/year for the remaining 198 useable acres;
- 3) ADC will issue a 30-day notice and work with Mr. Sanchez to provide him time to relocate his cattle and personal property from the withdrawn acreage;
- 4) All other terms and conditions of RP 1802 to remain the same.

Respectfully submitted,



James J. Nakatani
Executive Director

DAVID Y. IGE
Governor

JOSH GREEN
Lt. Governor



Item M

JAMES J. NAKATANI
Executive Director

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION
235 S. Beretania Street, Room 205
Honolulu, HI 96813
Phone: (808) 586-0186 Fax: (808) 586-0189

May 20, 2020

Subject: Request for Approval to Amend License Agreement No. LI-GA1611
Issued to Ho Farms LLC for Agricultural Purposes, Waialua, Oahu;
Tax Map Key (1) 6-5-02-25 (por).

Applicant: Ho Farms LLC

Authority: Section 163D-4(a) (5), Hawaii Revised Statutes

Area: Lot 11

Tax Map Key: (1) 6-5-02-25 (por)

Character of Use: Diversified Agriculture

Land Status: Acquired in fee by the State of Hawaii Agribusiness Development
Corporation, December 12, 2012 from the George Galbraith estate

Trust Land Status: Section 5(b) lands of the Hawaii Admission Act

DHHL 30% entitlement lands pursuant to the Hawaii State
Constitution: Yes: ___ No: X

License Term: 35 years

Base Rental Rate: \$200 per acre per year

**Water meter and:
installation cost** N/A

Security Cost: N/A

BACKGROUND:

The Agribusiness Development Corporation (ADC) has a creative approach to funding infrastructure projects. One significant proposal to help support ADC's ambitious development initiative is to allow its farmers to apply for rent credit in exchange for land and/or infrastructure improvements, particularly when the improvements benefit ADC and other farmers. To obtain a rent credit for land and/or infrastructure improvements, a farmer must spend their own money on the initial installation or improvement costs and a credit against their rent equal to the amount they invested is provided as a re-imbursement. It is an

May 20, 2020

Page 2 of 2

ADC requirement that all work must be completed by licensed professionals and done so in accordance with all County, State, and Federal laws, rules, and ordinances.

On May 11, 2020, the ADC received a request from Ho Farms LLC (Licensee) for rent credit for the installation of electrical infrastructure at the Galbraith Agricultural Lands (GAL). The Licensee is farming on Lot 11 where they grow tomato, cucumber, and eggplant. They are requesting electrical service from the Hawaiian Electric Company (HECO) to construct a shade house for their crops and for immediate operation of the house once its completed. In addition to the shade house, they need power to operate water pumps and for daily operations on the farm.

The ADC's Bott Well Improvements project, which is being administered by the Hawaii Department of Agriculture's Agricultural Resource Management Division, also includes plans to request electrical service from HECO for improvements to the Bott Well Pumping Station. It became apparent that the Bott Well Improvements project plan, specifically the request for electrical services from HECO, shared similarities with the Licensee's plan. However, the Bott Well Improvements project won't be completed until 2021, which does not line up with the Licensee's timeframe to construct the shade house.

CONCLUSION:

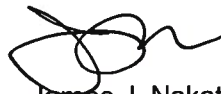
The ADC's and Licensee's plans have similar objectives and therefore have direct correlations with regards to the locations of the electrical connection, powerline crossing, and utility pole. Furthermore, the Licensee is proposing to pay for the initial installation costs to bring electrical service from HECO to the GAL, which will benefit ADC and the rest of the Galbraith farmers. For these reasons, the ADC proposes to amend the current License Agreement to include a clause that allows the Licensee to apply for rent credit for the installation costs. The estimated cost for the installation is \$65,000 (excludes Licensee's cost for shade house and water pumps).

RECOMMENDATION:

Approve the request to amend License Agreement No. LI-GA1611 issued to Ho Farms LLC for agricultural purposes in Waialua, Oahu subject to the following terms and conditions:

1. The Licensee may apply for rent credits not to exceed \$65,000;
2. The Licensee must provide supporting documentation showing the Contractor and amount requested; and
3. All other terms and conditions in LI-GA1611 to remain the same.

Respectfully submitted,



James J. Nakatani
Executive Director

DAVID Y. IGE
Governor

JOSH GREEN
Lt. Governor



Item N

JAMES J. NAKATANI
Executive Director

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION

235 S. Beretania Street, Room 205
Honolulu, HI 96813
Phone: (808) 586-0186 Fax: (808) 586-0189

May 20, 2020

Subject: Request to Approve Thirty-Five Year Lease to University of Hawaii of 68,475 square feet, more or less, designated as Tax Map Key (1)7-4-012-016, located at 1001 California Avenue, Wahiawa, Oahu

Applicant: University of Hawaii

Authority: Section 163D-4(a)(5), Hawaii Revised Statutes

Area: 68,475 square feet, more or less

Tax Map Key: (1) 7-4-012-016

Land Status: Owned by ADC in fee simple

Trust Land Status: DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: Yes___ No X

Character of Use: Agricultural product development center to promote locally grown agricultural products and services

Lease Term: 35 years

Rental Rate: \$1.00 per year for 35 years

BACKGROUND:

On November 14, 2013, the Agribusiness Development Corporation ("ADC") purchased from Tamura Enterprises, Inc. 68,475 square feet, more or less, of B-2 zoned land and improvements, located at 1001 California Avenue in Wahiawa ("Property"). The Property is currently occupied by AAA Rent to Own-Hawaii, Inc. dba ColorTyme, Cellco Partnership dba Verizon Wireless (as successor in interest from Coral Wireless, LLC dba Mobi PCS), and Guardian Transport Services LLC. Among the concepts envisioned by ADC for the Property were a processing and packing facility, a value-added facility, and a retail facility.

LAND REQUEST:

The University of Hawaii ("UH") is interested in developing a facility to promote locally grown agricultural products and services, including an agricultural business incubator in which start ups may rent space to process and add value to agricultural and agriculturally based products and services for marketing and sale to the general public. The start-ups would be permitted to process, manufacture, assemble, make, convert, and produce new agricultural

and agriculturally based products using agricultural products as raw materials and setting up storefronts to market and sell the agriculturally based end products to the general public.

UH has requested a 35-year lease to accomplish this goal. Under the terms of the lease, UH would take the Property "as is" and subject to the existing tenants. UH would be allowed to renovate the property to meet the needs of the development center, contract services for the operational needs, and allow non-UH parties to use spaces for purposes consistent with the purpose of the development center. UH would also be allowed to develop educational programs to provide employment and other experimental opportunities for UH students and faculty. Construction on the property is expected to take about 2 years. ADC is currently working with Colortyme to effectuate a mutually acceptable termination date earlier than the existing June, 2021 date, and if requested by UH, will work with Guardian Transport to terminate the existing RP. It is anticipated that Verizon will keep its antenna on the premises. If UH desires that Verizon move its current antenna location, UH can negotiate a mutually agreeable location with Verizon, and ADC can consent to such an amendment to the existing Verizon Site Lease.

Finally the lease contemplates that ADC may convey the Property to UH if requested by UH, provided that the governing bodies of both ADC and UH approve such conveyance.

RECOMMENDATION:

Staff recommends the approval of a 35-year lease of the Property to the University of Hawaii on the following terms and conditions:

1. UH shall receive the entire 68,475 square feet, more or less, of the Property "AS IS" and SUBJECT TO the existing tenants and all existing easements and other encumbrances on the Property and may make improvements to the Property, which improvements ADC shall have pre-approved;
2. UH shall pay rent of \$1.00 per year for each of the 35 years;
3. UH shall be allowed to sublease portions of the Property without obtaining ADC's prior written consent;
4. UH's obligation to perform under the lease is subject to funding; and
5. Such other typical lease terms as are customary in the industry.

Respectfully submitted,



James J. Nakatani
Executive Director





Agribusiness Development Corporation

Item O

Ag Notes

MAY 2020 NEWSLETTER

Farmers Cope With Their Latest Challenge: COVID-19

At a 1,200-acre parcel just north of Wahiawa, farmer Shin Ho gives a tour showing the recent fruits of her labor.

"We raise about 100,000 pounds of produce each month for local markets," said Ho, picking some ripe eggplants while inspecting her crops in the field.

Ho, general manager of Ho Farms Hawaii, leases about 70 acres of farmland from the state Agribusiness Development Corp. (ADC) to raise eggplant, cherry tomatoes, Japanese cucumbers, and long beans.

Since 1994, ADC has remained committed to protecting the future of agriculture in Hawaii by facilitating the industry's transformation from a dual-crop economy of sugar and pineapple to diversified agriculture. Two years ago, the Ho family decided to lease farmland at the former Galbraith Estate property now under ADC jurisdiction.

Ho said ADC's Galbraith parcel is in a centralized area suitable for her family's farming business. There is enough space to keep all of their farming equipment in one location to help keep their operating costs down. Her company also recently invested in constructing a giant shade house – a larger open-air version of a greenhouse – to help protect their crops.

"A greenhouse would be more of an enclosed structure that retains heat," Ho said while showing the new facility under construction. "A shade house keeps out the heat, but provides more ventilation."

The family company has previously faced numerous challenges by Mother Nature – drought, flooding and pests –

that can physically harm or damage their crops. But never have they dealt with a situation like the Coronavirus pandemic, which has greatly disrupted the global and state's food supply chain.

The recent COVID-19 situation has led to many challenges for local farmers, as restaurants that depended on their produce have either closed or drastically reduced their services in response to new social distancing measures.

Because of the pandemic, the drop in demand for food was so sudden that no one really had time to prepare or react, Ho said.

ADC executive director James Nakatani said the agricultural industry is looking at ways to keep farmers operating in the short-term, and at how their marketplace will change in the long-term.

"Like a lot of industries here, the ag community is going to have to re-think how we do business," he said. "At the same time, this may cause more people to realize why Hawaii needs to invest more in food sustainability and diversified ag, since it has affected our food supply chain, and still does."

Ho agrees that farmers are going to have to be more creative and think outside the box.

"Because the restaurant business has shut down, we've had to be creative in finding new venues to sell our product like the Hawaii Farm Bureau's 'Farm-To-Car' service, other online food services, and farmers' markets," Ho said. "Some of the local grocery chains have also been taking in more of our product."



Ho Farms Hawaii General Manager Shin Ho provides a field tour, showing her latest harvest of eggplants and cherry tomatoes.



Farmer Shin Ho shows a giant shade house that her family is installing to help protect their crops.

(continued from page one)

Ho's father got into the farming business in 1991. Despite the latest challenges, Shin Ho remains undeterred in continuing her family's legacy in diversified ag.

"It's also about diversifying our local economy; raising more food locally and keeping this in open, green space," she said. "Hard work? Definitely. But to me, the end product – along with how it benefits customers and the economy – is what makes this job satisfying."

To learn more about ADC and our work in the community, go to our website at www.hdoa.hawaii.gov/adc.



About the COVID-19 Emergency Farmer Relief Program

As a result of the COVID-19 crisis, local farmers are experiencing hardship. In order to provide much-needed support to Hawaii's farmers, the Hawaii Department of Agriculture (HDOA) has developed a COVID-19 Emergency Farmer Relief Program, with the first round of checks distributed on April 22.

Drawing from \$250,000 in funding made possible through Governor Ige's March 4 emergency proclamation, the program supports farmers who have been hard hit by the current economic situation. Of the 333 individuals and associations that applied, 106 proposals were selected to receive amounts ranging from \$2,000 for individual farmers and ranchers to \$10,000 for nonprofits and agricultural associations that have been financially devastated by the COVID-19 pandemic. Thanks to the diligent work of HDOA, the majority of farmers and agricultural operations received their relief funds within just three weeks of applying.

For farmers who are still looking for financial support, HDOA's Agricultural



Loan Division has also launched its Emergency Agricultural Loan Program, providing low-interest emergency loans and micro loans to eligible farmers. To take advantage of this program and apply for financial assistance, contact your HDOA office:

Oahu, Kauai, and Maui:

(808) 973-9460

Hilo: (808) 933-9977

Kona: (808) 323-7591

ADC Updates: Improvements at Whitmore Property

Security improvements continue to be implemented at ADC's 230-acre parcel Whitmore property following complaints by adjacent neighbors regarding on-site criminal activity. ADC is ramping up its efforts immediately to secure and prepare the currently vacant lands for agricultural production.

The agency has hired around-the-clock security and begun clearing brush and trash at the site. In addition, a towing company was recently contracted to

soon haul away abandoned vehicles left on the property.

ADC anticipates the land will be ready for farming by Summer 2020. We ask for the community's patience as changes continue to be made to make the area safer.

New Visitor Policy for ADC Satellite Office

Because of new health and safety

measures related to the COVID-19 situation, ADC has adjusted operations at its new Satellite Office at Whitmore, Oahu. Effective immediately, an appointment needs to be scheduled before visiting the Wahiawa office at 1116 Whitmore Avenue. You can make an appointment to meet with ADC Property Manager Lyle Roe by contacting him at (808) 622-6696 or lyle.t.roe@hawaii.gov. Thank you for your understanding with the ongoing situation.

