

**AGRIBUSINESS DEVELOPMENT CORPORATION**

Minutes of the Board of Directors Meeting of January 27, 2016  
Department of Agriculture Plant Quarantine Conference Room  
1849 Auiki Street, Honolulu, Hawaii 96819

Members:

Letitia Uyehara	Lloyd Haraguchi
Douglas Schenk	Denise Albano
Leilyn Koev	Margarita Hopkins
Wayne Thom, DBEDT	Yukio Kitagawa
Jeffrey Pearson, DLNR	Scott Enright, DOA

Guests:

Steve Kai, Kekaha Farm	Jill Suga, Under Da Mango Tree
Clarke Andros, Andros Engineering	

Staff:

James Nakatani  
Ivan Kawamoto  
Ken Nakamoto  
Lynn Owan  
Cindy Doi

Counsel:

Myra Kaichi, Deputy Attorney General

A. Call to order.

Chairperson Uyehara called the meeting to order at 9:10 am.

B. Approval of minutes from the December 9, 2015 meeting.

Ms. Hopkins moved to approve; Mr. Haraguchi seconded the motion; motion carried unanimously.

C. Approval to Issue a Revocable Permit to Davey Tree Expert Company for a parking area in Whitmore, Oahu; Tax Map Key (1) 7-1-02-074 (por) and (1) 7-1-02-09 (9).

Mr. Nakamoto made the presentation to issue a revocable permit to Davey Tree Expert Company, a tree trimming and landscaping company and in the process of expanding their operation, for parking area in Whitmore, Oahu. The vacant 5,600 square foot covered parking shed is on a portion of TMK (1)7-1-02-04 and the parking area of vacant land is unimproved and approximately 10,000 square feet, located on a portion of TMK (1) 7-1-02-09. The recommendation is to approve a revocable permit subject to the following terms and conditions: term of this RP shall be on a month-to-month basis; base rent shall be \$1,500 per month; permittee shall pay its share of utilities; and permittee may apply for rent credits. Mr. Nakatani

commented that Davey Tree had been on the property but did move out when ADC purchased the property however they wanted to move back in. They did some work for Dole and ADC would like to form a partnership because there are a lot of trees that need to be trimmed in the area.

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

Ms. Hopkins asked if permits are needed for building of the covered parking. Mr. Nakamoto replied the cover is already there but if substantial improvements are done then they would need to come back to the Board. But if Davey Tree does small work like roof patching then ADC could give them rent credit.

Ms. Albano asked if it's only for parking. Mr. Nakamoto replied they would have parking for their employees and for their business of storing trucks but no operation on the property.

Motion carried unanimously.

- D. Approval to Issue a Revocable Permit to Andros Engineering Corporation for a covered parking area in Whitmore, Oahu; Tax Mapy Keu (1) 7-1-02-04 (por).

Mr. Nakamoto made the presentation to issue a revocable permit to Andros Engineering Corporation, a supplier of specialized agricultural equipment and in the process of expanding their operation, for space in Whitmore to store equipment and vehicles. This would be for Building F which is a vacant 8,800 square foot covered parking shed and overhead utilities are located along Whitmore Avenue and assumed that electricity and potable water is available to the area. The recommendation is to approve the issuance of a revocable permit subject to the following terms and conditions: term of this revocable permit shall be on a month-to-month basis; base rent shall be \$880 per month; permittee shall pay its share of utilities; permittee may apply for rent credits; and no subletting to be permitted without ADC's prior approval in writing.

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

Mr. Thom asked whether the company needs the potable water on the site. Mr. Nakamoto replied they may need water to wash their vehicles or their equipment. They will be responsible for installing their own meter for water. The line is already there but it needs to be hooked up which would be Andros' responsibility.

Motion carried unanimously.

Chair mentioned that two correspondences were received for the Board's information. One from Kekaha Agriculture Association and the other from Representative Marcus Oshiro.

- E. Approval to Issue a Revocable Permit to Royal Palm Group/Construction and Landscaping, Inc. for nursery purposes in Whitmore, Oahu, Tax Map Key (1) 7-1-02-09 (por).

Mr. Kawamoto made the presentation to issue a Revocable Permit to Royal Palm Group/Construction and Landscaping, Inc. for nursery purposes in Whitmore, Oahu. The permittee began renting four acres of land from Castle and Cooke and later the lease was transferred to Dole Food Company. The lease term expired on December 31, 2015 and the permittee would like to continue occupying the premises as a holdover tenant. The permittee has been a good tenant and has cleared the land where the nursery sits today. The recommendation is to approve the issuance of a revocable permit for 4 acres in Whitmore, Oahu subject to the following terms and conditions: term of this revocable permit shall be on a month-to-month basis; base rent shall be \$400 per acre or \$1,600 per year; no subletting to be permitted without ADC's prior approval in writing.

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

Ms. Hopkins commented that she was concerned that the permit is a month to month RP because the permittee is at the mercy of being asked to leave at any time with just one month notice. Chair said it is because there will be master planning on this property and that the tenant is aware of the month to month basis and they are okay with that condition.

Ms. Kaichi said she checked Royal Palm's DCCA business registration status and they have an expired trade name. Staff will follow up on this status.

Mr. Kitagawa said that he has met with Mr. Renie Agasalda from the Royal Palm Group and he seems to have a good operation and has been doing a good job and also works with the community.

Motion carried unanimously subject to the follow up on their business registration status.

F. Discussion of Galbraith small farmers parcels at Galbraith Agricultural Lands in Wahiawa, Oahu, Tax Map Keys (1) 6-5-002-25 and (1) 7-001:002.

Mr. Kawamoto made the update of the Galbraith small farmers parcels. He mentioned that to gain approval of funding from the City & County of Honolulu's Clean Water and Natural Lands Commission, the ADC committed to institute a public process to announce the availability of land and for awarding the leases to small farmers. The ADC set aside approximately 300 acres and is preparing the lands to offset the high cost of making the land more conducive for diversified agriculture. ADC has dedicated 10 small farm lots totaling over 300 acres ranging in size from 6 acres to 76 acres to fulfill the county's request to provide farm land for small farmers. The ten farm lots sizes were determined based on the farmer's preference and land availability. The farmers were selected from a pool of 75 applicants in May 2013 by a five member selection committee. The committee members chose ten farmers as potential candidates to be offered Galbraith long term lease/licenses. In 2015, mandatory farmer training classes were offered to the potential farmers. A five week training course covering various topics were presented to the farmers by the UH College of Tropical Agriculture and Human Resources county extension agents. The cost to develop an acre of land is estimated to be \$1000 per acre or \$50,000 to develop 50 acres. This cost includes tree removal, acquiring and incorporating coral sand to condition the soil and 2 to 4 disc plowing of the fields. Survey work has been completed

designating the location of the farmer lots and irrigation distribution system on the lands. Currently, plans to install the irrigation system are being finalized.

Mr. Schenk asked if the rates have been determined yet. Mr. Kawamoto replied no rates have been decided yet but costs are being looked at right now.

Ms. Albano asked on lease amount. Mr. Nakatani said an appraisal should be done before setting the lease amount so we have a baseline. Mr. Pearson said the meters should be installed first before the appraisal so there is water to the lots which could increase the appraisal.

Ms. Hopkins commented on the selection of the 10 farmers. Mr. Kawamoto replied the applications were reviewed and checked on their economic viability, existing farmers, etc. then checked what they would be farming. Chair commented that these farmers that were selected needed to be experience farmers. The committee did look at all the applicants in terms of what their farms looked like, what they were growing and what kind of practices they had. So from those kinds of assessments and appropriate acreages the farmers were selected. Mr. Nakatani commented that the priority was food sustainability, therefore nursery growers were eliminated. The farmers who did not have experience were eliminated and because we are the state, the farmers needed to be green card citizen. There is another appropriation to buy more land so there could be another opportunity for other farmers.

Mr. Kitagawa stated that the training program that was conducted would fortify what the farmers already knew. In order to insure that the farmers are successful in following the practices, we arranged to have the extension agent periodically visit each farm and make note of issues that need to be corrected. This is added assurances to see that this project is successful. It is very important that we develop a model on how future lands can be utilized.

G. Request to Issue a Revocable Permit to Waikele Farms, Inc. for agricultural purposes located in Kunia, Oahu, Tax Map Keys: (1) 9-4-012:001 & 003.

Mr. Kawamoto made the presentation to issue a revocable permit to Waikele Farms Inc. for agricultural purposes located in Kunia, Oahu. On August 27, 2015, the ADC board accepted a set-aside of 91.216 net acres but requesting 30 acres. The Army is planning to install a new perimeter security fence and appurtenances at Field Station Kunia. Also conduct an environmental assessment at the current time and the final location of the fence will be determined at a later date. Since the land was transferred to DOA, the land has remained unused and recently there is evidence of illegal dumping and unauthorized vehicular access on the property. Waikele Farms has shown interest in wanting to expand their business more efficiently by leasing/licensing farm land that is near their current Kunia operation. ADC would like to lease the property for agricultural purposes while benefiting from having a presence on the property to curtail unauthorized entry and trash dumping. Waikele Farms proposes to install a security entrance gate and place boulders on the perimeter of the property fronting Kunia road. The estimated cost to install the entrance gate is \$5,000 and \$10,000 to place boulders on the perimeter of the property. Waikele Farms is willing to install a gate and placing boulders in exchange for a rent credit not to exceed \$15,000.00

The recommendation is approve the issuance of a revocable permit to Waikele Farms Inc for agricultural purposes in Kunia, Oahu subject to the following terms and conditions: term of this revocable permit shall be on a month-to-month basis; base rent rate shall be \$1,500 per year; rent credit of up to \$15,000 may be applied, for work to install a security gate and place boulder barriers where needed; no subletting to be permitted without ADC's prior approval in writing.

Mr. Enright moved to approve the recommendation; Ms. Hopkins seconded the motion.

Mr. Thom asked why is the requesting letter from Larry Jefts names Kelena Farms but the staff submittal is Waikele Farms. Mr. Kawamoto replied at the time that he was working with Larry Jefts, he said it would be through Kelena Farms but after sending him the submittal for review, Mr. Jefts requested to change it to Waikele Farms.

Motion carried unanimously.

- H. Approval to Issue a License to Kekaha Farms/Under Da Mango Tree LLC for land located at Kekaha, Kauai; identified as Field No. 105 & 206 (por); a portion of Tax Map Key (4) 1-2-02-01.

Mr. Nakamoto made the presentation for approval to issue a license to Kekaha Farms/Under Da Mango Tree LLC for mango and vegetable production in Kekaha, Kauai. The requested area total 68.57 acres and encompasses approximately 57.95 acres of Field 105 and 11.02 acres of Field 104 located along Kokee road mauka of Kekaha town. The site is flat and is serviced by irrigation from a well and additionally, potable water and electricity can be accessed via power lines located adjacent to the site. This area was previously licensed to Pioneer Hi-Bred International who recently decided to reduce their Kekaha land holdings. The operational plan would be vegetable growing with planting 1/2 acre per month and will increase to reach 1 acre per month. Mango orchard seedling have started and will be ready for grafting in 2016. Phase I planting of 25 acres will commence in 2017. Phase II will involve planting another 25 acres for a total of 50 acres of production orchard. The mango orchard will have marketable fruit in year 2 but will reach fully maturity in 7 years. Packing house will include a washing and packing facility, an office and bathroom amenities located on a portion of Field 206 with estimated size of 2,000 square feet. The rent schedule requested by the licensee would provide relief on the rent for the 50 acre mango orchard until 2018. Payment of \$150 per acre (maintenance fee not included) for the 19 acre vegetable growing area shall commence upon approval of the license. The rent schedule for the term of the license is in 2016 and 2017 an annual fee of \$2,850 based on 19 acres; beginning 2018 an annual fee of \$10,285.50 based on 68.57 acres.

The recommendation is to approve issuing a 35-year land license to Kekaha Farms/Under Da Mango Tree LLC subject to the following terms and conditions: term of this license shall be for 35 years; annual fee is based on the rate of \$150 an acre; annual rental shall re-open very 10<sup>th</sup> year of the term; licensee shall pay an annual maintenance fee to the Kekaha Agriculture Association that would cover water delivery rates; and other incidental; administrative, and infrastructure costs; and no sublicensing the whole or any portion of their premises without the prior written approve of the ADC Board.

Mr. Enright moved to approve the recommendations; Mr. Schenk seconded the motion.

Jill Suga and Steve Kai was present to answer any questions.

Mr. Enright said mango is a good product and has our full support. Chair commented that Hawaii should be producing a lot more mangos than we presently produce. It is the most consumed fruit in the world and we import 90% of what we consume here in Hawaii. She asked what kinds of varieties are Kekaha Farms looking at. Ms. Suga replied they are looking at “Rapozo” as the main stock but also has a “No. 9” tree that has done well in Kekaha and also exploring other varieties. No. 9 is a good tasting fruit and on Kauai it is in demand. If there is a market for different varieties, they could look into producing those varieties.

Motion carried unanimously.

A 5-minute recess was called at 10:00 am.

#### I. Executive Director’s Reports and Updates.

Mr. Nakatani made his executive director’s report.

Kalepa – There was a fatal accident of an employee from Green Energy Team where a falling tree branch fell on the employee. He did talk to Green Energy and they did follow all their procedures but it was an unfortunate accident. They are doing their investigations with HIOSH and OSHA.

Galbraith Land and Wahiawa Land – Larry Jefts will plant watermelon for a second time on 95 acres near the Bott Well pump. The purchase of the 73 acre parcel of Whitmore lands has not closed as of today however it should happen soon.

Waiahole Water System – Rehabilitation of the steel siphon project began last year and continues with completion of all the siphons by July 2016.

Hilo Land – the Zero waste conversion project consist of three phases, equipment, acquisition, land acquisition and construction of a permanent zero waste demonstration facility. On December 11, 2015 the ADC acquired land in the W.H. Shipman Business Park to construct the permanent zero waste demonstration facility. The closing cost for the property was \$512,955.19. A progress report of the mini-pilot scale production of biofuel and animal feed from Heterotrophic algae was given to the board members in their meeting materials. An update at the next meeting on mardol and freckle free project may be given.

Legislature – He reported on the budget hearing. Mr. Enright mentioned that the House chair and vice chair did take issue of the work that ADC does because there was no plan for Galbraith. Mr. Nakatani reported that for Galbraith we took Senator Dela Cruz’s plan because it involved on how it looked at not only agriculture but the economic development.

Some of the topics that came up for discussed were:

the closing of A&B HC&S with possible industries:

- biofuels
- mango
- grass fed beef

Mr. Schenk commented on his company regarding pineapple and the idea of producing as much as they could and sell it locally and to add value to it. They investigated on IQF technology which is individual quick freeze and clean and cutting room to cut fresh pineapple to sell into the local school programs and prisons. The best help would be on the market side whereby they could get fresh pineapple to the kids at the schools. Mr. Enright commented that DOA has hired a farm to school coordinator. The individual DOA hired has a law degree but has worked for the last two years in procurement which is the key. They will be starting pilot projects around the state for DOE. Mr. Enright extended to Mr. Schenk that with agriculture in Maui, everything needs help so DOA will be there for his company. He offered to go with Mr. Schenk if they should go to see HC&S.

Mr. Kitagawa commented that the ADC Board should engage ourselves into doing research or development. Throughout the state there might be opportunities in helping industries because ADC can move. Chair commented that we need to be more specific whether its commodities or land areas or project that will help industries. Mr. Kitagawa said ADC can take a leadership role because we have different departments that sit on this board. We should spend some time on how we should encourage the development of more agriculture. He said that there is a risk for ADC to take a leadership role and will have failures but if we don't do it, then the private industry won't know. ADC could be the risk takers. Mr. Enright agreed that ADC is the risk taking entity.

Mr. Enright commented that what might be needed is the start of a strategic plan to see where we can make an impact. Some help to be identified is feed for livestock and aquaculture. Opening up lands for agriculture is something we need to do. We need to project going forward on what work this board is going to do and direct what the staff will do.

Mr. Kitagawa commented that ADC should be looking at food utilization of products. Being able to help the industry in research to do value added products is where he is interested. He has been talking with UH who is very interested in providing products. One of the products that came about was a product being worked on with Guam to utilize breadfruit producing cereal. He wanted to develop as much as these kinds products as possible. He wanted to use products that came out of Galbraith to utilize their products in different ways not only in fresh. They are talking of what other kinds of products could be developed so that they could help the farmers get more out of their products. He got funds from the City to try to develop some other products.

Meeting adjourned at 10:55 am

Respectfully submitted,

Cindy Doi  
secretary

**AGRIBUSINESS DEVELOPMENT CORPORATION**  
Minutes of the Board of Directors Meeting of February 24, 2016  
Department of Agriculture Plant Quarantine Conference Room  
1849 Auiki Street, Honolulu, Hawaii 96819

Members:

Letitia Uyehara	Denise Albano
Sandi Kato-Klutke	Yukio Kitagawa
Leilyn Koev	Wayne Thom, DBEDT
Scott Enright, DOA	Jeffrey Pearson, DLNR

Absent:

Lloyd Haraguchi	Margarita Hopkins
Douglas Schenk	

Guests:

Landis Ignacio, KAA    Doug Codiga, KAA/Schlock Ito  
Jason Hines, KIUC    Jason Vercelli, Kauai DOFAW  
Dawn Huff, KIUC    Linda Rosehill, Rosehill & Associate  
Erik Abe, Rep. M. Oshiro's office  
David Cho, Senator Dela Cruz's office

Staff:

James Nakatani  
Ivan Kawamoto  
Ken Nakamoto  
Lynn Owan  
Cindy Doi

Counsel:

Myra Kaichi, Deputy Attorney General

A. Called to order

Chairperson Uyehara called the meeting to order at 9:00 a.m.

B. Approval of minutes from the January 27, 2016 meeting.

Mr. Enright moved to approve; Mr. Pearson seconded the motion; motion carried unanimously.

C. Approval to Amend the Revocable Permit of Davey Tree Expert Company to include office space in Whitmore, Oahu; Tax Map Key (1) 7-1-02-04 (por).

Mr. Nakamoto made the presentation to amend the RP to include office space near their parking space that was approved last month. The recommendation would be that ADC would charge .60 per square feet for an additional \$134.40 per month for the office space plus \$1,500 per month for the parking space for a total monthly fee of \$1,634.40. The term is on a month-to-month basis. No subletting without prior approval of the ADC and permittee may apply for rent credit.

Mr. Enright moved to approve the recommendation; Ms. Albano seconded the motion.

Ms. Klutke asked how many vehicles would be using the parking spaces. Mr. Nakamoto replied about 40 to 45 employees would be using the parking spaces. Also equipment will be parked in these spaces.

Motion carried unanimously.

D. Update of Kauai Island Utility Cooperative Pumped Storage Project located at Kekaha, Kauai.

Mr. Nakatani introduced the representatives of the KIUC who were present and will make the presentation. He mentioned that the board members received in their packet a letter of intent that explains the West Kauai integrated energy and irrigation project.

Dawn Huff and Jason Hines made the presentation. They gave a brief update and background on the pumped storage project. The letter of intent was a way to get that kind of working relationship with ADC being non-binding because there are a lot of details to be worked out before getting to binding agreements. But this is a way that they could get some confidence in the KIUC board and that ADC does have an interest in the project and is working with KIUC towards success on the project.

Mr. Thom asked for Kekaha Agriculture Association's (KAA) comments on this project. Mr. Doug Codiga counsel for KAA replied they are supportive in the basic concept and is interested in further dialog and getting further information to evaluate the project and is open to it. The Coop and its members have been looking at similar kinds of projects for some time and so there is a familiarity with a different aspects of the project and technical financial water use, etc. There is a sense that there is a lot of promise and potential to address a range of different issues that impact the Coop and its members. Also as it goes forward they need to think about how to negotiate any binding agreements. In particular whereby they have a Coop that has members that have land licenses which are contractual agreements with ADC. Also the MOA which provides certain rights to the Coop members. They want to be moving forward thinking about how that gets negotiated and if there are modifications to the MOA that would affect the availability of irrigation water, electrical power, etc. And that ADC and KIUC would be with KAA in wanting to insure that those things are protected.

Mr. Kitagawa asked if KAA were a part of this letter of intent. Mr. Codiga replied they were not asked to sign the letter of intent but were provided with a review copy and the

members have been evaluating it. At this time the formal position of the group is that they would like more information before deciding to support or not support but it really is ADC's letter of intent and would defer to ADC. If ADC wishes to go ahead then it is ADC's decision. But in pooling the members, they understand that ADC may wish to do this but there is lack of sufficient information for the potential impact on their interest to support or non-support at this time.

Mr. Kitagawa stated that he was still concern with the Hawaiian groups. How much have they been involved in this letter of intent. Ms. Huff replied that every group that they have been meeting with regarding this project know about the letter and understand the reason behind and that it is non-binding. All the information in the letter has been discussed in great detail with them and have similar documents moving forward with other agencies involved including the Department of Hawaiian Home Lands. The groups have not seen the specific letter but know that a letter was submitted to ADC and are moving forward.

Mr. Kitagawa asked on the timeline. Ms. Huff replied they asked for one year to do due diligence on the existing hydros. They need more time doing that and the two year would be for the studies for the Puu Opae project which is more involved and could be concurrent. They don't need more than a year for the due diligence on the existing hydros. Mr. Thom asked in doing this do they have community meeting informing them on the project. Ms. Huff replied yes. Mr. Thom asked when these community meetings are held, does this board get the results or minutes of these meetings. Ms. Huff replied no minutes were given but each time they come to the board they try to summarize the meetings they had and any comments received at the meetings with ADC and other agencies. They try to schedule open general community meetings when they have met significant landmarks where there are new information to share. When they are in full swing on the permitting process, they would estimate two general community meetings a year but with the agencies and stakeholders probably four times a year. It would depend on where they are in the phase and work being done at the time. At some point during the process, they would be meeting with KAA maybe every month during their monthly board meetings and would phase off every other month depending on the phase.

Mr. Codiga mentioned that in recent discussions with the KAA members there were items that were important consistent to the modifications with those agreements if there are any. Water rights would remain in place sufficient for the members who do the farming. Revenues are critically important for capital improvements that they are responsible for. These are the things that would need to be negotiated in the future. Electrical power is critically important because all of their members use electrical power for irrigation and drainage purposes and are very reliant on supply of low cost electrical power. And basic irrigation water is needed for sufficient rights for irrigation water. How this gets worked out going forward is that they need to look at binding agreements then have discussions. The members do have land licenses agreements in place and also the MOA are starting points in the discussion.

Mr. Pearson mentioned the issue that is before the water commission. They are beginning mediation for the complaint by Earthjustice for amending the interim instream flow standards in the streams and addressing the issue of waste. The mediator is on board and has not set up its first meeting but is planning a site visit to get him more familiar with the area. Mr. Hines stated that the integrated plan is making the water use more efficient so some water can be given back to the stream but still enough for irrigation and farming. KAA and ADC has been working on a bigger vision on pressurized irrigation system and the design of the energy project is compatible so it's the concept of more acres with less water. KIUC is involved with that mediation so all the parties interested are involved.

A 5 minute break was called at 9:30 am.

E. Presentation by Division of Forestry and Wildlife on Mana Plain Wetland Restoration Project, Kekaha, Kauai.

Mr. Jason Vercelli, who is with DLNR on Kauai made the presentation. The DLNR-DOFAW is in the process of restoring wetland habitat within the Mana Plain Forest Reserve. This restoration project is referred to as the Mana Plain Wetland Restoration Project. Habitat restoration will occur on 105 acres immediately north of the existing Kawaiie Waterbird Sanctuary. DOFAW will implement habitat restoration actions for the purpose of restoring within the project site boundaries, habitat suitable for the four endemic and endangered Hawaiian waterbirds. The restoration plan also includes re-establishing a variety of native aquatic and terrestrial plants. Restoration efforts within the project area will create approximately 84 acres of wetland habitats, comprises of seven wetland basins ranging in size from 3 to 16 acres. DOFAW hopes that the majority of water needed to restore the wetland basins will be provided by an unused agricultural well. This well historically yielded 550 gpm, roughly double that which is predicted to be needed for the restoration project. DLNR/DOFAW prepared and submitted an Environmental Assessment for this project in November 2013. Funding is available for these efforts provided in part by a National Coastal Wetland Grant. Currently design specifications are being developed, with construction activities expected to commence in the winter of 2016.

Mr. Nakatani commented that ADC gave DOFAW a right of entry to look at the wells.

F. Discussion to issue land leases/licenses to farmers for agricultural purposes in Wahiawa, Oahu, Tax map Key (1) 7-1-001-002.

Mr. Kawamoto made the presentation on issuing land leases/license to farmers for agricultural purposes at the Galbraith lands. The terms and length of the lease/license has not been determined. Recommendations: base rental rates for year 1-3 \$200 per acre per year; year 4-5 \$350-400 per acre per year; 6-10 \$450-500 per acre per year. The annual rental could be re-opened the 10<sup>th</sup> year of the term. No subletting to be permitted without ADC's prior approval in writing. The licensee shall be responsible for paying for the following: irrigation costs; water meter, riser and concrete pad with installation costs as

well as installing at their cost, a drip irrigation system for their operations. A monthly security cost will be the responsibility of the licensee. There will also be miscellaneous costs for portable toilet and washing station to be shared with the farmers.

Mr. Enright asked what would be the timeline for farmers to get on the land. Mr. Kawamoto replied may be end of May or June or early summer. Water system is in but there is a need for the distribution system. Chair asked that food safety needs to be included in this document and should give the farmers some time to be in compliant with a timeline.

Chair stated another issue that needs clarification of whether leases or licenses would be issued. There was some discussion therefore it needs more clarification. Mr. Enright recommended to appoint an ad hoc committee on this issue of lease or license. Chair appointed: Mr. Enright and herself.

G. Executive Director's Reports and Updates.

1. Waiahole Water System, Oahu
2. Legislative Report

Mr. Nakatani reported on:

Waiahole Water System – The rehabilitation of the steel siphons are making good progress. Some of the siphons are completed and are working on the last siphon.

Legislative bills – A list of some of the bills that ADC supported were in the report.

H. Adjourn.

Mr. Kitagawa moved to adjourn; Ms. Albano seconded; motion carried unanimously.

Meeting adjourned at 10:15 am.

Respectfully submitted,

Cindy Doi  
secretary

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**Members:**

Letitia Uyehara	Lloyd Haraguchi
Yukio Kitagawa	Sandra Kato-Klutke
Leilyn Koev	Denise Albano
Margarita Hopkins	Douglas Schenk
Scott Enright, DOA	Jeffrey Pearson, DLNR
Wayne Thom, DBEDT	

**Guests:**

Erik Abe, Office of Rep. Oshiro  
Teresa Dawson, Environment Hawaii

**Staff:**

James Nakatani  
Ivan Kawamoto  
Ken Nakamoto  
Lynn Owan  
Cindy Doi

**Counsel:**

Myra Kaichi

**A. Call to Order.**

Chairperson Uyehara called the meeting to order at 9:05 am.

**B. Approval of minutes from the February 24, 2016 meeting.**

Ms. Hopkins moved to approve; Mr. Enright seconded the motion; motion carried unanimously.

**C. Approval to negotiate and purchase the fee simple interest in real property  
Located in Wahiawa, Oahu, identified as TMK 1-7-02-6 & 34 owned by Dole Food  
Company, Inc.**

Mr. Nakamoto made the presentation for approval to negotiate and purchase the fee simple interest in real property located in Wahiawa, Oahu owned by Dole Food Company Inc. for 194.416 acres of which 59.526 acres is in gulch areas and considered unusable, results in a net usable area of 134.890 acres. He gave a brief background on the property and an ongoing Hawaii Department of Health investigation regarding illegal dumping on the subject property. Also reported on the appraisal report prepared by Hasting, Conboy & Associates, Ltd. or the Trust for Public Lands to determine the estimated market value of the fee simple interest in the

land. The asking price of \$3,618,500 and estimated market value is \$5,400,000 with the difference of \$1,781,500. It should be noted that the U.S. Navy is interested in restrictive easement on the subject parcel which will also factor in to the final closing cost. The conclusion is that agricultural land is the most critical component needed to boost the economic viability of the State's agriculture industry. The ADC is interested in acquiring the subject property because of its ideal location near other state lands under its management. In addition to its proximity to the Whitmore area, Galbraith Agricultural Land, and surrounding fields, acquiring the property will increase ADC's available agricultural land inventory in the region for diversified agriculture operations.

The recommendation is to authorize the Executive Director, and or, a designee to negotiate and purchase the fee simple interest in 194.416 acres of land in Wahiawa, Oahu, identified as TMK (1) 7-1-02-06 and 34.

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

Mr. Schenk asked whether the illegal dumping was going to be cleaned up and corrective actions will be taken. Mr. Nakatani replied yes, HDOH is involved therefore the clean-up must be completed.

Mr. Haraguchi asked whether the asking price has a reflective value of the difference. Mr. Nakamoto replied the reflective value of the environmental clean-up would be needed. Ms. Kaichi stated that our position is the restrictive easement would be deducted from the \$3,618,500. Parcel 34 is under contract to TPL and they have the purchase of sale agreement with Dole for those two parcels. That is where the negotiations are starting for ADC and negotiating the value of the easement at this point would be to deduct from what ADC pays.

Motion carried unanimously.

- D. Approval to negotiate and purchase the fee simple interest in real property located in Wahiawa, Oahu, identified as Tax Map Key 1-7-1-02-32 owned by Castle and Cooke, Inc.

Mr. Nakamoto made the presentation for approval to negotiate and purchase the fee simple interest in real property located in Wahiawa, Oahu owned by Castle and Cooke, Inc. for 217.884 acres of which approximately 71.973 acres is in gulch areas and considered unusable. An additional 12.291 acres is in a U.S. Navy road condemnation. Deduction of the gulch and Navy condemnation results in a net usable acres of 133.62 acres. The asking price is \$5,350,000 and estimated market value is \$4,940,000 with the difference of \$410,000. It should be noted that the U.S. Navy is interested in purchasing a restrictive easement on the subject parcel which will also factor in to the final closing cost. The conclusion is that of the same as Item C. The recommendation is to authorize the Executive Director, and or, a designee to negotiate and purchase the fee simple interest in 217.884 acres of land in Wahiawa, Oahu, identified as Tax Map Key (1) 7-1-02-32.

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

Mr. Pearson asked how much money was appropriated from the legislature. Mr. Nakamoto replied \$10 million that identified four parcels of which these are two of the parcels.

Ms. Albano asked on the purchase of the Navy easement – are they purchasing it from ADC or Castle & Cooke. Ms. Kaichi replied unlike the Dole purchase where they are agreeing to go through TPL, Castle and Cooke refuses and they don't care who the buyer is as long as they get full purchase price but they understand that ADC cannot pay more than appraised value. Part of the negotiations on parcel 32 is how to get the fee ownership into the state of Hawaii, the Navy restrictive easement into their operations, TPL compensated for the work they are doing on behalf of the Navy and State and justify all money that goes to every person. The Navy wants the same easement but this negotiation is going to be different.

Motion carried unanimously.

E. Approval to issue land licenses to Galbraith farmers for agricultural purposes in Wahiawa, Oahu, Tax Map Key (1) 7-1-001:002:

1. Yaeng Luangsiyoth
2. Lay Vong Khamchanh, (Lucky Farm LLC)
3. Pin Rey
4. Teo Soukhaseum (TST Farm LLC)
5. Touan Luangrath, (Touan Farm LLC)
6. Youming Lou & Dehua Liu, (Liu's Plantation LLC)
7. Riane & Andy Phasonk, Nattahchai Thatkaeo, (A&N Farm LLLP)
8. Milton Agader, (Twin Bridge Farms Inc.)
9. Jing Chuan Yao (Chuan Produce Inc.)

Mr. Kawamoto made the presentations for all Galbraith farmers for agricultural purposes in Wahiawa, Oahu. All applicant's recommendation would be: base rental rate would be year 1-3 annual fee of \$200 per acre per year; year 4-10 annual fee of \$400 per acre per year, reopens every ten years. Term of land license shall be for 35 years; no subletting permitted without ADC's prior approval in writing; licensee shall be responsible for paying for irrigation costs depending on the size of their water meter; licensee shall be responsible for paying \$84.42 per acre per year per month for security; and licensee shall be responsible for paying \$25 per month for the cost of portable toilets.

Every tenant's parcel size is different therefore the rent cost would differ for each.

Ms. Hopkins moved to approve all the recommendations for each land licensee on the Galbraith lands; Mr. Kitagawa seconded the motion.

Mr. Thom asked whether the conservation plans are done after the fact. Mr. Kawamoto replied the farmers will be doing their plan now but ADC is allowing them to take a year to complete. There is a committee that is working with the farmers, make recommendations and work with the contact whether it be NRCS. If the plan is not approved, then the license could be canceled. Mr.

Nakatani stated that would not be an issue because we did a conservation plan for the lots already. We know what the farmers are suppose to be doing but we want an insurance from each farmer. We did the initial plan for the whole parcel and it has been approved.

The farmers were given their submittals prior to our meeting to take a look at. Mostly all the farmers would be planting food crops that would be consumed in the state.

Mr. Enright asked for feedback as we go forward with licenses to stipulate that this is what the board is looking for is import crop replacement. He asked because he does get asked from the capitol whether the ADC is approving to license to entities that are not doing import crops replacement. The DOA is starting to structure certain leasing stipulating leasing to import crop replacement as oppose to export. He asked the board for any feedback. Mr. Kitagawa replied the board should encourage those who grow for certain export crops too. He would agree that farmers should be growing for crop replacement but he still would like to give consideration to those who would like to grow for export.

Mr. Pearson asked whether the higher ups would put that requirement on the money in order to purchase lands. It could be difficult but it might be another way to accomplish it or may be put a percentage of lands being leased.

Mr. Enright stated that the DOA represents all of agriculture not only food crops. All of agriculture has his support and he was just looking for input from the board going forward. He would use that input.

Mr. Schenk felt that the market place would need to take care of this. Chair agreed that we need to let the marketplace dictate what happens.

Mr. Kitagawa commented that all these farmers did attend classes. They may not have fully understood what was being taught at these classes but they did go through and have some appreciation of the cost of growing these crops. The issue of food safety was stressed very hard and the marketing issue was talked about but nothing specific on what to grow. Whatever information that was presented has already been translated into their language. They have in hand references but it was right for these farmers to go through these classes and they are more appreciative of what they need to do. We need to be sure that those who are using state lands understand that there are conditions that they need to abide to which foremost is food safety. He thanked Dr. Po-Yung Lai and the City for coordinating these classes.

Motion carried unanimously.

#### F. Executive Director Reports and Updates:

1. Kekaha, Kauai
2. Galbraith Land, Oahu
3. Kunia, Oahu

Mr. Nakatani reported that:

Kekaha Agriculture Association has decided to terminate their RP of approximately 266 acres.

Galbraith Lands – The watermelons are growing well so far and should be harvested in the next two weeks. He would probably be planning for the board members to come to see the fields of watermelon and will let the members know.

Kunia – The operational audit of conservation easement owned by Hawaii Agricultural Research Center (HARC) Property of 108 acres of agricultural lands was conducted and inspected with the purpose of reviewing easement monitoring activities and management of violations. During discussions, the subject of HARC's request to grow medical marijuana on the property arose and the auditor made it clear such activity is not allowed. The auditor further commented that the easement is being appropriately managed within the term of the easement deed and monitored annually on a timely fashion.

Legislature – The budget bill has not been closed therefore it is still being worked on. Some bills are being held up and there is still work that needs to be done. He will make a report at the next meeting.

Mr. Kitagawa asked on the Master plan for Whitmore. Mr. Nakatani replied funds were lapsing so we are trying to use part of the funds for the master plan. We are trying to find someone who has experience to do the master plan. There could be a contract with the University of Arkansas who has experience in doing this type of work for agriculture. We would like to try to contract someone locally but have not found the right person. As soon as more information becomes available, we will be sharing that information.

G. Adjourn.

Ms. Klutke moved to adjourn; Ms. Hopkins seconded the motion; motion carried unanimously.

Meeting adjourned at 10:30 am.

Respectfully submitted,

  
Cindy Doi  
secretary

**AGRIBUSINESS DEVELOPMENT CORPORATION**  
Minutes of the Board of Directors Meeting of June 29, 2016  
Department of Agriculture Plant Quarantine Conference Room  
1849 Auiki Street, Honolulu, Hawaii 96819

Members:

Letitia Uyehara	Lloyd Haraguchi
Denise Albano	Sandra Kato-Klutke
Margarita Hopkins	Yukio Kitagawa
Douglas Schenk	Leilyn Koev
Scott Enright, DOA	Wayne Thom, DBEDT

Absent:

Jeffrey Pearson, DLNR

Guests:

Steve Kai, Syngenta	Joshua Uyehara, Syngenta
Darin Izon, Brown and Caldwell	Dean Nakano, Brown and Caldwell
Wendy Oda, Hawaiian Electric	Teresa Dawson, Environment Hawaii
Arielle Kramer	David Cho, Senator Dela Cruz's office

A. Call to Order.

Chairperson Uyehara called the meeting to order at 9:03 am.

B. Approval of Minutes from the April 27, 2016 meeting.

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

C. Presentation of Wahiawa Reclaim Water Irrigation System.

Mr. Nakatani gave brief comments on this project. He stated that a couple of sessions ago, ADC received funds to look at planning of recycled water. Lake Wilson has been a good source of water however the quality of the water has been considered R2 or unspecified which is not usable for vegetable crops. The Health Department recently in a memo allowing the Hawaii agriculture to use R1 water which opened the door. Our motive is to take the R1 water out of Lake Wilson so we can use the water for agriculture and the Lake will become usable water for agriculture. Several meetings were held to look at how to progress and we are working on a MOU with the City however we were against a timeline so we did a contract with Brown and Caldwell to look at how do we take the R1 water out of Lake Wilson and how to make it usable for agriculture.

Darin Izon from Brown and Caldwell made a power point presentation which gave some background information with a brief project description and an overview of what the project will entail.

Mr. Haraguchi asked on the timeline for completion. Mr. Izon replied they are waiting for a contract but the timeline might be from start to finish could be a couple of years including design. Mr. Haraguchi asked what are the existing amounts of water that the farmers must use. Mr. Nakatani replied right now we have the Bott Well pump and possibly water from a well on another property.

Ms. Albano asked where is the water from the waste water treatment plant going now. Mr. Izon replied it is going into the reservoir. Ms. Albano asked for the cost if we were to take the water from the waste water treatment plant. Mr. Nakano replied what is happening with the discharge of the treatment effluent to Lake Wilson and the water into Wahiawa irrigation system is ultimately being used however the water from the Lake Wilson is regulated R2 and the farmers need to meet the R2 requirements. If you take the treated effluent out of the way (1) any water being used become unregulated (2) by using R1 water directly on Galbraith land become the direct proper use directly from the treatment plant to the point of use which is the requirement that DOH wants.

Mr. Kitagawa wanted clarification – the water coming out of the treatment plant is considered R1. Mr. Izon replied technically it is R2 even though the quality meets R1 standards. Mr. Nakatani stated it is because there is no storage capacity. Mr. Izon stated there is no further treatment necessary however they need to meet storage requirements. They will work closely with DOH and hopefully get a straight answer on what storage requirements are necessary in order for them to deem it R1 and work with the state to meet those requirements. Mr. Kitagawa asked where the storage will be. Mr. Nakano replied the DOH guideline just went through a revision. Previously to the revision storage was a component of R1 clarification. He believes the DOH recognizes that storage capacity requirement would be in terms of R1 certification. Presently the two criteria's that need to be met are R1 certification requires two disposal options – primary disposal option which is directly going to ADC lands and having a secondary backup disposal should the primary disposal can't take any more water then what would be done with the effluent. It appears that Lake Wilson can still be a secondary backup disposal. If those two criteria's are met, DOH could say that the water would be deem R1 water. There is nothing in writing yet but the goal is to put it in writing so it is very clear that this water will be R1.

Mr. Nakatani stated that these routes are doable with the exception of maybe the last route. There is an appropriation already for the irrigation system. Also maybe in the next session getting funds to get the pipeline from the City to ADC land. Mr. Kitagawa stated that he had concerns with going through OHA property and felt that would not be an option. Mr. Nakatani stated that we did have other options and we are looking at every option.

Chair asked if Brown and Caldwell will cost out these options so it is clear what these costs of each options will be. Mr. Izon replied yes.

Mr. Enright asked whether DOH's concern is to have a lagoon in case the facility fails. Mr. Nakano replied first what happens during wet weather conditions when the primary disposal option does not need water and what do you do with that water. Also what do you do with off spent water which doesn't meet R1 quality? He understand that there is enough capacity at the plant currently to store that water until they can get back on line to treat it to R1 quality. Those criteria are being met and they will confirm that with DOH. They would need to discuss with the DOH what happens if they don't have enough storage capacity should the plant go off line.

Ms. Hopkins stated that she did not see in their presentation of informing the public of what they are doing. Mr. Izon replied part of the environmental process includes a public review so they put all the options out, study it, present their findings and at that point comments could be made. Also the public will have an opportunity to be informed of the progress of the project.

5 minutes recess called at 9:35 am

- D. Approval to negotiate and purchase the fee simple interest in real property located in Mililani, Oahu, identified as TMK (1) 9-5-03-07 owned by Castle and Cooke, Inc.

Mr. Nakamoto made the presentation for approval to negotiate and purchase the fee simple interest in real property located in Mililani, identified as TMK (1) 9-5-03-07 owned by Castle and Cooke, Inc. The land area is 91.65 gross acres and zoned at Ag 1. This is the legislation that appropriated \$10 million to the ADC in 2015 to acquire certain agricultural parcels near Galbraith ag lands and the Whitmore area which includes the subject area property. Castle and Cooke's asking price is \$2,300,000 which is located above Kipapa gulch and between Mililani Mauka and Koa Ridge and consists of gentle sloping naturally forested lands. Previously this property was primarily used for pineapple cultivation and is considered to be of good soil quality for agricultural growing purposes. The property is landlocked and access easement must be secured and maintained to serve as an access to the subject property and the Board of Water Supply well site if potable water is required. There is limited road access. There are no utilities on the subject property. However HECO lines run through the property and is accessible if power is required. In conclusion, the ADC is interested in acquiring the property to increase its agricultural lands inventory and ensure these lands are kept in agriculture. The property is close to the Whitmore area, and acquiring the property will increase ADC's available agriculture land inventory in the region for diversified agriculture operations. The recommendation is to authorize the Executive Director, and or, a designee to negotiate the fee simple interest in 91.65 acres of land in Mililani, Oahu, identified as TMK (1) 9-5-03.-07.

Mr. Enright moved to approve the recommendation; Ms. Hopkins seconded the motion.

Mr. Kitagawa asked on the water availability. Mr. Nakamoto replied there is no water right now but there is a well used for Mililani.

Mr. Schenk asked if this parcel was close to homes. Mr. Nakamoto replied there is a deep ravine that separates the parcel.

Mr. Enright stated with all the inventory that Castle and Cooke has, why is this parcel desirable for purchase. Mr. Nakatani replied legislature gave funds to purchase parcels and there is always opportunities to look at future crops that could do very well on this parcel.

Motion carried unanimously.

- E. Approval to Issue a Construction Right of Entry to Hawaiian Electric Company, Inc.; Waikele, Ewa, Oahu, TMK: (1) 9-4-012:001 and 003.

Ms. Owan made the presentation for approval to issue a construction right of entry to Hawaiian Electric Company, Inc.; Waikele, Ewa, Oahu TMK (1) 9-4-012:001 and 003. This is for construction of electrical transmission lines, poles, guy wires and anchors, including the right to trim and keep trimmed any trees in the way of its appliances and equipment during construction, together with the right from time to time and at all reasonable times to enter upon the easement area and also the right of ingress and egress over ADC managed roads leading to the proposed easement area.

The recommendation is for approval to the applicant's request for a construction right of entry to the construction site of the subject new 46kV sub transmission line, to be issued to Hawaiian Electric Company, Inc. Also in addition to ADC's standard indemnification requirements over the Property, require that the Applicant indemnify the ADC for such entry and presence on areas outside of the Property.

Mr. Enright moved to approve the recommendation; Ms. Albano seconded the motion.

Wendy Oda from HECO was present to answer any questions.

Mr. Haraguchi asked if there were any restrictions on the ground. Ms. Oda replied they need a minimum of 40' clearance from the ground. They are looking to start construction in September because they have the DLNR approval who owns the lands and ADC manages the land. They have come before for ROE for surveying so this is not the first time they have come in the past.

Motion carried unanimously.

- F. Approve the withdrawal of prior board approval given on April 27, 2016 of a Galbraith 35-year land license for 20 acres to Yaeng Luansiyotha for agricultural purposes, Wahiawa, Oahu TMK (1) 7-1-001-002.

Approve issuance of a Galbraith 35-year land license for 10 years to Yaeng Luangsiyotha Tan Luangsiyotha, Suphot Sawatdiphap, Jason Lungsiyotha for agricultural purposes, Wahiawa, Oahu, TMK (1) 7-1-001:002.

Mr. Kawamoto made the presentation for approval of the withdrawal of prior board approval of a Galbraith 35-year land license for 20 acres to Yaeng Luangsiyotha for agricultural purposes, Wahiawa, Oahu, TMK (1) 7-1-001:002. Also the approval to issue a Galbraith 35-year land license for 10 acres to Yaeng Luangsiyotha, Tan Luangsiyotha, Suphot Sawatdiphap, Jason Lungsiyotha for agricultural purposes, Wahiawa, Oahu, TMK (1) 7-1-001:002. On May 11, 2016 ADC received an email from Jason Lungsiyotha, son of Yaeng Luangsiyotha requesting to reduce their lot acreage size from 20 to 10 acres. Reason being they were not aware of all the additional monthly security, and irrigation startup costs. In addition to reducing their lot size acreage the family requested that family members be included on their license agreement. The recommendation is to approve the 35-year land license for 10 acres to the Luangsiyotha family with the following conditions: the term of this land license shall be for 35 years; base rent will be \$200 an acre per year for the first 3 years or \$2,000 per year. Years 4-10 the base rent will increase to \$400 an acre per year and reopens every ten years; no subletting to be permitted without ADC's prior approval in writing; Licensee shall be responsible for paying for the following irrigation costs; a 2 inched water meter estimated to cost \$2,700 and installing at their cost, a drip

irrigation system for their operations; licensee shall be responsible for paying \$84.42 per acre per year or \$70.35 per month for security; licensee shall be required to pay \$25 per month for portable toilets. Mr. Enright moved to approve the recommendation; Mr. Schenk seconded the motion.

Mr. Kitagawa commented that this might not be the last change. Tenants could ask to change their acreage but they should have known what their upfront costs would be. He did have some reluctance that and was not in favor of this.

Ms. Hopkins said this tenant was enthusiastic to get on the land and to be told they cannot. But is there a way to maybe as part of this program we could include systems for some who would really like to farm to access other programs. Is there some way to take a look at other ways to help with a program for start up.

Motion carried unanimously.

G. Approval of a Kalepa 35-year land license for 61.40 acres to Sakda Meehol, of a portion of Tax Map Key: (4) 3-9-002:020 Kalepa, Kauai, for farming purposes.

Mr. Kawamoto made the presentation to approve a Kalepa 35-year land license for 61.40 acres to Sakda Meehol, of a portion of TMK (4) 3-9-002:020 Kalepa, Kauai for farming purposes. Mr. Meehol is requesting 60 acres of farm land to cultivate fruit trees, pineapple and papayas as well as vegetables. In April 2011 he started his own business on 21 acres of leased property from Grove Farm and currently cultivates a variety of fruits with his markets at a fruit stand in Koloa and weekly farmers' market. Kauai has been lacking farmers willing to work the land to increase the local food production. Mr. Meehol is experienced fruit farmer and with an additional 60 acres he could potentially increase his fruit production and expand his operation to include vegetable cultivation.

The recommendation is that the ADC board approve a 35-year land license for 61.40 acres (53.40 usable) to Sakda Meehol in Kalepa, Kauai with the following conditions: 1) license fee of \$100 per acre per year or \$5,340 per year for 43.40 acres; licensee would be required to join the Kalepa Coalition (KK) or pay a monthly maintenance fee to the KK that would support efforts in maintaining the infrastructure 3) licensee shall not sublicense the whole or any portion of their premises without the prior written approval of the ADC Board.

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

Ms. Klutke stated that this farmer has been asking since December for land but there was a language problem and he had questions regarding paperwork he needed to proceed, financials, a plan. He was persistent because he wanted land in Kalepa but hope he is successful and we are willing to help him be successful. She has been helping him proceed and hopefully will be the spokesperson for others to farm on ADC lands.

Ms. Hopkins was concerned with his market because he is just marketing at farmers' markets but when he gets into full production he would need more than farmers' market and is a concern with 60 acres of land. He would need to find other markets and does have time with his production. We should ask him about his markets.

Motion carried unanimously.

#### H. Response to Department of Health - Clean Water Branch Water Quality Standards Requirements in Kekaha, Kauai.

Ms. Kaichi gave an update on this issue. The last update was presented in July 2015. In July 2001 the ADC took over the Kekaha sugar NPDES permit, and renewed the permit in 2007. It was up for renewal again in 2011. Although ADC timely applied, the DOH administratively extended it and were determining how to treat the application. Four years later, in 2015, the DOH informed the ADC that the NPDES requirement did not apply to the permit. We learned that the type of discharge that the ADC managed was not covered by NPDES permit requirements since the sugar mill was closed. But the ADC continued discharging under its NPDES permit until the decision was made by EPA and the DOH in 2015. In 2015, after conferring with the Board, the ADC withdrew its permit application and has been working with the DOH clean water branch on a MOU to establish management practices since then. The plan has to take into consideration all of the pollutants and all the contributors. (County of Kauai, farmers, PMRF). The ADC has been meeting with all these interested parties to keep them apprised of what is going on with the water quality, what the DOH is requiring of the ADC. We all have an obligation to keep the water clean. ADC has been working since August to put together a hydrology team to help us understand all the hydrological issues, sediment issues, ocean contamination issues and the water quality standard issues. We retained Tom Nance who is under contract with the ADC and he is putting together a team.

The ADC has been going through several iterations of a draft of a management plan with the DOH but because the ADC staff are not hydrologists, we were waiting for the hydrology team to help us understand it, see if it was workable or doable, affordable, reasonable under what is required of the clean water quality. One of the questions will be whether the ADC can afford the time and expense to get the water clean. We received the suggested revisions to the existing MOU yesterday afternoon from the hydrology team. We promised to get the next iteration of this MOU to the DOH by tomorrow. Ms. Kaichi and staff will be trying do as much as they can to see if the deadline can be met. But she did not know. The detail received from Tom Nance and his team is terrific but we need to compare and try to anticipate whether the DOH will accept it. She feels we will get a management plan by this year. Tom Nance and his team has been going out and doing sampling and have identified 10 of the 19 sources of waters that are contributing that are going into the drainage canals.

The ADC has received notice from Earthjustice on behalf of the Surfrider Foundation that it intends to sue the ADC in what is called a "citizens suit" under the Federal Clean Water Act governing water pollution. They have to give us 60 day notice to give us time to stop polluting under the Federal Clean Water Act and the 60 day period runs out next week. Now that we have something back as of yesterday we will take a look at it and try to put together the next iteration of this management plan. She will now call Paul Achitoff to ask if they could give us more time. The lawsuit from Earthjustice will be about what we are doing to clean up the water quality to meet water quality standards. If she cannot convince him for more time to develop the plan then we will be defendants in a lawsuit.

Mr. Enright asked if Ms. Kaichi could share with the board the draft MOU because he has had meetings with the DOH environmental health on this issue. He was hoping that they would be moving towards a reality based assessment of what ADC is responsible for and what it isn't. He would make a strong

argument that ADC is not responsible for sedimentation from mauka that we are not cultivating. Also not responsible for some of the nutrients that would be found in the water coming from cesspools. There are a number of issues that he feels that the ADC would not be responsible for.

Ms. Albano asked whether the draft from Tom Nance was based on the MOU from the DOH guidelines. Ms. Kaichi replied it is the next iteration but she has not compared the old iteration with Tom Nance's proposal but she feels it is the next step. She thinks DOH is waiting for our MOU then will come back to us. Ms. Kaichi mentioned that Jim Hayes directed our attention to a water study on Kauai funded by the EPA. After that study was implemented and completed, those streams have improved. It would be great if we could do something like that in Kekaha. But we do not have that kind of time of actually looking at water quality. All we can do is the best we can do given the time that is allotted.

Chair asked if there are other templates in doing a management plan that could help guide us. Ms. Kaichi replied she did not know but she will ask our hydrology team.

Mr. Kitagawa asked what role the DOH plays in this issue. He thought that DOH were the enforcement agency. But the focus is not on DOH but on the ADC as far as the citizen suit is concerned. Ms. Kaichi replied she did not understand that too but she will talk to Mr. Achitoff. Also DOH could be a party of the lawsuit as well or if not we could bring them in. Mr. Enright clarified that the suit with Earthjustice was with Surfrider Foundation. They have been taking water samples around Kauai but specific interest is in Kekaha. It came out in the Joint Fact Finding bill 2491, which is the bill that Councilman Hooser is interested in, to see whether there is pesticide runoff. They mistakenly think that ADC is responsible for all the water quality in Kekaha so council can set them straight.

10-minute recess was called at 10:45.

I. Executive director's reports and updates.

1. Tamura Warehouse, Oahu
2. Galbraith Land, Oahu
3. 2016 Legislative Report

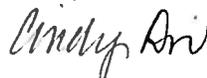
Mr. Nakatani reported that we are in the process of fixing the roof at Tamura warehouse. The Land committee will be meeting and having a conference call with Mr. Schenk on a possible tenant and make a recommendation soon.

On the Galbraith lands a watermelon field trip was held on May 23, 2016 which Larry Jefts' production did very well. Chair stated that it is very important to have these anchor tenants that do well to show incentive for the smaller farmers.

The 2016 Legislative report was given to the board members. He reported on some CIP funds that were given for some of our projects. Also a \$31,000,000 appropriation to purchase land.

Meeting adjourned at 11:00 am

Respectfully submitted,



Cindy Doi, Secretary

**AGRIBUSINESS DEVELOPMENT CORPORATION**

Minutes of the Board of Directors Meeting of August 24, 2016  
Department of Agriculture Animal Industry Conference Room  
99-941 Halawa Valley Street, Aiea, Hawaii 96701

Members:

Letitia Uyehara	Yukio Kitagawa
Lloyd Haraguchi	Sandra Kato-Klutke
Leilyn Koev	Denise Albano
Margarita Hopkins	Douglas Schenk
Jeffrey Pearson, DLNR	Scott Enright, DOA

Absent:

DBEDT

Guests:

Kylie Wage, Earthjustice      Linda Rosehill, Rosehill & Associates  
Teresa Dawson, Environmental Hawaii  
David Cho, Senator Dela Cruz's office

A. Call to order.

Chairperson Uyehara called the meeting to call order at 9:13 am.

B. Approval of Minutes of the June 29, 2016 meeting.

Mr. Enright moved to approve the minutes; Ms. Hopkins made a spelling correction on page 5, first paragraph, second line, should be "portable" instead of potable. She then seconded the motion.

Motion carried unanimously.

C. Approval to negotiate the fee simple interest in real property located on Oahu, owned by Dole Food company, Inc., identified as Tax Map Key(s) 6-4-03-03 (por), 6-5-02-11, 6-5-02-06, 6-5-02-08, 6-5-02-27, 6-5-02-28, and 6-5-01-46.

Mr. Nakamoto made the presentation. He stated that the State Legislature allocated \$31,500,000 to the ADC to acquire specific high priority agricultural parcels as part of the Whitmore Project's long-range plan to ensure these lands are kept in agriculture for perpetuity. Dole's asking price for the fee simple interest is \$25,703,110. The consolidated priorities contain approximately 894.74 acres (760.801 farmable acres) and is located north of Wahiawa town adjacent to the Galbraith lands and Helemano. The ADC is not aware of any apparent detrimental and/or hazardous conditions as this kind of

inspection would require a more invasive investigation. However, ADC would need to conduct its due diligence, which includes an appraisal and an environmental site assessment to verify if any environmental remediation may be required prior to acquiring any of the parcels. The recommendation is to authorize the Executive Director and/or a designee to negotiate fee simple interest in real property located on Oahu, owned by Dole Food Company, Inc.

Mr. Enright moved to approve the recommendations; Ms. Klutke seconded the motion.

Mr. Pearson asked if we want to include "not to exceed cost" on the recommendation. Mr. Nakamoto said it is a given that the legislature will not pay over the fair market value. However it could be added. It was decided that the "not to exceed fair market value cost" should be added in the recommendation.

Motion carried unanimously.

- D. Approval to issue a 3-year lease to Mari's Garden for agricultural purposes, Whitmore, Oahu, Tax Map Key (1) 7-1-02-09.

Mr. Nakamoto made the presentation for Mari's Garden to lease a portion for crop research and development. Mari's Garden specializes in hydroponics and aquaponics and has been in operation since 2007 and currently operate an 18-acre farm in Mililani producing a wide variety of premium organic fruits and vegetables. The company is interested in utilizing space in Whitmore to test new microclimates and niche crop development. Building N is 3,250 square feet and Building M is 1,500 square feet. The base rent would be \$.20 per square foot for both Buildings. The two buildings were previously utilized by the University of Hawaii's College of Tropical Agriculture and Human Resources. Standard electrical, telephone and cable services are available from utility lines along Whitmore Avenue. County potable water is also available from mains along Whitmore Avenue. Mari's Garden proposal plans to improve the greenhouse to conduct a variety trials. Improvements are proposed to install new wet wall and monitor systems, structural improvements and tree trimming/removal as well as surrounding areas around the greenhouse. The total estimated cost of the improvements is \$103,000. To ensure it makes optimal use of the land to accommodate demand and anticipate future expansion, the ADC is preparing a master plan for the area. Since the planning affects the entire area including Buildings N and M, the ADC is reluctant to issue any long-term license that entail significant development or redevelopment until the master plan is completed. For this reason, ADC is recommending a short term lease for no more than 5 years to ensure there are no issues when it breaks ground in the near future. If for any reason Mari's Garden's lease is terminated, ADC shall retain the improvements. The recommendation is to approve the issuance of a 3-year lease to Mari's Garden with the following terms and condition: Term shall be for 3 years, with an option for a 2-year extension; rate of \$0.20 per square foot for Building N and \$0.20 for Building M or a monthly total of \$950.00 for 36 months and rent credit may apply for general improvements.

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

Motion carried unanimously.

- E. Approval to amend License No. L-08202 to Syngenta Hawaii LLC to withdraw 846.82 acres of tillable land in Kekaha, Kauai, Tax Map Key (4) 1-2-02-01 (por).

Ms. Owan made the presentation. She stated that Syngenta currently rents 2,037.48 tillable acres and 331.33 non-tillable acres. Syngenta requested to withdraw the fields from their license totaling 846.82 tillable acres. The amount of non-tillable acreage, comprised of a main haul road and in-field ditches, is estimated to be between 7 to 10 acres. Syngenta is not fully utilizing the subject lands due to viable economic reasons. The recommendation is to approve the amendment to License No. L-08202 to Syngenta Hawaii to withdraw a total of 846.82 tillable acres plus associated non-tillable acreage. All other terms and conditions of License L-08202 to remain the same.

Mr. Enright moved to approve the recommendation; Ms. Hopkins seconded the motion.

Mr. Pearson asked how it was handled in the past as to the withdrawal of acres. Because they are committed to lease these acres to 2027, is there no penalty. Mr. Nakatani replied in the past we did agree to withdrawals from tenants.

Mr. Schenk asked if there is any language in our agreements about withdrawal rights of the tenant. This would need to be looked into.

Ms. Klutke asked how many acres have been returned from the seed corn companies. Ms. Owan replied she would need to look into it and could send an email. Ms. Klutke said she would like to see what fields and a map. Also if the lands are usable. She recalls that the tenants took those fields to protect their corn fields so there were no one else planting around them that could cross pollinate. She could understand that but once it is released back to ADC that is a lot of land to take back.

Mr. Enright wants Syngenta to make a presentation to ADC to let us know what their long term plans are for the future on Kauai. He would like this item deferred until ADC hears from Syngenta.

Mr. Kitagawa asked on the DHHL and OHA entitlement. Ms. Kaichi replied by constitution and statutes, DHHL is entitled to 30% of all revenue of former sugar lands that is in perpetuity. 20% by constitution to OHA for all ceded lands. A lot of times it's the same but some is one but not the other it all depends. Both DHHL and OHA are receiving revenue that is received by the landowners.

Mr. Schenk asked is ADC has any liability if we make a decision to lease or withdrawal. Are we going to hear from DHHL and OHA? Ms. Kaichi replied it is a question for the

landowner/manager. This could be discussed in an executive session one day and could be put on the agenda in the future.

Mr. Haraguchi asked that maybe we should ask the other seed corn companies to make a presentation on their futures. If there are withdrawal rights in their agreements and it is make very clear then there would be no need for the companies to come and explain. Ms. Owan commented that she does not recall any clause that mentioned withdrawal penalties because all the agreements are on the same template.

Ms. Klutke commented that whatever is decided, it reduces the amount of money that Kekaha Agriculture Association receives to maintain the operation and maintenance on the property for Kekaha. So as we reduce the leases, it is less moneys for KAA to maintain the ditches, roads, hydo, etc. Therefore if we rent to a small farmer, what would KAA be charging our tenants who has 10 or 20 acres. Mr. Nakatani replied the maintenance costs for water, roads costs will rise for the all farmers if there are less tenants.

Chair deferred this item for a future meeting.

- F. Approval to amend License LI-K1401 to LBD Coffee, LLC to extend the term for two more years in Kekaha, Kauai, Tax Map Key (4) 1-2-02-01 (por).

Ms. Owan made the presentation. Over the past three years, the tenant has cleared the land, amended the soil, grown cover crop, and installed an irrigation line with the objective of meeting the USDA's National Organic Program standard for organic production. The tenant request to rent the subject ADC property for two more years in the event land is needed for additional corn production. The recommendation is for approval to amend LI-K1401 issued to LBD Coffee, LLC to extend for two more years under the same terms and conditions: (1) term of this license shall be for two more years, terminating on September 30, 2018; (2) base rent shall be \$150/acre/year; (3) tenant shall pay an annual maintenance fee to the Kekaha Agriculture Association at the applicable current rate, which is currently \$380/acre/year; and (4) no sublicensing the whole or any portion of the premises without the prior written approval of the ADC Board.

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

Ms. Hopkins asked what happened to the tobacco. Ms. Owan replied they decided not to continue with tobacco. There are standards that were changing regarding the cigar industry.

Mr. Enright commented we are losing our anchor tenants so we will see a significant reduction and could be entering many small leases which could be a lot more work for the board also in maintaining the systems and collecting the rents. It's harder to collect rent from smaller tenants than large tenants.

Motion carried unanimously.

5 minutes recess was called at 10:02 am.

G. Executive director's reports and updates

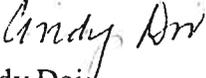
Ms. Kaichi reported that a lawsuit was filed.

Chair called the meeting into executive session pursuant to HRS 92-5 (a) (4), to consult with the board's attorney on questions and issues pertaining to the board's powers duties, privileges, immunities, and liabilities arising out of the filing of the lawsuit against the State of Hawaii, ADC in the United States District Court for alleged violations of the Federal Water Pollution Control Act ("Federal Clean Water Act") on July 25, 2016.

Mr. Enright moved to go into executive session; Ms. Hopkins seconded the motion; motion carried unanimously.

Mr. Enright moved to adjourn; Ms. Hopkins seconded the motion; motion carried unanimously.

Respectfully submitted,

  
Cindy Doi  
secretary

**AGRIBUSINESS DEVELOPMENT CORPORATION**

Minutes of the Board of Director Meeting of September 28, 2016 meeting  
Department of Agriculture Plant Quarantine Conference Room  
1849 Auiki Street, Honolulu, Hawaii 96819

Members:

Letitia Uyehara	Lloyd Haraguchi
Yukio Kitagawa	Sandra Kato-Klutke
Denise Albano	Leilyn Koev
Margarita Hopkins	Douglas Schenk
Scott Enright, DOA	Jeffrey Pearson, DLNR

Absent:

DBEDT

Guests:

Steven Kai, Syngenta	Landis Ignacio, KAA
Steve Lupkes, BASF/Beck's	Linda Rosehill, Rosehill & Assc.
Teresa Dawson Environment Hawaii	
Dawn Huff, KIUC/Joule Group	
Cynthia Au, Rep. Marcus Oshiro's office	

Staff:

James Nakatani  
Lynn Owan  
Ken Nakamoto  
Cindy Doi

Counsel:

Myra Kaichi, Deputy Attorney General

A. Call to order.

Chairperson Uyehara called the meeting to order at 9:00 am.

B. Approved of Minutes of August 24, 2016 meeting.

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

C. Request for approval to issue a license to Umi's Farm for land located at Kekaha, Kauai; identified as a portion of Tax Map Key (4)1-2-02-01.

Mr. Nakamoto made the presentation to issue a land license to Umi's Farm for the production of fruits and vegetable for local consumption on 5 acres located along the Hukipo Road which is a

vacant site known as the mud pond that has access to a well for ample clean water. The recommendation is to approve the issuance of a 35-year land license to Umi's Farm in Kekaha, Kauai subject to the following terms and conditions: the term shall be for 35 years; the annual fee is based on the rate of \$150 an acre; the annual rental shall re-open every 10<sup>th</sup> year of the term; licensee shall pay an annual maintenance fee to the Kekaha Agriculture Association that would cover water delivery rates, and other incidental, administrative and infrastructure costs; and no sublicensing the whole or any portion of their premises without the prior written approval of the ADC Board.

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

Ms. Klutke asked if Umi requested for more acres, could he expand in that area. Mr. Nakamoto replied probably only about 5 more acres could be given. However if he requested more than 5 acres there are other areas around that are unutilized. For now, this is a pilot for Umi and he wanted to keep the cost down so he could get a good start.

Ms. Hopkins asked if ADC is requiring each farmers to prepare a conservation plan. Mr. Nakamoto replied ADC requires all tenants do a conservation plan which is part of their license requirement. There could be a plan for the entire area but each farmer needs their own plan.

Ms. Klutke asked if ADC received a marketing plan. Mr. Nakamoto replied yes, a marketing plan was received. Ms. Klutke stated that she knows him personally and would like to recommend that the board vote in favor of Umi's Farm. ADC is looking for farmers on Kauai so if we start with small farms then others may step forward.

Mr. Enright asked Landis Ignacio if he knows Umi's Farm. Mr. Ignacio replied yes, Umi presently has a small retail shop in Waimea and markets some of his existing produce in that shop. It is exciting to see small farmers stepping up to the plate and it's KAA's goal to promote more farming in the area. Umi Farm is a "building out" type of plan and he would like to incrementally build as he becomes more profitable. Mr. Ignacio looks forward to more small farmers. This particular area has 12 acres but has several hundred surrounding areas that are available. There is water and electricity and could support more farmers. Umi Farm does look promising and his plans to plant vegetable crops first is wise.

Motion carried unanimously.

D. Request for approval of assignment of land license LI-K0801, and land lease LE-K1201 from BASF Plant Science LP to Beck's Superior Hybrid Corporation

Ms. Owan made the presentation for approval of assignment of land license LI-K0801 and land lease LE-K1201 from BASF Plant Science LP to Beck's Superior Hybrid Corporation and if assignments are approved sublicense 10 acres.

Land License LI-K0801 – BASF's current land license is 967.25 tillable acres and 244.64 non-tillable acres for a gross total of 1,211.89 for farming. The license is a twenty year license effective April 1, 2008 with 11 years, 6 months remaining.

Land Lease LE-K1201 – BASF also leases 10 acres for a storage/office/administration building and processing handling facility. The land lease is for 35 years, effective July 16, 2012 with 30 years, 9 months remaining and a ten year option to extend. BASF successfully completed construction of its improvement facility in 2013 with costs exceeding six million dollars.

In June 2016, BASF presented Beck's Superior Hybrid Corporation as its assignee of both Kekaha lands and its seed-handling facility. Beck's has been in business since 1937, and is currently a family-owned closely held corporation headquartered in Atlanta, Indiana. It proposes using the Mana lands for corn breeding nurseries, isolated crossing blocks, and parent see increases. Its primary crop in Kekaha will be hybrid corn. The amount of fields in active agricultural use may be as much as 200 acres at any given time. As part of the terms of the assignment, BASF will lease back approximately 10.22 acres from Beck's for monitoring purposes, and to provide a buffer for volunteer plants containing regulated material in accordance with federal regulations. The lands will be transferred via assignments, and the facility will be transferred via a bill of sale. BASF has indicated that the purchase price for the assignments and bill of sale does not exceed the cost of construction of the facility.

The recommendation is for the board's approval with the following conditions: the assignment of land license LI-K01801 and land lease LE-K1201 and the sale of the seed-handling facility on the condition that BASF provides a written summary of the cost of construction of the facility, and that such cost exceeds the purchase price of this transaction; that rent remain unchanged subject to rent reopening in accordance with the existing terms of each instrument; if necessary, and pending determination of the amount of acreages in active agricultural use, that Beck's be required to prepare soil conservation plan suited to its operations; and that all remaining terms and conditions of land license LI-K0801 and land lease LE-K1201 remain in full force and effect.

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

Chair stated that the title needs to be amended. Due to BASF leasing back 10.2 acres from Beck's for monitoring purposes to provide a buffer zone per federal regulations, the title of this item needs to be amended for approval. The item title should be "Request for approval of assignment of (1) land license LI-K0801 (2) land lease LE-K1201 from BASF Plant Science LP to Beck's Superior Hybrid Corporation (3) if the assignment are approved a sublicense from Beck's Superior Hybrid Corporation back to BASF Plant Science LP for a portion of the assign fields for monitoring and destroying volunteering plants".

Ms. Klutke moved to amend the agenda title request as stated above; Mr. Haraguchi seconded the amendment to change the title. One board member was not present for the vote. Motion carried.

Steve Lupkes was present to answer any questions. Ms. Klutke asked how long BASF would sublicense the 10.2 acres from Beck's. Mr. Lupkes replied they are hoping for four years but don't know exactly how long. Ms. Klutke stated if it is less than the number of years left on the lease with BASF and ADC, BASF would probably terminate with Beck's. Then come back to

ADC to terminate. Mr. Lupkes replied at some point they would come back to ADC to terminate.

Mr. Enright said that he spoke with the director of agriculture in Indiana which Beck is based out of Indiana. He found out that Beck's is a very reputable company and have a large market share in that region in the Midwest. We are very well served in the selection of Beck's coming in and being able to maintain that acreage of production, job security and getting a very creatable operator.

Mr. Kitagawa asked what was the intent of Beck's coming to Hawaii. Mr. Lupkes replied Beck's is a very successful corn breeding company out of Indiana that is an expanding and slightly less than 20 percent annual growth rate for the past 20 years. For their winter productions they would outsource that to a third party. Because of their growth and where they are at right now, Beck's feel that they are at the size where they can control their winter production. Then this opportunity came up with BASF leaving and to come in to buy an operation with land, equipment and skilled employees.

Motion carried unanimously on the amended motion.

E. Request for approval to amend License No. L-08202 to Syngenta Hawaii, LLC to withdraw 846.82 acres of tillable land in Kekaha, Kauai, Tax Map Key (4) 1-2-02-01 (por).

Mr. Owan made the presentation to amend Syngenta's License No. L-08202 to withdraw 846.82 acres of tillable land in Kekaha. This item was heard and deferred at the August 24, 2016 meeting to allow more investigation into the impact of Syngenta's return of fields and to review the license to see if there is any penalty for withdrawal of acreage. A correction was made on the Syngenta's total acres of 2,115.40 acres, consisting of 1,784.07 tillable and 331.33 non-tillable acres. However the withdrawal of 846.82 acres remain the same. The effective date is the date approved by ADC.

Mr. Enright moved the approval of the amendment of License No. L-08202 to Syngenta Hawaii; Mr. Haraguchi seconded the motion.

Steven Kai from Syngenta made a short update. He stated that this request was made in May 2016 and part of a strategy at the time to reduce Syngenta's acreage to better manage their cost. At the time, they made a decision to reduce their acres and also made some reduction of staff. Last month Syngenta announced that they would be changing their business model and selling their assets in Hawaii but continuing through contract work to whoever buys Syngenta. They are currently in the process of working through proposals from buyers to purchase Syngenta Hawaii LLC and therefore would contract with Syngenta to provide the same services that they currently provide in house. As an independent company, whoever buys Syngenta Hawaii LLC would have the opportunity to provide services to smaller companies. Such as Beck's would be a potential client but there are about 40 regional companies in the mid-west that all have a desire to do nursery or production here in Hawaii during the winter. One of the things indicated to the potential buyers is that there is a growing market for companies to do work in Hawaii. As a result, there is a distinct possibility that the new company may be coming back to ADC asking

for more land. To be clear, there is no guarantee but wanted to share that because the business model that Syngenta is promoting to the potential buyers includes the possibility of doing contract work for small growers. Also Syngenta sells some of their products to these regional companies and some do their own crossing or product their own hybrids it sells to them. As Syngenta was downsizing there has been significant amounts of work being put into diversification. While this is a request for approval of the withdrawal of 846 acres, there is anticipation by other companies to get some of those acres back.

Mr. Kitagawa stated that he hopes that companies coming in would consider hiring local employees. Mr. Kai replied that Syngenta has been looking at companies that would retain as much employees that they can. The new companies would provide services to Syngenta that are equivalent to what they are doing now. They believe that doing work for some of these smaller companies might be an increase in employment and land use. Mr. Kitagawa felt that we as a board should try to encourage the companies coming in to look at local employees. Mr. Kai commented that he felt Syngenta has done a decent job of hiring local employees.

Mr. Schenk asked if Syngenta currently has a buyer or are they searching for a buyer. Mr. Kai replied that they are in the process of accepting proposals from a list of buyers. That list of buyers includes some companies that are based in Hawaii. Mr. Schenk stated that Syngenta cut back on their staff and also made a decision to reduce their acreage. Mr. Kai stated that as part of their cost management they decided to cut back on production acres and research acres. So they consolidated to the level that they needed to be as of May 2016 being that Syngenta would continue to operate in Hawaii. Obviously in the last few weeks, that model has changed but they still want to pursue this so the buyers would have the opportunity to make decisions whether more or less acres would be needed.

Also regarding the question on any penalty for the withdrawal of acreage, Ms. Owan replied that there is no penalty.

Ms. Klutke asked Mr. Ignacio what is the effect of Kekaha Agriculture Association and other tenants with the withdrawal of these acres of land. Mr. Ignacio replied the more acres in the portfolio the better off for KAA which means more maintenance takes place on the property. The less acreage means the maintenance level drops. For instance, the new farmer Umi's Farm would need to carry his weight as well. The more members KAA has makes it more comfortable or affordable for the small farmers. It is important to have as many acres out there. But with the level that Syngenta is withdrawing at this point in time, it is still acceptable and would not significantly impact KAA because they are still able to retain Beck's. They are very happy with Beck's because they are a successful company but also a family owned company. Mr. Nakatani stated that with what Mr. Ignacio has said we need to start rethinking the whole structure because there is a different business model coming in and it presents opportunity for smaller farmers to come in and yet coexist with bigger operations. Mr. Ignacio stated that KAA has recognized this for many years that they are dependent on the amount of acres that are being farmed. They are hopeful to come back to the ADC board with a new model that they would be proposing and hope that model would solidify their position and move them into the next century.

Motion carried unanimously.

F. Executive director's reports and updates:

1. Kekaha, Kauai

Administrative correspondence from the environmental protection agency, office of civil rights.

Ms. Kaichi reported that ADC received a letter from EPA Office of Civil Rights alleging civil right violations against ADC and the DOA. That allegation against the ADC is that by leasing lands to tenants that use pesticides in an area that inordinately impacts native Hawaiians, ADC is committing civil rights violations under Title 6. Title 6 is a federal law that says that if you receive federal grants and aids, you cannot discriminate based on race. The ADC has not actually received a copy of the letter. ADC has seen the letter because DOA's public information officer downloaded the letter off the Civil Beat Website. We did receive a letter from EPA saying they are looking into preliminary matters like jurisdiction. At this point, the jurisdiction over the ADC is unknown by the EPA. We have not received any notice from the USDA nor any communication of the US Department of Justice. It is a letter in the form of a complaint. ADC should just wait to see what happens.

G. Adjourn.

Mr. Enright moved to adjourn; Ms. Hopkins seconded the motion.

Meeting adjourned at 10:10 am

Respectfully submitted,

Cindy Doi  
secretary

**AGRIBUSINESS DEVELOPMENT CORPORATION**

Minutes of the Board of Directors November 16, 2016 meeting  
Department of Agriculture Animal Industry Conference Room  
99-941 Halawa Valley Street, Aiea, Hawaii 96701

Members:

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

Guests:

Cathi Schar, UH School of Architecture	Dawn Huff, Joule Group/KIUC
Austin Chun, UH School of Architecture	David Bissell, KIUC
Yvonne Izu, MLF for KIUC	Jason Hine, Joule Group/KIUC
Jan TenBruggencate, KIUC	Alan Takemoto, Monsanto
Teresa Dawson, Environment Hawaii	Joshua Uyehara, KAA
Todd Low, HDOA	Doug Codiga, KAA
Linda Rosehill, Rosehill & Assoc.	Steve Gelber, Sunrise Capital

Staff:

James Nakatani  
Lynn Owan  
Ken Nakamoto  
Cindy Doi

Counsel:

Myra Kaichi, Deputy Attorney General

A. Call to Order.

Meeting called to order at 9:05 am

Chairperson Uyehara called the meeting to order at 9:00 am.

Chair introduced our newest board member Robbie Melton, who is with the High Technology Development Corporation representing Department of Business, Economic Development and Tourism.

B. Approval of Minutes from the September 28, 2016

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

Chair moved Item I to be heard as the first item.

I. Presentation of the University of Hawaii School of Architecture Whitmore Food Hub Master Plan conceptual design.

Cathi Schar from the UH School of Architecture together with University of Arkansas who was on a teleconference call made the presentation on the Whitmore Food Hub Master Plan. Mr. Nakatani explained that this is the master planning for the Whitmore area. ADC contracted the University of Arkansas to help master plan this area rather than doing it piece meal. ADC wanted a private/public partnership however a RPFQ was needed where it was stalled. We needed to know what we want that is why we contracted with University of Arkansas who is versed in this kind of agricultural/urban planning area. Some of them went and met with Arkansas and Arkansas visited Hawaii to look at what the project is about.

The University of Arkansas has been working on site issues for developing the master plan. They visited Hawaii learning about the culture, the farms, policies of food hubs and they came back enriched. They showed an architectural plan of what they came up with as a big picture of the programs for food hub and an idea of approaching it as a campus and site limitation for how to group function. There were two groups that were set up.

Ms. Hopkins made a few comments. First she liked the idea of connecting the community to that project particularly looking at it as ecotourism/agriculture type project and a very smart way of creating a hub that could relate to the people engaged in the hub but the community itself. On the design with the processing facility could they incorporate trees or a living wall in those areas. Also include some type of garden on top of the processing plant. A suggestion is to include maybe coffee trees which could educate people coming in who could be drinking coffee produced from those trees.

Mr. Kitagawa suggested using trees like Lehua instead of monkey pods. The reply was the monkey pod trees are existing trees and it could stay or go. Mr. Nakatani stated that he talked to landscapers and that the trees are too short and would not be useful.

Mr. Kitagawa asked what type of housing they were referring to. The reply was that it would be worker housing for onsite and nearby farms. Also visitors working on agtech. They are looking at housing with 300 to 500 square feet per units and could be a walk up or townhouse type, single story, single family. There will be a Phase 1 and could be expanded over time.

Members asked for a copy of these slides that were presented. Ms. Schar replied a copy of the slides and any comments made could be provided. She thanked the Board for the opportunity to present this project on behalf of herself, her students and the University of Arkansas.

5-minute break was called at 9:45 am

Item J was taken next on the agenda.

J. Request for approval of: (1) the withdrawal of portions of the Kokee Ditch and Mana Reservoir from License currently granted to the Kekaha Agriculture Association and (2) the Issuance of a five-year land license, with an option to convert the license into a 65-year lease for the same.

Ms. Kaichi made the presentation. She gave a background that the project would utilize the upper portion of the Kokee Ditch and all pertinent diversions and the Puu Lua, Puu Opae and Mana Reservoirs in order to integrate pumped storage, store and release hydro generation and the delivery of water for irrigation. The purpose of the project is to make the most efficient use of the water resource, to allow KIUC to maximize renewable generation during the evening peak demand hours, and to support irrigation on the west side.

The recommendation: staff recommends the board authorize the Executive Director and ADC staff to negotiate all agreements, and terms and conditions thereto, all of which are necessary to effectuate the Puu Opae Project, and to ensure that the Project provides sufficient irrigation water and other consideration to ADC and its tenants, and specifically make the following approvals. These approvals shall be subject to the outcome of the ongoing CWRM mediation and the successful amendment of the RMOA, and shall be void or voidable at the discretion of ADC unless incorporated or otherwise addressed in the resolution of the mediation. (1) issuance to KIUC of a five year license no later than December 30, 2016 with the option to convert the license to a 65-year lease, subject to cancellation or termination if Chapter 343, HRS environmental assessment requirements cannot be met, of (a) the four diversions on the Kokee Ditch, namely Waiakoali, Kawaikoi, Kauaikinana, & Kokee; and (b) the Kokee Ditch from the four divisions through the Puu Moe Divide, which license shall include terms and conditions; (2) issuance to KIUC of a five year license no later than December 30, 2016 with the option to convert to a 65-year lease, subject to cancellation or termination if Chapter 343, HRS, environmental assessment requirements cannot be met, of (a) the Mana Reservoir, and (b) adequate land, at, near, and around the Mana Reservoir for construction of the Mana Powerhouse to be located adjacent to the Mana Reservoir, and which license shall include terms and conditions; (3) issuance of easements; (4) issuance of a request to the BLNR to withdraw the right to take water, currently granted to ADC, from EO 4287; (5) support of ADC in KIUC's anticipated request to the BLNR for a water lease, in an amount that will ensure that the ADC mauka and Mana plain lands have sufficient irrigation water for agricultural purposes; (6) renegotiation of the RMOA with the KAA on all impacted terms of the RMOA; (7) renegotiation of Syngenta's license to modify the license to accommodate the CWRM mediation and the Puu Opae Project.

Ms. Kaichi requested to amend the recommendation no. 4 to approve the withdrawal of the right to take water from the set aside from 4 diversions that were listed on the recommendation no. 1.

Mr. Enright moved to accept the request; Mr. Kitagawa seconded the motion.

Jan TenBruggencate, who is chairman of the board of KIUC and David Bissell, who is CEO of KIUC made comments. KIUC is in favor of this proposal and supports a board policy in place that is in support of agriculture. There are significant benefits for the their member owners, the citizens of Kauai, benefits for the Department of Hawaiian Home Lands through the provision of water to lands that currently do not have water for agriculture and to the state in that it lifts some of burden of maintaining these facilities from the state. Mr. Bissell thanked everyone especially the ADC staff which is an incredible amount of work done on these process over the years and is gratifying to see it reaching this point.

Mr. Kitagawa asked if this project would benefit DHHL. Ms. Huff replied that Deputy Aila tried to come to this meeting today however was unable to attend and asked to pass a message to the Board that DHHL is in support of the project. They see it as bringing in large benefits to beneficiaries and DHHL. Mr. TenBruggencate stated that DHHL has significant lands above Kekaha that do not have water available to them, this project would bring water down to a point where they could tap it and make current dry lands arable.

Ms. Klutke asked what would be the benefits for the citizens of Kauai when this is up and operating. How much would they be saving in their bill. The lands is specifically for agriculture so unless KIUC gives our ag people a benefit from what will be done, it needs to be looked at a little closer. The ag people are worried that if they do not have the hydro plant like there is now, their electric cost will go up. Can KIUC guarantee that the ADC tenant's electricity bill will not go up? Mr. Bissell replied KIUC cannot guarantee but the purpose of the concept by leaving the existing hydro plants that are serving now under the control of ADC would not change for the worst for those tenants. They should be taken care of as they are today. The advantage for agriculture is that utility will be there forever on Kauai, taken care of the ditch, putting the reservoirs back into service so there is more capacity, delivering good clean water down to the plants and the hydro plants do not use any electricity, it is run through the turbines so it would be long term capped up the ditches and water supply, clean water delivery to DHHL and ADC and KAA. He sees it as long term security for the agriculture future of Kauai by having the utility for at least 65 years to keep the turbines running and maintained and operating. Mr. TenBruggencate stated that every farmer on Kauai is a member of KIUC and establish a renewable source of energy that frees KIUC from oil prices effectively in perpetuity would create long term benefits for all of Kauai. He also mentioned that there is a state policy in place that KIUC pushed to be 100% renewable. This would take KIUC significantly to that point and they are now 40% renewable. This is the kind of project that the community needs to reach the state goal.

Mr. Joshua Uyehara representing KAA and also Syngenta commented that KAA members share the background and think of what is the future of agriculture in the next century and say there are many aspects to the project that are going to have long term implementation for agriculture. But as the association over the past decade, their partners have built a good relationship with the state based on trust as far as sharing the objectives relative to the long term future of agriculture. There are many moving parts to this and keeping an eye on long term implications of certain aspects of the project to agriculture but see the importance of working together with all stakeholders including KIUC, DHHL, DLNR, ADC and DOA. That process is moving forward quite well but need to keep their eye on the long term implications. It would not necessarily be no impact but probably manageable impact that they can work through. In the interest of the State from a broader prospective as well it is incumbent upon KAA through these issues in an amicable manner and not a confrontational manner. He is in support of the project however there are issues that need to be worked out.

Mr. Haraguchi asked if there are any deal breaking concerns. Mr. Uyehara replied there are areas of uncertainty because there are other parties to the process that have overlapping claims to the water for example. They are working through the process with the commission and will not know precisely how much water is available to what parts of the system. They are fairly certain that the amount of water that would flow through the hydro plants will be reduced so they would

have to figure out what will be done with the power generation. Also parts of the infrastructure that needs to use water on the plains because their open ditch system is not conducive to necessary using the water that is coming out of the project as it stands today. Those are all challenges that can be overcome. The details of those kinds of challenges and how they overcome them, what kinds of assistance they receive are details that will be very important but there is no way they can settle those issues right now so they do not want to hold up the process and be obstructive when there is no way to get certainty right now.

Ms. Klutke stated that KAA maintains all our lands in Kekaha and as the large seed companies pull out, how will we be able to maintain the maintenance of the lands because without KAA, Kekaha would be under water and would not be able to sustain the amount of money they would need to maintain the lands for ADC. If KIUC gets their agreement, what portions will they be paying KAA for operations and maintenance? Mr. Uyehara replied whether it be KAA or some other entity still needs to be discussed. Over the last decade, members have put in a lot into maintenance improvements and repair but Beck's Hybrid which is their latest member for KAA represents a significant expansion of the seed industry.

Mr. Haraguchi asked if Syngenta is part of the future withdrawal. Mr. Uyehara replied no and have planted in that field but there is no plantings right now. He did not foresee any problem setting aside land around the reservoir.

Mr. Enright stated that there are many moving parts to this request and to the work being done mediating the settlement with Earthjustice in coming up the inflow stream standards report. He commended Mr. Bissell and KIUC board and KAA helping ADC in moving forward and keeping the 12,500 acres viable. He asked the board to move forward and give the Executive director and his staff the request that is being asked so that the work can be done.

Ms. Kaichi amended page 5, item 4 to an issuance of a request to BLNR to withdraw the right to take water from the four diversions on the Kokee ditch namely Waiakoali, Kawaikoi, Kuaikina and Kokee currently granted to the ADC from EO 4827.

Mr. Enright moved to approve the amendment; Ms. Koev seconded; motion carried unanimously.

Motion carried on the original motion.

5 minutes recess called at 10:50 am

C. Request for approval to renew Revocable Permit No. 7004 for Gary Smith in Kekaha, Kauai, Tax Map Key (4) 1-2-02-01 (por).

Ms. Owan made the presentation on the request for approval to renew RP No. 7004 for Gary Smith in Kekaha. The recommendation are: (1) renewal of a month-to-month revocable permit to Gary Smith, effective January 1, 2017 for 2,780 sq. feet; (2) rent remain unchanged at \$156/year (\$13/month for 2,780 sq feet); (3) applicant shall not sublicense or sublicense the whole or any portion of their premises without prior written approval of the ADC Board and; (4) all remaining terms and conditions of RP 7004 remain in full force and effect.

Mr. Enright moved to approve this request; Ms. Klutke seconded the motion; motion carried unanimously.

- D. Request for approval to renew Revocable Permit No. 7299 for Senter Petroleum in Kekaha, Kauai; Tax Map Key (4) 1-2-02-01 (por).

Ms. Owan made the presentation on the request to renew RP No. 7299 for Senter Petroleum in Kekaha. The recommendations are: renewal of a month-to-month revocable permit to Senter Petroleum, Inc., effective January 1, 2017 for approximately 0.5 acres in Kekaha; (2) rent remain unchanged at \$13,500/year (\$1,125/month for 0.5 acre); (3) applicant shall not sublicense or sublease the whole or any portion of their premises without the prior written approval of the ADC Board; and (4) all remaining terms and conditions of RP 7229 remain in full force and effect. Also the RP conditions include a clause that requires the Permittee to conduct a Level One Hazardous Waste Evaluation and conduct a complete abatement and disposal, if necessary, prior to termination of the RP. Termination of the RP is subject to approval by the ADC Board.

Ms. Enright moved to approve this request; Mr. Haraguchi seconded the motion; motion carried unanimously.

- E. Request for approval to renew Revocable Permit No. 7448 for William J. Sanchez at Unit A located in Kalepa, Kauai; Tax Map Kay (4) 3-9-02-20 (por).

Ms. Owan made the presentation to request for approval to renew RP No. 7448 for William J. Sanchez at Unit A located in Kalepa, Kauai. The recommendations are: (1) renewal of a month-to-month revocable permit to William Sanchez, effective November 1, 2016 for 619 acres of Unit A in Kalepa, Kauai; (2) rent remain unchanged at \$8,970/year (\$15/acre/year for 598 net acres); (3) applicant shall not sublicense or sublease the whole or any portion of their premises without the prior written approval of the ADC Board; and (4) all remaining terms and conditions of RP 7448 remain in full force and effect.

Mr. Enright moved to approve this request; Ms. Klutke seconded the motion; motion carried unanimously.

Ms. Klutke commented that Mr. Sanchez is very generous and works hard for the community.

- F. Request for approval to issue a Revocable Permit to Performance System Inc. for a covered parking area in Whitmore, Oahu; Tax Map Key (1) 7-1-02-04 (por).

Mr. Nakamoto made the presentation to request for approval to issue a RP to Performance System Inc. for a covered parking area in Whitmore, Oahu. This request is for a portion of Building G, which is a vacant 15,400 square foot covered parking shed located within the 257-acre property. They are currently completing work under a City & County contract at the Uwalu Circle waste water pumping station. Overhead utilities are located along Whitmore Avenue and assumed that electricity and potable water is available to the area. Performance System plans to install a portable office trailer in the truck bays, which they will remove when the project is completed by June 2017. The recommendation is to approve the issuance of a RP with the

following terms and conditions: (1) term of this revocable permit shall be on a month-to-month basis; (2) base rent shall be \$365.00 per month; (3) permittee shall pay its share of utilities; and (4) no subletting to be permitted without ADC's prior approval in writing.

Mr. Enright moved to approve this request; Mr. Haraguchi seconded the motion; motion carried unanimously.

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

Mr. Nakamoto made the presentation to request for approval to issue a RP to Manoa Honey Company for storage space in Whitmore. Manoa Honey Company produce pure, raw, premium Hawaiian honey as well as specialty hive products such as fresh bee pollen, comb honey and bees wax. The company has a processing facility in Wahiawa and is seeking additional covered storage space for their apiary equipment. This request is for a portion of Building BB, which is a vacant 12,600 square foot storage warehouse located within the 24-acre property. There are no utilities, but overhead utilities are located along Whitmore Avenue and it is assumed that electricity and potable water is available to the area. The recommendation is the approval to issue a RP to Manoa Honey Company in Whitmore with the following terms and conditions: (1) term of this RP shall be on a month-to-month basis; (2) base rent shall be \$48.00 per month; and (3) no subletting to be permitted without ADC's prior approval in writing.

Ms. Hopkins moved to approve this request; Mr. Kitagawa seconded the motion.

Mr. Kitagawa commented that Manoa Honey began in Manoa and was bought out by this individual who is currently in Wahiawa and is asking for storage space so he can expand. He is restricted because his lease is only for an additional year and a half.

Motion carried unanimously.

H. Request for approval of the Central Oahu Water Security Plan as an agricultural development plan, as defined in Chapter 163D-7, Hawaii Revised Statutes.

Mr. Nakamoto made the presentation to request for approval of the Central Oahu Water Security Plan (Plan) as an agricultural development plan. The ADC seeks to improve the efficiency of the Waiahole Ditch System by developing a plan to rehabilitate and modernize the aging system. The objectives of the Plan are to reduce water loss, enhance the system's efficiency by increasing storage capacity, and secure a reliable back-up source of water should the Waiahole Ditch system become temporarily inoperable. The recommendation is the approval of the Central Oahu Water Security Plan as an agricultural development plan pursuant to Chapter 163D-7, HRS.

Ms. Hopkins moved to approve this request; Ms. Klutke seconded the motion.

Mr. Nakatani said a letter from Monsanto which he did not bring with him but asked Mr. Takemoto to comment.

Alan Takemoto from Monsanto commented on the Central Oahu Security Water system plan and how important it is. Waiahole Ditch is very important to the entire agricultural industry. For this project, they look at it as a public/private partnership which is how they approached this project. They would provide an easement to ADC for a reservoir and a backup well. They are currently looking for the exact location for the reservoir and has identified one that is vacant and also identified an area for the backup well. They have done some work on the backup well which could be provided to ADC to help reduce the cost. The easement to ADC is in perpetuity and hopefully will help with the water security effort. They provided a letter to ADC that Mr. Nakatani mentioned to show Monsanto's intention. Monsanto would still need to go through an approval process for the reservoir and backup well.

Ms. Albano commented that the water conservation and water issues in Hawaii that is coming out of the governor's office and the freshwater initiative, it is looking at Hawaii's supply of water, climate change and what do we do in terms of one of our greatest resources. The freshwater initiative came up with a plan to 2030 of zero water loss. The goal is to come up with 100 million gallons per day of additional water resources through the practices of conservation, recharge aquifers and reuse of water. It is important because it increases agriculture water without having to allocate more water. Central Oahu is one of the important agricultural hubs and this system provides irrigation for many acres in that area. The goal is to cut the water loss approximately 15 million gallons annually when all is done.

Motion carried unanimously.

- K. Executive Director reports and updates.
  - 1. Galbraith agricultural lands, Oahu
  - 2. Legislative report

Mr. Nakatani reported that Chuan Produce began cultivating produce on the Galbraith agricultural lands which looks very good.

As far as Legislative report, the City and County of Honolulu City Council had a bill relating to real property dedication for government owned agricultural land. The purpose is to provide lessees of government-owned agricultural land to dedicate their leased lands for vacant agricultural use from the effective date of the lease, license, or permit. The ADC testified in support of this bill because it will help lessen that burden by allowing lessees, licensees, and permittees of government-owned lands not currently in productive agricultural use to dedicate the land as vacant agricultural land. The bill passed first reading on November 2, 2016.

Ms. Kaichi reported that the land acquisition for Dole should close of December 6<sup>th</sup>. Also the Castle and Cooke property adjacent to the Dole property totaling 457 acres which is near the master plan area should close on December 30<sup>th</sup>.

- L. Adjourn

Mr. Enright moved to adjourn; Ms. Koev seconded; motion carried.

Meeting adjourned at 11:37 am.

Respectfully submitted,

Cindy Doi  
secretary