

August 12, 2020

Subject: **Loan Presentation**

Lori Ann Butlar
P.O. Box 884
Honaunau, HI 96726

The applicants meet the eligibility requirements of Chapter 155-1, Hawaii Revised Statutes (HRS) as a “Qualified Farmer” and general eligibility requirements of 155-10 HRS. Robert Butlar has been farming full-time in Kona for 13 years as a sole proprietor dba Mongoose Mountain Farm. His spouse, Lori Butlar assists on the farm. The Butlars are US citizens and have been Hawaii residents for the past 13 years.

COMMODITY: Coffee, macadamia nuts and cacao.

CREDIT HISTORY: SEE EXHIBIT A (CONFIDENTIAL)

<u>Loan No.</u>	<u>Amount</u>	<u>Balance</u>	<u>Status</u>
DA-6427	\$171,000	\$163,843.01	Current

The loan was approved by the Board of Agriculture on May 29, 2018 and refinanced the loan that helped purchase the 11.8 acre

Bishop Estate leasehold farm. The farm was originally purchased in 2007 for \$459,000.

**LOAN REQUEST
& PURPOSE:**

<u>Amount</u>	<u>Class D</u>
\$94,000	Emergency loan

Loan proceeds will be used to cover operational costs to sustain the farm operation and \$10,000 will be used to repair the coffee drying rack. The farm relies heavily on tourist markets and was severely impacted by the shutdown of travel due to the COVID-19 pandemic.

TERMS:

Class D – Direct Emergency Loan

Amount:	\$94,000
Period:	10 years
Interest rate:	3.0% per annum, fixed.
Repayment:	No payment for six (6) months, then interest payments of \$470 per month for six (6) months. Followed by monthly principal and interest payments of \$995.00 until maturity

SECURITY:

The Class-D loan will be secured by the following:

- A second position blanket Financing Statement and Security Agreement on crops, accounts, inventory and equipment. The first position is held by State Agrucultural Loan Division (SALD) for loan DA-6427. The farm equipment is valued at \$83,000 and includes a pulper, huller, coffee roaster, K-cup machine, Pour-over machine, mini excavator, Mule ATV, container and Kawasaki bobcat mower. The coffee inventory is currently in the parchment stage and is valued at \$14,850. Mr. Butlar estimates that once he roasts the coffee its value would be \$24,000 and if it is further put into pour-over packets its value would be \$65,000.

GUARANTORS:

None

**FINANCIAL
CONDITION:**

SEE EXHIBIT A (CONFIDENTIAL)

**REPAYMENT
ABILITY:**

SEE EXHIBIT A (CONFIDENTIAL)

INSURANCE:

None

**BACKGROUND/
MANAGEMENT
ABILITY:**

In 2007, the Butlars purchased the 11.8-acre leasehold farm in South Kona. The farm was overgrown with weeds and the coffee and macadamia nut trees were not maintained. They rehabilitated the farm and began selling the coffee cherries to coffee processors in Kona. Through research and hands on experience the Butlars eventually developed the knowledge to grow, process, and market their crops. The farm is currently planted with about 8.5 acres in coffee, 2.5 acres in macadamia nuts, and some cacao trees. The macadamia nuts are husked on farm and are sold in-shell.

The coffee side of the business is vertically integrated as they have the equipment and facilities to pulp, dry, hull, store, roast, and package coffee which are sold under the Mountain Mongoose Farm label. In addition they also have the machines to produce their own K-cups and pour-over single serve packets. Pour-over coffee brings out more flavor than drip coffee. Water is poured into the packet and since brewing takes longer flavor is more vibrant as the water has more time to pull flavors and oils from the coffee grounds.

SUMMARY:

The Butlars have years of experience of operating their own coffee and macadamia nut farm. To obtain better margins, they acquired the equipment and knowledge to vertically integrate the coffee portion of the business to roasted coffee, K-cup and pour over packet sales.

They have recently extended their lease for another 35 years creating a permanent base of operation for their farm

operation and have begun replanting gaps in their coffee fields and doing additional plantings for increased production. Field visits over the years show that the farm is well-maintained and crops are healthy.

The loan will be secured by the farm equipment and the farm has demonstrated repayment ability. The proposed SALD loan will allow the farm to survive and provides the necessary funds to keep the farm operating until their markets returns.

TURNDOWNS:

Turndowns for emergency loans of \$100,000 and under have been waived by the Board of Agriculture.

RECOMMENDATIONS:

This loan request is recommended for approval based on the applicant's farming experience, historical repayment ability, and the collateral offered.

Date

Recommended by:

7/30/20



Dean M. Matsukawa
Division Administrator

Date

Approved for submission:

8/3/2020



Phyllis Shimabukuro- Geiser
Chairperson, Board of Agriculture

August 12, 2020

Subject: **Loan Presentation**

APPLICANT: Puna Flower Power
190 Keawe Street, Suite 25
Hilo, HI 96720

CLASSIFICATION & ELIGIBILITY:

Puna Flower Power (PFP) meets the eligibility requirements of Chapter 155, Hawaii Revised Statutes as a “Qualified Farmer”. PFP is organized as a Cooperative and registered with the Department of Commerce and Consumer Affairs on May 20, 2019. All the members, Board of Directors and Officers are “Qualified Farmers” and were impacted by the Kilauea eruption of 2018. There are five members of the Cooperative that includes Gordon E. Inouye, Elton Mow, Joseph Kekedi, Lee Nishimoto and Vernon B. Inouye all of which serve on the Board of Directors. The officers are Gordon Inouye as President, Joseph Kekedi as Vice-President and Elton Mow serves as the Secretary.

COMMODITY: Orchids.

CREDIT HISTORY: SEE EXHIBIT A (CONFIDENTIAL)

LOAN REQUEST
& PURPOSE:

<u>AMOUNT</u>	<u>CLASS</u>
\$479,870.00	Class D Operating Loan

The purpose of the loan is to provide PFP with the resources to revitalize the orchid industry on the Big Island that was severely affected by lava flows which destroyed their operations in 2018. The project request is as follows:

Quarantine Facility	\$ 67,000
Plant Stock	\$ 83,320
Benches, Irrigation system & Potting materials	\$138,000
Electrical System	\$ 25,000
Greenhouse construction	\$ 29,000
Security Fence	\$ 20,000
Working Capital	\$120,000
Planning/Overhead costs	<u>\$ 60,000</u>
Total Project cost	\$542,320
Less contribution	<u>(\$ 62,450)</u>
Loan Request	\$479,870

PFP intends to continue pursuing grants to develop the operation and is requesting flexibility in use of loan funds. Some of the grants may be restricted to infrastructure uses and the cooperative would like to be able to use those funds for infrastructure purposes and re-purpose the SALD loan funds for operating uses such as purchasing plant stock, supplies or equipment.

TERMS:

Amount: \$479,870
 Term: Fifteen (15) Years
 Interest Rate: 3.0% per annum
 Repayment: No payment for 2 years then interest payments of \$1,200 per month for twelve (12) months. Followed by monthly principal and interest payments of \$4,211.00 until maturity.

SECURITY:

This loan will be secured as follows:

- A first position blanket security interest in crops, accounts receivable, greenhouses and farm equipment. A specific interest will be taken on the irrigation and electrical systems. The greenhouses consist of 2 x 19,320 sq. ft. Conley greenhouses with a total value of \$142,000 and plant stock of \$83,320.

The loan should be sufficient to create a fully functional operation from the quarantine facility, grow-out 2 greenhouses and plant stock. The total investment in the operation at this point would be

\$784,320. The operation should continue to grow in value as the plan stock matures and as the cooperative continues to seek additional grant funding to expand the operation.

GUARANTORS:

None

**FINANCIAL
CONDITION:**

SEE EXHIBIT A (CONFIDENTIAL)

**REPAYMENT
ABILITY:**

SEE EXHIBIT A (CONFIDENTIAL)

INSURANCE:

Liability insurance with SALD as certificate holder. Hazard insurance on the greenhouses.

BACKGROUND:

Gordon E. Inouye serves as president and director of PFP. He has a BS in engineering from US Merchant Marine Academy and an MBA from Saint Mary's College. He has 30 years of experience growing dendrobium orchids as founder and president of Puna Orchids Inc. He is currently employed with Pacific Floral Exchange as the marketing executive for specialized accounts.

Joseph Kekedi serves as vice-president and director of PFP. He has been farming since 1989. In 1996, he started Alohilani Nursery Orchid Farm which had sales of over \$1.0 million by 2007. The farm was eventually transferred to his ex-wife and in 2010, he started Orchid Paradise LLC which focused on Vandaceous Orchids for both cut flower and potted plant production. The operation was one of the largest producers of Vandaceous orchids in the State.

Elton Mow serves as secretary and director of PFP. He has a BS degree in Civil Engineering from University of Hawaii. He is the founder and owner of Orchid Plantation Inc. since 1992. The operation specialized in Dendrobium orchid production for cut flowers and eventually expanded into potted Dendrobium, Oncidinae and mini Cattelaya orchids. The operation was the largest cut flower operation in Kapoho totaling 15-acres with 12-acres under production between greenhouses and shade houses. Elton is currently employed as an Agriculture Research Technician

III for the College of Tropical Agriculture and Human Resources assigned to the Waiakea Research Station.

Lee Nishimoto serves as a director of PFP. He has an AA degree from Marymount University. He is the founder and owner of Lee & Co. a foliage and potted orchid producer. He grows a wide range of orchids including Paphiopedilums and Dendrobiums and specializes in Oncidanae orchids. He also is President WCNFPF, LLC and Panaewa Foliage which are foliage and palm export nurseries.

Vernon B. Inouye serves as a director of PFP. He has a degree in Business Administration from Colorado State University. He worked as an assistant manager for Orchid Gardens, Inc. a cut flower Cymbidium orchid nursery located in Glenwood. He is currently employed as president and general manager of Floral Resources.

In 2018, the orchid farms in Kapoho were devastated by lava. The farms were completely overrun by lava and are under 80 to 90 feet of lava with no access to the farms or utilities. PFP was formed to begin the revitalization of the orchid industry by creating an Orchid Park. The cooperative sought grants and lands to begin this process. They have obtained a 20-year License Agreement with W. H. Shipman, Limited for 6.7 acres within the Puna Rock Quarry. The site required only modest grading and provided a safe and secure location. Grants were also obtained to help fund the venture and purchase 2 greenhouses. A proposed facility will take up 3.5 acres with room to expand. PFP developed a 5-year plan and has already put up the first greenhouse purchased with the grant. The site will be able to accommodate 3-6 growers and they also plan to educate and train future orchid growers.

PFP primary purpose is to provide members with access to land, water and utilities, market for its members and other producers, engage in activities associated growing, packing, grading, marketing, transporting and distributing of agricultural products. The cooperative will also purchase for its members farm supplies and equipment. It will operate as one consolidated operation or farm. They will adopt divisional accounting so revenues and expenses will be credited to individual crops or farmers. At this time it appears that the Inouye brothers, Lee Nishimoto and Elton Mow will combine their resources and operate collectively. Joseph Kekedi is mulling over his options. They have rules in place to govern whatever option the members decide to take.

COMMENTS:

The project's intent is to restart the orchid industry that was primarily located in the Kapoho area and destroyed by lava in 2018. The project supports PFP's members who have suffered direct loss of their established orchid operations. The proposed project will combine their 150+ years of experience in the Hawaii's floriculture industry and their expertise with the many different species of orchids.

Orchid plants take several years to fully mature and projected cash flow will be negative for the initial years. The proposed loan will fully construct the key functions of the project and provide operating funds to assist cash flow for the initial period. PFP is continuing to pursue grants which will allow faster expansion and development of the project.

The funding of the project will provide the necessary restart to the industry and will combine funding from various government entities working together to assist the farmer who were directly affected by the devastating lava flows in 2018. The proposed project will also provide an opportunity for new entrepreneurs the opportunity to learn from experienced farmers who can provide real life lesson and knowledge in the orchids industry. This will help ensure a bright future for an important component of the floral industry in Hawaii.

TURNDOWNS:

Turndowns were received from First Hawaiian Bank and American Agcredit citing the following:

- Insufficient collateral and income
- Unable to substantiate repayment ability.

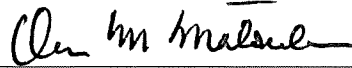
RECOMMENDATION:

Approval of this request is recommended based on the collective 150 years of experience in Hawaii floriculture, the collateral offered, projected repayment ability and the purpose of the loan request.

Date

7/21/20

Recommended by:




Dean M. Matsukawa
Division Administrator

Date

8/6/2020

Approved for Submission:



Phyllis Shimabukuro-Geiser, Chairperson
Board of Agriculture

August 12, 2020

Subject: **Loan Presentation**

Kula Country Farms, LLC. (KCF)
375 Koheo Rd.
Kula, HI 96790

Chauncy Hiroshi Monden
375 Koheo Rd.
Kula, HI 96790

Teena Marie Monden
375 Koheo Rd.
Kula, HI 96790

The applicants meet the general eligibility requirements of section 155-10 and as “qualified farmers” as cited in 155-1 of the Hawaii Revised Statutes. Kula Country Farms, LLC, has been operating as a limited liability company since July 22, 2003. Chauncy Hiroshi Monden and Teena Marie Monden are the sole members and are lifelong Hawaii residents. They have been farming full-time since 2003.

Strawberries, Blueberries, Maui Onions, flower and vegetables crops.

SEE EXHIBIT A (CONFIDENTIAL)

**OTHER STATE
AGRICULTURAL
LOANS:**

KCF obtained three (3) loans from the State Agricultural Loan Division (SALD):

Loan	Loan Amt.	Approved	Balance	Maturity
SALD - Class A	\$255,500	12/16/2003	PIF	-
SALD - Class C	\$383,000	12/16/2003	PIF	-
SALD-DA-6410	\$325,000	4/21/2017	\$262,666	5/1/2037

The \$255,500 Class-A land ownership loan and the \$383,000 Class-C operational loan were paid-in-full ahead of schedule.

The \$325,000 Class-A Farm ownership loan (DA-6410) approved on 4/21/2017 for purchase of a 3-acre parcel on Kohea Rd. in Kula TMK: (2) 2-2-016:092 that is currently paid ahead of schedule.

**LOAN REQUEST
& PURPOSE:**

AMOUNT: CLASS
\$500,000 A – Farm Ownership Loan

The loan will fund the purchase of 18.281 acres in Kula. The property is being sold for \$1.0 million and will be jointly funded by State Agricultural Loan Division (SALD) and United States Department of Agriculture's Farm Service Agency (FSA). Shown below is the funding breakdown:

\$1,000,000	Total Purchase Price
\$500,000	SALD (50%)
\$500,000	FSA (50%)

The FSA loan has already been approved and will be secured with a second mortgage positioned behind the SALD mortgage. The parcel being purchased is a unit in a two unit Condominium Property Regime (CPR) property and the Mondens already own the other unit. The purchase of the property will allow them to expand production on lands they have previously farmed and to have full control of the entire CPR property.

TERMS:

Class A – Farm Ownership (SALD)

Amount: \$500,000

Term: 25 years

Interest: 3.00%

Repayment: Monthly principal and interest payments of \$2,372 until maturity.

SECURITY:

This request will be secured as follows:

- A first fee mortgage on 18.281-acres identified as TMK: (2) 2-2-005-045-0001. The property has a 360 sq. ft. aluminum shed constructed in 1990. The property has a market value of \$1,165,400 as determined by Maui County Real Property Assessment Division.

Shown below is the loan to value ratio (LTV):

$$\frac{\$500,000 \text{ (SALD Class A)}}{\$1,165,400 \text{ (TAV)}} = 42.9\%$$

The loan to value meets the 85% requirement and the loan will be well secured with the real estate. FSA will hold the second mortgage position on the property to secure their loan.

GUARANTORS:

None

**FINANCIAL
CONDITION:**

SEE EXHIBIT A (CONFIDENTIAL)

**REPAYMENT
ABILITY:**

SEE EXHIBIT A (CONFIDENTIAL)

INSURANCE:

Commercial Liability Insurance with SALD listed as certificate holder.

**BACKGROUND/
MANAGEMENT
ABILITY:**

The Mondens are 4th generation farmers and very experienced growers. They are innovative farmers being the first to grow strawberries on a large scale and then growing blueberries which had not been grown on a commercial basis in the State. They also farm Maui onions, cabbage, pumpkins, tuberose and asparagus. They also operate a fruit stand that includes U-pick-um strawberries and a seasonal pumpkin patch.

KCF employs 9 workers and farms approximately 89-acres of land spread over various sites. The first site is the CPR unit owned Chauncy and Teena Monden consisting of 12.938-acres. SALD holds the first mortgage on the property for loan DA-6410. Chauncy is growing 5.5-acres of blueberries and 1.5-acres of asparagus on this parcel. He has already added fencing and has planted native 2000 Hawaiian trees, Ohia, Sandlewood, Koa, Maile as part of USDA's reforestation program. The next parcel is 3.0-acres acquired in 2017 using a SALD farm ownership loan (DA-6410). The farm has 1.5-acres of blueberries and is also used to grow seedlings. The final farm parcel is 73-acres of land leased from Kaonoulu Ranch. KCF has just negotiated a 10-year extension of the farmland lease. This farm has 46-acres of farmable land and KCF is farming 10-acres of Maui onions, 9.5-acres of strawberries, 10-acres of pumpkins and squash, 2-acres of tuberose and 4-acres of asparagus. Also located above the farmland is the Kula Country Farm's roadside fruit stand and farmer's market.

The proposed purchase of the 18 acres will increase KCF's farm land to 107 acres and they plan to hire 2 additional employees. The 18.281-acre parcel is convenient as it is directly adjacent to their existing 12.938-acre farm. KCF has previously used this land to grow cabbage, strawberries and onions in the past. Currently, this land is fallow and once the purchase goes through, Chauncy plans to fence off the area and begin farm production.

SUMMARY:

The Mondens are experienced successful farmers with a diversified operation. They have been innovative and progressive farmers producing quality crops.

The company is proposing to take on significant debt to purchase the 18.281-acre parcel but the Mondens believe it is

a good opportunity. The purchase price for the land is below the appraised market value and will provide them with permanent land tenure on which to expand the farm on lands they are familiar. It is adjacent to their current unit and provide them with full control of the entire parcel. The loans will be done in cooperation with the USDA FSA program to provide sufficient funding to complete the purchase.

The proposed loan will be well secured with real estate. The farm has proven cash flow and debt servicing ability for the loan. The Mondens have excellent credit and an excellent repayment history with SALD. Their business and personal financial condition provides strong support for the loan.

TURNDOWNS:

The borrowers have been denied credit from Maui County Federal Credit Union and Central Pacific Bank. Reasons for the denials includes:

- Insufficient cash flow to support credit request.
- Insufficient liquidity.

RECOMMENDATIONS:

This loan is recommended for approval based on the applicants' proven farming and management ability, financial strength of the business and the Mondens, the collateral offered, and their excellent credit histories.

Date

Recommended by:

7/31/20

Wayne S. Takamine
Wayne S. Takamine
Business Loan Officer I

Date

Reviewed and concurred by:

7/31/20

Dean M. Matsukawa
Dean M. Matsukawa
Division Administrator

Date

Approved for Submission

8/3/20 20

Phyllis Shimabukuro-Geiser
Phyllis Shimabukuro-Geiser
Chairperson, Board of Agriculture

STATE OF HAWAII
DEPARTMENT OF AGRICULTURE
AGRICULTURAL RESOURCE MANAGEMENT DIVISION
HONOLULU, HAWAII

August 12, 2020

Board of Agriculture
Honolulu, Hawaii

Subject: REQUEST APPROVAL FOR CONVERSION OF REVOCABLE PERMIT NO. S-7496; LOT 33, TO A NEW GENERAL LEASE FOR PONOHOLO RANCH, LIMITED; TMK: 3RD DIV/5-8-002:002; KALALA MAUKA GOVERNMENT REMAINDER, NORTH KOHALA, ISLAND OF HAWAII, HAWAII.

Authority: Section 166E-4 and 11, Hawaii Revised Statutes (HRS), and Section 4-158-8, Hawaii Administrative Rules (HAR)

Lessee: Ponoholo Ranch, Limited

Land Area: Approximately 73.000 acres

Tax Map Key: 3rdDiv/5-8-002:002 (Exhibit "A")

Land Status: Encumbered by Governor's Executive Order No. 4579 to the Department of Agriculture for non-agricultural park land purposes in 2019

Lease Term: Month-to-Month Permit

Current Rent: \$987.84 per year

Additional Rent: None

Character of Use: Pasture Purposes

BACKGROUND

On January 12, 2010, the Board of Land and Natural Resources executed Revocable Permit No. S-7496 with Ponoholo Ranch, Limited (PRL), a Hawaii Corporation. PRL utilizes the subject property for pasture purposes on Kohala Mountain and are reported to have the second largest herd of cattle on the island – 6,000 to 8,000 head.

B2

PRL is requesting approval to convert the month-to-month revocable permit to a new 35-year Non-Agricultural Park Lands lease pursuant to Sections 166E-4 and 11, HRS, and 4-158-8, HAR. There shall be rent re-openings at the expirations of the 10th, 20th and 30th years of the lease term, and in no event shall the base annual rental be revised downward. The conversion of the month-to-month lease will provide PRL with further stability and the opportunity to participate with the Natural Resources Conservation Services' Environmental Quality Incentives Program (EQIP) for future improvements. The EQIP is voluntary program that provides financial and technical assistance to agricultural producers to plan and implement conservation practices that address natural resource concerns.

In issuing the new converted lease, the requirements of Section 4-158-8(b), HAR state that the Department shall:

- Require an appraisal of the parcel in accordance with Section 4-158-21, HAR;
- Impose other lease terms, provisions, restrictions, and conditions as provided in this chapters as may be required to protect the State's interest;
- Require the payment of annual lease rent by appraisal and a premium computed at twenty-five percent of annual base rent for each year of lease equal to the number of years that person occupied the land, but not to exceed four (4) years; and
- Require those qualifying under subsection (a) to meet the bona fide farmer criteria as defined in Section 4-158-1.

Staff confirms that an appraisal has been conducted pursuant to Section 4-158-21, HAR, for the purpose of determining the fair market rental for the subject parcel. Upon the commencement of the lease, the appraised annual base rental will be \$1,030.00 for the initial 10-year period of the lease term. Additionally, commensurate with the administrative rules, the Lessee will pay a premium equal to 25% of the annual base rental for the new lease for a period not to exceed four (4) years from the commencement of the converted lease term.

Further, the Board and Permittee mutually agree to cancel the existing Revocable Permit No. S-7496 subject to execution of the converted general lease documenting the effective date.

RECOMMENDATION:

That the Board of Agriculture:

1. Find that by allowing the conversion of this Lease to a new long-term lease, the State would realize greater returns and reduce disruptions to current ongoing farming operations and is, therefore, in the public interest.

2. Approve Permittee's request to convert Revocable Permit No. S-7496 held by Ponoholo Ranch, Limited to a new Non-Agricultural Park Lands lease of not more than thirty-five (35) years for its initial lease term with rent re-openings at the expiration of the 10th, 20th and 30th years.

All documents are subject to the approval as to form by the Department of the Attorney General, and such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully submitted,



BRIAN KAU, P.E.
Administrator and Chief Engineer,
Agricultural Resource Management Division

Attachments - Exhibit "A"

APPROVED FOR SUBMISSION:



PHYLLIS SHIMABUKURO-GEISER
Chairperson, Board of Agriculture



STATE OF HAWAII
DEPARTMENT OF AGRICULTURE
AGRICULTURAL RESOURCE MANAGEMENT DIVISION
HONOLULU, HAWAII

August 12, 2020

Board of Agriculture
Honolulu, Hawaii

Subject: REQUEST FOR APPROVAL TO INSTALL FENCING, LIVESTOCK PIPELINES, AND WATERING FACILITIES; GENERAL LEASE NO. S-5599; PONOHOLO RANCH, LIMITED; TMK: 3RD DIV/5-9-001:004, 5-9-003:002 & 004, AND 5-9-004:001 & 008; KALALA MAUKA GOVERNMENT REMAINDER, NORTH KOHALA, ISLAND OF HAWAII, HAWAII

Authority: Section 166E-6 and 11, Hawaii Revised Statutes (HRS), and Section 4-158-20(e), Hawaii Administrative Rules (HAR)

Lessee: Ponoholo Ranch, Limited

Land Area: Approximately 5,864.000 acres

Tax Map Key: 3rd Div/5-9-001:004, 5-9-003:002 & 004, and 5-9-004:001 & 008 (Exhibit "A")

Land Status: Encumbered by Governor's Executive Order No. 4579 to the Department of Agriculture for non-agricultural park land purposes in 2019

Lease Term: 20 years, February 23, 2000 to February 22, 2020
45 years, February 23, 2020 to February 22, 2065

Current Rent: \$22,810.00 per year

Additional Rent: 1%

Character of Use: Pasture Purposes

BACKGROUND

At its meeting on January 10, 1998, the Board of Land and Natural Resources approved the direct lease of General Lease No. S-5599 to Ponoholo Ranch, Limited (PRL). At its meeting on April 14, 2020, the Board of Agriculture approved an extension of the lease for 45 years to

BS

expire on February 22, 2065. PRL utilizes the subject property for pasture purposes on Kohala Mountain and are reported to have the second largest herd of cattle on the island – 6,000 to 8,000 head.

PRL is requesting to install fencing, livestock pipelines, and watering facilities, commensurate with the goals and objectives of their United States Department of Agriculture conservation plan, on approximately 4,671.51 acres of the said leased property (Exhibit "B"). These proposed improvements are expected to address PRL's inadequate water supply for their livestock, wildfire hazards and will ensure that PRL remain in compliance with the Hawaii County Grubbing and Grading Ordinance. PRL is currently participating in the Natural Resources Conservation Services' Environmental Quality Incentives Program, which is a voluntary program that provides financial and technical assistance to agricultural producers to plan and implement conservation practices that address natural resource concerns.

RECOMMENDATION:

That the Board of Agriculture approve the Lessee's request to install fencing, livestock pipelines, and watering facilities on the subject premises, subject to the following additional condition: The Lessee shall indemnify, defend and hold harmless the Lessor from and against any claim or demand for loss, liability, or damage, including claims for property damage, personal injury, or wrongful death, arising out of the Lessee's construction, installation, and use of said improvement and appurtenances.

All documents are subject to the approval as to form by the Department of the Attorney General, and such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully submitted,



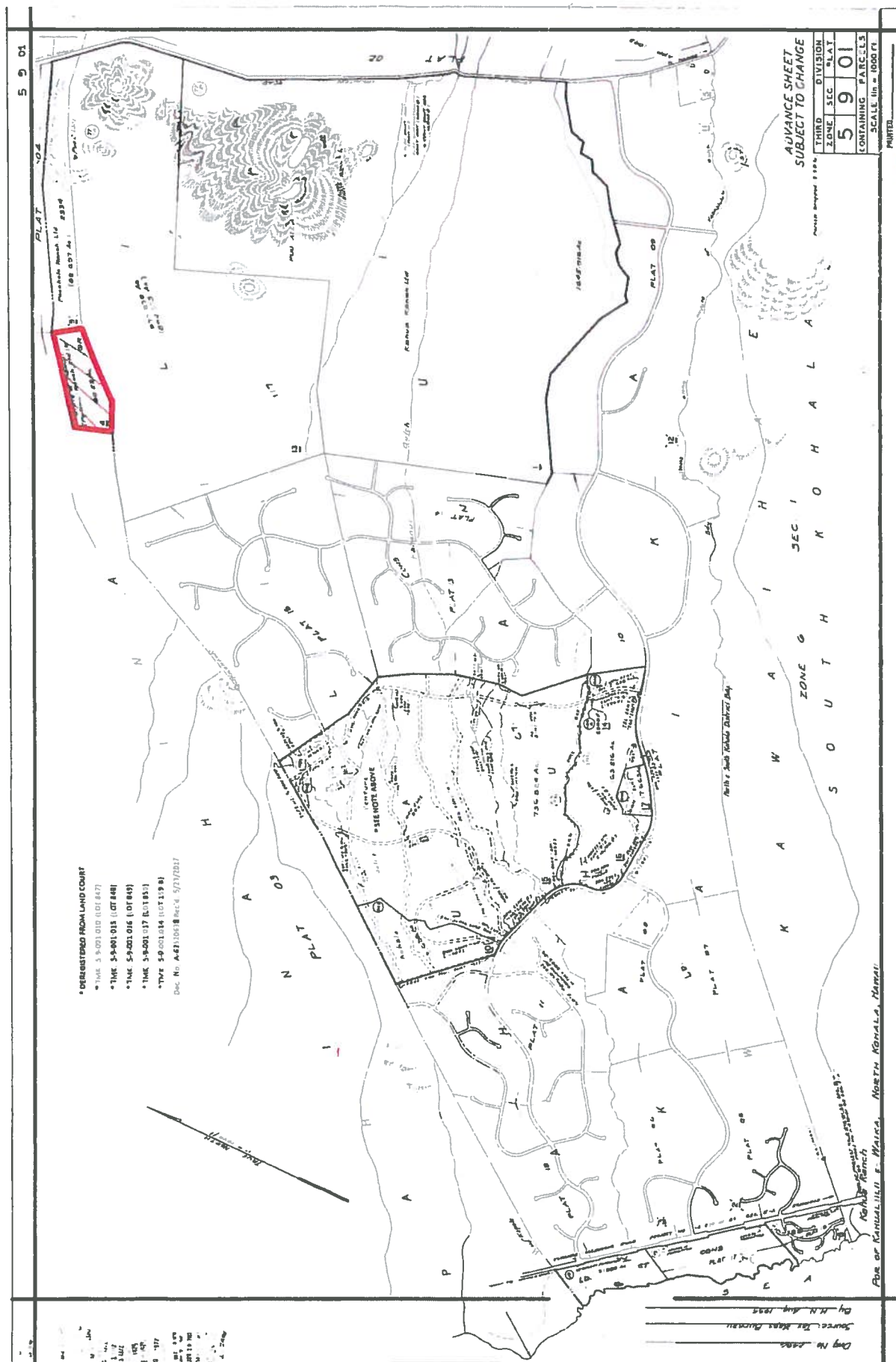
BRIAN KAU, P.E.
Administrator and Chief Engineer,
Agricultural Resource Management Division

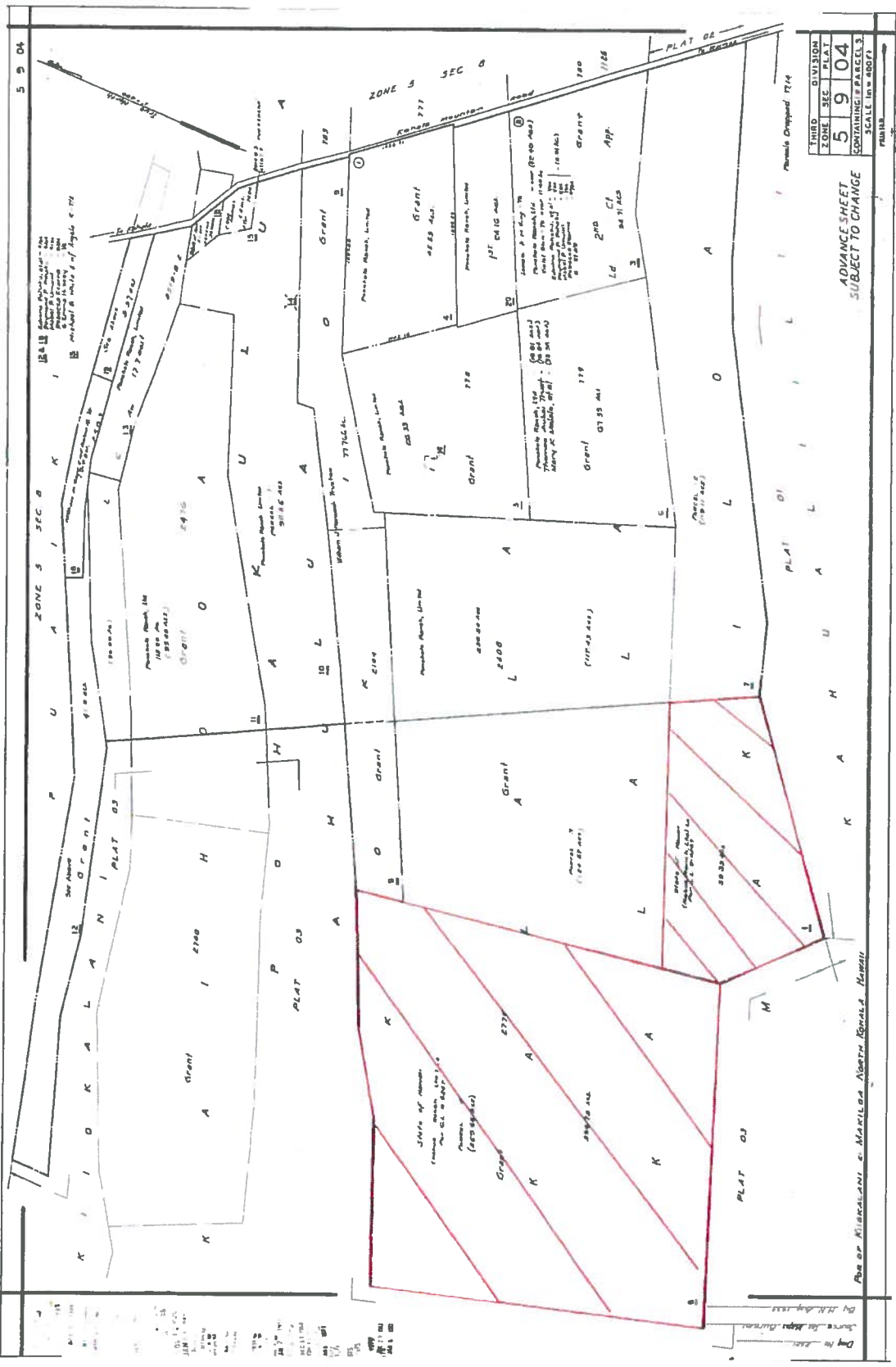
Attachments - Exhibit "A" & "B"

APPROVED FOR SUBMISSION:



PHYLLIS SHIMABUKURO-GEISER
Chairperson, Board of Agriculture





B9



Conservation Plan Map

Date: 6/16/2020

Contract Number: 7492512003L

Customer(s): PONOHOLO RANCH LTD.

District: MAUNA KEA SOIL & WATER CONSERVATION DISTRICT

Approximate Acres: 4,671.51

Legal Description: TMK: 3-5-9-003:002,004

Field Office: WAIMEA SERVICE CENTER

Agency: USDA-NRCS

Assisted By: ALYSSA FUJII

State and County: HI, HAWAII COUNTY

Land Units: FARM:1501 TRACT:3065 FIELD: 1



1 inch = 3,500 feet

0 0.225 0.45 0.9 1.35 1.8 Miles

Legend

- | | | | |
|----------|------------------|--------------------|--------------------|
| ● Tank | Existing Trough | Livestock Pipeline | Prescribed Grazing |
| ⬮ Trough | ● Existing Tank | Existing Pipe | |
| × Fence | × Existing Fence | | |



STATE OF HAWAII
DEPARTMENT OF AGRICULTURE
AGRICULTURAL RESOURCE MANAGEMENT DIVISION
HONOLULU, HAWAII

August 12, 2020

Board of Agriculture
Honolulu, Hawaii

Subject: REQUEST FOR APPROVAL TO INSTALL PHOTOVOLTAIC SYSTEM,
GENERAL LEASE NO. S-3003; KONA PRODUCERS COOPERATIVE,
LESSEE; TMK: 3RD DIV/7-9-016:018 AND 019, LOT NOS. 018 AND 019,
HONALO, NORTH KONA, ISLAND OF HAWAII, HAWAII.

Authority: Section 166E-6, Hawaii Revised Statutes (HRS), and Section
4-158-20 (e), Hawaii Administrative Rules (HAR)

Lessee: Kona Producers Cooperative

Land Area: Parcel 18: 1.91 acres
Parcel 19: 0.125 acres
Total: 2.035 acres

Tax Map Key: 3rdDiv/7-9-016:018 and 019 (Exhibit "A")

Land Status: Encumbered by Governor's Executive Order No. 3503 to the
Department of Agriculture for non-agricultural park land
purposes in 1991

Lease Term: 25 years, December 1, 1993 to November 30, 2018
25 years, December 1, 2018 to November 30, 2043

Current Rent: \$2,330.00 per year

Character of Use: Solely for agricultural processing; defined by the lease as "the
processing of agricultural products, including marshalling,
cooling, treating or transshipping, which are grown, raised or
produced with the State."

BACKGROUND

In 1993, General Lease No. S-3003, a 25-year lease, was awarded by the Board of Agriculture (BOA) to Kona Producers Cooperative (KPC). At its meeting held on September 25, 2018, the BOA approved an extension of the lease for 25 years to expire on November 30, 2043.

B11

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KPC's mission is to support and advance development of the local agriculture industry on Hawaii Island and to encourage and foster increased cooperation among island farmers. Currently, the KPC facility primarily serves as an aggregation center for ulu (breadfruit) at which they process, store and market the ulu as well as process value-added ulu products. The ulu products require refrigeration and Kona Producers has plans to increase their refrigeration capacity to meet the increase in production and demand.

KPC submitted a request to install a rooftop photovoltaic (PV) system. This upgrade is expected reduce the facility's energy costs by over 50% and will serve as a model for other agricultural processing facilities and food hubs across the State of Hawaii.

Staff has reviewed the construction plans for suitability of the improvement for appropriate agricultural use. Pursuant to the provisions of the subject general lease, all improvements constructed on the subject premises shall be in accordance with plans approved by the Board and with all applicable federal, state and county laws, ordinances, and rules, including but not limited to, laws regarding environmental quality control.

RECOMMENDATION:

That the Board of Agriculture approve the Lessee's request to install a photovoltaic system on the subject premises, subject to the following additional condition: The Lessee shall indemnify, defend and hold harmless the Lessor from and against any claim or demand for loss, liability, or damage, including claims for property damage, personal injury, or wrongful death, arising out of the Lessee's construction, installation, and use of said improvements and appurtenances.

All documents are subject to the approval as to form by the Department of the Attorney General, and such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully submitted,



BRIAN KAU, P.E.

Administrator and Chief Engineer,

Agricultural Resource Management Division

Attachments - Exhibit "A"

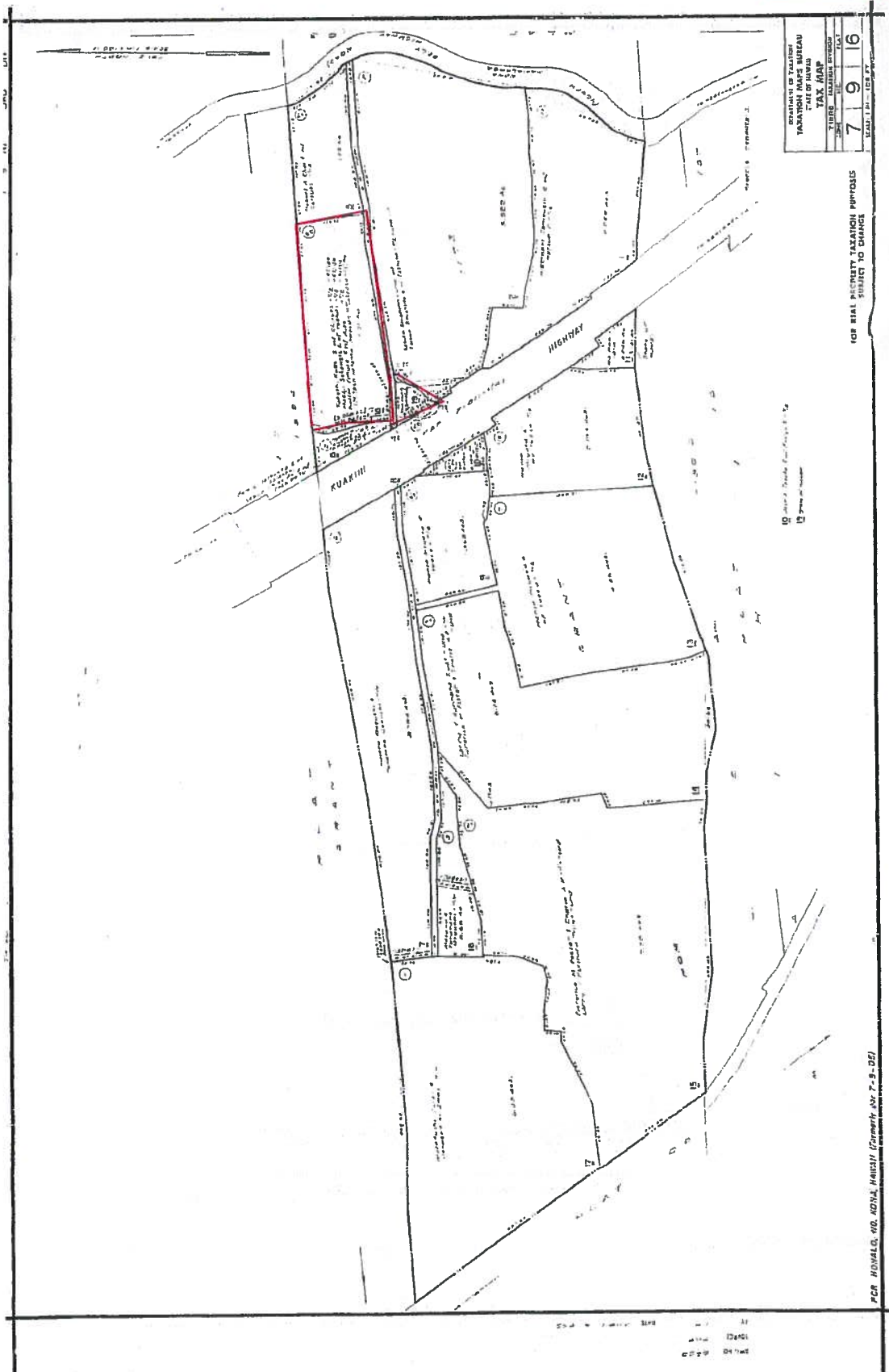
APPROVED FOR SUBMISSION:



PHYLLIS SHIMABUKURO-GEISER

Chairperson, Board of Agriculture

EXHIBIT "A"



B13

STATE OF HAWAII
DEPARTMENT OF AGRICULTURE
AGRICULTURAL RESOURCE MANAGEMENT DIVISION
HONOLULU, HAWAII

August 12, 2020

Board of Agriculture
Honolulu, Hawaii

Subject: REQUEST FOR APPROVAL TO SUBLEASE BETWEEN THE
HAMAKUA AGRICULTURAL COOPERATIVE,
LESSEE/SUBLESSOR, AND KAMUELA KIDS FARM &
GARDEN, LLC, SUBLESSEE; GENERAL LEASE NO. S-5554,
TMK: 3rd Div/4-6-001:007,008,018(por), LOT NOS. 003 & 005,
LAUKA-KULIHAI, HAMAKUA, ISLAND OF HAWAII

Authority: Section 166E-6, Hawaii Revised Statutes, (HRS), and Section 4-
158-19(a)(6), Hawaii Administrative Rules (HAR)

Lessee/Sublessor: Hamakua Agricultural Cooperative

Sublessee: Kamuela Kids Farm & Garden, LLC

Land Area: 5.774 acres - Lot No. 03
16.900 acres - Lot No. 05
22.674 acres - Total

Tax Map Key: (3) 4-6-001:007,008,018 (por) (Exhibit "A")

Land Status: The Hamakua lands were transferred to the Department of
Agriculture by Governor's Executive Order No. 4250, dated
October 22, 2008 pursuant to Act 90, SLH 2003

Lease Term: June 30, 1998 through June 29, 2033

Sublessee Term: August 1, 2020 through June 29, 2033

Sublease Base Rental: \$ 633.24/year – Lot 03 until June 28, 2028 (Reopening Date)
\$1,746.88/year – Lot 05 until June 28, 2028 (Reopening Date)
\$2,380.12/year – Total

Character of Use: General Agriculture and pasture purposes in accordance with a Plan
of Utilization and Development approved by the Department of
Agriculture

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REMARKS:

Kamuela Kids Farm & Garden, LLC produces quality dairy goats, goats milk soap and other goat milk products. The nationally registered dairy goat breeds raised include Saanen, Oberhasli, Lamancha, Nubian and Nigerian registered dairy breeds, as well as Boer and Pygmy breeds. The herd will consist of approximately 30 goats. The goat milk produced is unique in that her products are made with milk from a breed that has the highest ratio of butter fat content.

Patricia Miller-Ho has been the owner and operator of Kamuela Kids Farm & Garden, LLC since the company's inception in February 2018; however, she has raised goats since 2012. Patricia's products will be marketed locally, nationwide and internationally.

Ms. Miller-Ho qualifies as a bona fide farmer with more than two years of full-time farming experience and meets application and eligibility of three years of residency requirements. Kamuela Kids Farm & Garden, LLC qualifies as an agricultural company with seventy-five percent (75%) of its members qualifying individually as bona fide farmers, pursuant to sections 4-158-1 and 27, HAR.

RECOMMENDATIONS:

That the Board of Agriculture approve the Sublease between the Hamakua Agricultural Cooperative, Lessee/Sublessor, and Kamuela Kids Farm & Garden, LLC, Sublessee, for Lot Nos. 03 and 05 under General Lease No. S-5554, until the expiration date of June 29, 2033, and further subject to the review and approval as to form of the Sublease document by the Department of the Attorney General, and such other terms and conditions as may be prescribed by the Chairperson to best save the interest of the State.

Respectfully submitted,



BRIAN KAU, P.E.
Administrator, Agricultural
Resource Management Division

Attachment – Exhibit “A”

APPROVED FOR SUBMISSION:



PHYLLIS SHIMABUKURO-GEISER
Chairperson, Board of Agriculture

Nienie

Cooperating with Namoi Conservation District
 Plan identification OPID #11000 Plr: nm
 Assisted by G. Kevich-Love USDA Soil Conservation Service

EXHIBIT "A"

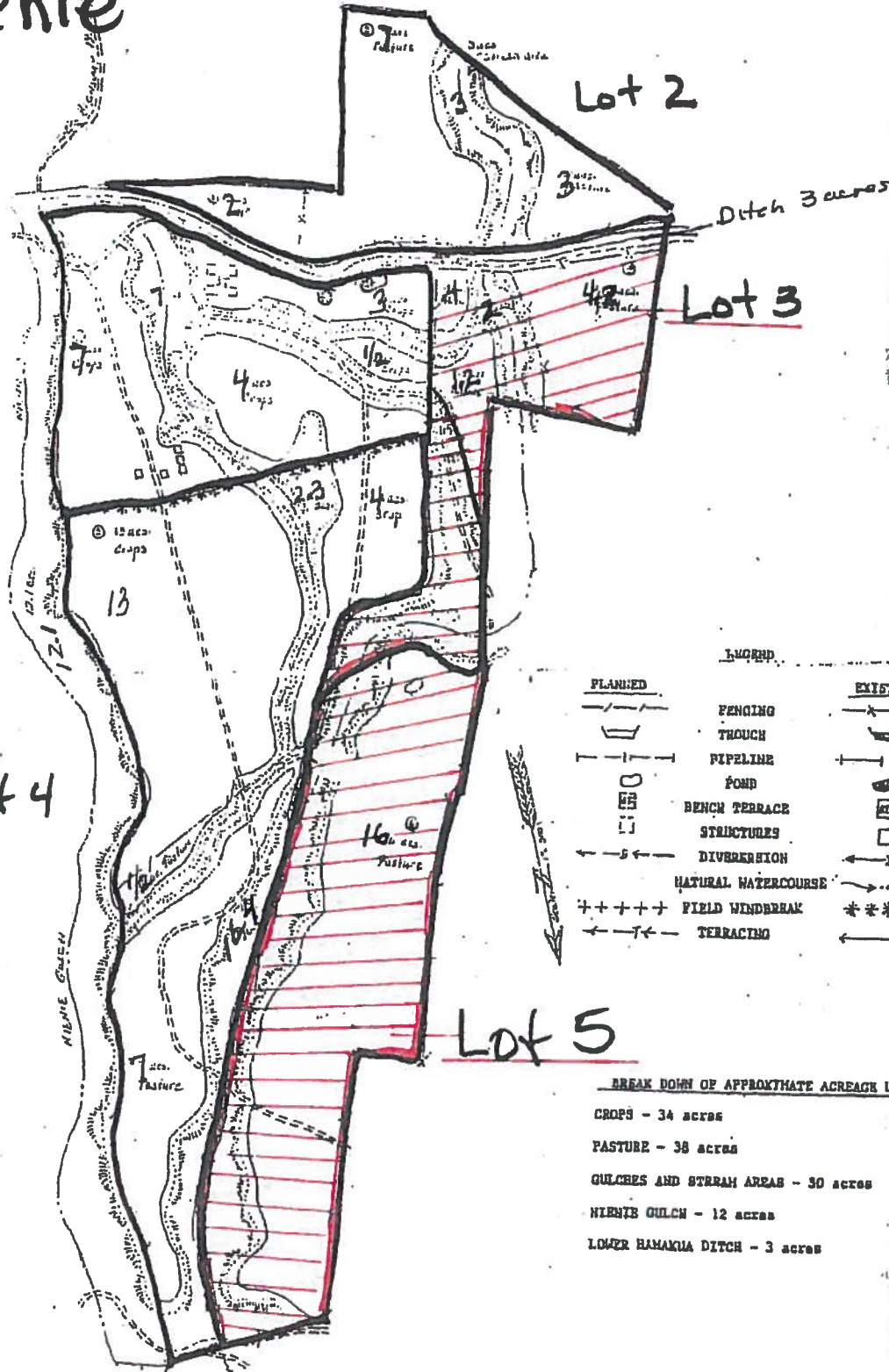
Lot 1

Lot 2

Lot 3

Lot 4

Lot 5



BREAK DOWN OF APPROXIMATE ACREAGE USE

- CROPS - 34 acres
- PASTURE - 38 acres
- GULCHES AND STREAM AREAS - 30 acres
- NIENTIE GULCH - 12 acres
- LOWER HAMAKUA DITCH - 3 acres

B16

STATE OF HAWAII
DEPARTMENT OF AGRICULTURE
AGRICULTURAL RESOURCE MANAGEMENT DIVISION
HONOLULU, HAWAII

August 12, 2020

Board of Agriculture
Honolulu, Hawaii

Subject: REQUEST FOR APPROVAL FOR FARM DWELLING;
GENERAL LEASE NO. S-9001; JANE LAVOIE, LESSEE; TMK:
2ND DIV/ 5-2-001:011, LOT NO. 2, MOLOKAI AGRICULTURAL
PARK, HOOLEHUA-APANA, ISLAND OF MOLOKAI, COUNTY
OF MAUI, HAWAII

Authority: Section 166-7 and 9, Hawaii Revised Statutes (HRS), and Section
4-153-32(e), Hawaii Administrative Rules (HAR)

Lessee: Jane LaVoie

Land Area: 25.304 Acres

Tax Map Key: 2ND DIV/ 5-2-001:011 (Exhibit "A")

Land Status: Encumbered by Governor's Executive Order No. 3696 to the
Department of Agriculture for agricultural park purposes in 1996

Annual Base Rental: \$1,900.00 Per Year

Character of Use: Diversified agriculture purposes

Lease Term: 10/1/1998 through 9/30/2033 (35 Years)

BACKGROUND:

General Lease No. S-9001 (the Lease) was originally awarded to Jerome J. Kennedy aka Joe Kennedy in 1998. At a meeting held on August 27, 2019, the Board approved an assignment of lease to Jane Lavoie who is in the process of planting and develops lilikoi and asparagus. Lilikoi is used in her value-added product called Passion Pudding for which she has a patent and is currently being produced at a certified kitchen using lilikoi purchased from other farmers.

There is an existing farm dwelling on the premises for which final building permits were obtained from the County of Maui in 2012, and corresponding information documenting the permits for this dwelling is in the lessee's file. Board approval has yet to be obtained and the

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lessee is requesting after-the-fact Board approval. Staff reviewed the construction plans and dwelling for suitability of the improvement for appropriate agricultural use and recommends after-the-fact approval by the Board, pursuant to 4-153-32(e), HAR, and lease provision paragraph "13. Dwelling restrictions." The dwelling will be occupied by the lessee's farm workers to provide security for crops, supplies and equipment on the premises. There have been numerous incidences of trespassing and theft of farm tools and equipment from the premises. Other lessees of the Molokai Agricultural Park have reported similar incidents of theft, vandalism and illegal trespassing.

CONCLUSIONS:

1. Lessee received approval from Maui County Planning and Permitting to construct a farm dwelling in 2012, for which after-the-fact Board approval is required. The dwelling will be occupied by Lessee's farm workers to provide security for farm crops, supplies and equipment, as well as preventing trespassing.
2. Construction of all improvements to the premises shall be in accordance with all federal, state, and county laws, ordinances and rules.
3. The Lessee is in compliance with the terms and conditions of General Lease No. S-9001.

RECOMMENDATION:

That the Board of Agriculture approve Lessee, Jane Lavoie's, request for after-the-fact approval of a farm dwelling on the premises, subject to other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State, and subject to the following condition: The Lessee shall indemnify, defend and hold harmless the Lessor from and against any claim or demand for loss, liability, or damage including claims for property damage, personal injury, or wrongful death, arising out of Lessee's use of said improvements and appurtenances.

Respectfully submitted,



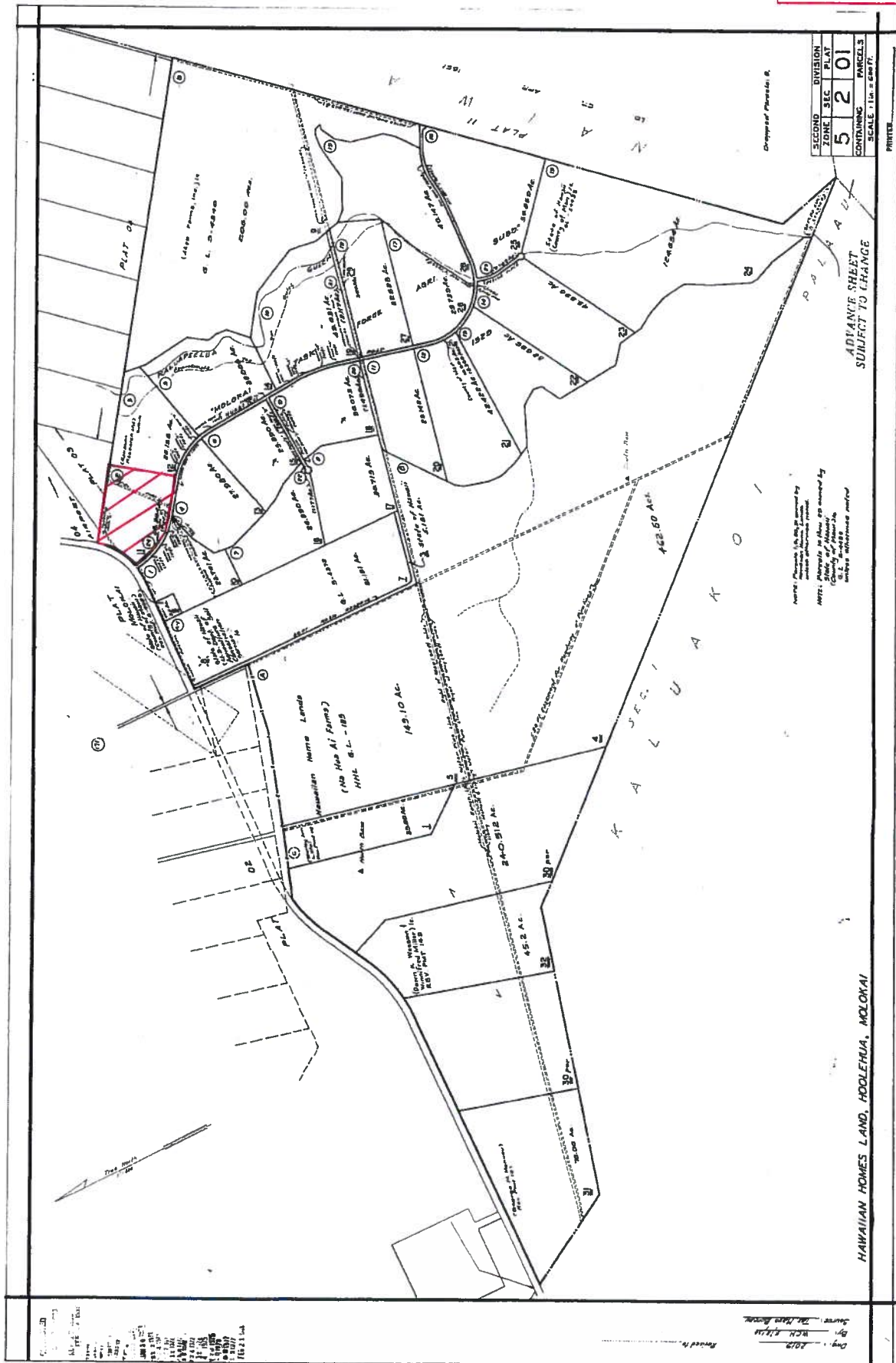
BRIAN KAU, P.E.
Administrator and Chief Engineer
Agricultural Resource Management Division

Attachment (Exhibit "A")

APPROVED FOR SUBMISSION:



PHYLLIS SHIMABUKURO-GEISER
Chairperson, Board of Agriculture



B19

STATE OF HAWAII
DEPARTMENT OF AGRICULTURE
AGRICULTURAL RESOURCE MANAGEMENT DIVISION
HONOLULU, HAWAII

August 12, 2020

Board of Agriculture
Honolulu, Hawaii

Subject:	REQUEST FOR APPROVAL FOR EXTENSION OF LEASE TERM, GENERAL LEASE NO. S-8500; HAWAII LAND & LIVESTOCK, LLC, LESSEE; TMK: 1 st Div/ 9-1-031:025; KALAELOA AGRICULTURAL PARK, HONOULIULI, EWA, ISLAND OF OAHU, HAWAII
Authority:	Chapter 166-6, Hawaii Revised Statutes ("HRS"), and Chapter 4-153-33 (a) (2) and (b), Hawaii Administrative Rules ("HAR")
Lessee:	Hawaii Land & Livestock, LLC
Lease Term:	2/1/2000 through 1/31/2035
Base Annual Rent:	\$6,685.00 per year
Land Area:	6.685 acres
Tax Map:	1 st Div/ 9-1-031:025
Land Status:	Encumbered by Governor's Executive Order No. 3801 set aside for control and management by the Department of Agriculture for agricultural purposes in 1999
Permitted Use:	Animal livestock slaughtering and processing purposes

BACKGROUND

The Board of Agriculture approved the issuance of General Lease No. S-8500 dated January 31, 2000 to Hawaii Livestock Cooperative (HLC). In 2015, said lease was assigned to Hawaii Land & Livestock, LLC (HLL) due to severe economic hardships suffered by HLC.

Since acquiring the lease, HLL has invested more than \$4.25 million for new equipment purchases of over \$920,000; improvements to the facility including expanding the processing area, purchasing and renovating mobile trailers for office space; and various food safety upgrades, as well as covering operating losses including payroll shortfalls.

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HLL has plans for additional upgrades and to modernize the entire facility thereby increasing operational efficiency and production, as well as increasing value-added processing capabilities to benefit Hawaii's grocers, retailers, restaurants and institutions, including but not limited to the following described below:

- a) Previously, services were offered only 4 days a week, with cattle slaughter capabilities limited to every other month and eventually dwindling to slaughter services for hogs only. Currently, the facility is slaughtering approximately 80 head of cattle per week. The goal is to increase cattle slaughter from 80 head per week by five-fold to 400 head per week.
- b) The facility had been slaughtering approximately 20 hogs per week, then service was temporarily terminated due to a portion of the hog processing equipment being decommissioned by the USDA due to food safety concerns. Service has resumed as the hogs were added to the current cattle slaughter line, which is inefficient but a temporary solution, as only one or the other (hogs or cattle) can be processed at a time. A long-term solution to increase hog slaughter numbers is to add a state-of-the-art, modular slaughter and processing unit on the premises to provide the service and ensure food safety for the Hawaii consumer.
- c) Best options for management of various types of waste generated by the operations is being researched which include the latest technologies in composting, biogas digestion, and rendering and animal waste management.
- d) The existing harvesting building encompasses 20,000 square feet of harvest and processing capacity. Plans for the expanded operations include an additional 35,000 square feet of processing and cold storage. Once completed, the entire facility will include over 55,000 square feet of slaughter, processing, packaging and cold storage. All processing and packaging facilities will operate under refrigerated conditions. The facility will be in compliance with Global Food Safety Initiative benchmarks, allowing sales to local businesses and beyond Hawaii via export.

To accomplish HLL's long-term plans and production goals for the facility, HLL is requesting a 20-year extension of the lease term from February 1, 2035 through January 31, 2055 for a cumulative total of not more than fifty-five years pursuant to section 4-153-33(a)(2). Additionally, the Board of Agriculture may extend the term of the lease to qualify the lease for mortgage lending purposes, pursuant to section 4-153-33(b), HAR. Consequently, HLL applied for and has been preapproved for a line of credit in the amount of \$10 million, subject to Board of Agriculture approval of extension of the lease term. The credit line proceeds will be used solely for operations or improvements on the demised premises.

The Lessee qualifies and meets the requirements of Sections 4-153-33(b), HAR, stated, in pertinent sections, as follows:

- The demised premises are developed and utilized according to a plan of utilization and development approved by the department;
- The lessee is otherwise in compliance with the lease terms;

- The aggregate of the initial term and any extension granted shall not be for more than fifty-five years;

The base annual rental shall be reopened and redetermined as of June 30, 2022 and June 30, 2032. Pursuant to Section 4-153-18, HAR, an appraisal shall be ordered by the Lessor for the purpose of determining the fair market rentals and additional rents for the subject parcel for the ensuing reopen periods.

RECOMMENDATION:

That the Board of Agriculture approve the request for extension of General Lease No. S-8500, Hawaii Land & Livestock, LLC, Lessee, from February 1, 2035 through January 31, 2055. All related documents shall be subject to review and approval as to form by the Department of the Attorney General, and such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully submitted,



BRIAN KAU, P.E.
Administrator and Chief Engineer
Agricultural Resource Management Division

Attachments – Exhibit “A”

APPROVED FOR SUBMISSION:



PHYLLIS SHIMABUKURO-GEISER
Chairperson, Board of Agriculture

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IST

DIV

PLAT 32

STREET

KALAELOA

BOULEVARD

STREET

HANUA

PLAT

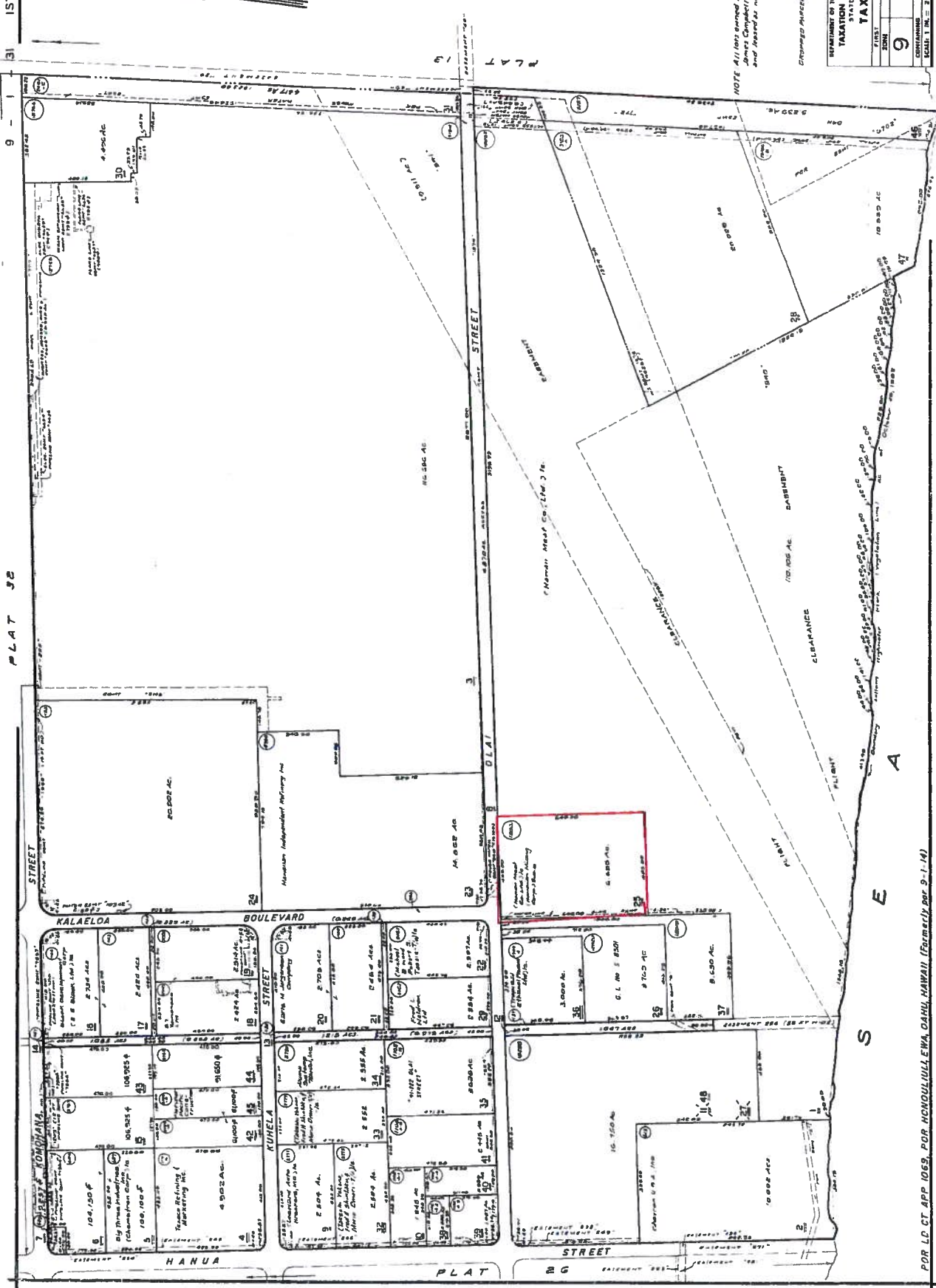


EXHIBIT "A"

DEPARTMENT OF THE TAX COMMISSIONER			
TAXATION MAPS BUREAU			
STATE OF HAWAII			
TAX MAP			
FILE NO.	9	1	31
SECTION	9	1	31
CONTAINING	PARCELS		
SCALE	1 IN. = 200 FT.		

B23

POR LC CT APP 1069 POR MONOUILLEWA OAHU, HAWAII (Formerly per 9-1-14)

DWG NO. 4901
SOURCE: Land Court Application 1069 Maps 5A(1)
N.N. - L.O.
November 24, 1929