Annual Report

Fiscal Year 2020

December 2020

Agribusiness Development Corporation

235 S. Beretania Street, Room 205, Honolulu, Hawaii 96813

T: (808) 586-0186 **E:** hdoa.adc@hawaii.gov

Who is ADC?

The Agribusiness Development Corporation ("ADC") is a state agency created by the Hawaii State Legislature in 1994 to conserve and convert arable lands and their associated infrastructure that were formerly large mono-crop plantation lands into new productive uses. Its ultimate goal is to ensure that agricultural production and agribusiness ventures will be responsive to the current food and other agricultural needs of the State. In 2005, the Hawaii 2050 Sustainability Task Force developed a broad, comprehensive plan that recognized local food production as a key element of food self-sufficiency and sustainability for the State. In his Sustainable Hawaii Initiative, Governor David Ige unveiled his 2016 roadmap, adopting the guiding principles of the Sustainability Task Force and narrowing his focus on five goals. Included among the five goals was the increase in food production as a key element in our quest to prudently utilize our natural resources and to ensure that we today and our successors in the future can enjoy the beauty and bounty of this great state.

ADC's first major action, with the support of the Legislature, was the purchase of the nearly 100-year-old Waiahole ditch, in 1998, from the Waiahole Irrigation Company, Ltd., formerly the Waiahole Water Company, Ltd., a subsidiary of Oahu Sugar Company. Litigation over the propriety of the diversion and re-direction of water from the lush windward side of Oahu to the drier but arable lands in central and leeward Oahu began in 1995 and continued for 15 years, until its final resolution in 2010. ADC continues to operate and manage the 26-mile long ditch, which provides non-potable water to approximately 5,866 acres of agricultural lands.

In 2012, with a new administration, a new executive director, and an energetic and visionary board of directors, and again with the support and direction of the Legislature, ADC began an aggressive campaign to kick-start Hawaii's diversified agricultural production. At the same time, Dole Foods Company and Castle and Cooke Hawaii began to divest themselves of lands that were best suited for agricultural use, keeping those lands with optimum commercial value for commercial and residential development. Through the concerted efforts, support, and confidence of the administration, the Legislature, and the private sector, ADC began and continues to acquire the best arable lands from Waialua to Wahiawa and Waipio, enabling it to fulfill its mission of conserving and converting former sugarcane and pineapple fields into diversified crop production, and guaranteeing these prime lands will never be lost to casual farming or other non-agricultural uses. Since 2012, ADC has acquired approximately 3,371 acres of former sugar and pineapple lands in the area. A breakdown of the land purchases can be found in the appendix.

With the current COVID-19 pandemic resulting in initial food shortages, the general public seems to have a better understanding and greater respect for local farmers. Local agriculture on ADC property will not only help us toward our goal of food sustainability, but diversify our local economy and help ADC safeguard Hawaii's agricultural lands in perpetuity.

ADC's Mission

To acquire and manage, in partnership with farmers, ranchers and aquaculture groups, selected arable lands, water systems and infrastructure for commercial agricultural use and to direct research into areas that will lead to the development of new crops, markets and lower production costs.

What ADC Does for Hawaii

Rich agricultural lands are one of Hawaii's greatest assets. ADC's role is to protect the future of agriculture in Hawaii by facilitating its transformation from a dual crop economy of sugar and pineapple to a multi-crop industry. The breadth of ADC's responsibilities includes transitioning former plantation lands and water systems to diversified long-term agricultural use, initiating and developing diversified agriculture facilities, and finding innovative solutions for issues facing the agricultural industry today.

ADC's unique position enables it to coordinate Federal, State and private resources to optimize agribusiness opportunities. Its exemptions from Hawaii Revised Statutes Chapter 171 regarding land use, as well as Public Utilities Commission regulations and civil service laws, allow for greater flexibility in managing its programs. ADC fosters the growth of agricultural enterprises across the state by providing affordable irrigation and long-term licenses or leases to tenants, which stimulates investment in agribusiness and enhances the viability of agriculture in Hawaii.

ADC has the power to achieve these goals through diverse efforts, such as:

- Acquiring and managing select arable agricultural lands, water systems and infrastructure.
- Acquiring agricultural conservation easements to protect certain agricultural lands.
- Organizing farmers and users into cooperatives that benefit from the participants' common interests and collective efforts.
- Assisting in acquiring or constructing processing and/or treatment facilities to enhance producers' abilities to access export or value-added opportunities.
- Informing, educating or training farmers on various industry practices such as food safety, production techniques and land uses.
- Coordinating and cooperating with other government agencies, educational institutions and private organizations to advance agriculture in Hawaii.
- Conducting research and demonstrative projects to facilitate the transfer of knowledge or adoption of technology.
- Conducting economic and feasibility studies relating to agriculture.

Organizational Overview

The ADC is headed by a board of directors consisting of eight voting members appointed by the Governor, and three ex-officio voting members. The current members are:

Sandi Kato-Klutke, Chair
Owner, Ti Leaf & Taro
Kauai County Member appointed by Governor

Vacancy
At Large Member appointed by Governor

Lloyd Haraguchi
Retired, Executive Director, Public Land Development Corporation
At Large Member appointed by Governor

Kevin Hopkins
Retired, Executive Director, Pacific Aquaculture & Coastal Resources Center
Hawaii County Member appointed by Governor

Frederick Lau
Owner, Mari's Garden
City & County of Honolulu Member appointed by Governor

Douglas Schenk
Retired, Director, Maui Gold Pineapple Company
Maui County Member appointed by Governor

Karen Seddon
Regional Vice President, Michaels Development
At Large Member appointed by Governor

Warren Watanabe
Maui County Farm Bureau
At Large Member appointed by Governor

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

Mary Alice Evans
Director, DBEDT Operations
Ex-Officio, Department of Business, Economic Development & Tourism
Designated Representative

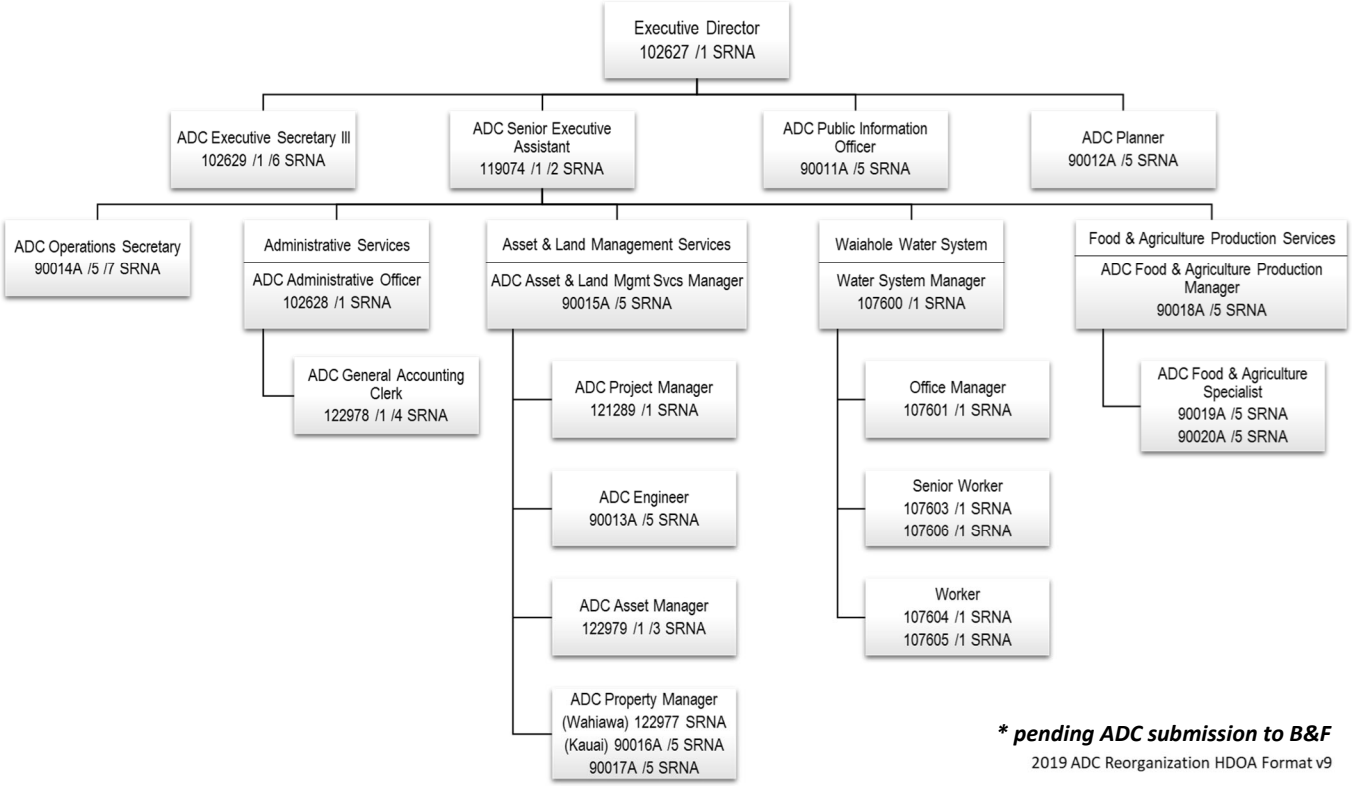
M. Kaleo Manuel
Deputy Director, Commission on Water Resource Management, DLNR
Ex-Officio, Department of Land & Natural Resources
Designated Representative

ADC Staff

The ADC Executive Director is James Nakatani.

Currently, a staff of 12 employees support agribusiness development and maintain the Waiahole Water System. Given the realities of the State's COVID-related hiring restrictions, ADC anticipates challenges in filling open positions and replacing retiring personnel over the next four years.

1. Twelve (12) temporary positions, NTE 6/30/2021.
2. Position reclassified from Project Coordinator to Senior Executive Assistant.
3. Asset Manager position authorized effective 7/01/2016 (Act 24, SLH 2016). Subject to classification and organizational review. Placement subject to non-delegated reorganization.
4. General Accounting Clerk position authorized effective 7/01/2018 (Act 53, SLH 2018). Subject to classification and organizational review. Placement subject to non-delegated reorganization.
5. Ten (10) permanent positions authorized effective 7/01/2019 (Act 28, SLH 2019). Subject to classification and organizational review. Placement subject to non-delegated reorganization. It is further anticipated that all permanent positions will be established as temporary positions in accordance with HRS Chapter 76.
6. Position title changed.
7. Operations Secretary position. Attempts to establish and fill in 2019 were returned without action by B&F for lack of sufficient office space and funds, and because of existing vacancies at the time.



FY2020 Financial Statement
Agriculture Development Revolving Fund

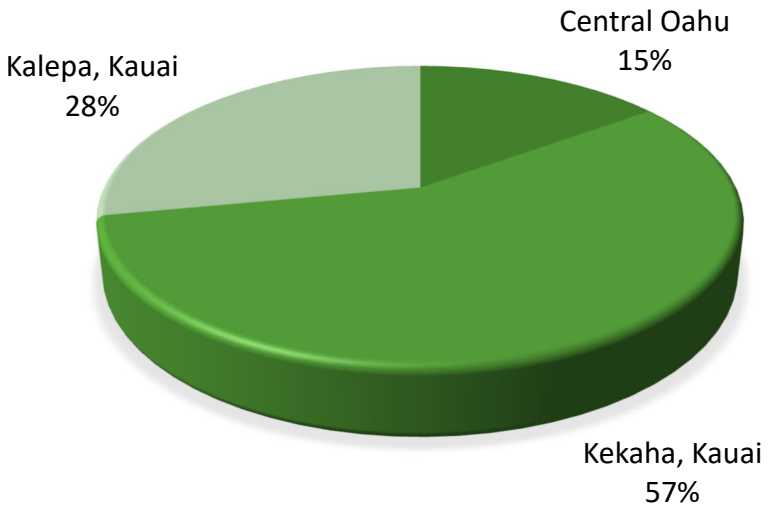
		Budget		Actual
Revenue				
Investment Pool	$	11,795	$	50,250
Legislative Appropriation	$	50,600		0
Administrative Fees WWS	$	120,216		0
Kekaha / Kalepa Rent	$	354,000	$	620,353
Revocable Permits & Other Land Rent	$	55,000	$	195,845
Building Rent	$	240,000	$	214,894
Galbraith Water	$	40,000		0
Navy PMRF Contact	$	827,226	$	594,773
Miscellaneous		0	$	25,416
Total	**$**	**1,698,837**	**$**	**1,701,531**
Expenditure				
Payroll & Benefits	$	840,215	$	719,652
General Administration & Office Expenses	$	210,000	$	258,990
Equipment	$	15,000	$	9,517
Kekaha	$	100,000	$	173,832
Galbraith	$	150,000	$	200,687
Zero Waste Project	$	25,000	$	424
Kalepa	$	10,000	$	4,460
Navy PMRF	$	480,050	$	257,373
Whitmore	$	75,000	$	49,346
Tamura Warehouse	$	20,000	$	15,555
Kalaeloa	$	3,500		0
Dole 73	$	3,000		0
Paalaa Uka	$	3,000	$	3,451
Total	**$**	**1,934,765**	**$**	**1,693,287**
Revenue Less Expenditure	**$**	**(235,928)**	**$**	**8,244**

FY2020 Financial Statement
Waiahole Water System Revolving Fund

		Budget		Actual
Revenue				
Water Delivery	$	890,000	$	696,380
Investment Earnings	$	20,000	$	62,959
Total	**$**	**910,000**	**$**	**759,339**
Expenditure				
Payroll & Benefits	$	510,600	$	506,499
General Administration	$	190,000	$	109,315
Equipment / Vehicles (new)	$	50,000	$	2,909
Materials & Supplies	$	45,000	$	52,407
Repairs & Maintenance	$	25,000	$	24,362
Emergency	$	50,000		0
G.O. Bond Repayment	$	422,000	$	422,045
Total	**$**	**1,292,600**	**$**	**1,117,537**
Revenue Less Expenditure	**$**	**(382,600)**	**$**	**(358,198)**

Land Banking Overview

This graph illustrates the breakdown of land managed by the ADC.



Central Oahu Lands

In 2012, the Trust for Public Land purchased 1,732 acres of land from the Galbraith Estate, near Wahiawa, and transferred the land to two Hawaii public agencies. ADC received 1,200 acres and the Office of Hawaiian Affairs (OHA) received the 500 acres surrounding Kukaniloko, the royal birthing site. The properties can only be used for agriculture.

Kalepa, Kauai Lands

In 2005, ADC gained control of 6,000 acres of former Lihue Plantation land, now referred to as Kalepa. Included in the transfer was the East Kauai Irrigation System.

Kekaha, Kauai Lands

In 2002, with the closing of all Amfac/JMB sugar operations, ADC gained control of 12,000 acres of land in the Mana plains area of Kekaha, followed in 2009 with the transfer of the Kokee Ditch System, the Kekaha Ditch System, two pump stations, two hydro-electric power plants, and an irrigation/drainage ditch system.

Development and Maintenance of Physical Agriculture Infrastructure Overview

FY 2020 saw the construction and completion of two reservoirs (3 MG & 10 MG) on Galbraith Estate lands near Wahiawa. These two reservoirs will provide water to ADC tenants on these lands.

Property Management Activities

Much of ADC's efforts focus on property management – the processes and labor required to manage the life cycle of all acquired property including acquisition, control, accountability, responsibility, restoration, maintenance, utilization, and disposition. Property management encompasses both individual properties and the infrastructure that ties the region together. Adding to this complexity is the requirement that ADC farmers submit an approved conservation plan and meet current food safety and good agriculture practices criteria. January 2020 saw the successful onboarding of ADC's new Property Manager who will have primary responsibilities for these concerns.

Oahu Lands Highlights

FY2020 Accomplishments

Galbraith Area

1. Farmer selection continued with the last of the available small farmer parcels awarded to a number of applicants.

2. In conjunction with the Honolulu Police Department (HPD) and the State of Hawaii, Department of Public Safety, conducted a sweep of a 236-acre parcel resulting in eleven trespass warnings, three arrests, and the removal of 150 vehicles.

3. Began construction of two new reservoirs estimated to be completed in Fall, 2020, with a holding capacity of 13 million gallons.

4. Staff continue to push tenants to embrace GAP certification as FSMA rules come into force.

Whitmore Area

1. Established ADC satellite office in Whitmore to facilitate timely responses to community concerns and to work more closely with local tenants.
2. Staff worked with HPD and local human service groups to address illegal trespassing and encampments on ADC lands in Whitmore.
3. Contracted local security service to provide roving patrols to monitor sensitive areas in Whitmore.
4. Removed abandoned vehicles in the area via contracted towing company.

Kauai Lands Highlights

FY2020 Accomplishments

Kalepa Area

1. Weed control operations were conducted three times, including repair of potholes, for the more than six-mile Common Element Road.

2. Fallen trees were cleared following major storm and flooding which blocked Christian Crossing bridge.

3. CIP funds were appropriated for repair of Christian Crossing bridge, which provides the only alternate emergency route to the North Shore in the event the Mayor Bryan Baptiste Memorial Bridge becomes impassable.

Kekaha Area

ADC settled the 2016 Clean Water Act lawsuit filed by EarthJustice. Under the terms of the settlement, ADC is currently implementing extensive water quality testing to identify the sources and levels of pollutants in the drainage canals and irrigation ditches in the area, and continues to utilize best management practices to reduce storm water runoff. ADC also submitted an application for a National Pollutant Discharge Elimination System permit and is awaiting approval of the permit from the State Department of Health.

1. Completed installation of security system with new high power PTZ camera on Waiaka Ridge and improved Internet connections.
2. Restored water to mauka fields after June fire.
3. Reached agreement with all Waimea Watershed Agreement stakeholders regarding acceptable testing method to ensure that the Waiahulu and Koaie stream IIFSs are met at all times by reconfiguring existing infrastructure.
4. Installed meters to measure Kokee Ditch flows.
5. Installed remote controlled gate at Mauka Hydro to control Kekaha Ditch flows to meet IIFS's.
6. Installed real-time monitoring of Hukipo gauge to help meet IIFSs.
7. Completed engineering for pressurized system from Reservoir 130 to Reservoir 117. Project on hold pending COVID-related funding issues.
8. IAL application initiated.
9. Waimea Valley Crossings repaired using in-house personnel.

Waiahole Water System

The Waiahole Water System ("WWS") provides a constant and stable source of irrigation water to approximately 5,866 acres of land in central and leeward Oahu. The system produces 22 to 29 million gallons per day (mgd). On average, about 5 to 7 mgd is diverted for use to system customers. The remaining water is discharged into various windward streams including Kahana, Waikane, Waianu and Waiahole streams.

The WWS is a key component in ADC's Central Oahu Water Security Plan, which seeks to improve the efficiency of the WWS. Improvements will not only ensure the production of crops but will also address some of the goals of the Hawaii Fresh Water Initiative in their 2016-2018 Blueprint for Action, Water Security for an Uncertain Future.

Grant-In-Aid Projects

Waimea Nui Community Development Corporation

Administered an HRS 42F grant-in-aid for $800,000, pursuant to Act 49, SLH 2017 to develop water infrastructure for the Waimea Nui Community Agricultural Park, District of Kohala. The project continues to be administered.

Challenges Ahead

The economic realities of COVID-19 have dramatically affected the State budget; ADC was not spared. Current budget models anticipate reduced appropriations for the next four years. Anticipated staff furloughs and a state-wide hiring freeze will make it difficult to retain current staff, fill anticipated positions due to retirement, and hire new staff, all while ADC's land and asset portfolio is expanding. Land and asset acquisitions currently in process face an uncertain future due to new budget restrictions. Further, planning, development, build-out and improvements of such initiatives as the Whitmore Food Hub risk being indefinitely deferred due to lack of funding opportunities.

Lastly, the ADC's properties on Kauai have endured a number of extreme flooding events over the past two years; the realities of climate change suggest that these events may become more frequent and more severe in the future.

Appendix I

Land Purchase Summary

FY2020

ADC Land Purchase Breakdown

Seller	TMK	Acreage	Closing
Trustee of the George Galbraith Estate	Various	1,250	2012
Castle & Cooke, Inc.	1-7-1-002-009	24	2013
Tamura Enterprises, Inc.	1-7-4-012-016	2	2014
Dole Food Company, Inc.	1-7-1-002-004 1-7-1-002-023	257	2015
W.H. Shipman, Ltd.	3-6-151-002	2	2015
Dole Food Company, Inc.	1-6-5-002-001	73	2016
Dole Food Company, Inc.	1-7-1-002-006 1-7-1-002-034	197	2016
Castle & Cooke, Inc.	1-7-1-002-032	205	2016
Dole Food Company, Inc.	1-6-4-003-016 1-6-5-001-046	386	2017
Castle & Cooke, Inc.	1-9-5-003-007	92	2017
Dole Food Company, Inc.	1-6-5-002-011	215	2017
Dole Food Company, Inc.	1-6-4-004-008 1-6-4-004-006	234	2017
Dole Food Company, Inc.	1-6-5-005-002	434	2017

Appendix II

Leasing Summary

FY2020

	Pasture	Diversified Crops	Other	Non-Tillable	Total Occupied	Total Available	% Occupied
Galbraith		917		28	945	1,250	76%
Kalaeloa			4		4	4	100%
Kalepa	2,702	432	1,415	1,365	5,914	6,200	95%
Kekaha	1	3,267	117	952	4,337	6,000	72%
Mokuleia		18			18	18	100%
Paalaa	16	424			440	450	98%
Waialua 73			35		35	73	48%
Whitmore 24		4			4	24	17%
Whitmore 257		18	30		48	257	19%
Total (acres)	**2,719**	**5,080**	**1,601**	**2,345**	**11,745**	**14,276**	**82%**