State of Hawaii Department of Agriculture and Biosecurity Agricultural Loan Division

July 22, 2025

Board of Agriculture and Biosecurity Honolulu, Hawaii

SUBJECT:

Loan Presentation

APPLICANT:

Co-Borrowers

ZBAR RANCH, LLC

P.O. Box 1685

Kamuela, HI 96743

and

Barney James Schutte

P.O. Box 1685

Kamuela, HI 96743

CLASSIFICATION & ELIGIBILITY:

ZBAR Ranch, LLC and Barney James Schutte meet the eligibility requirements of Chapter 155, Hawaii Revised Statutes as a "Qualified Farmer". ZBAR Ranch, LLC (ZBAR) is a Hawaii LLC and registered with the Department of Commerce and Consumer Affairs on May 18, 2006. It operates as a single member LLC with Barney J. Schutte as the sole member. Mr. Schutte is a life-long Hawaii resident

and is also known as Zanga Schutte.

COMMODITY:

Cow/Calf operation

CREDIT HISTORY:

SEE EXHIBIT A (CONFIDENTIAL)

OTHER STATE AGRICULTURAL LOANS:

Z Bar presently has a 10-year Emergency Loan with a balance of \$60,733.11 with a maturity date of 8/15/2030. They plan to pay this note off at closing with funds from a participating loan from Hawaiian Lending and Investments.

LOAN REQUEST & PURPOSE:

Amount Class C DAB Loan – Operating Loan

\$250,000 Refinance and buyout of leasehold interest

Total Request

Projected Funding Breakdown and Use

\$500,000.00 2 DHHL Leasehold Purchases \$60,733.11 Present DAB EM Class D Loan

\$560,733.11 Total Project Cost

The requested loan will enable the applicants to purchase the 630 ac. DHHL leases from family members which Z Bar has been previously leasing and grazing. These properties were under their father's original DHHL pasture lease and the buyout will further consolidate the ranch for the next generations to operate the ranch. DAB will be participating with Hawaiian Lending and Investments who will provide \$310,000 (30 years at 6.75% secured by DHHL) to provide an additional \$250,000 for the purchase of the 2 DHHL leaseholds and complete the refinance of the DAB Emergency loan. Hawaiian Lending and Investments is a nonprofit, US Treasury certified Community Development Financial Institution (CDFI) founded by the Sovereign Council of Hawaiian Homestead Associations.

SOURCES OF FUNDS:

Amount Sources

\$250,000.00 DAB Loan Class C

\$310,000.00 Hawaiian Lending and Investments Loan

\$ 733.11 Z Bar Cash

\$560,733.11 Total

TERMS:

Class C - Direct Farm Operating Loan

Amount: \$250,000

Term: Ten (10) Years

Interest rate: 4% per annum, fixed.

Repayment: Semi-Annual principal & interest payments of

\$14,562 until maturity.

SECURITY:

The Class C will be secured as follows:

First lien blanket financing statement on unsecured vehicles, trailers, and equipment appraised by DAB and valued at \$490,200.00. Two personally owned vehicles, by Barney Schutte, that have a prior lien, have been excluded. Includes Kubota tractor with loader, excavator, truck, trailers, ATVs, mowers, welders, container, and compressor. UCC will be acquired on said equipment.

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

Loan to Value Ratio: $\frac{$250,000 \text{ (Requested DAB Loan amount)}}{$250,000 \text{ (Requested DAB Loan amount)}} = 62.50\%$

\$490,200 Equipment Value

The LTV ratio of 62.50% meets the program's statutory requirements for Class C Loans and the loan will be fully secured with the equipment . An appraisal was conducted by staff for a more accurate market value. Equipment is unsecured with no prior liens in place as per credit reports.

FINANCIAL CONDITION:

SEE EXHIBIT A (CONFIDENTIAL)

REPAYMENT

ABILITY: SEE EXHIBIT A (CONFIDENTIAL)

INSURANCE:

Liability Insurance required on all licensed vehicles.

BACKGROUND/ MANAGEMENT ABILITY:

Zanga Schutte grew up on homestead land on the Big Island after his family moved from Oahu in 1965. He grew up ranching cattle with his father Spencer Kalani Schutte. In 1986, he began work as a range manager for Hale Kea Farms. In the 2000s he left Hale Kea Farms to start ranching full-time as Z BAR. He initially purchased 100 head of cattle as seed stock from Colorado and has grown the herd to 600 mother cows with a 92% calving rate with a bi-annual calving cycle of 280 calves per cycle. The ranch has leased 2,200 acres of pasture lands spread throughout Kamuela. The ranch land consists of 8 Department of Hawaiian Home Lands (DHHL) parcels and a lease from Ringneck Ranch. The 8 DHHL parcels are under Third Party Planting/Grazing Agreements, all of which have been approved by DHHL.

The ranch employs two workers not including Mr. Schutte and takes a holistic approach to cattle ranching. This includes good stewardship and management of the land to ensure well maintained pastures and making sure there is easy access to adequate feed and water for the herd. Mr. Schutte maintains a stocking rate of over 3.5 acres per AUM with NRCS reporting a stocking rate less than 3 acres per AUM for this area. He also purchases feed when needed, pregnancy checks, maintains a strong vaccination program, and has a low cull rate of 7.5%. The ranch's herd is source identified, GAP certified, and are hormone and antibiotic free. The ranch is audited for GAP on an annual basis to check the condition of the herd as part of the certification. In addition, there are other provisions including records maintained on treatments, corralling and transportation. The certification allows his meat to be marketed to stores such as Whole Foods and sell for a premium on the hoof or rail.

Mr. Schutte sells his weaners to Hawaii Meats and works with them as a broker for the local area as well. The ultimate goal is to allow cattle ranchers to be less price takers and receive higher prices. He has used his own funds to build a scale and receiving coral that allows ranchers to accurately know the live weight of the cattle being sold. The ranchers are paid a set price based on the live weight of the cattle.

SUMMARY:

Zanga Schutte is an experienced rancher who provides quality grass-fed beef to Hawaii consumers. This is a multigenerational Hawaiian Homestead family ranch with the next generation wanting to return to the land. The ranch operates in a humane and sustainable manner. The field visit to the ranch confirmed that the pastures are well managed and that the animals are in good condition, healthy and have a gentle temperament.

The DAB loan will be well secured with the equipment and will have sufficient historical cash flow to service the proposed debt. The loan is supported by the overall strength of the LLC and Zanga Shutte personally.

TURNDOWNS:

First Hawaiian Bank declined the subject's loan request due to it being outside the scope of FHB lending parameters.

RECOMMENDATIONS: Approval of this request is recommended based on Mr. Schutte's ranching experience, the historical and projected financial performance of the ranch, collateral offered, and good credit rating.

Date

Recommended by:

7/9/2025

Ag Loan Administrator

Date

Approved for submission:

Chairperson, Board of Agriculture and Biosecurity

State of Hawaii Department of Agriculture and Biosecurity Agricultural Loan Division

July 22, 2025

Board of Agriculture and Biosecurity Honolulu, Hawaii

SUBJECT:

Loan Presentation

APPLICANT:

Michelle Valentin 1145 Nanihoku Place Haiku, HI 96708

CLASSIFICATION

& FLICIPILITY

<u>& ELIGIBILITY:</u> Michelle Valentin meets the eligibility requirements of

Chapter 155, Hawaii Revised Statutes as a "Qualified Farmer" and meets the general eligibility requirements under HRS 155-10. Michelle Valentin is well established in the Maui community and has been farming since 2017.

COMMODITY:

Herbs, Tomato, and Moringa

CREDIT HISTORY:

SEE EXHIBIT A (CONFIDENTIAL)

OTHER STATE AGRICULTURAL

LOANS:

None

LOAN REQUEST & PURPOSE:

| Amount | Class A DAB Loan |
|---------------|----------------------|
| \$304,000 | Land Improvements |
| \$160,000 | Debt Refinance |
| \$464,000 | Total Request |

Projected Funding Breakdown and Use

| \$189,000.00 | Construct | Crop P | rocessing | & | Value-added | Kitchen |
|--------------|-----------|--------|-----------|---|-------------|---------|
|--------------|-----------|--------|-----------|---|-------------|---------|

\$107,000.00 Farm & Kitchen Water System

\$8,000.00 Sight Preparation

\$160,000.00 Refinance Value-added Infrastructure

\$464,000.00 Total Project Cost

The requested loan will enable the applicant to construct the presently purchased Quonset building and complete the value-added kitchen. The loan will also allow her to complete the farm water system for the crops and kitchen as well as consolidate the farms development debt. The value-added kitchen will allow Michelle to process her farm spreads, hummuses, and pono pies in a single owned kitchen and eliminate the present leased kitchen space while expanding their crop production on this 7-acre parcel.

SOURCES OF FUNDS:

Amount Sources

\$464,000.00 DAB Loan Class A

TERMS:

Class A - Direct Farm Ownership and Improvement Loan

Amount: \$464,000

Term: Thirty-five (35) Years

Interest rate: 4% per annum, fixed.

Repayment: Monthly principal & interest payments of \$2055

until maturity.

SECURITY:

The Class A loan will be secured as follows:

Second position mortgage on a 7.807-acre farm parcel identified by Tax Map Key (TMK) 2-7-008-038-0001. The property is owned by Michelle Valentin with no present structures. The 2-year-old appraised value is \$1,250,000 with a new appraisal presently contracted. First mortgage is held by the Farm Service Agency with a \$541,041 principle balance.

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

Loan to Value Ratio: $FSA 1st $541,041 + DAB 2^{nd} $464,000 = 80.4\%$ \$1,250,000 Appraised Value

The LTV ratio of 80.4% meets the program's statutory requirements for Class A Loans and the loan will be fully secured with the real estate (TMK 2-7-008-038-001). No other liens were on the property as per the lien search conducted by DAB. A closing condition will be placed on the loan that the new appraised value of the property will exceed \$1,182,402 in order to meet DAB Class A statutory requirement of 85%.

FINANCIAL CONDITION:

SEE EXHIBIT A (CONFIDENTIAL)

REPAYMENT ABILITY:

SEE EXHIBIT A (CONFIDENTIAL)

INSURANCE:

Property and Improvements Insurance required while and after the structure is being constructed.

BACKGROUND/ MANAGEMENT ABILITY:

Michelle Valentin moved to Maui, Hawaii in 2012. Michelle has a Bachelor of Science degree in food science and started her Maui Raw spread business, made with local Macadamia nuts, in 2014. In 2015 she added a small kitchen at her home to process the spreads. She began farming in 2017 at her home in raised beds with a selection of herbs that were utilized in the value-added spread. In 2020 Michelle decided to expand her farming and value-added operation and purchased the present 7.807 acres in Haiku. She utilized the Farm Service Agency to purchase the property and to buy a fabricated Quonset structure. Her intent was to relocate her kitchen, expand her production, and meet GAP requirements for the farm.

Over the past 4 years Michelle has consistently expanded her herb production and is now making a shift into tomato production. She experimented on the farm in small plots and experienced a high yield with a new look at value-added products. Approximately 2 acres of the farm is in a valley and she has introduced moringa, citrus, and avocado. During this period of time, Michelle utilized her personal credit cards to finance the expansion of the farm as she prepared for the construction of the Quonset hut and increased sales.

In 2024 another value-added opportunity came with the acquisition of Pono Pies. This company makes a desert and a humus from bread fruit and utilizes many of the farm ingredients that she grows. She became a part-owner and was in charge of the kitchen that produced the pies. This operation inspired her to change her cropping direction since the humus and the spreads utilize a large volume of the tomatoes. This operation is also located off sight and will be moving its production over to the farm after construction which will reduce costs and improve quality.

For the past ten years Michelle has been focusing on growing her farming operation. She has been utilizing her knowledge to create a market for her crops with value-added foods. She continues to grow the business and sees the opportunity to expand production with the completion of her on-sight kitchen.

SUMMARY:

Michell is an experienced business woman who has developed and maintained strong market relationships with a variety of value-added products utilizing the crops she raises on her farm. She is financially secure and is a highly respective member of the Maui Ag. Community for her accomplishments. This next step in her farm's development will allow her to centralize her operations and expand her home-grown food production. This structure will also provide additional needed infrastructure for Maui since she plans on allowing other farmers to utilize the kitchen and GAP approved crop preparation facilities.

The DAB loan will be well secured with the real estate and will have sufficient historical cash flow to service the proposed debt. The loan is supported by the overall strength of the farm, value-added products, and Michelle Valentin personally.

TURNDOWNS:

Hawaiian National Bank declined the subject's loan request due to it being outside the scope of FHB lending parameters.

RECOMMENDATIONS:

Approval of this request is recommended based on Michelle Valentin's business and farming experience, the historical and projected financial performance, collateral offered, and credit rating.

Loan disbursement subject to receipt of real estate appraisal by a certified appraiser verifying a minimum 85% loan to value.

Date

Recommended by:

7-9-2025

Richard A. Nichols Ag Loan Administrator

Date

Approved for submission:

On my malsul

7/9/25

Sharon Hurd

Chairperson, Board of Agriculture and Biosecurity

State of Hawaii Department of Agriculture and Biosecurity Agricultural Loan Division

July 22, 2025

Board of Agriculture & Biosecurity Honolulu, Hawaii

SUBJECT: Loan Presentation

APPLICANT: Minerva Ilagan

Gloria Ilagan

Diana Ilagan Clifford

P.O. Box 624

Captain Cook, HI 96704

CLASSIFICATION

& ELIGIBILITY: The applicants meets the qualifications under Hawaii

Revised Statutes (HRS) Chapter 155-1, as Qualified

Farmers and meet the general eligibility requirements under HRS 155-10. Ms. Ilagan has been farming since the 1970s

and raised her daughters on the farm.

COMMODITY: Coffee, Bananas, Avocados, Mangos, Mac Nuts

CREDIT HISTORY: SEE EXHIBIT A (CONFIDENTIAL)

OTHER STATE AGRICULTURAL

LOANS: None

LOAN REQUEST & PURPOSE:

<u>Amount</u> <u>Class A</u>

\$150,000 Farm Improvement **Total Request**

The Farm Improvement loan will upgrade the cesspool to a septic system to meet the requirement as set forth by KSBE. The remaining funds will be used to repair the farm roadway, make necessary repairs to the roof and electrical for the residence and repair coffee infrastructure.

TERMS:

Class A - Direct Farm Ownership Loan

Amount: \$150,000

Term: Sixteen (16) Years Interest rate: 4% per annum, fixed.

Repayment: Monthly principal & interest payments of

\$1,060 until maturity.

SECURITY:

The Class A will be secured as a first position leasehold mortgage on the 8.6-acre farm parcel located at 83-5447 Middle Keei Road in Captain Cook identified as Tax Map Key (TMK) (3) 8-3-008-025. The lease has a remaining term of 18 years expiring on March 18th, 2043. The buildings on the property include two hoshidanas, the farmhouse, and processing area are all listed as salvaged dwellings built in 1930s. They make up a total of 2,000 square feet of space. There is also a carport that is about 800 square feet constructed in 1989. The dwellings are used by the farm laborers who help on the farm in exchange for rent. The cesspool to be replaced is downslope of the hoshidana which is to be replaced with a community septic system to remain in compliance with regulatory standards. The county tax accessor has a 2025 Total Market Value of \$468,300 based on the fee value. An appraisal for the leasehold property was ordered for a more accurate value for the leasehold interest and the loan will be conditional upon the appraised value being greater than \$176,741 or

85% loan to value to remain within the statutory requirements.

GUARANTORS: None.

FINANCIAL
CONDITION: SEE EXHIBIT A (CONFIDENTIAL)

REPAYMENT
ABILITY: SEE EXHIBIT A (CONFIDENTIAL)

INSURANCE: Liability Insurance

BACKGROUND/ MANAGEMENT ABILITY:

Minerva Ilagan was born in the Philippines moving to Hawaii as a college graduate. She and her late husband, began farming in South Kona in the 1976, raising their family on the macadamia and coffee orchards. To this day, it remains a family affair with her daughters Gloria Ilagan & Diana Clifford being large contributors to the farm operation. The entire farming operation consists of three different parcels planted mostly in macadamia trees and coffee.

Over the last two years, they have been removing the macadamia trees as the market has become unreliable. They have been excavating and chipping the trees to replant with coffee. There are approximately 2.5-acres of young coffee trees planted, 2-acres of established coffee trees, .5-acre of bananas, and various other fruit trees on the property such as keitt mango, avocado, ulu, and bilimbi. The remaining 2-acres at the bottom of the property is mostly excavated and ready for more coffee trees.

They raise their own nursery stock and have over 1,000 starter coffee trees in their nursery area. There are also squash vines and tomatoes that are used for subsistence

along with a chicken coop built on the framing of one of two hoshidanas that were previously used for drying coffee.

The farm sells coffee cherry to a local miller. Other revenue is from smaller sales of macadamia, avocados, mangos, and bananas. They regularly apply fertilizer and use organic pesticides to treat the coffee berry borer and coffee leaf rust.

SUMMARY:

The applicants are hardworking and experienced farmers. They are adaptable and maintain long-term market relationships, allowing them to meet changing demands. Ms. Ilagan has the support of her children who have years of experience in farming and who help with financial support. The proposed septic system allows Ms. Ilagan to continue that legacy of good stewardship and brings the operation into compliance with KSBE's requirements. The loan funds will also make needed improvements to farm infrastructure.

The farm was in good condition with an established coffee orchard and the newly planted coffee rows are becoming established. Their management and farming ability, historical farm performance and projected cash flow provide sufficient support for the loan.

TURNDOWNS:

American AgCredit declined the subject's loan request for insufficient collateral due to inability to mortgage a leasehold property.

RECOMMENDATIONS:

Approval of this loan is recommended based on the applicants' proven farming experience, strength of collateral, historical performance, and projections.

Conditional to consent of mortgage from KSBE and receipt of a leasehold appraisal by a state certified appraiser which demonstrates a minimum loan to value ratio of 85%.

Date Recommended by:

7-15-2625 Multiply H forJillian C. Scheibe

Agricultural Loan Officer V

Date Reviewed and concurred by:

7-15-2025 <u>Yached A</u> Richard A. Nichols

Agricultural Loan Administrator

Date Approved for submission:

7-15-2020

Sharon Hurd

Chairperson, Board of Agriculture & Biosecurity

State of Hawaii Department of Agriculture and Biosecurity Agricultural Loan Division

July 22, 2025

Board of Agriculture & Biosecurity Honolulu, Hawaii

Subject:

Loan Presentation

APPLICANT:

Robert David Butlar Lori Ann Butlar P.O. Box 884

Honaunau, HI 96726

CLASSIFICATION& ELIGIBILITY

The applicants meet the qualification requirements under Hawaii Revised Statutes(HRS) Chapter 155-1, as a Qualified Farmers and meets the general eligibility outlined in HRS 155-10. Robert Butlar has been farming full-time in Kona for 19 years as a sole proprietor d.b.a. as Mongoose Mountain Farm. His spouse, Lori Butlar assists on the farm. The Butlars have been Hawaii residents since 2006.

COMMODITY:

Coffee, Macadamia, and Cacao

CREDIT HISTORY:

SEE EXHIBIT A (CONFIDENTIAL)

OTHER STATE
AGRICULTURAL
LOANS:

<u>Loan No</u> <u>Approved</u> <u>Amount</u> <u>Cur. Bal.</u> <u>Status</u> DA-6427 5/29/2018 \$171,000 \$133,655 Current

DD-6477 8/12/2020 \$ 94,000 \$ 57,607 Current

The State Agricultural Loan Division's (SALD) loans were to refinance their farm's mortgage on a 11.8-acre Kamehameha School/Bishop Estate leasehold property TMK (3) 8-4-014-002 with a lease that expires 3/31/2053 and an emergency loan during the COVID-19 pandemic for operating costs.

LOAN REQUEST & PURPOSE:

Amount

Class C

\$120,000

Debt Consolidation

This loan request will enable the applicant to refinance high interest debt at a lower interest rate. The proposed loan will alleviate cash constriction by significantly reducing their payments and immediately improving cash flow and liquidity.

TERMS:

Class C- Direct Farm Operating Loan

Amount:

\$120,000

Term:

10 years

Interest rate: 4% per annum, fixed

Repayment:

Monthly principal and interest payments of \$1,215

until maturity.

SECURITY:

The Class-C will be secured with a junior financing statement and security agreement on all crops, accounts, inventory, farm equipment, tools, and coffee equipment.

Shown below is the loan – to-value (LTV) ratio for the proposed loan:

Loan to value Ratio

\$57,605(SALD Emer. loan) + \$120,000(SALD proposed) = 74%\$240,000 (Appraised value)

The senior position on the chattel is held by the state. The chattel used for security includes coffee processing and roasting equipment, implements, tractor, dump truck, work trucks, and implements. The LTV ratio of 74% sufficiently secures the Class C operating loan.

GUARANTORS:

None

FINANCIAL CONDITION:

SEE EXHIBIT A (CONFIDENTIAL)

REPAYMENT ABILITY:

SEE EXHIBIT A (CONFIDENTIAL)

INSURANCE:

Liability

BACKGROUND/ MANAGEMENT ABILITY:

The Butlars purchased the farm in 2006 and quickly got to work bringing it back into production. The south Kona farm was overgrown, and the coffee and macadamia orchards had not been maintained. Their first few seasons they sold coffee cherry to local millers. Mr. Butlar began processing, roasting, and marketing his coffee to earn a higher margin. The farm has approximately 4-acres of productive coffee, with a total of 8-acres planted including driveways and processing buildings. The care and marketing of the 2.5-acre macadamia orchard is under his son. A few cacao trees are intercropped in the coffee and are only now maturing into fruiting plants.

The coffee business is a family affair with the farm supporting not only him and his wife, but his son, Will, and daughter-in-law as well. Will works alongside his father in the coffee fields and has been learning to roast. The coffee business is vertically integrated with the facilities to pulp, dry, hull, store, and roast on the farm. They market under their label Mongoose Mountain Farm. They sell their coffee as whole bean, ground coffee, single serving pour-over, and K-cups.

When coffee leaf rust hit south Kona, Mr. Butlar saw a drop in his production. He hired an agronomist consultant who had done several tissue and soil testing and recommended strategies that did not yield the expected results. Mr. Butlar has since returned to what had worked including increasing fertilization and mechanical management.

SUMMARY:

Mr. Butlar has years of experience in the coffee farming and business and continues to pursue ways to increase his revenue. His son is learning and taking on more responsibility allowing Mr. and Mrs. Butlar to focus on improving the business model.

The property is in good condition and regular improvements should further increase productivity. Field visits over the years have noted a strong track record of well-maintained equipment and attention to crops. The replanted coffee will begin production soon as well, which will further bolster their yield.

The loan will be adequately secured by the farm equipment. The farm has demonstrated repayment ability. The proposed SALD Loan will allow the farm to refinance high interest debt and improve cash flow.

TURNDOWNS:

Was unable to obtain full credit from outside sources including his

own bank.

RECOMMENDATIONS:

Approval of this request is recommended based on Mr. Butlar's farming experience, the historical performance of the farm, and the collateral offered.

Date

Recommended by:

7/9/25

Jirlian C. Scheibe

Agricultural Loan Officer V

Date

Reviewed and concurred by:

7-9-2025

Richard A. Nichols

Agricultural Loan Administrator

Date

Approved for submission:

7/9/25

Sharon Hurd

Chairperson, Board of Agriculture

STATE OF HAWA!'I DEPARTMENT OF AGRICULTURE AND BIOSECURITY AGRICULTURAL LOAN DIVISION HONOLULU, HAWAII

July 22, 2025

Board of Agriculture and Biosecurity (DAB) Honolulu, Hawai'i

Subject:

REQUEST FOR:

- (1) PRELIMNARY APPROVAL OF THE PURPOSEED AMENDMENTS
 AND COMPILATIONS FOR HAWAI'I ADMINISTRATIVE RULES,
 CHAPTER 4-8, ENTITLED "AGRICULRUTAL LOAN DIVISION RULES,"
 AND:
- (2) AUTORIZATION FOR THE CHAIRPERSON TO SCHEDULE PUBLIC HEARINGS AND APPOINT ONE OR MORE HEARING OFFICERS IN CONNECTION WITH AGRICULTURAL LOAN DIVISION RULES CHANGES TO SATISFY ACT 069 SIGNED BY THE GOVORNER ON MAY 19, 2025, CHAPTER 4-8, HAWAI'I ADMINISTRATIVE RULES ("HAR").

I. Background:

The Hawaii Department of Agriculture and Biosecurity (DAB), Agricultural Loan Division (SALD) is proposing to amend Chapter 4-8, Hawaii Administrative Rules ("HAR"), Agricultural Loan Division Rules.

Chapter 4-8 title is amended and compiled to address challenges and barriers that agricultural producers face in accessing capital necessary to cover the rising land and water costs, labor shortages and infrastructure needs for farmers, ranchers, and to expand their current operations. The Act 069, Session Laws 2025, provides for the department to modify the state agricultural loan program rules to ensure equitable access to capital for farmers of all scales, with a focus on enabling sustainable, community-based and diversified production by small and mid-sized farms is essential to further Hawai'i's food security, economic resilience and self-sufficiency. Most of the participants would meet the statutory definition of small businesses.

II. Summary:

The creation and management of the SALD program codifies into rules for ancillary and other related activities that support agriculture and allowable by DAB. Agricultural Loan

Division Rules allows flexibility to provide resources in the promotion of agricultural diversification, production, and self-sufficiently by supporting all facets of the business of agriculture.

III. Recommendation:

That the Board of Agriculture:

- (1) Preliminary approve the proposed amendments and compilations of Chapter 4-8, HAR, entitled "Agricultural Loan Division Rules" and;
- (2) Authorize the Chairperson to schedule public hearings and appoint one or more hearings officers in connection with the proposed rules, Chapter 4-8, HAR, "Agricultural Loan Division Rules."

Respectfully submitted,

RICHARD A. NICHOLS

Agricultural Loan Administrator

Cilrel A Viehle

Agricultural Loan Division

Attachment - Exhibit "A"

APPROVED FOR SUBMISSION

SHARON HURD

Chairperson, Board of Agriculture and Biosecurity

Listed below is a summary of the specific proposed changes to:

Chapter 4-8

Hawaii Administrative Rules.

Chapter 4-8 title is amended to address challenges and barriers that agricultural producers face in accessing capital necessary to cover the rising land and water costs, labor shortages and infrastructure needs for farmers, ranchers, and to expand their current operations. The Act 069 (2025) provides for the department to modify the state agricultural loan program to ensure equitable access to capital for farmers of all scales, with a focus on enabling sustainable, community-based and diversified production by small and mid-sized farms is essential to further Hawai'i's food security, economic resilience and self-sufficiency. Most of the participants would meet the statutory definition of small businesses.

The following are the changes under Chapter 4-5 Hawaii Administrative Rules are to be considered:

- §4-8-1 "Definitions":
 - "Food hub" definition is added
 - "Import replacement loans" definition is added
 - "Line of credit" definition is added
- \$4-8-8 "Letters of decline" requirement is updated to one (1) credit denial from private lenders, members of farm credit systems, and the Farm Service Agency. No denials for certain new farmers
- \$4-8-12 "Interest rates" are updated to a flat rate of four (4) per cent for most qualified Classes and three (3) per cent for new farmers and others specified loan classes. Interest and conditions for emergency loans will be are determined by the Department of Agriculture board.
- §4-8-13 "Collateral" procedures are updated to change farmers home administration to Farm Service Agency.
- \$4-8-20 "Line of credit loans" has been added to provide agricultural producers with liquidity to cover working capital and operational needs with credit that can be secured by sufficient crops, livestock, facility assets and/or credit.
- §4-8-20 "Subchapter 3" is deleted since the North Kohala Loan and Grant Program is currently not a relevant program.

DEPARTMENT OF AGRICULTURE AND BIOSECURITY

Amendment and Compilation of Chapter 4-8
Hawaii Administrative Rules

July 22, 2025

1. Chapter 4-8, Hawaii Administrative Rules, entitled "Agricultural Loan Program Rules", is amended and compiled to read as follows:

"HAWAII ADMINISTRATIVE RULES

TITLE 4

DEPARTMENT OF AGRICULTURE AND BIOSECURITY

SUBTITLE 2

AGRICULTURAL LOAN DIVISION

CHAPTER 8

AGRICULTURAL LOAN PROGRAM RULES

Subchapter 1 Loan Applications

- \$4-8-1 Definitions
- §4-8-2 Administration of agricultural loan program
- §4-8-3 Qualified farmer applicants
- \$4-8-4 New farmer applicants
- §4-8-5 Sound credit risk
- §4-8-6 Application for loans
- §4-8-7 Filing fee
- §4-8-8 Letters of decline
- §4-8-9 Restrictions on loan purpose
- §4-8-10 Restrictions on participating loans
- §4-8-11 Repayment term of loan
- §4-8-12 Interest rates
- §4-8-13 Collateral
- §4-8-14 Equity contribution
- §4-8-15 Emergency loans
- §4-8-16 Scope of emergency loans

A4 O T

§4-8-17 Review, analysis, and recommendation

§4-8-18 Loan closing

§4-8-19 Disbursement

§4-8-20 Line of credit loans

Subchapter 2 Loan Servicing

§4-8-25 Administration

§4-8-26 Right to inspect

§4-8-27 Borrower responsibilities

§4-8-28 Assumption of indebtedness

§4-8-29 Waiver of payment and extension

§4-8-30 Subordination and partial release

§4-8-31 Application of payment

§4-8-32 Refinancing and consolidation

§4-8-33 Changes in participating loan

§4-8-34 Default

§4-8-35 Delinquent and problem loans

§4-8-36 Attorney general accounts

§4-8-37 Loans paid in full

Subchapter 3 North Kohala Loan and Grant Program Loan Servicing-Repealed

\$\$4-8-43 to \$\$4-8-48 Repealed

§4-8-43 Administration

§4-8-44 Right to inspect

§4-8-45 Borrower's responsibilities

§4-8-46 Repayment

§4-8-47 Waiver of payment and extension

§4-8-48 Refinancing

Subchapter 2 Applications

§4-8-1 Definitions. As used in this chapter:

"Board" means the board of agriculture of the department of agriculture.

"Chairperson" means the chairperson of the board of agriculture.

"Consolidation" means to reorganize the financing of two or more debts.

"Department" means the department of agriculture.

"Division" means the agricultural loan division of the department of agriculture.

"Division head" means the agricultural loan division head.

"Extension" means extending the time within which the installments of principal may be paid.

"Extra payment" means that portion of total prepayments made during the course of the loan through liquidation or sale of secured assets.

"Food hub" means a business or organization that actively manages the aggregation, distribution, and marketing agricultural products from local and regional producers' operations.

"Import replacement loans" means loans that provide credit for qualified farmers to participate with crop expansion programs initiated by the state on a large-scale basis with the specific intent to compete with or replace imported crops into the State.

"Line of credit" means a secured revolving loan with a preset credit limit for farm operational expenses and to improve farm operations.

"Loan officer" means the agricultural loan division officer.

"Refinancing" means to renew or reorganize the financing of a debt.

"Refund" means that portion of loan funds which was deposited into a supervised checking account and returned to the State.

"Workout" means a plan to solve a delinquent or problem loan. [Eff 1/31/85; comp 9/20/86; am and comp] (Auth: HRS §155-4) (Imp: HRS §155-4)

- §4-8-2 Administration of agricultural loan program. Responsibility for administration of the agricultural loan program shall be placed within the agricultural loan division. [Eff 1/31/85; comp 9/20/86; 9/20/86; comp] (Auth: HRS \$155-4) (Imp: HRS \$155-4)
- §4-8-3 Qualified farmer applicants. (a) Qualified farmer applicants shall have two or more years of experience in operating the applicant's own farm, of

which most of the time shall have been spent on farming or most of the income shall have been derived from farming.

- (b) The qualified farmer applicant's ability to repay the loan shall be based substantially on the operating results of the applicant's prior farming experience.
- (c) Qualified farmer applicants shall provide satisfactory proof of farming, including but not limited to, tax returns and general excise tax license.
- (d) Qualified farmer applicants shall authorize the department in writing to confirm the applicant's qualifications and any other information. [Eff 1/31/85; comp 9/20/86; comp] (Auth: HRS \$\$155-2, 155-4) (Imp: HRS \$155-1)
- §4-8-4 New farmer applicants. (a) When a new farmer applicant's qualifications are based on farming experience, the experience shall be relevant and contribute significantly towards the new farmer loan project.
- (b) New farmer applicants shall provide satisfactory proof of qualifications, including but not limited to, a diploma, college transcripts, and general excise tax license.
- (c) New farmer applicants shall authorize the department in writing to confirm the applicant's qualifications and any other information.
- (d) The new farmer applicant's equity contribution towards the cost of the project may be by means other than cash. Non-cash equity contribution shall be reasonably valued and contribute significantly towards the project requirement as determined by the division.
- (e) In accepting cash from loans as equity contribution, these loans shall be placed on standby, and repayment shall require the approval of the department. [Eff 1/31/85; [Eff 1/31/85; comp 9/20/86; comp] (Auth: HRS \$155-4) (Imp: HRS \$155-10)
- §4-8-5 Sound credit risk. To be eligible for a loan, the applicant shall be a sound credit risk with

the ability to repay the money borrowed, as determined by the department. The department's determination may be based on projections of income and expense with reasonable assumptions submitted by the applicant. Income from the applicant's farming activities shall be the sole criterion for the department's determination of the applicant's ability to repay the money borrowed. [Eff 1/31/85; comp 9/20/86; comp] (Auth: HRS §155-4) (Imp: HRS §155-10)

- §4-8-6 Application for loans. (a) The applicant for a loan shall file an application with the department at any of the following locations:
 - 1) Agricultural Loan Division State Department of Agriculture 1428 South King Street Honolulu, Hawaii 96814 P.O. Box 22159, Honolulu, Hawaii 96822
 - 2) Agricultural Loan Division Department of Agriculture P.O. Box 226 Captain Cook, Hawaii 96704
 - 3) Agricultural Loan Division State Department of Agriculture P.O. Box 700 Wailuku, Maui, Hawaii 96793
 - 4) Department of Agriculture P. O. Box 1671
 Lihue, Kauai, Hawaii 96766
- (b) The application shall be filed on forms prescribed and furnished by the division. The division requires a completed application for review. Financial statements prepared by an accountant in a format acceptable to the division may be provided as part of the application.

- (c) The division may require the applicant to provide supporting documentation for the information submitted in the application.
- (d) The division may require the applicant to provide written authorization to verify or otherwise secure relevant information from third parties such as other creditors of the applicant.
- (e) The application and any prepared financial statements shall be signed by the applicant or the applicant's authorized representative. [Eff 1/31/85; comp 9/20/86; comp] (Auth: HRS §155-4) (Imp: HRS §155-4)
- \$4-8-7 Filing fee. The department does not charge a filing fee for any application. However, the applicant shall pay for any actual expenses incurred, as provided in section 4-8-18. [Eff 1/31/85; comp 9/20/86; comp] (Auth: HRS \$155-4) (Imp: HRS \$155-4)
- §4-8-8 Letters of decline. [(a) The division requires that each direct loan application shall include letters of decline as follows:
 - (1) The applicant's bank of account (private
 lender);
 - (2) One other private lender;
 - (3) Federal Land Bank Association of Hawaii for classes "A" and "B" loans and for classes "D" and "F" loans where loans are primarily for class "A" purposes;
 - (4) Hawaii Production Credit Association for class "C" loans and for classes "D" and "F" loans where loans are primarily for class "C" purposes;
 - (5) Sacramento Bank for Cooperatives or their authorized representative for class "E" loans; and
 - (6) Farmers Home Administration of the United States Department of Agriculture.
- (a) Loans authorized by this chapter shall require one credit denial. This requirement shall be waived for new farmer loans for \$100,000 or less for

farm trainees and recent college graduates with a degree in agriculture. This requirement may also be waived by the board of agriculture for emergency loans. Credit denials may be accepted from any of the following:

- (1) Private lending institutions.
- (2) Members of the Farm Credit System; or
- (3) The United States Department of Agriculture.
- (b) [The division requires letters of decline for participating loans] To be considered for a participation loan, applicant must receive a credit denial from the participating private lender, Farm Credit System, [and] or from the [Farmers Home Administration] Farm Service Agency of the United States Department of Agriculture. If a substantial part of a proposed participating loan is to refinance a debt held by another private lender who also has a participating agreement with the State, a letter of decline will be required from that lender. [also.]
- (c) To facilitate processing of class "D" emergency loans, the division may accept a blanket letter of decline from a lender to cover a specific commodity group or area which the lender will not finance because of the lender's policy or where the financial situation will not warrant extension of credit by the lender. [Eff 1/31/85; comp 9/20/86; am and comp [Auth: HRS §155-4) (Imp: HRS §\$155-3, 155-6, 155-8)
- §4-8-9 Restrictions on loan purpose. (a) The applicant's reasons for requesting the loan shall be relevant to encouraging the growth, development, and well-being of agriculture in the State.
- (b) Loan funds for vehicle purchase may be provided by the department, but only for vehicles which are clearly suitable for agricultural purposes, such as trucks, pickup and panel trucks, jeeps and other multi-purpose vehicles. Loan funds for vehicle purchase shall not be provided for passenger cars.
- (c) Loan funds shall not be provided by the department if funds are to be used in any way for the production or keeping of:

- (1) Any animal that will be sold, kept, or used for fighting or baiting as defined and prohibited under section 711-1109, Hawaii Revised Statutes;
- (2) Any animal that will be sold, kept, or used as a pet, including but not limited to, a dog, cat, canary, parakeet, or any other animal life not used as work stock or for agricultural production; or
- (3) Any plants whose possession, use, or products are prohibited by law. [Eff 1/31/85; comp 9/20/86; comp

] (Auth: HRS \$155-4)

(Imp: HRS §\$155-2, 155-10, 155-12)

§4-8-10 Restrictions on participating loans.

- (a) Except where there is an unusual danger of natural catastrophe or economic hardship, the State's share of a loan in participation with a private lender shall not exceed seventy-five per cent of the principal amount of the loan made to a qualified farmer. The State's share of a participating loan may be the legal maximum of ninety per cent when the loan applicant operates in a danger area (such as the Punarift zone) or when the major portion of the borrower's income is from a commodity affected by prolonged or severe economic difficulties such as depressed prices, disease, weather, or other circumstances of fairly wide impact on the commodity group. Ninety per cent participation shall be for class "C" and "D" loans only, since it is not the intent of the department to encourage permanent expansion in danger areas or uneconomic commodity groups.
- (b) Out of the interest collected, the department shall pay the participating private lender a service fee as follows:

Private Lender's Share of Loan Allowable Service Fee 29% or less participation 1/2 of 1% on the State's unpaid principal balance.

30% to 39% participation

3/4 of 1% on the State's unpaid Principal balance.

40% or more participation

1% on the State's unpaid principal balance.

(c) Where all or any portion of a participating loan is to be used to refinance existing loans from participating lenders, the State's share of the amount to be refinanced shall not exceed fifty per cent. In a situation where it is in the best interest of the state as determined by the department, the chairperson may waive this restriction. [Eff 1/31/85; comp 9/20/86; comp] (Auth: HRS \$155-4) (Imp: HRS \$\$155-4, \$155-6)

§4-8-11 Repayment term of loan. The department shall determine the repayment term of the loan based on factors such as the loan's purpose, the useful life of the items being financed, the applicant's repayment ability, and the financial condition of the applicant. [Eff 1/31/85; comp 9/20/86; comp]

(Auth: §HRS 155-4) (Imp: HRS §155-13)

- \$4-8-13 Collateral. (a) Adequacy of collateral shall be determined by the department. For purposes of land purchase and improvements, the department shall require a real estate mortgage recordable at the bureau of conveyances or the land court of the State of Hawaii. A non-farm recordable real estate mortgage with adequate value may be substituted, at the department's discretion. Chattels, using a security agreement and a financing statement, shall be used as primary collateral for farm operating loans.
- (a) Where it is determined by the department that there is adequate collateral but questionable repayment history, limited life on security such as crops and livestock, or where the borrower has outstanding loan from several sources, a third or fourth mortgage may be taken as additional collateral to secure the loan. But in no event shall a third or fourth mortgage be the primary collateral.
- (b) The department may require an appraisal for real estate and improvements. Whenever practicable, an independent appraiser shall be utilized. The applicant shall be responsible for hiring an independent appraiser at the applicant's own expense, and the applicant shall pay for all costs incurred in the appraisal.
- (c) Appraisals made by bank, [farmers home administration] Farm Service Agency, and other mortgage lenders may be accepted.
- (d) Loan officers may appraise chattels, crops, and other assets.
- (e) In the event of a dispute, a second appraisal shall be required. [Eff 1/31/85; comp 9/20/86; am and comp] (Auth: HRS §155-
- 4) (Imp: HRS \$\$155-10, 155-11)
- §4-8-14 Equity contribution. (a) The department may require a reasonable cash contribution from an applicant to purchase equipment or other capital items or to complete the project. The department may modify the repayment term based on the amount of applicant's equity contribution.

- (b) Cash, real property, farm equipment, crops, and other assets which contribute significantly toward the project may be accepted as equity contribution. The division shall determine whether non-cash equity contribution contributes significantly toward the project. [Eff 1/31/85; comp 9/20/86; comp [(Auth: HRS \$155-4) (Imp: HRS \$\$155-10, 155-11)
- §4-8-15 Emergency loans. The board may implement an emergency loan program under the following circumstances:
 - (1) The emergency shall involve significant economic loss of an agricultural commodity or significant damage to agriculture in a county or an island;
 - (2) Loans are not available from any other agency of the state, federal, or county governments, and private lenders are unwilling to lend under emergency conditions; and
 - (3) The governor has proclaimed an emergency. [Eff 1/31/85; comp 9/20/86; comp] (Auth: HRS \$155-4) (Imp: HRS \$155-9)
- §4-8-16 Scope of emergency loans. (a) An emergency loan is intended to allow the applicant to continue farming at a level comparable to the applicant's activities immediately prior to losses from the emergency. Replacements for losses of facility and equipment must contribute significantly to farming and shall be reasonably similar to damaged or loss items.
 - (b) An emergency loan shall not be provided to:
 - (1) Establish an applicant in farming nor to expand substantially the operations of the applicant carried on immediately prior to the emergency;
 - (2) Enable an applicant to reorganize farm or ranching operations; or
 - (3) An applicant not affected by the emergency.
- (c) Since an emergency loan involves higher than normal credit risk, the loan shall be made only where a

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sound basis for credit exists and if there is reasonable assurance that the loan will be repaid in full. [Eff 1/31/85; comp 9/20/86; comp] (Auth: HRS §155-4) (Imp: HRS §\$155-4, 155-11, 155-12)

§4-8-17 Review, analysis, and recommendation.

- (a) The applicant shall be responsible for completing the application. Information shall be current with necessary supporting documents or exhibits. The loan officer shall inform the applicant of any deficiency. If the applicant fails to complete the application within a reasonable period of time, the incomplete application may be canceled by the department. The applicant may submit a new application with completed information.
- (b) Each application shall be subject to assessment of credit factors such as management ability, credit history, repayment ability, financial position, adequacy of security, and past performance. A loan recommended for approval by the loan officer may include approval conditions and shall be submitted to the division head for review.
- (c) The division head shall review each application for compliance with this chapter and chapter 155, Hawaii Revised Statutes.
- (d) A loan application recommended for approval by the division head shall be submitted to the chairperson for approval by the board only if there are funds available. Should it become necessary because of a scarcity of funds to restrict loan activities, the first priority shall be given to participating loans.
- (e) The board may approve or disapprove a submitted application and may modify or add to its approval conditions. The chairperson may approve or disapprove a submitted application and may modify or add to its approval conditions, where the requested amount plus any principal balance on existing loans to the applicant does not exceed [\$25,000] \$50,000 of State funds. [Eff 1/31/86; comp 9/20/86; am and comp] (Auth: HRS \$155-4) (Imp: HRS \$155-4)

§4-8-18 Loan closing. (a) The applicant whose loan has been approved shall be responsible for:

- (1) Providing necessary documents, such as assignment of insurance, and compliance with the loan approval conditions;
- (2) Providing the department with a preliminary report and a certificate of title, lien letter, or title insurance covering the real property being used as security showing lien position as approved by the board. A title company or escrow company shall be utilized, whenever applicable, and the applicant shall be responsible for the costs;
- (3) Hiring an attorney at the applicant's own expense to draft the real estate mortgage(in fee or leasehold) and other documents, as required. Mortgages shall be submitted to the department of the attorney general for review and approval as to form; and
- (4) Paying for the actual costs incurred in closing the loan, such as appraisals, lien searches, title searches, document preparation, and any work in connection with the loan that is outside the department's scope of activities.
- (b) Direct loans shall be closed by the division staff. The borrower shall execute documents before a notary public where required. Execution of other documents shall be acknowledged by the loan officer.
- (c) The applicable approval conditions of the loan shall be met to the satisfaction of the department. The borrower is responsible for compliance with the approval conditions.
- (d) The private lender shall be responsible for closing participating and insured loans. [Eff 1/31/85; comp 9/20/86; comp] (Auth: HRS \$155-4) (Imp: HRS \$155-4, 155-11, 155-12)
- §4-8-19 Disbursement of loan funds. (a) Loan funds shall be disbursed only after the lien

instruments have been recorded at the bureau $\left[\frac{\mathsf{on}}{\mathsf{o}}\right]$ of conveyances of the State of Hawaii.

- (b) The request for funds shall be initiated by the borrower and is subject to approval by the loan officer.
- (c) Disbursements shall be made according to approved loan purpose. The borrower may request single or multi-disbursements, subject to approval by the loan officer.
- (d) For multi-disbursements, loan funds shall be disbursed through a supervised account opened at a bank or a savings and loan institution. A deposit agreement shall be executed by the borrower, the financial institution, and the State.
- (e) When disbursement of loan funds involve single or only a few payments that are easily acknowledgeable such as for purchase of land or equipment, direct disbursement can be made to the escrow company or vendor. Acknowledgement shall be required.
- (f) Any change in the use of loan funds requires the prior written approval of the department.
- (g) The borrower shall provide the division with copies of invoices or statements prior to disbursements. [Eff 1/31/85; am and comp 9/20/86; and and comp 9/20/86; am and comp 9/20/86; and a
- S4-8-20 Line of credit loans. (a) Line of Credit Loans requires monthly interest only payments. Monthly interest only payments may be waived if it can be demonstrated to division satisfaction that funds are used to fund crops or livestock and repayment of the Line of Credit Loan will be made upon sale of said crop or livestock. Approval of such waiver may be made by the Board.
- (b) If the line of credit has been delinquent for 6 months, the department, at its sole discretion, may convert the line to an operating term loan.
- (c) The Division will conduct annual reviews of the line of credit borrowers which may include year-end financial statements, annual tax returns or

credit reports.

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(d) The borrower must request for drawings on the line of credit to the division on the prescribed forms and include the purpose or use of the funds being drawn. A check of the principal balance of the credit line to ensure no drawings are made in excess of the authorized limits. [Eff] (Auth: HRS \$155-4)

Subchapter 2 Loan Servicing

§4-8-25 Administration. (a) The division shall have the following powers:

- (1) To accept and process applications for all types of loan applications as provided in chapter 155, Hawaii Revised Statutes;
- (2) To disapprove loan applications in all cases where disapproval is based upon the applicant's inability to meet the requirements, purposes, and policies of the agricultural loan program;
- (3) To make personal risk investigations in connection with loan applications;
- (4) To close loans and disburse loan proceeds;
- (5) To collect amounts due on loans;
- (6) To have borrowers maintain insurance policies and coverage in sufficient amounts to protect the State's security interests in the loans;
- (7) To determine when to file claim against estates of deceased borrowers and to file proper claims;
- (8) To recommend for board action final determination as to foreclosure of direct loans and to determine the date of call in such cases; and
- (9) To invest idle funds in time certificates of deposit and other investments authorized by the department of budget and finance[+].
- (b) The chairperson shall have the following
 powers:
 - (1) To execute legal documents on the board's

- behalf after official policy-making determinations have been decided by the board;
- (2) To approve applications for release of personal liability;
- (3) To approve change in use of loan funds and installment dates, loan transfers, assignment of loans, loan workouts and assumptions, partial releases, and subordinations;
- (4) To approve sales of repossessed real estate and chattels, or offers of settlement, purchase of State-owned real estate, or purchase of crops, livestock and other chattels;
- (5) To waive and extend loan payments, except in unusual circumstances involving forbearance for specific commodity groups; and
- (6) To dispose of insurance proceeds for building, replacement, or repayment on loans, or by release to borrower if for loss of personal property. [Eff 1/31/85; comp 9/20/86; comp] (Auth: HRS \$155-4) (Imp: HRS \$\$155-4, 155-13, 155-14)
- §4-8-26 Right to inspect. The division or its authorized representative has the right to inspect, at reasonable hours, the mortgaged property, the farm, the security, crops, livestock, equipment, chattels, the books, and the records of the borrower in connection with the administration of the loan. [Eff 1/31/85; comp 9/20/86; comp] (Auth: HRS §155-4) (Imp: HRS §\$155-4, 155-12)

§4-8-27 Borrower's responsibilities. Each borrower or guarantor shall:

- (1) Submit to the division an annual financial statement during the life of the loan and interim statements and reports as may be requested by the division;
- (2) Comply with the term loan agreement, which may be amended from time to time with

- approval by the division;
- (3) Keep the division informed on any and all changes on security and other major changes in the operation;
- (4) Promptly provide information and documents to the division upon request; and
- (5) Repay loans made under the agricultural loan program in accordance with the terms of the promissory note. [Eff 1/31/85; comp 9/20/86; comp] Auth: HRS \$155-4) (Imp: HRS \$\$155-4, 155-12, 155-13)
- §4-8-28 Assumption of indebtedness. Assumption of indebtedness may be considered if the person which proposes to assume the indebtedness is eligible under section 155-10, Hawaii Revised Statutes. The maker of the note cannot be released on the assumption of the indebtedness by others. [Eff 1/31/85; comp 9/20/86; comp | (Auth: HRS §155-4) (Imp: HRS §\$155-4, 155-10, 155-11)
- \$4-8-29 Waiver of payment and extension. (a) When inability to meet a scheduled payment is caused by a natural catastrophe, depressed prices, or other external factors beyond the borrower's control, the borrower may request the department for a waiver of payment. In its discretion, the department may grant the waiver. A waiver is normally for a limited period of six months or less at which time the borrower's situation shall be reviewed by the division. The department shall not grant a waiver where reasonable assurance of repayment in the future is lacking, collateral for the loan will be jeopardized, or where the borrower otherwise has not complied with the loan requirements.
- (b) Upon request for waiver, the chairperson may grant an extension for more than six months where the division finds that:
 - (1) The borrower cannot meet payment schedule even after a waiver of six months, because of prolonged natural or economic disaster;

- (2) The borrower cannot meet more than fifty per cent of its annual payment; and
- (3) The borrower would require a period of one year or longer to recover from the effects of depressed prices, natural catastrophe, or other external factors beyond borrower's control.
- (c) If the department grants an extension, the extension may be subject to any one or more of the following conditions:
 - (1) The borrower shall agree to special conditions with regard to extension.
 - (2) The interest on the borrower's existing loans from the department shall be brought to current status.
 - (3) The borrower shall make monthly payments on the existing loans from the department through an assignment of income.
- §4-8-30 Subordination and partial release. (a) A direct loan borrower may apply to the division for a subordination or partial release of collateral. The division will review such requests on a case-by-case basis.
- (b) The chairperson may approve a request for subordination or partial release if the borrower meets any one or more of the following conditions:
 - (1) The borrower shall reduce its loan balance;
 - (2) The borrower is current on loan payments and there is sufficient security to cover requests;
 - (3) The borrower shall add to or substitute the security with other security of better value (especially for borrowers with average or below average performance); and
 - (4) The borrower shall strengthen the State's security position by assigning payments to

the department through a person, a bank, a wholesaler, or a cooperative, and the borrower shall bring all its delinquent loans to current status. [Eff 1/31/85; comp 9/20/86; comp] (Auth: HRS \$155-4) (Imp: HRS \$155-4)

- §4-8-31 Application of payment. (a) Refund and canceled undisbursed funds shall be applied to the principal and returned to the loan revolving fund.
- (b) The department may apply payment to any loan outstanding in the case of a borrower with multiple loans from the department. [Eff 1/31/85; comp 9/20/86; comp] (Auth: HRS \$155-4) (Imp: HRS \$\$155-4,155-13)
- §4-8-32 Refinancing and consolidation.
 Refinancing and consolidation may be considered when the loan meets the following criteria:
 - (1) The loan is delinquent, and part of the workout requires a new loan. Refinancing will cure delinquency or improve the cash flow situation, or both;
 - (2) The borrower's financial condition will be improved; and
 - (3) The adequacy of the security will be unimpaired, or it may be improved. [Eff 1/31/85; comp 9/20/86; comp] (Auth: HRS \$155-4) (Imp: HRS \$\$155-4, 155-13)
- §4-8-33 Changes in participating loan. On all participating loans, any request for changes shall be initiated by the private lender, with recommendation for concurrence from the loan officer through the division head and disposition by the chairperson. [Eff 1/31/85; comp 9/20/86; comp] (Auth: HRS §155-4) (Imp: HRS §\$155-4, 155-6)
- §4-8-34 Default. (a) Default, whether in the payment of any debt or in the performance of any covenant or agreement, shall constitute default under

all instruments evidencing a debt from the borrower to the State.

- (b) Upon such a default, the State, at its option, may declare all or any part of that indebtedness immediately due and payable.
- (c) Failure of the State to exercise this option shall not constitute a waiver of the State's right to exercise the option in the event of any subsequent default. [Eff 1/31/85; comp 9/20/86; comp

] (Auth: HRS \$155-4) (Imp: HRS \$\$155-4, 155-12)

\$4-8-35 Delinquent and problem loans. The division shall review delinquent and problem accounts to determine whether or not defaults are being satisfactorily resolved, acceptable repayment arrangements are in effect, or if a satisfactory repayment arrangement can be worked out. Any workout repayment plan shall be subject to periodic review, normally every six months. If the division determines that there is no satisfactory workout of a delinquent account or remedies to other defaults, the account shall be referred to the board for appropriate action. The board may refer the delinquent account to the attorney general for appropriate action where:

- (1) The borrower has failed to maintain workout arrangements or otherwise remedy defaults; or
- (2) Legal action is required to protect the State's interest; or
- (3) The division's security position is threatened by the borrower or by the actions of the borrower's other creditors or vendors; or
- (4) There is no financial or other remedy to
 solve the borrower's breach or default. [Eff
 1/31/85; comp 9/20/86; comp]
 (Auth: HRS \$155-4) (Imp: HRS \$\$155-4, 155-12)

§4-8-36 Attorney general accounts. (a) The attorney general may act on behalf of the department to protect its interest in security for loan provided to borrowers and to otherwise pursue legal measures to effect collection on delinquent accounts.

- (b) The attorney general shall provide the board with timely reports on the status of delinquent accounts. [Eff 1/31/85; comp 9/20/86; comp] (Auth: HRS §155-4) (Imp: HRS §\$155-4, 155-12)
- §4-8-37 Loans paid in full. Upon payment in full, the collateral shall be released by the department through its chairperson unless the collateral is pledged to secure another debt to the State or department. [Eff 1/31/85; comp 9/20/86; comp] (Auth: HRS §155-4) (Imp: HRS §\$155-4, 155-11)

[Subchapter 3

NORTH KOHALA LOAN AND CRANT

PROGRAM LOAN SERVICING

<u>Historical Note:</u> This subchapter is based substantially upon Regulation No. 1, entitled "North Kohala Loan and Grant Program," of the Department of Agriculture. [Eff 3/12/73; R] 9/20/86]

- \$4-8-43 Administration. Responsibility for the administration of the North Kohala loan and grant program shall be placed within the department of agriculture.] [Eff and comp 9/20/86; R (Auth: SLH 1972, Act 197, §3) (Imp: SLH 1972, Act 197, §3)
- \$4-8-44 Right to inspect. The department or its authorized representative shall have the right to inspect, at reasonable hours, the physical facilities, the books and records of the borrower in connection with the administration of the loan under the North Kohala loan and grant program.] [Eff and comp 9/20/86; R] (Auth: SLH 1972, Act 197,§3) (Imp: SLH 1972, Act 197,§3)

[§4-8-45 Borrower's responsibilities. The borrower

or guarantor shall:

- (1) Submit to the department an annual financial statement during the life of the loan and such interim statements and reports as may be requested by the department;
- (2) Comply with the term loan agreement, which may be amended from time to time with approval by the department and concurred by the authorized representative of the county of Hawaii;
- (3) Keep the department informed on any and all changes concerning security and other major changes in the operation;
- (4) Promptly provide information and documents to the department upon request; and
- (5) Repay loans made under the North Kohala loan and grant program in accordance with the terms of the promissory note.] [Eff and comp 9/20/86; R] (Auth: SLH 1972, Act 197, §3)

\$4-8-46 Repayment. (a) Loans made shall be repaid in accordance with the terms of the note and payments shall be applied first to interest then to principal.

(b) The department shall transmit repayments to the State and County of Hawaii in accordance with appropriate contractual agreements.

(c) Additional payments in any sums, or the payment of the entire principal may be made at any date within the time period of the loan without penalty. [Eff and comp 9/20/86; R] (Auth: SLH 1972, Act 197, §3) (Imp: SLH 1972, Act 197, §3)

[\$4-8-47 Waiver of payment and extension. (a) The department, with the concurrence of the county

of Hawaii, may defer payment of the installments of principal for a period not to exceed two years.

(b) The borrower shall agree to keep interest payments current.] [Eff and comp 9/20/86; R] (Auth: SLH 1972, Act 197, §3) (Imp: SLH 1972, Act 197, §3)

[\$4-8-48 Refinancing. The department may require the borrower to refinance the balance owed on any direct loan as soon as the borrower is able to obtain credit from other sources at standard rates and terms.]" [Eff and comp 9/20/86; R] (Auth: SLH 1972, Act 197, §3) (Imp: SLH

- 2. Material, except source notes and other notes, to be repealed is bracketed and stricken. New material is underscored.
- 3. Additions to update source notes and other notes to reflect these amendments and compilation are not underscored.
- 4. These amendments to and compilation of chapter 16-23, Hawaii Administrative Rules shall take effect ten days after filing with the Office of the Lieutenant Governor; provided that the implementation of the amendments relating to the Hawaii Joint Underwriting Plan rules and rates contained herein shall occur on October 1, 1982 for renewal policies effective on or after that date; provided further that implementation of the amendments to section 16-23-11 relating to required optional additional coverage shall occur on December 1, 1982.

I certify that the foregoing are copies of the rules, drafted in the Ramseyer format pursuant to the requirements of section 91-4.1, Hawaii Revised Statutes, which were adopted on August 2, 1982 and filed with the Office of the Lieutenant Governor.

MARY G. F. BITTERMAN
Director of Commerce and
Consumer Affairs

APPROVED AS TO FORM:

Deputy Attorney General

STATE OF HAWAI'I DEPARTMENT OF AGRICULTURE AND BIOSECURITY AGRICULTURAL RESOURCE MANAGEMENT DIVISION HONOLULU, HAWAI'I

July 22, 2025

Board of Agriculture and Biosecurity Honolulu, Hawai'i

Subject: REQUEST FOR APPROVAL TO ADD AND WITHDRAW OFFICERS TO

HAWAII SECURE FOODS, LLC; GENERAL LEASE NO. S-5586, TMKS: (3) 3-9-001:001 AND 002, (3) 3-9-002:007 AND 008, (3) 4-1-001:006 AND (3) 4-1-005:001, HĀMĀKUA AND NORTH HILO, ISLAND OF HAWAI'I, HAWAI'I

Authority: Section 166E-6, Hawaii Revised Statutes ("HRS"), as amended, and

Section 4-158-1, 19 (a)(3) and (4)(c), Hawaii Administrative Rules

("HAR"), as amended

Lessee: Hawaii Secure Foods, LLC

Land Area: Approximately 2,381.051 acres

Tax Map Key: 3rdDiv/3-9-001:001 (Exhibit "A")

3rdDiv/3-9-001:002 (Exhibit "A") 3rdDiv/3-9-002:007 (Exhibit "A") 3rdDiv/3-9-002:008 (Exhibit "A") 3rdDiv/4-1-001:006 (Exhibit "A") 3rdDiv/4-1-005:001 (Exhibit "A")

Lease Term: 50-years, June 5, 1998 through June 4, 2048

Land Status: Encumbered by Governor's Executive Order No. 4419, dated

September 21, 2012, to the Department of Agriculture, now known as

the Department of Agriculture and Biosecurity, for Agricultural

Purposes

Annual Base Rent: \$19,780.00 per year

Character of Use: Dairying and allied purposes to include the pasturing of dairy-

heifers

Consideration: \$4,000,000.00

BACKGROUND:

General Lease S-5586 was originally awarded to Island Dairy, Inc., effective June 5, 1998, by way of direct negotiation. The subject lease was assigned from Island Dairy, Inc. to Big Island Dairy LLC with the approval of the Board of Land and Natural Resources at its meeting on November 10, 2011. The subject lease was transferred to the Department of Agriculture, now known as the Department of

Board of Agriculture and Biosecurity July 22, 2025 Page 2 of 8

Agriculture and Biosecurity, by Governor's Executive Order No. 4419, dated September 21, 2012. On January 29, 2013, the Board of Agriculture ("BOA"), now known as the Board of Agriculture and Biosecurity, approved the extension of lease for a period of 15-years, to and including June 4, 2048. On October 26, 2021, the BOA consented to the Assignment of General Lease S-5586 from Big Island Dairy LLC to Hawaii Secure Foods, LLC ("HSF"), which is currently owned and operated by Buck Holdings, LLC and Dutch-Hawaiian Dairy Farms, LLC.

Since taking over the lease in 2021, HSF has invested over \$3.92 million to develop and improve the subject parcel. They completed renovations to the existing on-site apartments, completed both Phase I and II Environmental Site Assessments, cleared and disposed of abandoned equipment, tires and debris from the fields and farm roads, installed over 4.7 miles of fencing, completed various plans, such as but not limited to, feasibility studies, a Facility Redevelopment Plan, and a Manure and Nutrient Management Strategy Plan. In partnership with NRCS they also developed and obtained engineering approval to install a reservoir on the property. Unfortunately, due to timing, prioritization, and the need for further partnership development, HSF has not been able to fully restore the dairy and bring it into operation.

HSF is requesting approval to remove Buck Holdings, LLC, solely owned by Chad Buck, as a member, manager, officer, and owner of HSF, and replace its membership with RPH Hawaii Pride LLC, which is solely owned by Richard Huynh. As a result, the members/managers of HSF would then be RPH Hawaii Pride LLC and Dutch-Hawaiian Dairy Farms, LLC, the latter of whose members are Kees Kea, Malena Kea and Cornell Kea. All members of HSF have agreed to the change in membership of the limited liability corporation.

Richard Huynh has over 10 years of farming experience, primarily in the cultivation of food crops, such as sweet potatoes and turmeric. He is also the owner and operator of a commercial irradiation agricultural treatment facility that serves local farmers who export fresh agricultural products to the continental US. Although Mr. Huynh is a highly qualified farmer, he does not possess the knowledge and experience of dairying. However, he demonstrates the ability to successfully operate a dairy farm and will also have the support and guidance of the remaining members of HSF, Kees Kea, Malena Kea and Cornell Kea. Due to the lack of dairying experience, RPH Hawaii Pride LLC is considered as a non-qualifying member of HSF.

HFS's updated Plan of Utilization includes the operation of an artisanal grass-fed dairy that will produce high quality dairy products, including but not limited to fluid milk, butter, yogurt, cheese, ice cream and other value-added dairy products while taking into consideration 'Ō'ōkala's unique ecosystem, topography, and community needs. Their plan incorporates the cultivation of livestock feed to support their dairy operation and other local dairy farmers ensuring a reliable, locally sourced feed supply. By utilizing the property's capacity for feed production, their artisanal dairy can enhance pasture-fed diets with nutrient-rich, on-site crops, ensuring high-quality milk production all while creating a self-sustaining, locally driven diary industry that reduces reliance on imported feed. Additionally, HSF developed a comprehensive pasture and fuel load management plan that includes grass baling, allied agricultural crop rotation, and the continuation of an existing agreement with a local cattle rancher to help manage fire hazards from overgrowth.

HSF is the current lease holder of General Lease S-5586 and is in good standing. The changes in officers of HSF, as requested in this submittal, will not affect their eligibility as a lessee. HSF continues to meet the residency requirements and qualifies as an agricultural company with more than 75 percent of its officers qualifying as a bona fide farmer pursuant to Sections 4-158-1 and 27, HAR.

Board of Agriculture and Biosecurity July 22, 2025 Page 3 of 8

There is a consideration of \$4,000,000.00 for the change in ownership of officers of HSF. In accordance with Exhibit "C" ASSIGNMENT OF LEASE EVALUATION POLICY, of General Lease S-5586, any net proceeds are subject to a Premium Percentage charge benefiting the Lessor. Calculations in accordance with this provision net \$0.00 to the Lessor (see Exhibit "B").

RECOMMENDATION:

That the Board of Agriculture and Biosecurity approve the request made by Hawaii Secure Foods, LLC to add RPH Hawaii Pride LLC to and remove Buck Holdings, LLC from Hawaii Secure Foods, LLC. All related documents are subject to the 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

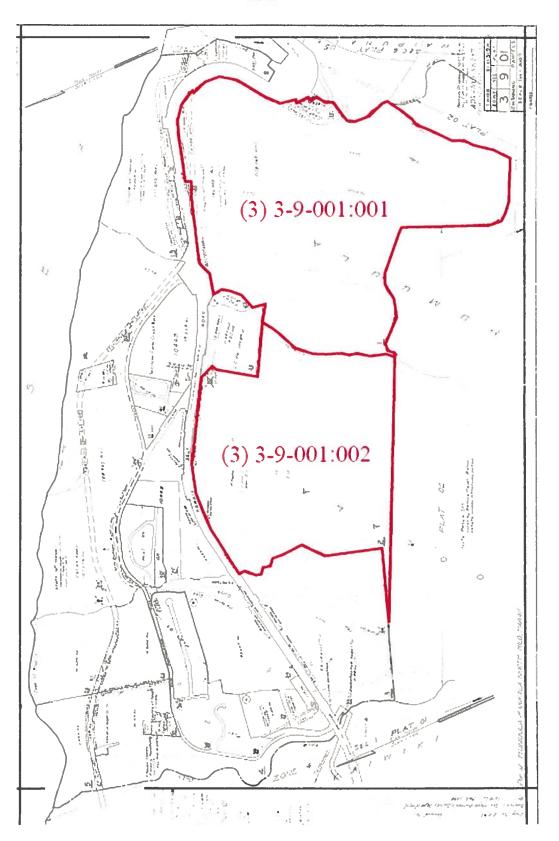
Attachments - Exhibits "A" and "B"

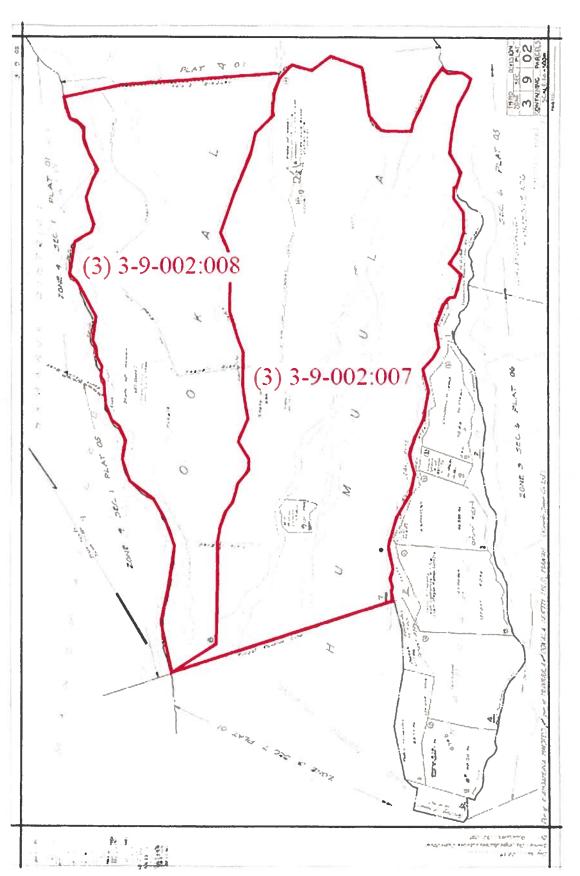
APPROVED FOR SUBMISSION:

SHARON HURD

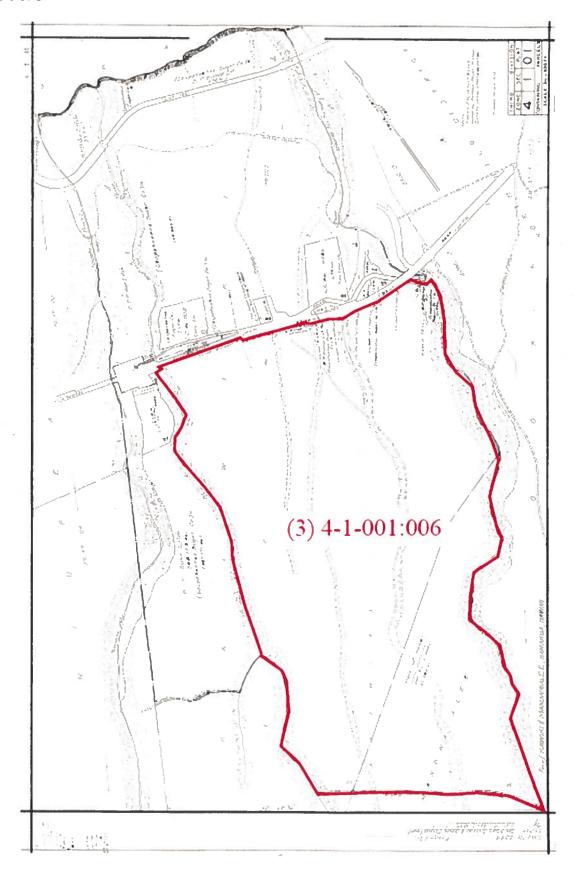
Chairperson, Board of Agriculture and Biosecurity

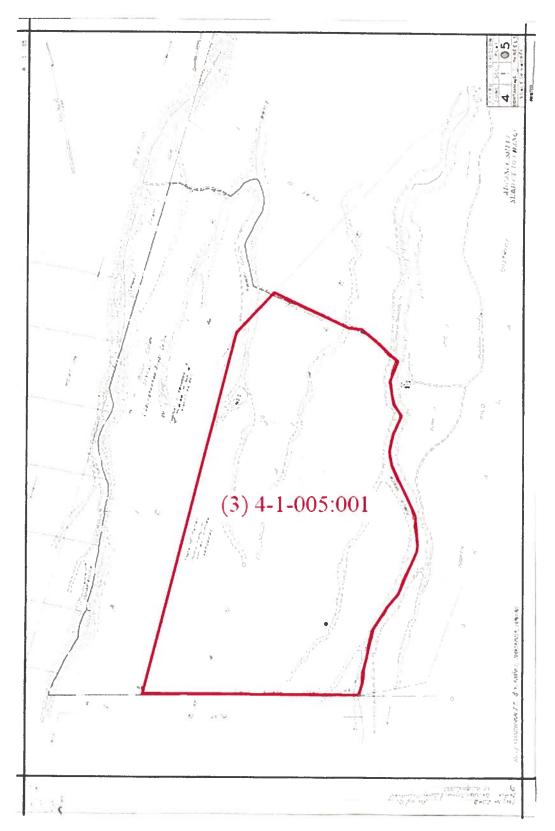
EXHIBIT "A"





Board of Agriculture and Biosecurity July 22, 2025 Page 6 of 8





| | | EXHIBIT "B" | | |
|-------------------------------|----------------------|---------------------|----------------------------------|---------------|
| | ASSIGNMENT | OF LEASE CALCU | LATIONS FOR | |
| | GENER | RAL LEASE NO. S- | -5586 | |
| Adjust | ed Depreciation | Cost of Improve | ments or Renov | ations |
| Total Considerat | ion: | | \$ 4,000,000.00 | |
| | | | A 1007 251 00 | |
| Less Improveme | nts: | | \$ 1,007,351.00 | |
| Less Inventory: Net Consider: | : | | \$ 2,650,000.00 \$ 342,649.00 | _ |
| Met Consider | ation: | | 342,043.00 | |
| Less Lease Puro | chase Price by Assig | inot: | 969,538.99 | |
| Actual Cost: | \$969,538.88 | | | |
| CCI (most recent | | | | |
| CCI (base): | 332.3 | | | |
| Expired Term: | 38 | | | |
| Whole Term | 312 | | | |
| 3 | | | | |
| 1. Adjusted Cost | of Improvments or F | lenovations: | | |
| | Actual Cost x CCI (| most recent)/CCI (I | Base) | |
| | CCI (recent) | 355.9 | | |
| | CCI (base) | 332,3 | | |
| | CCIR/CCIB | 1.07 | | |
| | Actual Cost x CCI(I | RIVCCI(B) = | | |
| | \$969,538.88 | | \$1,037,406.60 | |
| 2. Depreciation: | | | | |
| | Adjust. Cost Impr./ | Whole Term x Exoi | red Term = | |
| | \$1,037,406.60 | 312 | 38 | \$126,351.00 |
| 3. Adjusted Dep | reciated Cost of Imp | rovements: | | |
| | | | | |
| | Adjust cost - Depr | | | |
| | \$ 1,037,406.60 | \$ 126,351.00 | | \$ 911,055.60 |
| 1. TOTAL NET CONSIDERATION | | | | \$ 342,649.00 |
| 2. Adj Cost of Imp/Renov | | \$ 1,037,406.60 | | |
| | | \$ 126,351.00 | | \$ 911,055.60 |
| 3. Adj. cost of Tr | ade Fixtures | \$ - | | |
| | | \$ - | | |
| 4. Excess | | | | \$(568,406.60 |
| 5. Premium | | Percentage: | 50% | \$(284,203.00 |

STATE OF HAWAI'I DEPARTMENT OF AGRICULTURE AND BIOSECURITY AGRICULTURAL RESOURCE MANAGEMENT DIVISION HONOLULU, HAWAI'I

July 22, 2025

Board of Agriculture and Biosecurity Honolulu, Hawai'i

Subject: REQUEST FOR APPROVAL TO SUBLEASE BETWEEN THE HAMAKUA

AGRICULTURAL COOPERATIVE, LESSEE/SUBLESSOR; AND JIANGUO WANG, SUBLESSEE; GENERAL LEASE NO. S-7013, TMK: 3RD DIV/4-3-005:020 (POR), LOT NO. 2, HĀMĀKUA AGRICULTURAL PARK, PHASE II, PŌHAKUHAKU AND KEMAU 1ST, HĀMĀKUA DISTRICT, ISLAND OF

HAWAI'I

Authority: Section 166-6, Hawaii Revised Statutes ("HRS"), and

Section 4-153-33(a)(7), Hawaii Administrative Rules ("HAR")

Lessee/Sublessor: Hamakua Agricultural Cooperative

Sublessee: Jianguo Wang

Lease Area: 46.969 acres

Sublease Area: 13.8 acres

Tax Map Key: 3rdDiv/4-3-005:020 (por) (Exhibit "A")

Land Status: The Hāmākua Agricultural Park lands were acquired in fee by the Department of

Agriculture, now known as the Department of Agriculture and Biosecurity, under

foreclosure and Bankruptcy Settlement Agreement with Hamakua Sugar

Company, Inc.

Lease Term: 35-years, June 30, 1998 through June 29, 2033

Sublease Term: June 17, 2025 through June 29, 2033

Lease Base

Annual Rent: \$4,020.00

Sublease Base

Annual Rent: \$1,440.86

Lease Character

of Use: Diversified Agriculture or Aquaculture purposes

Sublease

Character of Use: Diversified Agriculture or Aquaculture purposes

Board of Agriculture and Biosecurity July 22, 2025 Page 2 of 4

BACKGROUND:

Jianguo Wang is requesting to sublease Lot 2, under General Lease S-7013, consisting of approximately 13.8 acres. Mr. Wang is currently a sublessee of Lot Nos. 2, 4, 16, 17 and 29A under General Lease S-5553, located in Pa'auilo, and Lot 3 under General Lease S-7013 where he grows green onions, bok choy, kale, cilantro and Brazilian apple bananas. Due to high demand, Mr. Wang plans to utilize Lot 2 to expand on the cultivation of green onions.

Jianguo Wang is currently a sub-lessee in good standing and qualifies as a bona fide farmer with more than two years of full-time farming experience and meets the application and eligibility requirements in accordance with sections 4-153-1 and 13, HAR.

RECOMMENDATION:

That the Board of Agriculture and Biosecurity approve the Sublease between the Hāmākua Agricultural Cooperative, Lessee/Sublessor, and Jianguo Wang, Sublessee, for Lot No. 2, in the Hāmākua Agricultural Park, under General Lease S-7013, through the expiration date of June 29, 2033, and further subject to the review and approval as to form of the consent document 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

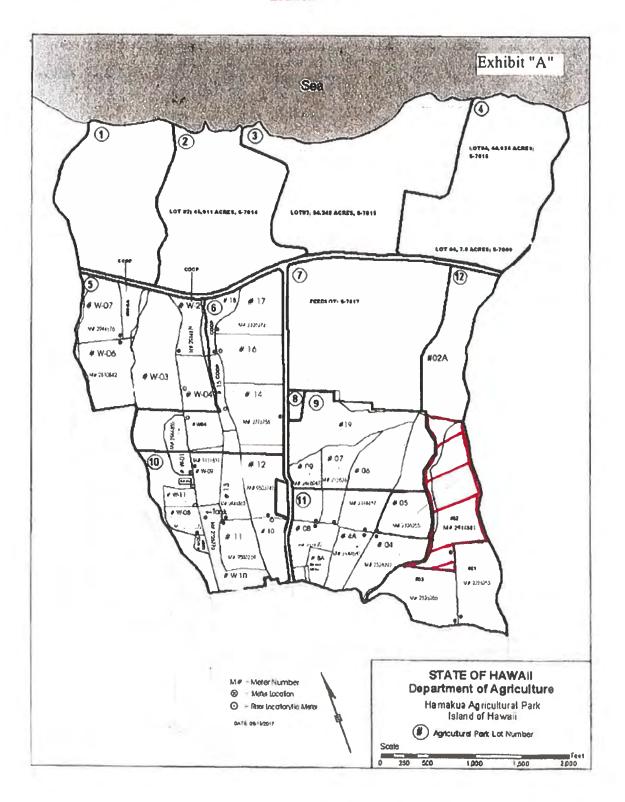
Attachment - Exhibit "A"

APPROVED FOR SUBMISSION:

SHARON HURD

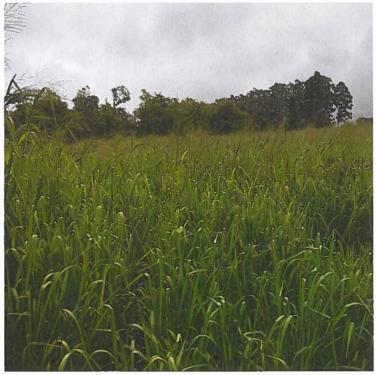
Chairperson, Board of Agriculture and Biosecurity

EXHIBIT "A"



PHOTOS OF GENERAL LEASE S-7013, LOT 2





STATE OF HAWAI'I DEPARTMENT OF AGRICULTURE AND BIOSECURITY AGRICULTURAL RESOURCE MANAGEMENT DIVISION HONOLULU, HAWAI'I

July 22, 2025

Board of Agriculture and Biosecurity Honolulu, Hawai'i

Subject:

REQUEST FOR APPROVAL FOR GRANT OF A TERM, NON-

EXCLUSIVE UTILITY EASEMENT TO SPECTRUM

OCEANIC, LLC; GENERAL LEASE NO. S-3133;

MAHEALANI FARMS, INC., LESSEE; TMK: (2) 1-3-004:006 AND 020; WĀKIU, KAWAIPAPA, HĀNA, ISLAND OF MAUI,

HAWAI'I

Authority:

Sections 166E-6, 8 (d) and 9, Hawaii Revised Statutes ("HRS"),

and Section 4-158-2 (a)(8), Hawaii Administrative Rules ("HAR")

Grantor:

State of Hawai'i

Grantee:

Spectrum Oceanic, LLC

Lessee:

Mahealani Farms, Inc., a Hawai'i corporation

Easement Area:

4,200 sq. ft., more or less

Tax Map Key:

(2) 1-3-004:006 (see Exhibit "A")

(2) 1-3-004:020 (see Exhibit "A")

Land Status:

Encumbered by Governor's Executive Order No. 4245, dated

October 21, 2008, to the Department of Agriculture ("DOA"), now

known as the Department of Agriculture and Biosecurity, for

Agriculture purposes

Term:

Term, Non-Exclusive Utility Easement

Character of Use:

Right privilege and authority to install, maintain, operate and

repair a right of way over, under and across State-owned land for

access and utility purposes.

Board of Agriculture and Biosecurity July 22, 2025 Page **2** of **5**

BACKGROUND:

On April 4, 2019, General Lease No. 3133 was executed between the State of Hawai'i Department of Agriculture, now known as the Department of Agriculture and Biosecurity, and Mahealani Farms, Inc. ("Lessee"), a Hawai'i corporation. Lessee currently grows a variety of tropical flowers and floral arrangement plants such as heliconia, ginger, and orchids. They also grow moringa trees and manage a few beehives.

Lessee's business is experiencing significant internet connectivity challenges with the current existing infrastructure, due to the lack of adequate connectivity needed to provide internet services to their warehouse that is situated 550 feet from the road. To address the issue, Spectrum Oceanic, LLC ("Spectrum") has proposed installing a new telecommunications line directly from Hana Highway to the affected warehouse. This requires a utility easement agreement to allow the installation and maintenance of cabling across Tax Map Key (TMK): (2) 1-3-004:006. This solution will provide reliable internet services that are essential for Lessee's business operations.

Lessee is requesting approval of an issuance of a grant of a term, non-exclusive easement to Spectrum over TMK: (2) 1-3-004:006, for the installation, maintenance, operation, improvement, removal and repair of Spectrum's cable television system and other communications facilities, including, without limitation, lines, cables, amplifiers, nodes, utility cabinets, and other electronic equipment, towers and poles. Although Spectrum requested a perpetual easement, staff is recommending the issuance of a term easement coterminous with the lease expiration date of February 28, 2054, because the proposed service is specific to Lessee's operations. Additionally, a perpetual easement requires the consent of the Board of Land and Natural Resources, who remains the fee owner of the property. Finally, because the easement will only serve Lessee, there will be no charge to Spectrum for the easement.

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Board of Agriculture and Biosecurity July 22, 2025 Page **3** of **5**

RECOMMENDATION:

That the Board of Agriculture and Biosecurity:

1. Approve the request for the grant of a term, non-exclusive easement to Spectrum Oceanic, LLC, over, under and across TMK: (2) 1-3-004:006, for the purposes of installation, maintenance, operation, improvement, removal and repair of Spectrum's cable television system and other communications facilities, including without limitation, lines, cables, amplifiers, nodes, utility cabinets, and other electronic equipment, towers and poles;

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

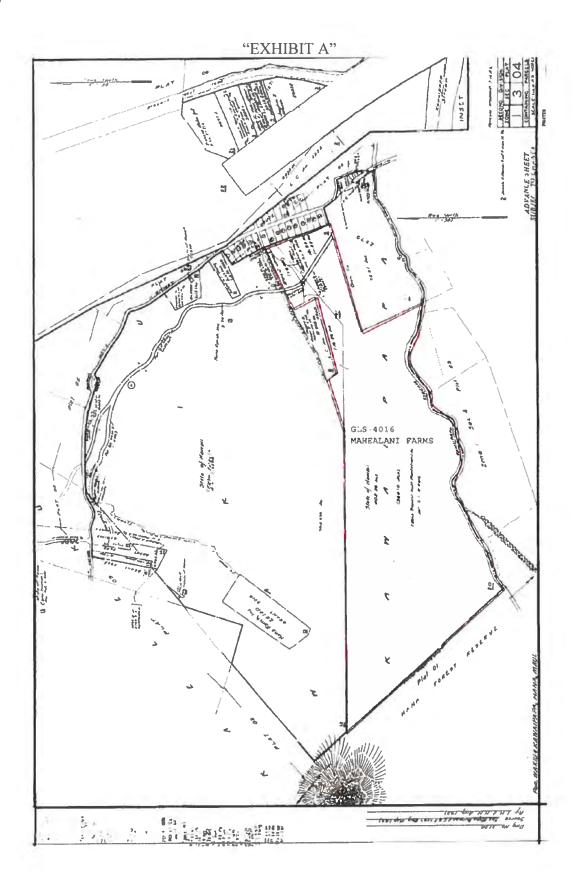
Attachment - Exhibit "A"

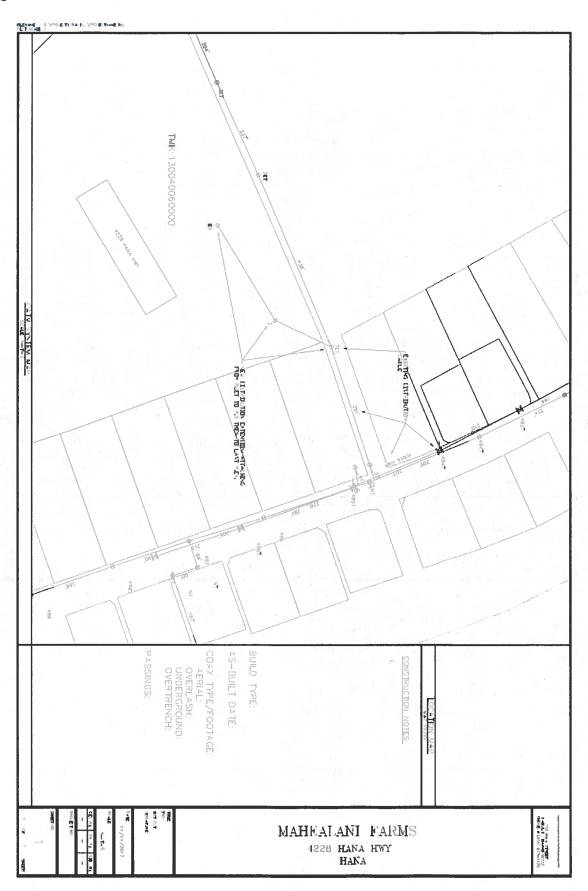
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APPROVED FOR SUBMISSION

`SHARON HURD

Chairperson, Board of Agriculture and Biosecurity





STATE OF HAWAII DEPARTMENT OF AGRICULTURE AND BIOSECURITY AGRICULTURAL RESOURCE MANAGEMENT DIVISION HONOLULU, HAWAI'I 96814

July 22, 2025

Board of Agriculture and Biosecurity Honolulu, Hawai'i

Subject:

REQUEST FOR ACCEPTANCE OF ANNUAL LEASE RENT AS

DETERMINED BY INDEPENDENT APPRAISAL FOR RENT

REOPENINGS FOR VARIOUS LOTS LOCATED STATEWIDE; TMK NOS.: (1) 4-1-010:006, 041, 043, (1) 4-1-024:023, 054, 062, 063, (1) 4-1-025:055, (1) 4-1-026:018, (1) 4-1-027:006, 007, 008, 010, 012, 025, (1) 5-0000020, 024, 026, (1) 0.4, 012:002, (2) 5, 2, 001:010, 016, (2) 1, 8

6-006:030, 034, 036, (1) 9-4-012:002, (2) 5-2-001:010, 016, (3) 1-8-006:103, (3) 2-2-056:018, (3) 2-4-049:009, 010, 012, 020, 022, 032, (3) 3-1-004:002, (3) 4-4-011:033, (3) 4-6-002:007, (3) 9-5-015:003, (4) 1-9-07:005, 007, 028, 029, 030, 046, (4) 1-9-012:028, (4) 4-4-004:005, (4) 4-

6-005:011

Authority:

Section 166-9 and 166E-6, Hawaii Revised Statutes (HRS), and

Sections 4-153-3(a)(8) and 18, and 4-158-2(a)(11) and 21, Hawaii

Administrative Rules (HAR)

Lease:

Various listed in Exhibit "A"

Lessee:

Various listed in Exhibit "A"

Land Status:

Properties set aside to the Department of Agriculture, now known as the

Department of Agriculture and Biosecurity, by various Governor's

Executive Orders

Character of Use:

Various listed in Exhibit "A"

REMARKS:

Pursuant to the provisions of Sections 4-153-3(a)(8) and 18, 4-158-2(a)(11) and 21, and 4-158-8(b)(1), HAR, the Board of Agriculture and Biosecurity (Board) is required to establish and approve annual lease rentals by independent appraisal for conversions of leases, and reopenings of base and additional rentals for existing leases in the Agricultural Park and Non-Agricultural Lands programs.

The Department of Agriculture, now known as the Department of Agriculture and Biosecurity, contracted ACM Consultants, Inc. to determine the fair market rents of various Agricultural Park and Non-Agricultural Park Lands leases for rents re-opened on various dates

Board of Agriculture and Biosecurity July 22, 2025 Page 2 of 4

and lease conversions. ACM Consultants, Inc. recently completed the appraisal reports and the new lease rents are presented in the table attached as Exhibit "A." A location map of the parcels is attached as Exhibit "B."

Staff believes the new rental rates are fair and reflect the current market conditions for the agricultural leases. Accordingly, staff recommends that the Board accept the new rental values as determined by ACM Consultants, Inc.

RECOMMENDATION:

That the Board accept the fair market rentals for the various Agricultural Park and Non-Agricultural Park Lands leases as listed in Exhibit "A." The new rental rates will take effect upon the extension dates or upon issuance of a new lease, as may be appropriate for each lease.

Respectfully submitted,

BRIAN KAU, P.E.

Administrator & Chief Engineer

Agricultural Resource Management Division

Attachments: Exhibits "A" and "B"

APPROVED FOR SUBMISSION:

SHARON HURD

Chairperson, Board of Agriculture and Biosecurity

Board of Agriculture and Biosecurity July 22, 2025 Page **3** of **4**

Exhibit "A"

SUMMARY OF VALUE CONCLUSIONS

Board of Agriculture and Biosecurity, July 22, 2025

| board of Agriculture and | 1 | | | | | | | |
|---|--------|---------|-----------------------|----------|-------------|-------------------------|--|--|
| | 1 | Cross | Appraised Fair Market | % Rent | | | | |
| Parcel TMK | Lease | Gross | | on Gross | Burnese | Character of Use | | |
| Parcel TMK No. Acres Rental Proceeds Purpose Character of Use ISLAND OF O'AHU | | | | | | | | |
| (1) 4-1-010:006 | S-3118 | 6.490 | \$12,150 | 1.5% | reopening | Special Equestrian | | |
| (1) 4-1-010:041 | S-3119 | 4.094 | \$9,900 | 1.5% | reopening | Diversified Agriculture | | |
| | + | - | | | · • | | | |
| (1) 4-1-010:043 | S-3129 | 4.635 | \$10,425 | 1.5% | reopening | Diversified Agriculture | | |
| (1) 4-1-024:023 | S-3116 | 9.474 | \$12,750 | 1.5% | reopening | Diversified Agriculture | | |
| (1) 4-1-024:054 | S-3126 | 9.454 | \$13,500 | 1.5% | reopening | Diversified Agriculture | | |
| (1) 4-1-024:062, 063 | S-3121 | 9.862 | \$12,900 | 1.5% | reopening | Diversified Agriculture | | |
| (1) 4-1-025:055 | S-5378 | 2.847 | \$5,800 | 1.5% | reopening | Pasture/Residential | | |
| (1) 4-1-026:018 | S-3122 | 5.492 | \$11,250 | 1.5% | reopening | Diversified Agriculture | | |
| (1) 4-1-027:006 | S-3125 | 6.032 | \$11,700 | 1.5% | reopening | Diversified Agriculture | | |
| (1) 4-1-027:007 | S-3124 | 5.686 | \$11,400 | 1.5% | reopening | Diversified Agriculture | | |
| (1) 4-1-027:008 | S-3123 | 7.883 | \$13,125 | 1.5% | reopening | Diversified Agriculture | | |
| (1) 4-1-027:010 | S-3117 | 8.541 | \$14,175 | 1.5% | reopening | Diversified Agriculture | | |
| (1) 4-1-027:012 | S-3127 | 8.634 | \$13,725 | 1.5% | reopening | Diversified Agriculture | | |
| (1) 4-1-027:025 | S-3120 | 5.794 | \$11,550 | 1.5% | reopening | Diversified Agriculture | | |
| (1) 5-6-006:030 | S-6002 | 6.693 | \$5,295 | 1.5% | reopening | Diversified Agriculture | | |
| (1) 5-6-006:034 | S-6006 | 6.001 | \$3,090 | 1.5% | reopening | Diversified Agriculture | | |
| (1) 5-6-006:036 | S-6008 | 8.386 | \$5,498 | 1.5% | reopening | Diversified Agriculture | | |
| (1) 9-4-012:002 | S-3108 | 487.049 | \$196,560 | 1.5% | reopening | Diversified Agriculture | | |
| ISLAND OF MOLOKA'I | | | | | | | | |
| (2) 5-2-001:010 | | 23.701 | \$1,655 | 1.5% | disposition | Diversified Agriculture | | |
| (2) 5-2-001:016 | | 26.890 | \$1,790 | 1.5% | disposition | Diversified Agriculture | | |

Exhibit "A"

SUMMARY OF VALUE CONCLUSIONS

Board of Agriculture and Biosecurity, July 22, 2025

| | Lease | Gross | Appraised Fair Market | % Rent on Gross | | | | |
|-------------------------------------|---------|----------|--------------------------|--------------------|------------|-------------------------|--|--|
| Parcel TMK | No. | Acres | Rental | Proceeds | Purpose | Character of Use | | |
| ISLAND OF HAWAI'I | | | | | | | | |
| (3) 1-8-006:103 | S-4642 | 49.082 | \$4,520 | 1.5% | reopening | Pasture | | |
| (3) 2-2-056:018 | S-4459 | 2.615 | \$3,170 | 1.5% | reopening | Diversified Agriculture | | |
| (3) 2-4-049:009 | S-4638 | 10.021 | \$4,630 | 1.5% | reopening | Diversified Agriculture | | |
| (3) 2-4-049:010 | S-4455 | 10.021 | \$4,630 | 1.5% | reopening | Diversified Agriculture | | |
| (3) 2-4-049:012 | S-4456 | 6.784 | \$3,430 | 1.5% | reopening | Diversified Agriculture | | |
| (3) 2-4-049:020 | S-4634 | 10.243 | \$4,700 | 1.5% | reopening | Diversified Agriculture | | |
| (3) 2-4-049:022 | S-4636 | 10.243 | \$4,700 | 1.5% | reopening | Diversified Agriculture | | |
| (3) 2-4-049:032 | S-4632 | 9.079 | \$4,290 | 1.5% | reopening | Diversified Agriculture | | |
| (3) 3-1-004:002 | S-5811 | 56.460 | \$5,630 | 1.5% | reopening | Diversified Agriculture | | |
| (3) 4-4-011:033 | S-3114 | 5.424 | \$3,560 | 1.5% | reopening | Diversified Agriculture | | |
| (3) 4-6-002:007 | S-3130 | 67.690 | \$740 | | reopening | Pasture | | |
| (3) 9-5-015:003 | S-3115 | 2,197.29 | \$9,700 | | reopening | Pasture | | |
| ISLAND OF KAUA'I | | | | | | | | |
| (4) 1-9-007:005, 007, 028, 029, 030 | RP-7259 | 21.603 | \$18,140 | 1.5% | conversion | Diversified Agriculture | | |
| (4) 1-9-007:046 | RP-7940 | 1.601 | | | | | | |
| (4) 1-9-012:028 | S-5397 | 7.220 | \$2,528 | 1.5% | reopening | Diversified Agriculture | | |
| (4) 4-4-004:005 | S-3128 | 49.701 | \$1,385 | | reopening | Pasture | | |
| (4) 4-6-005:011 | S-5824 | 4.110 | \$3,060 | 1.5% | reopening | Diversified Agriculture | | |

