

AGRIBUSINESS DEVELOPMENT CORPORATION
Minutes of the Board of Directors meeting of February 28, 2018
Department of Agriculture Plant Quarantine Conference Room
1849 Auiki Street, Honolulu, Hawaii 96819

Members:

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

Guests:

Tina Deitschman, Senator Dela Cruz’s office

Staff:

James Nakatani
Myra Kaichi
Lynn Owan
Ken Nakamoto
Cindy Doi

Counsel:

Andrew Goff

A. Call to Order

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

B. Approval of Minutes from the January 31, 2018 meeting.

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

C. Request to Issue a Revocable Permit to Chuan Produce Inc. for warehouse space in Whitmore, Oahu; Tax Map Key (1) 7-1-002-009 (por).

Mr. Nakamoto made the presentation to issue a RP to Chuan Produce Inc for warehouse space of 4,725 square feet in Whitmore. He gave a brief background that Chuan Produce was selected to farm on approximately 80 acres on a portion of Galbraith Agricultural Lands (GAL) which was dedicated for small farmers. The Permittee was the first of ten small farmers to complete a soil conservation plan, procure commercial liability insurance, and sign his land license and has been farming on GAL since October 2016. One of the biggest challenges was finding an area with access to potable water and power to wash, pack and store his produce. The Permittee shown a lot of promise so the ADC

helped him find a place with hopes that in return, he would be the example for all other small farmers to follow. In December 2016, the Permittee was allowed to occupy a Quonset hut, identified as Building "V" in Whitmore free of charge to help him offset his startup cost and comply with basic regulatory requirements. However, never intended to subsidize the Permittee indefinitely. The ADC will allow the Permittee to continue using Building V for its postharvest operation, provided that the deferments end and starts paying rent and its share of utilities. Building V is located within the Whitmore master plan area and may be removed to make room for future development. Therefore, ADC proposes to allow Permittee to continue using Building V on a month to month basis until such development ensue. The recommendation is to approve the issuance of a revocable permit to Chuan Produce Inc. for warehouse space in Whitmore subject to the following terms and conditions: term of this RP shall be on a month-to-month basis; base rent shall be \$2,835 per month; shall pay its share of utilities; and no subletting to be permitted without ADC's prior approval in writing.

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

Mr. Schenk asked what was the rental rate based on. Mr. Nakamoto replied it was \$.60 a square foot based on an appraisal that was done for Ag Tech which was up for renewal.

Mr. Enright asked if Chuan Produce was up to date with their payments. Mr. Nakamoto replied they are up to date on their rent, however not on the water usage. We have been documenting and sending them notices and trying to set up a payment plan. Also keeping in contact with Dr. Lai and Paul Chi who speaks the language so communication could be made and continued.

Mr. Kitagawa stated that he heard that one of reasons why the farmers are not getting their conservation plan was because it is costly. Mr. Nakamoto replied an average conservation plan cost approximately \$2,400. ORCD put out a starting program for farmers who know what they are doing and could do 40-50 percent of their own plan. Then taking it to a certified planner who has a college degree preferably in environment science. At the NCRS this area for conservation planner has been cut and don't know if that position would be filled.

Motion carried unanimously.

D. Request to Issue a Revocable Permit to Star Protection Agency LLC for warehouse space in Whitmore, Oahu; Tax Map Key (1) 7-4-012:016 (por.)

Mr. Nakamoto made the presentation to issue a revocable permit to Star Protection Agency LLC for warehouse space at the formerly Tamura Warehouse in Wahiawa. He stated that Star Protection Agency (Permittee) specializes in providing security solutions and services here in Hawaii and the Pacific Northwest. They are seeking temporary warehouse space to store and repair golf carts. The ADC is planning to refurbish the warehouse and develop an agricultural innovation product incubator onsite. Roof repairs are just about completed and development is in the plan and design phase. The

anticipated completion date for the agricultural invocation product incubator is July 2020. The ADC proposes to allow the Permittee to occupy warehouse space on a month to month basis until such development ensues. The recommendation is to approve the issuance of a revocable permit to Star Protection Agency LLC for warehouse space in Whitmore subject to the following terms and conditions: term of this revocable permit shall be on a month-to-month basis; base rent shall be \$1,485 per month; Permittee shall pay its share of utilities; and no subletting to be permitted without ADC's prior approval in writing.

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

Motion carried unanimously.

Chair moved Item F before Item E.

F. Follow up Discussion on King's Hawaiian Presentation at the December 20, 2017 Board meeting.

Chair reviewed the discussion on King's Hawaiian which was presented at the December 20, 2017 Board meeting. They presented a conceptual plan for a packing facility and processing facility using Tamura warehouse as a template. When they were talking to the industry, they were told that a packing house was a top priority for ADC to enable the farmers to have a place for a packing and processing facility before it goes to market. Also a need or desire for a value added component so farmers could utilize some value added crops. King's moved forward with their own resources to go forward to put a plan together that they presented. It is something that is not final and can be moved. The next question is what is the next step? Now is the time to hear the comments from the Board members.

Mr. Kitagawa asked how soon would the production or processing happen in Whitmore. This is a company that is interested in doing something. If they were willing why not do it and get the resources to do it. Then what happens when Whitmore comes into production? We should pursue to do it and see further how to better utilize the Tamura facility.

Chair said King's mentioned that they would not build it but they would like to move forward. She felt that we should look for a private partner to do some the developments that we are looking for. The partner could run the facility whereby leasing the parcels and provide funding for other resources that maybe required to do further developments of these plans. If we are going to rely on the state for funding which could be every year would take a lot longer. If there is no room or no intention to seek a private partner then we can table the discussion and tell King's there is no going forward with them and that there are other plans.

Mr. Haraguchi stated that we talk about the master plan, he wants to know where are we with the master plan, how much money and Tamura's development of an agricultural innovation product incubator. Also where do we want to go with that Master plan and where is the funding coming from. We need to have some information before making any decision. Chair stated that we need to tell King's if there will be a next step with ADC and if not we need to tell them and should not drag them along. Mr. Schenk suggested that we should communicate as a follow up to King's to say that we had a discussion and how much would they be willing to contribute. If their expectation is that they have done their job and it's in our hands and waiting to hear from ADC then it could be that nothing would be done.

Mr. Schenk asked whether King's was asked for another meeting or are we sending a follow up to King's on how much more are they willing to spend. Chair replied King's asked what would potentially be the next step whether it be going forward or not. If we are going to wait to see where these plans go with regard to developing that facility at some point they would probably fall out. Ms. Melton said she did talk to King's and had a sit down to discuss more on their vision about doing agricultural things here in Hawaii. She said that they would need to partner with ADC so there is no overlapping. We need to have a sit down to find out if they are really serious about this. Ms. Hopkins stated that the Committee needs to agree if this is the type of infrastructure development that we are going to support because it would help the overall of the development of agriculture in the state of Hawaii.

Ms. Albano stated that if there is a private industry wanting to do something, why wouldn't we have that conversation. We should say instead of what can you offer ADC it could be that this is what we need. Are you willing to do this?

Mr. Kitagawa stated that this is an opportunity that ADC should pursue so that we can bring at least King a notion that we want to do something like a processing facility. He feels ADC should pursue this so King's would have a feeling of support. He suggested that the Land Committee be given this to look at the issues and concepts and work with King's then come back to the Board with a recommendation. He is willing to work on this. Mr. Haraguchi agreed that the Land Committee should meet to take a look at the issues and come up with recommendations. Then meet with Kings and let them know because they did put a lot of money into it. Also find out the overall picture of the master plan.

Mr. Enright stated that King's wanted to do an agricultural technology center. They were looking at Kamehameha property and Galbraith. They seem to decide that they would develop it together with Kamehameha Schools with a 20-25 year building out of a campus. The concept would be working on the latest technology used in agriculture globally and field test it here in the state specifically at Galbraith. They decided that they would go with KS, they were looking to see what they could do to help ADC at Galbraith. King's has done the design and could be put in a number of places for a post-harvest facility. Tamura warehouse was purchased essentially by ADC but at the request of Senator Dela Cruz to be developed as an educational facility. The community college

funds were not asked by them. King's was hoping that those funds could be reallocated and that money could be the capital that would develop the post-harvest facility. If those funds are not reallocation then there would be no capital to build anything. He will be meeting with Kings when they come back in a few weeks.

Mr. Schenk commented that you need to have the growers to support these kinds of things that we are talking about. ADC needs to contemplate to get more growers on the lands that we have. If the raw supplies was here it would drive these decisions down the line. How do we get the growers on the land and once that gets going a lot will be driven.

Chair stated that ADC needs to move forward. She directed the Land Committee to review some of the issues and comments that were mentioned today and come up with a recommendation to the Board for further suggestions or ideas. Mr. Nakatani needs a list for the committee to look at. Chair stated she will come up with a list. Also an update of the master plan at the next meeting which may give a broader and greater context in terms of where everything will fit.

Short recess called at 10:25 am.

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

Mr. Pearson moved to get out of executive session; Ms. Hopkins seconded the motion; motion carried unanimously.

G. Executive Director's Reports and Updates.

1. Legislature
2. Galbraith
3. ADC quarterly financial report.

Mr. Nakatani sent out earlier the 2018 legislature spreadsheet with the bills that are presently introduced. The bills are crossing over right now. Ms. Klutke stated one of the bills is to purchase lands in Kekaha. Why are we going to purchase lands in Kekaha when we cannot get farmers on the Kekaha lands? Farmers don't want to travel to Kekaha and there is no place to store their vegetables or equipment in Kekaha. Was there a consideration of purchasing lands in Maui or Molokai or Big Island? There are more active small farmers on those islands than on Kauai. Mr. Nakatani replied it was not ADC's initiative to purchase lands in Kekaha. It was private sector going to the legislature to introduce the bill and purchase Kekaha lands. There is also a bill to buy Maui lands. Mr. Enright mentioned that HC&S will be opening up a lot of lands for ag parks on Maui. There is a lot of lands on Molokai. Big Island has a lot of small farmers and not that hard finding lands. However he did not know about their long term leases. This bill was not driven by Mr. Nakatani or himself. There is a very powerful senator on Kauai. Mr. Schenk mentioned that although there are these acres available by HC&S, it

is not being leased to small farmers and if they do lease to small farmers they are given very unfavorable lease terms.

Mr. Nakatani reported on the Galbraith Agricultural lands. The on-going projects are the construction of reservoirs, construct an electric pump and purchase an emergency back-up diesel pump and the plan and design of a lake intake system. The ADC quarterly financial report was passed out earlier to the board members.

Ms. Owan was available to answer questions on the financial report.

Mr. Kitagawa said he can't understand the breakdown and the projections. Ms. Owan replied the projections are what we plan to project for the income or expense for the fiscal year based on like leases or for other projects for that year. Expenditures would be like contracts to be paid.

Mr. Haraguchi asked if the financials could show projections of what the balance would be at the end of the fiscal year. This is to see what kind of funding we have. It appears that if we don't have enough money are we going to receive more operating funds from the legislature. Mr. Nakatani stated that we operate on special funds. What is being shown is our special funds financials. This year we are trying to ask for general funds to pay for positions. Mr. Haraguchi stated that he would like more updates on how much funds from the legislature would be expected or asked for. There should be other alternatives if this does not come true.

Mr. Kitagawa asked if ADC has any flexible funds. Mr. Nakatani replied we could talk with the DOA Chair. But every year the chair asks ADC what we anticipate our activities would be and we try to tie into what we need the funds for. We don't use soft money for positions which would be temporary. Mr. Kitagawa felt that if temporary staff is needed then ADC should try to use soft money to pay for the position.

H. Adjournment

Mr. Kitagawa moved to adjourn; Mr. Schenk seconded.

Meeting adjourned at 11:37 pm

Respectfully submitted,



Cindy Doi
secretary