

**DRAFT**

**AGRIBUSINESS DEVELOPMENT CORPORATION**  
Minutes of the Board of Directors January 25, 2017 meeting  
Department of Agriculture Plant Quarantine Conference Room  
1849 Auiki Street, Honolulu, Hawaii 96819

Members:

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

Absent:

Leilyn Koev	Douglas Schenk
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Guests:

John Katahira, The Limtiaco Consulting Group  
Dean Nakano, Brown & Caldwell

Staff:

James Nakatani  
Myra Kaichi  
Lynn Owan  
Ken Nakamoto  
Cindy Doi

Counsel:

Andrew Goff, Deputy Attorney General

A. Call to Order.

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

Chair introduced deputy attorney general Andrew Goff.

B. Approval of Minutes from the November 16, 2016 meeting.

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

C. Request for approval to negotiate the Agreement regarding the Wahiawa Recycled Water Irrigation System between the Agribusiness Development Corporation and the City and County of Honolulu.

Mr. Nakamoto made the presentation on the Wahiawa Recycled Water Irrigation System request to negotiate an Agreement between the ADC and the City and County of Honolulu. Dean Nakano from Brown and Caldwell and John Katahira from The Limtiaco Consulting Group was present.

Mr. Nakamoto stated the Agreement agrees to work cooperatively to develop a recycled water irrigation system to ensure accountability and implementation of best management practices, design and engineering, maintenance, and periodic water quality monitoring to achieve a balance between agricultural crop production and environmental protection. The Agreement shall include the following: definition of ownership of the system; location of the pumps and transmission lines; itemization of the roles and responsibilities of each party regarding the treatment and disposal of the recycled water; use of recycled water at no cost to ADC for a period not to exceed 30 years; itemization of the expectations of each party when dealing with failure or refusal to keep and perform any of the obligations or covenants or the breach of any condition which may occur during the term of the Agreement. The Recommendation is the approval to negotiate the Agreement regarding the Wahiawa Recycled Water Irrigation System between the ADC and the City and County of Honolulu.

Mr. Haraguchi moved to approve the request; Ms. Klutke seconded the motion.

Mr. Kitagawa asked whether the definition of the use of R-1 water differs from the state's. Mr. Nakano replied he was not sure if the definition of R-1 water differs from the state. They have been using guidance provided by the Department of Health (DOH) who currently regulates the use of all recycled water. DOH recently adopted the revision to recycle reuse guidelines that has been guiding them through this process. R-1 water is the highest level of treated effluent that is permitted for use and on that bases they are moving forward with this project. He can check and get back to ADC if there is any difference between federal definition and the state.

Mr. Kitagawa asked if water was coming directly from the treatment plant so as to not taking the Lake Wilson water. Mr. Nakatani replied we are not taking it yet because right now it's suspect water. Once you take out R-1 water from Lake Wilson and clean the water then it opens a lot of options to take the water. When you take R-1 water out of Lake Wilson now the lake becomes irrigation water without restrictions. Mr. Nakano commented that the City is presently discharging R-2 level water within Lake Wilson. Then Lake Wilson water becomes a regulated source provided certain monitoring requirements are placed upon that water because of the mixing of R-2 water with the normal stream flow. With this project, you will not only take out the discharge that is going into Lake Wilson and be able to achieve R-1 certification which is the highest level and would be piped directly from the plant to the place of use for the highest and best use, have adequate storage to accommodate those situations when it's raining. So the Lake would become more readily available for use and lessor requirement for monitoring. It's the highest level of water directly available for farmers to use.

Mr. Haraguchi asked that if we had heavy rain and have access water where both R-1 and R-2 are mixed, do we have a plan to be in compliance. Mr. Nakano replied the expected supply from the treatment plant is 1.6 million gallons a day and the estimate potential demand in that area is 3.5 million gallons a day which is much more of a demand. There is a plan to create reservoirs so there should be enough storage. Therefore in wet weather conditions with ongoing demands there would be sufficient capacity for storage.

Mr. Kitagawa asked if the City has a backup storage. Mr. Nakano replied they could have a temporary storage so it could be retreated. Wahiawa has a storage that allows water to be held up

until it comes back on line. Mr. Katahira clarified that the backup disposal issue is an issue with R-1 certification. DOH has a requirement for R-1 certification not just the water quality component but there needs to be a primary disposal and a backup disposal. If there is no backup disposal, then there would be no R-1 certification. In the case of Wahiawa, currently they are meeting the water quality requirements but fail to meet the primary and backup disposal because everything goes into the reservoir. Because they do not meet that criteria, DOH cannot certify to be R-1. In a near facility, there would be an ocean outfall which could be a primary and the backup could be like an injection well or land application as a backup. But because we do not have two options we cannot get R-1 certification. They did have discussions with DOH on this project with ADC's mission to take the recycled water for irrigation. DOH has accepted that the direct route to the farmers would be the primary disposal and this case looking at the backup disposal as being land or storage. Right now there is a treatment process called MBR which is the only MBR plant on the island and the water quality that the plant is producing is the best water that could be found at a waste water treatment plant because of the treatment technology. The City is completing that upgrade right now and producing this R-1 quality water because of the technology improvement. Because of this MBR treatment it allows a smaller treatment footprint which frees up a lot of storage tanks at the existing treatment plant. The treatment plant footprint is a lot smaller now and producing higher quality water than what it's used to. There are three different things: primary disposal, backup disposal which both are R-1 quality water when the treatment plant is working at its best. The third is called off-spec water which is when the treatment process is not treating as its maximum and the quality is a little lower. As it stands now, the MOU suggests that ADC receive no less than R-2. In the case that there is a plant upset and the treatment process is not treating to that R-1 quality water because of the availability storage at the treatment plant, the City has the capacity to divert the flow.

Mr. Nakamoto stated that before the Agreement is sent to the City, staff will take a look at it again.

Motion carried unanimously.

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

Mr. Nakamoto made the presentation requesting for approval to issue a license to Funing Farm for land located at Kekaha. Funing Farm is requesting 150 acres for vegetable and papaya production for the local and export market. They are currently located in Waialua, Oahu on Dole lands where they manage 30 acres of leafy vegetables. The farm has been informed by the landowner that their lease will not be renewed when it expires in March 2017. The requested area is located along Kokee Road and is flat and has access to water. Additional electricity can be accessed via power lines located along Kokee Road. The 150 acres is comprised of three fallow fields previously licensed to Pioneer Hi-Bred. Funing Farm submitted their operational plan identifying their initial plantings of crops and acreages. Also their structures and storage plans.

The recommendation is for approval of the issuance of a 35-year land license to Funing Farm in Kekaha, Kauai subject to the following terms and conditions: 1) term of this license shall be for 35 years; annual fee is based on the rate of \$150 an acre; annual rental shall re-open every 10<sup>th</sup> year of the term; licensee shall pay an annual maintenance fee to the Kekaha Agriculture Association that would cover water delivery rates, and other incidental, administrative and infrastructure costs; ADC reserves the right to withdraw 5 acres more or less from the licensee with a 90-day prior written

notice; and no sublicensing the whole or any portion of their premises without the prior written approval of the ADC Board.

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

Mr. Haraguchi asked whether Funing Farm had a market for their crops they plan to produce. Mr. Nakamoto replied papaya is a good market for Kauai. They plan to do a test crop to see what the market would be and what can be grown then they would decide on their plantings.

Mr. Enright commented that it was great to have a diversified farmer on Kauai to give it a shot.

Ms. Klutke commented that it was great to have a farmer come to Kauai to farm because in Kekaha the climate and community is not an easy place to farm. She asked if the farmer has walked the land to see what can and cannot be grown in the area. Mr. Nakamoto replied the farmer did go to Kekaha and checked out the lands. That is why they were doing their research first to find out what the local markets want. They want to try to find their niche on the market. Ms. Klutke stated that she has not seen papayas being planted in Kekaha because it is very dry and she would like to see them succeed not struggle.

Ms. Hopkins asked whether we could put a provision in our license with conditions that within a certain period of time that land needs to be in production. Mr. Nakamoto replied all our licenses have standard language regarding nonperformance. However, ADC has not been able to enforce this nonperformance clause.

Motion carried unanimously.

- E. Request for approval to issue a license to Green Energy Team LLC for land located at Kekaha, Kauai; identified as a portion of Tax Map Key (4)1-2-02-01.

Ms. Owan made the presentation for approval to issue a license to Green Energy Team (GET) LLC for land of 625 field areas plus the associated non-tillable acres located in Kekaha, Kauai. The license term would be 35 years with option to terminate after the first two years of the test field installations are unsuccessful. GET has met with the KAA to review the fields that it is interested in and may be available. The members are amenable to having GET grow biomass, which will provide windbreaks and physical and visual barriers between farms and the community. GET submitted an operational plan which requests a two year test field installation and if unsuccessful the request to cancel the license without penalty and GET would remove the test fields at no cost to the ADC. After the first year, GET anticipate meeting with KAA to determine what additional fields GET will request which may include sublicensing fields from existing tenants.

The recommendation is that the Board approve a 35-year license for 625 acres plus associated non-tillable acres to Green Energy Team LLC in Kekaha, Kauai with the following conditions: license shall be for 35 years with an option to terminate the license after the first two years if the test field installations are unsuccessful; license fee of \$30 per acre per year for Fields 315, 316 (por.), 317, 323, 419 and 424 ( a total of 457.88 field acres); and \$100 per acre per year for Fields 218, and 320 (a total of 165.89 field acres); annual rental shall re-open every 10<sup>th</sup> year of the term; licensee may pay a discounted annual maintenance fee to the KAA, as agreed upon by the members of the KAA;

no sublicensing the whole or any portion of their premises without the prior written approval of the ADC Board.

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

Ms. Hopkins asked on the two different rental rates. Ms. Owan replied the \$100 acre/year is cleared lands that have no vegetation and is maintained. The \$30 acre/year is marginal lands are overgrown and prone to flooding.

Motion carried unanimously.

Mr. Ignacio called the ADC office to let the Board know that KAA fully supports both Funing Farm's and Green Energy Team's issuance of a land license.

F. Executive Director's Reports and Updates:

1. Galbraith agricultural lands, Oahu
2. Kalepa, Kauai
3. Legislative report

Mr. Nakatani reported: The Galbraith lands, its ongoing prep work to assist small farmers lower their startup cost. ADC anticipates the recently clearing lands will be used for watermelon and asparagus production. Also ITC Water Management, who has been contracted to install the Galbraith waterlines, have installed the waterlines and meters that will deliver water to all the individual lots. Kalepa: Taiwan Gu's sweet potato and ginger production in Kalepa is progressing. This farm on Unit C is currently cultivating roughly 30 more or less acres of the 68 total acres. Legislative Report: ADC Capital Improvement Project Request for FY 18 - \$4,000,000 for State packing and Processing Facility in Whitmore, Oahu in accordance with the Whitmore project. \$7,000,000 for Waiahole Water System Improvements in Kunia, Oahu, in accordance with the Central Oahu Water Security Plan which was approved by the ADC Board on November 16, 2016.

Ms. Hopkins mentioned that food safety is very important with the upcoming farmers on Galbraith lands. Chair replied yes, it is important and that she is working with a farmer who will be going onto the Galbraith property soon.

Also Mr. Nakatani mentioned that Myra Kaichi is now a full time staff at ADC.

G. Adjourn

Meeting adjourned at 10:23 am.

Respectfully submitted,



Cindy Doi, secretary