AGRIBUSINESS DEVELOPMENT CORPORATION
Minutes of the Board of Directors Meeting of April 27, 2016
Department of Agriculture Plant Quarantine Conference Room
1849 Auiki Street, Honolulu, Hawaii 96819

Members:

Letitia Uyehara	Lloyd Haraguchi
Yukio Kitagawa	Sandra Kato-Klutke
Leilyn Koev	Denise Albano
Margarita Hopkins	Douglas Schenk
Scott Enright, DOA	Jeffrey Pearson, DLNR
Wayne Thom, DBEDT	

Guests:

Erik Abe, Office of Rep. Oshiro
Teresa Dawson, Environment Hawaii

Staff:	Counsel:
James Nakatani	Myra Kaichi
Ivan Kawamoto	
Ken Nakamoto	
Lynn Owan	
Cindy Doi	

A. Call to Order.

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

B. Approval of minutes from the February 24, 2016 meeting.

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

C. Approval to negotiate and purchase the fee simple interest in real property Located in Wahiawa, Oahu, identified as TMK 1-7-02-6 & 34 owned by Dole Food Company, Inc.

Mr. Nakamoto made the presentation for approval to negotiate and purchase the fee simple interest in real property located in Wahiawa, Oahu owned by Dole Food Company Inc. for 194.416 acres of which 59.526 acres is in gulch areas and considered unusable, results in a net usable area of 134.890 acres. He gave a brief background on the property and an ongoing Hawaii Department of Health investigation regarding illegal dumping on the subject property. Also reported on the appraisal report prepared by Hasting, Conboy & Associates, Ltd. or the Trust for Public Lands to determine the estimated market value of the fee simple interest in the

land. The asking price of $3,618,500 and estimated market value is $5,400,000 with the difference of $1,781,500. It should be noted that the U.S. Navy is interested in restrictive easement on the subject parcel which will also factor in to the final closing cost. The conclusion is that agricultural land is the most critical component needed to boost the economic viability of the State's agriculture industry. The ADC is interested in acquiring the subject property because of its ideal location near other state lands under its management. In addition to its proximity to the Whitmore area, Galbraith Agricultural Land, and surrounding fields, acquiring the property will increase ADC's available agricultural land inventory in the region for diversified agriculture operations.

The recommendation is to authorize the Executive Director, and or, a designee to negotiate and purchase the fee simple interest in 194.416 acres of land in Wahiawa, Oahu, identified as TMK (1) 7-1-02-06 and 34.

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

Mr. Schenk asked whether the illegal dumping was going to be cleaned up and corrective actions will be taken. Mr. Nakatani replied yes, HDOH is involved therefore the clean-up must be completed.

Mr. Haraguchi asked whether the asking price has a reflective value of the difference. Mr. Nakamoto replied the reflective value of the environmental clean-up would be needed. Ms. Kaichi stated that our position is the restrictive easement would be deducted from the $3,618,500. Parcel 34 is under contract to TPL and they have the purchase of sale agreement with Dole for those two parcels. That is where the negotiations are starting for ADC and negotiating the value of the easement at this point would be to deduct from what ADC pays.

Motion carried unanimously.

D. Approval to negotiate and purchase the fee simple interest in real property located in Wahiawa, Oahu, identified as Tax Map Key 1-7-1-02-32 owned by Castle and Cooke, Inc.

Mr. Nakamoto made the presentation for approval to negotiate and purchase the fee simple interest in real property located in Wahiawa, Oahu owned by Castle and Cooke, Inc. for 217.884 acres of which approximately 71.973 acres is in gulch areas and considered unusable. An additional 12.291 acres is in a U.S. Navy road condemnation. Deduction of the gulch and Navy condemnation results in a net usable acres of 133.62 acres. The asking price is $5,350,000 and estimated market value is $4,940,000 with the difference of $410,000. It should be noted that the U.S. Navy is interested in purchasing a restrictive easement on the subject parcel which will also factor in to the final closing cost. The conclusion is that of the same as Item C. The recommendation is to authorize the Executive Director, and or, a designee to negotiate and purchase the fee simple interest in 217.884 acres of land in Wahiawa, Oahu, identified as Tax Map Key (1) 7-1-02-32.

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

Mr. Pearson asked how much money was appropriated from the legislature. Mr. Nakamoto replied $10 million that identified four parcels of which these are two of the parcels.

Ms. Albano asked on the purchase of the Navy easement – are they purchasing it from ADC or Castle & Cooke. Ms. Kaichi replied unlike the Dole purchase where they are agreeing to go through TPL, Castle and Cooke refuses and they don't care who the buyer is as long as they get full purchase price but they understand that ADC cannot pay more than appraised value. Part of the negotiations on parcel 32 is how to get the fee ownership into the state of Hawaii, the Navy restrictive easement into their operations, TPL compensated for the work they are doing on behalf of the Navy and State and justify all money that goes to every person. The Navy wants the same easement but this negotiation is going to be different.

Motion carried unanimously.

E. Approval to issue land licenses to Galbraith farmers for agricultural purposes in Wahiawa, Oahu, Tax Map Key (1) 7-1-001:002:

1. Yaeng Luangsiyoth
2. Lay Vong Khamchanh, (Lucky Farm LLC)
3. Pin Rey
4. Teo Soukhaseum (TST Farm LLC)
5. Touan Luangrath, (Touan Farm LLC)
6. Youming Lou & Dehua Liu, (Liu's Plantation LLC)
7. Riane & Andy Phasonk, Nattahchai Thatkaeo, (A&N Farm LLLP)
8. Milton Agader, (Twin Bridge Farms Inc.)
9. Jing Chuan Yao (Chuan Produce Inc.)

Mr. Kawamoto made the presentations for all Galbraith farmers for agricultural purposes in Wahiawa, Oahu. All applicant's recommendation would be: base rental rate would be year 1-3 annual fee of $200 per acre per year; year 4-10 annual fee of $400 per acre per year, reopeners every ten years. Term of land license shall be for 35 years; no subletting permitted without ADC's prior approval in writing; licensee shall be responsible for paying for irrigation costs depending on the size of their water meter; licensee shall be responsible for paying $84.42 per acre per year per month for security; and licensee shall be responsible for paying $25 per month for the cost of portable toilets.

Every tenant's parcel size is different therefore the rent cost would differ for each.

Ms. Hopkins moved to approve all the recommendations for each land licensee on the Galbraith lands; Mr. Kitagawa seconded the motion.

Mr. Thom asked whether the conservation plans are done after the fact. Mr. Kawamoto replied the farmers will be doing their plan now but ADC is allowing them to take a year to complete. There is a committee that is working with the farmers, make recommendations and work with the contact whether it be NRCS. If the plan is not approved, then the license could be canceled. Mr.

Nakatani stated that would not be an issue because we did a conservation plan for the lots already. We know what the farmers are suppose to be doing but we want an insurance from each farmer. We did the initial plan for the whole parcel and it has been approved.

The farmers were given their submittals prior to our meeting to take a look at. Mostly all the farmers would be planting food crops that would be consumed in the state.

Mr. Enright asked for feedback as we go forward with licenses to stipulate that this is what the board is looking for is import crop replacement. He asked because he does get asked from the capitol whether the ADC is approving to license to entities that are not doing import crops replacement. The DOA is starting to structure certain leasing stipulating leasing to import crop replacement as oppose to export. He asked the board for any feedback. Mr. Kitagawa replied the board should encourage those who grow for certain export crops too. He would agree that farmers should be growing for crop replacement but he still would like to give consideration to those who would like to grow for export.

Mr. Pearson asked whether the higher ups would put that requirement on the money in order to purchase lands. It could be difficult but it might be another way to accomplish it or may be put a percentage of lands being leased.

Mr. Enright stated that the DOA represents all of agriculture not only food crops. All of agriculture has his support and he was just looking for input from the board going forward. He would use that input.

Mr. Schenk felt that the market place would need to take care of this. Chair agreed that we need to let the marketplace dictate what happens.

Mr. Kitagawa commented that all these farmers did attend classes. They may not have fully understood what was being taught at these classes but they did go through and have some appreciation of the cost of growing these crops. The issue of food safety was stressed very hard and the marketing issue was talked about but nothing specific on what to grow. Whatever information that was presented has already been translated into their language. They have in hand references but it was right for these farmers to go through these classes and they are more appreciative of what they need to do. We need to be sure that those who are using state lands understand that there are conditions that they need to abide to which foremost is food safety. He thanked Dr. Po-Yung Lai and the City for coordinating these classes.

Motion carried unanimously.

F. Executive Director Reports and Updates:

1. Kekaha, Kauai
2. Galbraith Land, Oahu
3. Kunia, Oahu

Mr. Nakatani reported that:

Kekaha Agriculture Association has decided to terminate their RP of approximately 266 acres.

Galbraith Lands – The watermelons are growing well so far and should be harvested in the next two weeks. He would probably be planning for the board members to come to see the fields of watermelon and will let the members know.

Kunia – The operational audit of conservation easement owned by Hawaii Agricultural Research Center (HARC) Property of 108 acres of agricultural lands was conducted and inspected with the purpose of reviewing easement monitoring activities and management of violations. During discussions, the subject of HARC's request to grow medical marijuana on the property arose and the auditor made it clear such activity is not allowed. The auditor further commented that the easement is being appropriately managed within the term of the easement deed and monitored annually on a timely fashion.

Legislature – The budget bill has not been closed therefore it is still being worked on. Some bills are being held up and there is still work that needs to be done. He will make a report at the next meeting.

Mr. Kitagawa asked on the Master plan for Whitmore. Mr. Nakatani replied funds were lapsing so we are trying to use part of the funds for the master plan. We are trying to find someone who has experience to do the master plan. There could be a contract with the University of Arkansas who has experience in doing this type of work for agriculture. We would like to try to contract someone locally but have not found the right person. As soon as more information becomes available, we will be sharing that information.

G. Adjourn.

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

Meeting adjourned at 10:30 am.

Respectfully submitted,

Cindy Doi

Cindy Doi
secretary