

DRAFT

AGRIBUSINESS DEVELOPMENT CORPORATION
Minutes of the Board of Directors Meeting of June 29, 2016
Department of Agriculture Plant Quarantine Conference Room
1849 Auiki Street, Honolulu, Hawaii 96819

Members:

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

Absent:

Jeffrey Pearson, DLNR

Guests:

Steve Kai, Syngenta	Joshua Uyehara, Syngenta
Darin Izon, Brown and Caldwell	Dean Nakano, Brown and Caldwell
Wendy Oda, Hawaiian Electric	Teresa Dawson, Environment Hawaii
Arielle Kramer	David Cho, Senator Dela Cruz's office

A. Call to Order.

Chairperson Uyehara called the meeting to order at 9:03 am.

B. Approval of Minutes from the April 27, 2016 meeting.

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

C. Presentation of Wahiawa Reclaim Water Irrigation System.

Mr. Nakatani gave brief comments on this project. He stated that a couple of sessions ago, ADC received funds to look at planning of recycled water. Lake Wilson has been a good source of water however the quality of the water has been considered R2 or unspecified which is not usable for vegetable crops. The Health Department recently in a memo allowing the Hawaii agriculture to use R1 water which opened the door. Our motive is to take the R1 water out of Lake Wilson so we can use the water for agriculture and the Lake will become usable water for agriculture. Several meetings were held to look at how to progress and we are working on a MOU with the City however we were against a timeline so we did a contract with Brown and Caldwell to look at how do we take the R1 water out of Lake Wilson and how to make it usable for agriculture.

Darin Izon from Brown and Caldwell made a power point presentation which gave some background information with a brief project description and an overview of what the project will entail.

Mr. Haraguchi asked on the timeline for completion. Mr. Izon replied they are waiting for a contract but the timeline might be from start to finish could be a couple of years including design. Mr. Haraguchi asked what are the existing amounts of water that the farmers must use. Mr. Nakatani replied right now we have the Bott Well pump and possibly water from a well on another property.

Ms. Albano asked where is the water from the waste water treatment plant going now. Mr. Izon replied it is going into the reservoir. Ms. Albano asked for the cost if we were to take the water from the waste water treatment plant. Mr. Nakano replied what is happening with the discharge of the treatment effluent to Lake Wilson and the water into Wahiwawa irrigation system is ultimately being used however the water from the Lake Wilson is regulated R2 and the farmers need to meet the R2 requirements. If you take the treated effluent out of the way (1) any water being used become unregulated (2) by using R1 water directly on Galbraith land become the direct proper use directly from the treatment plant to the point of use which is the requirement that DOH wants.

Mr. Kitagawa wanted clarification – the water coming out of the treatment plant is considered R1. Mr. Izon replied technically it is R2 even though the quality meets R1 standards. Mr. Nakatani stated it is because there is no storage capacity. Mr. Izon stated there is no further treatment necessary however they need to meet storage requirements. They will work closely with DOH and hopefully get a straight answer on what storage requirements are necessary in order for them to deem it R1 and work with the state to meet those requirements. Mr. Kitagawa asked where the storage will be. Mr. Nakano replied the DOH guideline just went through a revision. Previously to the revision storage was a component of R1 clarification. He believes the DOH recognizes that storage capacity requirement would be in terms of R1 certification. Presently the two criteria's that need to be met are R1 certification requires two disposal options – primary disposal option which is directly going to ADC lands and having a secondary backup disposal should the primary disposal can't take any more water then what would be done with the effluent. It appears that Lake Wilson can still be a secondary backup disposal. If those two criteria's are met, DOH could say that the water would be deem R1 water. There is nothing in writing yet but the goal is to put it in writing so it is very clear that this water will be R1.

Mr. Nakatani stated that these routes are doable with the exception of maybe the last route. There is an appropriation already for the irrigation system. Also maybe in the next session getting funds to get the pipeline from the City to ADC land. Mr. Kitagawa stated that he had concerns with going through OHA property and felt that would not be an option. Mr. Nakatani stated that we did have other options and we are looking at every option.

Chair asked if Brown and Caldwell will cost out these options so it is clear what these costs of each options will be. Mr. Izon replied yes.

Mr. Enright asked whether DOH's concern is to have a lagoon in case the facility fails. Mr. Nakano replied first what happens during wet weather conditions when the primary disposal option does not need water and what do you do with that water. Also what do you do with off spent water which doesn't meet R1 quality? He understand that there is enough capacity at the plant currently to store that water until they can get back on line to treat it to R1 quality. Those criteria are being met and they will confirm that with DOH. They would need to discuss with the DOH what happens if they don't have enough storage capacity should the plant go off line.

Ms. Hopkins stated that she did not see in their presentation of informing the public of what they are doing. Mr. Izon replied part of the environmental process includes a public review so they put all the options out, study it, present their findings and at that point comments could be made. Also the public will have an opportunity to be informed of the progress of the project.

5 minutes recess called at 9:35 am

- D. Approval to negotiate and purchase the fee simple interest in real property located in Mililani, Oahu, identified as TMK (1) 9-5-03-07 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 Mililani, identified as TMK (1) 9-5-03-07 owned by Castle and Cooke, Inc. The land area is 91.65 gross acres and zoned at Ag 1. This is the legislation that appropriated \$10 million to the ADC in 2015 to acquire certain agricultural parcels near Galbraith ag lands and the Whitmore area which includes the subject area property. Castle and Cooke's asking price is \$2,300,000 which is located above Kipapa gulch and between Mililani Mauka and Koa Ridge and consists of gentle sloping naturally forested lands. Previously this property was primarily used for pineapple cultivation and is considered to be of good soil quality for agricultural growing purposes. The property is landlocked and access easement must be secured and maintained to serve as an access to the subject property and the Board of Water Supply well site if potable water is required. There is limited road access. There are no utilities on the subject property. However HECO lines run through the property and is accessible if power is required. In conclusion, the ADC is interested in acquiring the property to increase its agricultural lands inventory and ensure these lands are kept in agriculture. The property is close to the Whitmore area, and acquiring the property will increase ADC's available agriculture land inventory in the region for diversified agriculture operations. The recommendation is to authorize the Executive Director, and or, a designee to negotiate the fee simple interest in 91.65 acres of land in Mililani, Oahu, identified as TMK (1) 9-5-03.-07.

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

Mr. Kitagawa asked on the water availability. Mr. Nakamoto replied there is no water right now but there is a well used for Mililani.

Mr. Schenk asked if this parcel was close to homes. Mr. Nakamoto replied there is a deep ravine that separates the parcel.

Mr. Enright stated with all the inventory that Castle and Cooke has, why is this parcel desirable for purchase. Mr. Nakatani replied legislature gave funds to purchase parcels and there is always opportunities to look at future crops that could do very well on this parcel.

Motion carried unanimously.

- E. Approval to Issue a Construction Right of Entry to Hawaiian Electric Company, Inc.; Waikele, Ewa, Oahu, TMK: (1) 9-4-012:001 and 003.

Ms. Owan made the presentation for approval to issue a construction right of entry to Hawaiian Electric Company, Inc.; Waikele, Ewa, Oahu TMK (1) 9-4-012:001 and 003. This is for construction of electrical transmission lines, poles, guy wires and anchors, including the right to trim and keep trimmed any trees in the way of its appliances and equipment during construction, together with the right from time to time and at all reasonable times to enter upon the easement area and also the right of ingress and egress over ADC managed roads leading to the proposed easement area.

The recommendation is for approval to the applicant's request for a construction right of entry to the construction site of the subject new 46kV sub transmission line, to be issued to Hawaiian Electric Company, Inc. Also in addition to ADC's standard indemnification requirements over the Property, require that the Applicant indemnify the ADC for such entry and presence on areas outside of the Property.

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

Wendy Oda from HECO was present to answer any questions.

Mr. Haraguchi asked if there were any restrictions on the ground. Ms. Oda replied they need a minimum of 40' clearance from the ground. They are looking to start construction in September because they have the DLNR approval who owns the lands and ADC manages the land. They have come before for ROE for surveying so this is not the first time they have come in the past.

Motion carried unanimously.

- F. Approve the withdrawal of prior board approval given on April 27, 2016 of a Galbraith 35-year land license for 20 acres to Yaeng Luangsiyotha for agricultural purposes, Wahiawa, Oahu TMK (1) 7-1-001-002.

Approve issuance of a Galbraith 35-year land license for 10 years to Yaeng Luangsiyotha Tan Luangsiyotha, Suphot Sawatdiphap, Jason Lungsiyotha for agricultural purposes, Wahiawa, Oahu, TMK (1) 7-1-001:002.

Mr. Kawamoto made the presentation for approval of the withdrawal of prior board approval of a Galbraith 35-year land license for 20 acres to Yaeng Luangsiyotha for agricultural purposes, Wahiawa, Oahu, TMK (1) 7-1-001:002. Also the approval to issue a Galbraith 35-year land license for 10 acres to Yaeng Luangsiyotha, Tan Luangsiyotha, Suphot Sawatdiphap, Jason Lungsiyotha for agricultural purposes, Wahiawa, Oahu, TMK (1) 7-1-001:002. On May 11, 2016 ADC received an email from Jason Lungsiyotha, son of Yaeng Luangsiyotha requesting to reduce their lot acreage size from 20 to 10 acres. Reason being they were not aware of all the additional monthly security, and irrigation startup costs. In addition to reducing their lot size acreage the family requested that family members be included on their license agreement. The recommendation is to approve the 35-year land license for 10 acres to the Luangsiyotha family with the following conditions: the term of this land license shall be for 35 years; base rent will be \$200 an acre per year for the first 3 years or \$2,000 per year. Years 4-10 the base rent will increase to \$400 an acre per year and reopens every ten years; no subletting to be permitted without ADC's prior approval in writing; Licensee shall be responsible for paying for the following irrigation costs; a 2 inched water meter estimated to cost \$2,700 and installing at their cost, a drip

irrigation system for their operations; licensee shall be responsible for paying \$84.42 per acre per year or \$70.35 per month for security; licensee shall be required to pay \$25 per month for potable toilets. Mr. Enright moved to approve the recommendation; Mr. Schenk seconded the motion.

Mr. Kitagawa commented that this might not be the last change. Tenants could ask to change their acreage but they should have known what their upfront costs would be. He did have some reluctance that and was not in favor of this.

Ms. Hopkins said this tenant was enthusiastic to get on the land and to be told they cannot. But is there a way to maybe as part of this program we could include systems for some who would really like to farm to access other programs. Is there some way to take a look at other ways to help with a program for start up.

Motion carried unanimously.

G. Approval of a Kalepa 35-year land license for 61.40 acres to Sakda Meephol, of a portion of Tax Map Key: (4) 3-9-002:020 Kalepa, Kauai, for farming purposes.

Mr. Kawamoto made the presentation to approve a Kalepa 35-year land license for 61.40 acres to Sakda Meephol, of a portion of TMK (4) 3-9-002:020 Kalepa, Kauai for farming purposes. Mr. Meephol is requesting 60 acres of farm land to cultivate fruit trees, pineapple and papayas as well as vegetables. In April 2011 he started his own business on 21 acres of leased property from Grove Farm and currently cultivates a variety of fruits with his markets at a fruit stand in Koloa and weekly farmers' market. Kauai has been lacking farmers willing to work the land to increase the local food production. Mr. Meephol is experienced fruit farmer and with an additional 60 acres he could potentially increase his fruit production and expand his operation to include vegetable cultivation.

The recommendation is that the ADC board approve a 35-year land license for 61.40 acres (53.40 usable) to Sakda Meephol in Kalepa, Kauai with the following conditions: 1) license fee of \$100 per acre per year or \$5,340 per year for 43.40 acres; licensee would be required to join the Kalepa Coalition (KK) or pay a monthly maintenance fee to the KK that would support efforts in maintaining the infrastructure 3) licensee shall not sublicense the whole or any portion of their premises without the prior written approval of the ADC Board.

Ms. Klutke moved to approve the recommendation; Ms. Hopkins seconded the motion.

Ms. Klutke stated that this farmer has been asking since December for land but there was a language problem and he had questions regarding paperwork he needed to proceed, financials, a plan. He was persistent because he wanted land in Kalepa but hope he is successful and we are willing to help him be successful. She has been helping him proceed and hopefully will be the spokesperson for others to farm on ADC lands.

Ms. Hopkins was concerned with his market because he is just marketing at farmers' markets but when he gets into full production he would need more than farmers' market and is a concern with 60 acres of land. He would need to find other markets and does have time with his production. We should ask him about his markets.

Motion carried unanimously.

H. Response to Department of Health - Clean Water Branch Water Quality Standards Requirements in Kekaha, Kauai.

Ms. Kaichi gave an update on this issue. The last update was presented in July 2015. In July 2001 the ADC took over the Kekaha sugar NPDES permit, and renewed the permit in 2007. It was up for renewal again in 2011. Although ADC timely applied, the DOH administratively extended it and were determining how to treat the application. Four years later, in 2015, the DOH informed the ADC that the NPDES requirement did not apply to the permit. We learned that the type of discharge that the ADC managed was not covered by NPDES permit requirements since the sugar mill was closed. But the ADC continued discharging under its NPDES permit until the decision was made by EPA and the DOH in 2015. In 2015, after conferring with the Board, the ADC withdrew its permit application and has been working with the DOH clean water branch on a MOU to establish management practices since then. The plan has to take into consideration all of the pollutants and all the contributors. (County of Kauai, farmers, PMRF). The ADC has been meeting with all these interested parties to keep them appraised of what is going on with the water quality, what the DOH is requiring of the ADC. We all have an obligation to keep the water clean. ADC has been working since August to put together a hydrology team to help us understand all the hydrological issues, sediment issues, ocean contamination issues and the water quality standard issues. We retained Tom Nance who is under contract with the ADC and he is putting together a team.

The ADC has been going through several iterations of a draft of a management plan with the DOH but because the ADC staff are not hydrologists, we were waiting for the hydrology team to help us understand it, see if it was workable or doable, affordable, reasonable under what is required of the clean water quality. One of the questions will be whether the ADC can afford the time and expense to get the water clean. We received the suggested revisions to the existing MOU yesterday afternoon from the hydrology team. We promised to get the next iteration of this MOU to the DOH by tomorrow. Ms. Kaichi and staff will be trying do as much as they can to see if the deadline can be met. But she did not know. The detail received from Tom Nance and his team is terrific but we need to compare and try to anticipate whether the DOH will accept it. She feels we will get a management plan by this year. Tom Nance and his team has been going out and doing sampling and have identified 10 of the 19 sources of waters that are contributing that are going into the drainage canals.

The ADC has received notice from Earthjustice on behalf of the Surfrider Foundation that it intends to sue the ADC in what is called a "citizens suit" under the Federal Clean Water Act governing water pollution. They have to give us 60 day notice to give us time to stop polluting under the Federal Clean Water Act and the 60 day period runs out next week. Now that we have something back as of yesterday we will take a look at it and try to put together the next iteration of this management plan. She will now call Paul Achitoff to ask if they could give us more time. The lawsuit from Earthjustice will be about what we are doing to clean up the water quality to meet water quality standards. If she cannot convince him for more time to develop the plan then we will be defendants in a lawsuit.

Mr. Enright asked if Ms. Kaichi could share with the board the draft MOU because he has had meetings with the DOH environmental health on this issue. He was hoping that they would be moving towards a reality based assessment of what ADC is responsible for and what it isn't. He would make a strong

argument that ADC is not responsible for sedimentation from mauka that we are not cultivating. Also not responsible for some of the nutrients that would be found in the water coming from cesspools. There are a number of issues that he feels that the ADC would not be responsible for.

Ms. Albano asked whether the draft from Tom Nance was based on the MOU from the DOH guidelines. Ms. Kaichi replied it is the next iteration but she has not compared the old iteration with Tom Nance's proposal but she feels it is the next step. She thinks DOH is waiting for our MOU then will come back to us. Ms. Kaichi mentioned that Jim Hayes directed our attention to a water study on Kauai funded by the EPA. After that study was implemented and completed, those streams have improved. It would be great if we could do something like that in Kekaha. But we do not have that kind of time of actually looking at water quality. All we can do is the best we can do given the time that is allotted.

Chair asked if there are other templates in doing a management plan that could help guide us. Ms. Kaichi replied she did not know but she will ask our hydrology team.

Mr. Kitagawa asked what role the DOH plays in this issue. He thought that DOH were the enforcement agency. But the focus is not on DOH but on the ADC as far as the citizen suit is concerned. Ms. Kaichi replied she did not understand that too but she will talk to Mr. Achitoff. Also DOH could be a party of the lawsuit as well or if not we could bring them in. Mr. Enright clarified that the suit with Earthjustice was with Surfrider Foundation. They have been taking water samples around Kauai but specific interest is in Kekaha. It came out in the Joint Fact Finding bill 2491, which is the bill that Councilman Hooser is interested in, to see whether there is pesticide runoff. They mistakenly think that ADC is responsible for all the water quality in Kekaha so council can set them straight.

10-minute recess was called at 10:45.

I. Executive director's reports and updates.

1. Tamura Warehouse, Oahu
2. Galbraith Land, Oahu
3. 2016 Legislative Report

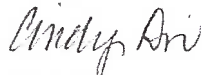
Mr. Nakatani reported that we are in the process of fixing the roof at Tamura warehouse. The Land committee will be meeting and having a conference call with Mr. Schenk on a possible tenant and make a recommendation soon.

On the Galbraith lands a watermelon field trip was held on May 23, 2016 which Larry Jeffs' production did very well. Chair stated that it is very important to have these anchor tenants that do well to show incentive for the smaller farmers.

The 2016 Legislative report was given to the board members. He reported on some CIP funds that were given for some of our projects. Also a \$31,000,000 appropriation to purchase land.

Meeting adjourned at 11:00 am

Respectfully submitted,



Cindy Doi, Secretary

