AGRIBUSINESS DEVELOPMENT CORPORATION
Minutes of the Board of Directors Meeting of April 22, 2015
Department of Agriculture Plant Quarantine Conference Room
1849 Auiki Street, Honolulu, Hawaii 96819

DRAFT

Members:

Letitia Uyehara
Denise Albano
Margarita Hopkins
Yukio Kitagawa
Scott Enright, DOA
Roy Hardy, DLNR
Alan Takemoto
Lloyd Haraguchi
Sandra Kato-Klutke
Douglas Schenk
David Nada, DBEDT

Guests:

Cale Yamada, Kennedy Jenks
Eassie Miller, Kennedy Jenks
Mark Takemoto, Pioneer Hi-Bred
David Cho, Sen Dela Cruz's office
Kyle Okino, Kennedy Jenks
Jennifer Eugenio, Corps
Darin Uesugi, CBDO

Staff:

James Nakatani
Ivan Kawamoto
Ken Nakamoto
Lynn Owan
Cindy Doi

Counsel:

Myra Kaichi

A. Call to Order.

Chairperson Uyehara called the meeting to order at 9:08 am.

Chair introduced David Nada representing DBEDT and Roy Hardy representing DLNR.

B. Approval of Minutes from the March 11, 2015 meeting.

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

C. Approval to lease office space to Wahiawa Community Based Development Organization, located in Whitmore, Oahu, Tax Map Key: (1) 7-1-02-04 (por) for three years.

Mr. Kitagawa recused himself because he is an active member of the Wahiawa Community Based Development Organization.

Mr. Nakamoto made the presentation. He stated that a request was received from the Wahiawa Community Based Development Organization (CBDO) for office space in Whitmore, Oahu. The non-profit organization plans to utilize the office space for administrative, support, training, and meeting space as they work to develop and implement agribusiness related projects in Central Oahu. Established in 2009 as part of the City's Community Development Block Grant program, the CBDO coincides with the U.S. Department of Housing and Urban Development's Neighborhood Revitalization Strategy Area (NRSA) plan which services communities with the highest populations of low to moderate income and minority residents. The CBDO's objectives work plan, which the organization plans to develop over the next five years, describes the components of the proposed Agribusiness Resource Center. Activities include providing training, production and retail resources. Additionally, the CBDO will be initiating the NRSA Weed & Seed project which seeks to bring together the community policing team and local partners to make all aware of the importance of agribusiness and of the impact agribusiness theft has on the community, and to identify solutions.

The recommendation is to authorize the executive director to lease office space located in Whitmore, Oahu to the CBDO subject to the following terms and conditions: (1) the organization shall lease a portion of Building E; (2) CBDO shall make improvements to the facility; (3) base rental rate is $10.00 per year for 3 years; and (4) if applicable, the CBDO shall reconcile any real property tax exemption with the appropriate authorities.

Mr. Haraguchi moved to approve the staff recommendations as presented; Ms. Klutke seconded the motion.

Ms. Albano asked whether any of the work plans contained in CBDO's five year plan is already in progress. Darin Uesugi, president of the Board of CBDO was present. He stated that because they are a community based group, all of their programs have been identified by the community through surveys, public hearings. The top three initiatives they are working on for economic development are agriculture, community health and homelessness. This year, they were awarded a grant which works in conjunction with the NRSA weed and seed program and should be getting the notice to proceed in the next couple of months. Much of their programs are agriculture-related, like farm-to-table, culinary arts, programs for the youth, mobile farmers market, and EBT-type systems. Also, some new farmer training programs are being developed. Other than those, they are working on additional funding for programs. They would bring others in to do the training of farmers.

Mr. Nakatani mentioned that CBDO received a grant from the City which would be to do the training for the farmers on the Galbraith lands which could start as early as next month. The training would cover field sanitation, food safety, immigration laws, etc.

Motion carried unanimously.

Chair stated that a support letter for the CBDO was received from Senator Dela Cruz.

D. Approval to negotiate and purchase the fee simple interest in real property located in W.H. Shipman Business Park in Keaau, Hawaii, Tax Map Key: (3) 1-6-151-002, Lot 9073 B-2.

Mr. Nakamoto made the presentation. He stated that this acquisition is needed in conjunction with our zero waste project. Last session, the legislature allocated funds to establish a zero waste demonstration facility on Hawaii Island for the purpose of scaling up the mini pilot project to determine if the heterotrophis algae/fungi can be produced on a commercial scale. ADC entered into a MOA with Pacific Biodiesel (PB) to establish a temporary demonstration facility on PB's property to work on the specialized equipment which may take months to assemble. ADC identified land in the W.H. Shipman Business Park to construct the permanent zero waste demonstration facility. The property is an ideal location to construct the facility because of its industrial zoning and its proximity to the PB facility. The listed asking price for the property is $548,400. An appraisal report was prepared by ACM Consultants, Inc. and was based on the analysis of competitive vacant land transactions that were recent, were similarly zoned, and were in the vicinity of the subject site. It is the appraiser's opinion that the estimated market value of the fee simple interest in the subject property is $510,000.

The recommendation is to authorize the Executive Director and or, a designee to negotiate and purchase the fee simple interest in 1.526 acres of land in Keaau, Hawaii, identified as Tax Map Key (3) 1-6-151-002, Lot 9073 B-2.

Mr. Enright moved to approve the staff recommendation; Mr. Haraguchi second the motion.

Ms. Hopkins stated the concerns from the papaya industry regarding this project. She commented that the packing houses for papayas were not included in the discussion. If this is a project that would use papayas then they should be included in the discussion because they are the source of raw materials for this project. Also comments from the UH asked why ADC would buy this land when the UH Hilo farm is a mile away from where we are talking about. If at all we would use this source for feed, the UH has already feed equipment. The UH has established an energy science and hired a bioengineer and is in the process of hiring another person because they will be starting this within the UH. If this does not work for some reason, having it at the farm could be used for educational purposes. Having it connected with the production of biofuel and feed it is more logical. If you do not want to put it at UH, there is an agricultural park which is in that area over which DOA has oversight that could be looked at instead of buying another property and use that money instead to build the infrastructure for the operations.

Mr. Nakatani stated that this project has been open to the public for a long time and there have been several meetings with the papaya group. This is called a demonstration project which we are spending a lot of time and effort to refine. We have not kept this a secret and have not excluded any one on this so the growers are well aware of what is going on. May be the Board could take a trip to PBARC as well as the Pacific Biodiesel site. Staff will keep the board members informed.

Mr. Enright commented that the land adjacent to Pacific Biodiesel in Keaau allows ADC to move forward. The original work was done by PBARC so now that we are taking it to commercialization but still in the demonstration phase this allows us to tie it in. The thought is that Pacific Biodiesel has the best track record to allow us to move forward just short of commercialization. As we are proving the science we tie in the papaya group. In the end it

needs to be done in conjunction with them if we are doing papaya but it is all agricultural waste that can benefit. We will work in conjunction with the UH Hilo.

Ms. Hopkins commented that the papaya group feels like we are favoring Pacific Biodiesel which is heavily subsidized. If the subsidy will not be there, would Pacific Biodiesel be effective and efficient.

Mr. Hardy asked if DOH had a chance to comment regarding environmental concerns. He asks because there is a bottling company of drinking water which has an existing well but which is also asking the Water Commission for six additional wells. The request went through the process which DOH did not have any concerns about at the time. The ground water is about 400 feet below. Mr. Nakatani stated that he thinks that Pacific Biodiesel did get all the proper permits. In the permit there is always a concern about how to dispose of the water and it is addressed in the permit.

Motion carried with Ms. Hopkins abstained.

E. Approval to lease building space to AAA Rent to Own – Hawaii, Inc. at Tamura warehouse, located in Wahiawa, Oahu, Tax Map Key: (1) 7-4-12-016 for three years with one option to extend for three years.

Ms. Owan made the presentation. This is a request to approve a lease of building space to AAA Rent to Own in the Tamura Warehouse. Two existing leases encumbered the property at the time of the purchase of the Tamura Warehouse. AAA has been leasing its current building space since June 7, 2012 and the lease will expire on June 6, 2015. Although there is an option to extend for another three year term, the ADC proposes to issue a new lease instead. Currently AAA pays $1.27 per square foot per month which includes general excise tax and the cost of the real property tax. The former landlord paid the real property tax which in 2014 was about $11,390. However the ADC is not required to pay state taxes, therefore the respective tax payment must be paid by the tenant to the City and County of Honolulu.

AAA has been a good tenant that makes timely rent payments. This is a storage space for AAA that is accessed by employees only and involves minimal access onto the property. There is currently minimal common area maintenance (CAM). Should the ADC incur CAM costs in the future, the cost will be added to the base rent.

The recommendation is for approval of a three year lease to AAA rent to Own – Hawaii with the conditions: (1) a base rent of $0.95 per square foot per month for 2,700 square feet if storage space, a restroom and three reserved parking spaces or $2,565 per month (2) shall pay its portion of the real property tax directly to the City and County of Honolulu; (3) base rent increase of 3% every year: (4) one option to extend for a consecutive 3-year term; (5) tenant shall not sublicense the whole or any portion of their premises without the prior written approval of the ADC Board; and (6) ADC has the option to add a monthly common area maintenance fee to the lease, which shall be mutually agreed upon by ADC and AAA and memorialized by an amendment to the lease.

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

Mr. Takemoto asked on the plan for a long term for this warehouse and if this is a temporary lease. Mr. Nakatani replied yes and we are looking for tenants who support agriculture. There are a few people who are interested who support agriculture. He will keep the Board informed.

Motion carried unanimously.

F. Approve amendment to Syngenta Hawaii, LLC Land License No. L-08202 to withdraw 465.93 acres of tillable land and 267.59 acres of non-tillable land in Waimea, Kauai for a gross acreage of 733.52, Tax Map Key (4) 1-2-02-001 (por).

Ms. Owan reported that the revised submittal for Syngenta field nos and acreage has changed. Syngenta Hawaii has not fully utilized the subject mauka lands due to viability and economic reasons.

The recommendation is for approval of amendment to License No. L-08202 to Syngenta Hawaii to withdraw: Field 601 (50.77 acres), Field 602 (59.93 acres); Field 613 (142.71 acres); and Non-tillable areas (267.59 acres) for a total of 521 acres. All other terms and conditions of License L-08202 to remain the same.

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

Ms. Hopkins asked if payments would still be paid on the license. Ms. Owan replied that the rent would be decreased by about $4,800 a month with no violation of the license.

Mr. Enright commented that the board should anticipate further withdraws of lands from Syngenta. They are doing a corporate restructuring of their biotech divisions. Their corn operations are not as profitable as they would like them to be and having a hard time competing with DuPont Pioneer and Monsanto. There will be less of a footprint here in Hawaii and certainly on Kauai. Those lands would open up and should attempt to find agriculturalist who want to do food crops.

Ms. Klutke said there is interest from cattle ranchers in Kekaha who wanted 1,000 acres. Mr. Nakatani replied that will be looked into. The challenge would be that whoever goes mauka needs to be stewards of the land. That is the biggest concern – that whatever they plant cannot be detrimental to the land. If we do cattle and controlled pasture then that is a good way to go. We need to have something there and not just grass because we have concerns with fire.

Motion carried unanimously.

Recess called at 9:55

G. Presentation of a Hawaii water system technical study, Wahiawa/North Shore and Galbraith agricultural land irrigation system improvements, Wahiawa, Oahu, Hawaii.

Kennedy/Jenks consultant conducted the study. Mr. Okino made the power point presentation of alternatives to irrigation systems on the Galbraith lands. The Army Corps of Engineers provided the funding for the study. Some of the highlights of the study is the Galbraith irrigation water source, the Bott-well pump station, and the identification of alternative water resources to meet the Galbraith irrigation demands. The irrigation demand is 3,000 gallons per acre of which Galbraith has approximately 1,700 acres. Therefore the irrigation water demand would be 5.1 mgd. The common considerations are: pump irrigation water to a 10 million gallon reservoir; connect to Galbraith irrigation system; draw water from Lake Wilson; draw water from Lake Wilson's North Fork; power to connect to HECO grid or separate diesel generator; environmental considerations; and DOH/ACOE permit/coordination. Four alternative identified: (1) Lake Wilson – North Fork (Whitmore WWTP); (2) Wahiawa WWTP reclaimed water + Lake Wilson – North Fork; (3) Wahiawa Irrigation Ditch System; and (4) Wahiawa Irrigation Ditch System + Lake Wilson – North Fork. He reviewed the four alternatives.

Ms. Hopkins asked whether DLNR was consulted on the diversion of water. Mr. Okino replied that as they understand the situation, if they draw water from the reservoir, there will need to be some kind of permit. Mr. Hardy commented that surface water diversion and possibly an in-stream flow standard amendment is needed. If the water is in the ditch already and you take the water from the ditch, the water comes from an existing diversion from the stream. It will not take more water from the natural stream; it will only take what is already diverted. But if you are creating a new diversion off the natural resource, which is the Lake, then that is taking more out of the stream. Mr. Hardy mentioned that they could probably use some of these alternative because that is one of the things that the Commission needs to look at.

Mr. Takemoto asked on the cost estimates. Mr. Okino replied the range is a low of $7 million and the high of $11 million.

Mr. Enright asked on the 5.1 mgd per day, is that factoring it the possibility of picking up the Dole lands. Mr. Nakatani replied yes that is why it is a little on the high side. But the key is to have reservoirs.

H. Executive Director's Reports and Updates.

1. Kekaha

Mr. Nakatani reported the diversified crops from Kekaha.

Ms. Klutke reported that she went out to help pick green beans on a Saturday which that day harvested 1,000 pounds. She bought some of the beans to the house and senate committee to show them that ADC does not only lease our lands to seed corn companies. Mr. Pianowski wants to increase his production.

Mr. Hardy mentioned that the CWRM is having a two day meeting on April 28th and 29th in Kekaha and will look at the Kekaha and Kokee ditch systems. It is a limited meeting but it is open to the public.

2. Kalepa

Mr. Taiwan Gu has just started planting sweet potatoes in Kalepa.

3. Zero Waste Conversion Project, Keaau, Hawaii

The zero waste conversion project is making progress. The anticipated start date is end of May.

4. 2015 Legislature

The senate ag confirmed the new board members and by full floor probably next week.
Mr. Enright has been confirmed as Chair of the DOA.

Board members wished Chair Uyehara a happy birthday today.

I. Adjourn.

Meeting adjourned at 10:35 am.

Respectfully submitted,

Cindy Doi

Cindy Doi
secretary