

**DRAFT**

**AGRIBUSINESS DEVELOPMENT CORPORATION**

Minutes of the Board of Directors Meeting of March 11, 2015  
Department of Agriculture Plant Quarantine Conference Room  
1849 Auiki Street, Honolulu, Hawaii 96819

Members:

Letitia Uyehara	Alan Takemoto
Denise Albano	Lloyd Haraguchi
Margarita Hopkins	Sandra Kato-Klutke
Yukio Kitagawa	Douglas Schenk
Wayne Thom, DBEDT	

Absent:

Scott Enright, DOA	Designee, DLNR
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Guests:

David Cho, Senator Dela Cruz's office

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 9:10 am.

Chair welcomed Wayne Thom representing DBEDT. He is the manager for the Community-Based Economic Development program at DBEDT. They work with nonprofit organizations statewide, issuing grants and loans to nonprofits for their economic development projects. He also manages the Enterprise Zone Partnership program for the state of Hawaii which provides GET exemptions and income tax credits for small businesses including agriculture and agriculture producers.

B. Approval of minutes of the January 28, 2015 meeting.

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

C. Request for approval to authorize the disposition of a \$120,000 Grant to Malama Kauai, pursuant to Act 122, SLH 2014.

Mr. Nakamoto made the presentation. He stated that this request is to authorize the disposition of a \$120,000 grant to Malama Kauai which is a nonprofit organization established in 2006 that focuses on the development of local food and agriculture systems on Kauai. The grant is for construction funds from the state legislature. The timeline is for about a year which is also the term of the life of the bond. Malama Kauai would have to submit an action and expenditure plan which ADC will approve and oversee. Mr. Nakatani mentioned that it is a "reimbursable" fund in which the recipient would have to front the purchase, then provide invoices to be reimbursed. The recipient wanted to change the contract to fund more planning and design costs; but the grant was written and approved by the legislature for CIP construction material only.

Chair asked for some background. Mr. Nakamoto replied that in 2008 the Kauai County Counsel approved the Kilauea Agricultural Park master plan, a conceptual plans that included a 4-acre energy park, 47 acres of production farming, new farmer incubator plots, a 2-acre farmers' market, a community garden and a regional composting and recycling center. This came about when the Kilauea sugar mill closed and the developer who bought the land promised the County that they would give the land to the County for this kind of development.

Mr. Nakatani stated that this is a "pass through" grant given by the legislature. We are trying to justify spending the funds that were allocated and the recipient must spend the funds properly. ADC will oversee the funds by approving the invoices.

Mr. Nakamoto asked that the second sentence on the third paragraph in the submittal and on the recommendation be deleted, which currently states, "and acquire a project site office structure".

Mr. Schenk moved to amend the approval to authorize the disposition of \$120,000 grant to Malama Kauai for construction of the Kilauea Agricultural Park; Ms. Hopkins seconded the recommended as amended; the motion carried unanimously.

D. Request for approval of a commercial lease to Island Commodities Corporation, located in Honouliuli, Ewa, Oahu, Tax Map Key: (1) 9-1-031:037.

Mr. Kawamoto made the presentation. This is a request for approval of a commercial lease to Island Commodities Corporation located in Honouliuli, Ewa, Oahu. At its meeting on August 27, 2014, the Board approved the acceptance of the set aside from DLNR for agricultural purposes of approximately 3.630 acres of land located within Campbell Industrial Park. As part of a condemnation action between the state and Campbell Estate in 1996, the property was leased to Parker Ranch who then subleased to Island Commodities Corporation (ICC) for the operation of the rendering plant. The Lease's expiration date of September 30, 2015 is the original expiration date between Parker Ranch and Campbell Estate. The existing lease from DLNR to Parker Ranch

allows only Parker Ranch to terminate the lease prior to the expiration date. ADC received a letter from ICC requesting to negotiate a new lease agreement which would take effect upon the expiration of the existing lease to continue its present use of the property. On October 23, 2014, ADC received an appraisal report from ACM Consultants which determined an annual fair market value of the ICC lot. As part of the appraisal, it was determined that the property was not connected to the City's municipal waste water system. It was learned that ICC has been trucking the waste water to the City's Honouliuli facilities for proper disposal. If economically feasible, ICC would like to connect to the City's waste water system in the future. An adequate connection and cost to install the collection system was unknown and would require a substantial upfront expense. ADC would benefit if the property were connected to the City's municipal waste water system as the lot would then be considered improved and could be leased at a higher return. ICC is requesting that the lease include a provision that would allow the ADC Board to consider a rent credit if economically feasible and approved prior to initiating any work on the project. A rental reopening by an independent appraiser will be done with lease rent adjusted to fair market value on years 10 and 20 of the lease term.

Today's recommendation is to approval a lease agreement with Island Commodities for approximately 3.630 acres in Honouliuli with the following terms and conditions: (1) annual rent of \$37,120 or \$3,093.33 per month for first 10 years; (2) rental reopening at year 10 for years 11 through 20 and year 20 for years 21 through 30 of the lease to establish the fair market value of the lease rent; (3) lessee shall not sublease the whole or any portion of their premises without the prior written approval of the ADC Board; (4) allow the ADC Board to consider a rent credit if economically feasible for connecting the leased area to the City's municipal waste water system.

Mr. Takemoto moved to approve the request; Mr. Schenk seconded.

Mr. Takemoto asked what Island Commodities is paying now to Parker Ranch compared to what would be charged at year 11 to 18.7. Mr. Kawamoto replied that Island Commodities pays Parker Ranch \$84,943.57 annually while Parker Ranch paid DLNR, \$54,450 annually. After the expiration of the lease to Parker Ranch, ADC could lease the land directly to Island Commodities.

Mr. Nakatani commented that we are working on an MOU for feed and tested some samples for manufacturing fish feed and also sent samples to the UH for hog feed. There is a huge potential. We want to see what we can do before we lease this lot, and want to have an MOU between Island Commodities and the university to see if feed can be produced for hog farmers.

Ms. Kaichi commented it was unclear whether the board wants to include an MOU with terms that are acceptable to the board as a condition of issuing the lease. If the board approves the lease today, effective from October, we would have a long time to work on this agreement subject to an acceptable MOU.

Mr. Nakatani stated that another appraisal could be done because the first appraisal was done a year ago. It may not change too much but it depends on what kind of instructions are given.

Ms. Kaichi commented that if the board has concerns on the rent credit or any items that is being requested today, the board can always amend the terms of the approval and require that specific conditions are met. If there are restrictions on the rent credit issue, then state those conditions now before the request is approved. Do not approve it as it is written if the board is not comfortable, then come back later and say you are not comfortable; it is too late. If it is too broad then narrow it and amend the terms of the recommendations.

Mr. Kitagawa asked what the advantage is of having an MOU as part of the lease. Ms. Kaichi replied she did not intend to incorporate the MOU into the lease. The lease would stand on its own. A plan would be needed on how the agency would work on the feedstock. The lease could be conditional upon an approved plan from the agency. If you approve the plan as a whole which would be memorialized in an MOU (not binding) then a lease could be issued. We need to find a way to hold them to some of the promises and that is the type of discussions that this board would have as more details are given. At this time it is hard to discuss because there are no details. Mr. Kitagawa stated that he felt more comfortable with doing an MOU and hold off on a lease at this time.

Chair deferred this issue until more information is received and there is a clearer understanding of all the conditions before a decision is made.

Ms. Kaichi stated that our goal is to reach an agreement that is agreeable and realistic that everyone can perform.

E. Update of ADC projects.

Mr. Kawamoto presented a power point presentation on the ADC projects.

Chair commented regarding the 200 acres reserved for small farmers on the Galbraith lands the farmers have already been reviewed and selected who are mostly immigrant farmers. The famers would need to follow food safety, pesticide, education, and marketing procedures. therefore mandatory classes will be conducted.

Chair thanked Mr. Nakatani and his staff for working on all these projects mentioned in the presentation.

F. Update of 2015 Legislature.

Mr. Nakamoto reported on Senate Bill No. 1374 which is the land exchange bill introduced by Senator Dela Cruz. The purpose of the measure is to appropriate funds to the Budget and Finance Department in coordination with Accounting and General Services and DLNR with the possibility of exchanging State lands with Dole Food



Company. This bill is still alive and will cross over to the House. ADC will look at the ag lands and DLNR will look at the conservation lands to be exchanged. This involves 6,000 agriculture lands. Dole was agreeable in splitting the ag and conservation lands. The bill still has a long way to go and the cross-over deadline is tomorrow. He also mentioned SB 510, 593, 329, 1303 and 1149 all did not pass. However SB 303 creates two positions in CTAHR, DOE and in ADC and SB 1149 appropriates funds for the operations, repairs and maintenance for the East Kauai Water Users Cooperatives which could also appear in the budget bill. SB 359 is moving forward which relates to the environmental response, energy and food security tax.

G. Executive Director's Reports and Updates:

1. Update of the purchase of the fee simple interest in Dole Food Company's 257.811 acres of land located in Whitmore, Oahu, Tax Map Keys (1) 7-1-002:004 & 023.

Mr. Nakatani reported that the purchase closed on February 26<sup>th</sup> for \$5,611,414.92 and ADC should receive a reimbursement for the cost of the survey and the cost of the environmental assessment report. Mr. Kitagawa thanked Mr. Nakatani and Ms. Kaichi for their work on this deal.

Ms. Kaichi reported on two litigation matters that are on-going. One is before the Commission on Water Resource Management in which Earth Justice represents taro farmers who are questioning whether ADC wastes water from Kekaha and Kokee ditches and who are also requesting that interim in-stream flow standards be established for the Waimea river and from which water is diverted into the two ditches. That lawsuit is two years old and have not moved at all. The hydrologist are gathering data. She has been quiet on behalf of ADC before the Commission. But they are getting antsy and want to hear from ADC. She thinks that the former CWRM director had tentatively scheduled ADC for April to make a presentation. ADC relies on KAA and she is working closely with them. We are trying to get a handle on what we want and don't want to disclose. She will keep the board apprised and she asked that board members might come to the commission meetings to show support. Also working in support with KAA.

Another matter is before the Kauai planning commission. Shredco asked to do the grinding of bulk waste on their sub-license area from Sunrise. The ADC Board said no that this is not the type of activity we would allow. Shredco or Danford Kaeo bought a kuleana property a few 100 feet away. He is now requesting a Class 4 use permit and special permit which will move quickly. We need a position by the beginning of April. Mr. Kaeo wants to do the same kind of activities on his kuleana property that this board turned him down on ADC lands. She will work with Mr. Nakatani and will keep the board apprised.

Ms. Klutke asked on Pacific Gateway's application at Kalepa. Mr. Kawamoto said Pacific Gateway did not identify individual farmers and did not have any business plan of what they plan to grow, how many acres they needed and if they had equipment. He did email the director and she responded that they did not have anyone yet but did not get

back to ADC with any specifics. Mr. Nakatani stated that they did come in to speak to him and the DOA Chair. He asked Pacific Gateway at the time for their needs and wants because although they have twelve people he did not want them to just try to farm if they did not know what they were doing without a business plan. An application was sent to ADC however it was about the executive director with no plan on farming. We have not heard back from them yet.

H. Adjourn.

Mr. Kitagawa moved to adjourn; Ms. Hopkins seconded; motion carried unanimously.

Meeting adjourn at 10:55 am

Sincerely,

A handwritten signature in cursive script that reads "Cindy Doi".

Cindy Doi  
secretary