

AGRIBUSINESS DEVELOPMENT CORPORATION
Minutes of the Board of Directors meeting of May 27, 2015
Department of Agriculture Plant Quarantine Conference Room
1849 Auiki Street, Honolulu, Hawaii 96819

Members:

Letitia Uyehara	Lloyd Haraguchi
Margarita Hopkins	Sandra Kato-Klutke
Yukio Kitagawa	Wayne Thom, DBEDT
Scott Enright, DOA	Roy Hardy, DLNR

Absent:

Denise Albano	Douglas Schenk
Alan Takemoto	

Guests:

Dean Uchida, SSFM	John Tsukada, Island Commodities
Mark Takemoto, Pioneer	Dawn Huff, KIUC/Joule Group
Joe Blanco, Ohana Best	Jason Hines, KIUC/Joule Group
Amanda, LSE/Student	

Staff:

James Nakatani
Ivan Kawamoto
Ken Nakamoto
Lynn Owan
Cindy Doi

Counsel:

Myra Kaichi, Deputy Attorney General

A. Called to order

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

B. Approved of Minutes from the April 22, 2015 meeting.

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

Chair moved Item F first.

F. Approval of a Commercial Lease to Baker Commodities, Inc. located in Honouliuli, Ewa, Oahu, Tax Map Key: (1) 9-1-031:037.

Mr. Kawamoto made the presentation on the commercial lease to Baker Commodities, Inc. The land area is 3.630 acres with the lease term of 30 years starting July 1, 2015 or upon termination of general lease no. S-5512.

The recommendation is for approval of a lease agreement to Baker Commodities, Inc. for approximately 3.630 acres of land in Honouliuli, Ewa, Oahu with the following terms and conditions: (1) annual rent of \$37,120.00 or \$3,093.33 per month for the first ten years; (2) rental reopening shall be done at year 10 (years 11 through 20) and year 20 (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) A "mutual termination agreement" signed by all parties, and include, at a minimum, the following: a) ADC would need to accept the premises demised by the Lease and all improvements thereon in their current "as is, where is" condition and "with all faults"; b) upon the termination of the Lease, ADC would provide a general release of HMCO, LLC and the original lessee, Hawaii Meat Company, Limited, from and any and all of their respective obligations under the Lease; and c) Baker Commodities would agree to a concurrent termination of the sublease and, upon such termination, would provide a general release to HMCO, LLC and Hawaii Meat Company, Limited from any and all of their respective obligations under the sublease. (5) allow the ADC Board to consider a rent credit if the proposed improvements will benefit ADC's programs. (6) Bakers Commodities be allowed to retain ownership of all improvements it constructed on the property under General Lease No. S-5512 as the intent is to allow Bakers Commodities to continue to operate on the property; (7) other terms and conditions as maybe required.

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

Ms. Hopkins stated that it was mentioned that ADC plans to terminate the lease before it expires and would accept it "as is where is" condition. Her concern was if it costs ADC to clean it up, is there any provisions in the lease that says that any improvements needs to be back to the "as is where is" condition. Mr. Nakatani replied it is state property so it does not matter. It would transfer from one entity to another. There was a phase II done prior to it coming over which does not show any thing that is detrimental. Also staff did a visual inspection to follow up and all indications from the environmental aspects have checked out.

Motion carried unanimously for the commercial lease to Bakers Commodities with terms mentioned in the submittal.

C. Approval to issue a revocable permit to Hawaii Fish Company for General Aquaculture purposes, Mokuleia, Oahu, Tax Map Key: (1) 6-9-001-02 (por) and (1) 6-9-001-03 (por).

Mr. Nakamoto made the presentation to approve a revocable permit to Hawaii Fish Company for general aquaculture purposes in Mokuleia, Oahu. Since 1992, the Hawaii Fish Company (HFC) has been utilizing roughly 18 acres of the requested area for a fish farm under a revocable permit issued by the DLNR. In January 2015, DLNR transferred HFC's permit to the ADC along with 147.646 acres pursuant to Governor's Executive Order No. 4474. Although negotiation for a long-term lease are on-going, ADC is requesting to issue a 30-day revocable permit during the interim to provide ADC with time to assess HFC's proposal and conduct a site visit to determine if the area could accommodate other operations to promote the growing aquaculture industry.

The recommendation is to approve the issuance of a revocable permit to Hawaii Fish Company for general aquaculture in Mokuleia, Oahu with the following terms and conditions: (1) the term of this revocable permit shall be on a month-to-month basis; and (2) base rent shall be \$100 per month.

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

Ms. Klutke asked what other types of operations besides aquaculture is used for the area. Mr. Nakamoto replied the pond is six acres and right now there is only one person using the entire pond which is in production. We want to see if there are other people that could use the pond for the same usage of aquaculture.

Mr. Nakatani stated that ADC did receive a proposal however we wanted to review and present a better recommendation because one of the conditions for that parcel coming over to ADC is that we wanted some concessions so we could promote aquaculture. We want to come back to the board for final approval on the conditions. What we are doing out there can be quite an asset for the State to have but we need to make sure that it's a feasible proposal. He said we could take the board to do a site visit to look at the property once the revocable permit is all settled.

Mr. Enright clarified that the Hawaii Fish Company could not get a long term lease with the DLNR therefore they could not get the capital needed for improvements to do the business so moving the lease over to ADC was to facilitate for a long term lease.

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) 6-5-002-001, owned by Dole Food Company, Inc.

Mr. Nakamoto made the presentation. In 2014, State funds were allocated to ADC to acquire certain strategic parcels near the Galbraith farmland, which includes the subject property that Dole Food Company, Inc. (Dole) has offered to sell, as part of the project's plan to ensure these lands are kept in agriculture for perpetuity. Dole's asking price for the subject property is \$2,511,300. The 73.44 acres consist of a primarily level to gentle sloping irregular shaped former pineapple agricultural land situated just off Wilikina Drive south of the Galbraith lands. The land is currently fallow and is considered to be of good soil quality. Abutting the subject property is the Wahiawa Irrigation System (WIS). Roughly 10 million gallons of agricultural water is being drawn daily from the system to serve approximately 6,400 acres. Currently there are no improvements on the property and the appraiser is not aware of any apparent detrimental and/or hazardous conditions. However, an environmental site assessment of the property to verify if any environmental remediation may be required. An appraisal report was prepared for the Trust for Public Lands to determine the estimated market value of the fee simple interest in the land. The appraiser determined the stimulated value of the fee simple interest in the underlying land based on the sale comparison approach to value. For this appraisal, the appraiser selected six land transactions for critical analysis to establish a value index. The land value for the selected properties were adjusted to compensate for any significant differences relating to the terms of sale, market conditions, location, access and physical site characteristics. The four criteria used to determine the highest and best use of the land were legal permissibility, physical possibility, financial feasibility, and

maximum profitability. After adjustments, the land values of the selected comparable ranged from \$39,892 to \$58,922 per acre with an average of \$47,721 per acre. The most weight was awarded based on the time of sale, which resulted in a weighted use of \$49,050 per acre. Based on all of these implications, the stimulated fee simple unit land value of the 52.75 acre usable portion of the subject property is around \$49,100 per acre or two million five hundred ninety thousand dollars. In conclusion ADC is interested in acquiring the property because of its ideal location to draw agricultural water from WIS. In addition to direct access to a viable water source which may increase the water availability to support diversified agriculture on the Galbraith lands and the surrounding fields, acquiring the property will increase ADC's agricultural land inventory in the region.

The recommendation is to authorize the Executive Director, and or, a designee to negotiate and purchase the fee simple interest in 73.44 acres of land in Wahiawa, Oahu.

Chair mentioned that the members received a letter of support from Senator Dela Cruz for this purchase.

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

Motion carried unanimously.

Five minutes break was called at 9:40 am

- E. Approval of a Memorandum of Agreement between the Castle & Cooke, Homes Hawaii Inc. and the ADC regarding a portion of the Waiahole Ditch located on land identified as Tax Map Keys: (1) 9-4-06: por 1, 2, 3, 5, 38, and 39; and (2) 9-5-03: por 1 and 4; and (1) 9-4-06: por 29 and 31; and (2) 9-6-04:21.

Mr. Kawamoto made the presentation. On June 7, 2012, the state Land Use Commission approved construction of the Koa Ridge Development, calling for 3,500 homes, a hospital and commercial center on 576 acres of farmland across Costco Waipio and west of H-2 freeway. Pursuant to the Findings of Fact, Conclusions of Law, and Decision and Order entered on June 21, 2012, the Land Use Commission among other matters: (1) condition 22 of the Decision and Order states the following obligation of Castle & Cooke, as Petitioner, related to the development of the Koa Ridge Property consistent with ADC's continued operation and ownership of the Waiahole Ditch. ADC is the owner and operator of the Waiahole Ditch which diverts water from windward watersheds of the Koolau mountain range for use on Oahu's central plain; the Waiahole Ditch traverses a portion of the Koa Ridge Property over existing easement and across the Koa Ridge Property. Castle & Cooke and ADC are entering into an Agreement to evidence Castle & Cooke's agreements with ADC in satisfaction of the Waiahole Ditch Condition. The terms of the MOA includes the following terms and conditions: a) the Waiahole Ditch shall be covered or placed underground. The design of the improvement will be subject to ADC's written approval; b) the surface and aboveground areas of the easement of the Waiahole Ditch where it traverses over the Koa Ridge Easement shall be maintained by Castle & Cooke and its successors and not the ADC; c) the delivery of Waiahole Ditch water shall not be interrupted or impaired during construction and operation of the Koa Ridge Development; d) ADC and/or DOA shall have reasonable access when necessary to repair, maintain, or improve the Waiahole Ditch.

The recommendation is approval of the Memorandum of Agreement between Castle & Cooke and the ADC regarding a portion of the Waiahole Ditch.

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

Mr. Hardy asked whether there was a deadline for term "a". Mr. Kawamoto replied the design would be in approximately 2020 or the date closer to construction. Mr. Nakatani replied there is a preliminary design already but it is not formal. It can be sent to Mr. Hardy.

Ms. Hopkins stated in the terms and conditions she would like it stated that the costs associated with these terms be covered by Castle & Cooke.

Motion carried unanimously.

- G. Request for approval of a non-exclusive Right-of-Entry Agreement in favor of Danford M. Kaeo and Shredco LLC across ADC lands, TMK (4) 1-2-002-001 (por), for the use of an internal field road to transport green waste, certain bulky item refuse, and certain construction and demolition recyclable materials to an interior, landlocked parcel in Kekaha, Hawaii.

Ms. Kaichi made the presentation. She mentioned that Shredco already has an existing sublicense from Sunrise Capital on 15 acres of parcel which is an existing green waste shredding operation. Danford Kaeo purchased a land-locked parcel surrounded by the ADC Kekaha lands, situated on 2 rows of fields mauka of its existing sublicensed area. Shredco is in the process of securing permits for bulky item shredding and construction and demolition crushing on this parcel. The current access is the old government road. Before the planning commission approves for special use permit, zoning permit and class 4 use permit, they are requiring that Shredco have a written agreement from ADC and KAA to allow more direct access so they do not have to go through the old town, up the back and through the old government road. They want to go through the Kaunualii Highway entrance straight up to the back of the fields to their parcel. Shredco would continue to do their green waste operation and shred on the site. Also expand to include bulky items that include: wood, metals, glass and salvage building components and large furniture items. Also the construction and demolition items would be concrete, asphalt, steel and iron. The concrete and asphalt would be crushed to manageable size. The steel and iron will be separated and resold/recycled. One thing we want to make sure if we agree to this was that there should be no commercial traffic on the interior field roads. Only Shredco trucks or if they needed to contract out some trucks, only the vendors would be allowed on the interior field roads. If they secure the County contract to move these things to the landfill we are also considering allowing the County if they have trucks and they want to haul, to enter into the fields but no commercial or public/private access through the fields.

Mr. Thom asked if it was gated and how would access be controlled. Ms. Kaichi replied it is currently gated and have a key which they already have to gain access to the Sunrise property.

Ms. Kaichi stated the recommendation is for the board to approve Shredco's request for a right of entry on the following conditions: (1) use of roadway be limited to Shredco, its agents and its contractors. No other public, private or commercial vehicle or persons shall be allowed to use the roadway for any purposes associated with Shredco's operations; (2) Shredco shall grade, level, and apply a base course to

both the Old Government Road and the internal roadway on no less than a quarterly basis or less frequently as needed, and to water the roadway as necessary to mitigate fugitive dust generated by Shredco's traffic over the roadway; (3) Shredco will be allowed to receive irrigation water from the Kekaha Ditch, either through its own transmission pipe or by pumping or siphoning the water from the ditch into its water truck in an amount to be determined reasonable by ADC and the KAA; (4) the right of entry shall terminate upon the termination of Shredco's special use permit, use permit or class IV use permit, or when the property is no longer used for Shredco's operation, whichever shall first occur.

In the event Shredco fails to acquire the necessary governmental approvals and permits, the approval of a right of entry shall be null and void without any further action of this Board.

Ms. Hopkins moved to approve the recommendation with the conditions; Mr. Haraguchi seconded.

Ms. Klutke asked if KAA and the tenants on both sides of the property are in agreement with Shredco's request. Ms. Kaichi replied they agree in principle and are looking at specific terms of the agreement right now. Usually when ADC does these kinds of agreements we ask KAA to approve alongside with us then ask the affected licensees to acknowledge that they have seen it and are in agreement. They do not have any say in the agreement individually but we ask them to sign off to show that they have been appraised and reviewed it.

Ms. Klutke asked what would happen to the items if this company is no longer in operation. How would that area be cleaned up because the parcel is land-locked and surrounded by agricultural lands. Ms. Kaichi replied that was a point of huge discussion at the Planning Commission and their response was that they would put a berm on the south side of the parcel in case of flood and pipes for the run offs. Mr. Nakatani replied the worst case scenario if it is abandoned and no one had a clear answer. That would be for the Planning Commission to decide. Ms. Kaichi stated that is one of the conditions that the Planning Commission is looking at and would not consider anything without agreement for Shredco. We did ask the County to indemnify ADC for any cleanup costs and if they did not get ADC an indemnification we ask for environmental insurance but don't know what the County would do. Pollution insurance would cover us for unknown or undiscovered toxins that are found later that are attributable to this activity that are not on the parcel itself because ADC does not own the parcel but traveled to the ADC lands. Shredco's position is the risk of that is very small because liners will be put down. The Planning Commission is waiting for ADC to agree. The Department of Health would also let Shredco know what other types of permit they would need. Even if ADC approves this, and the County does not approve the permitting then all this goes away because it is contingent upon Shredco securing their permits and it does not become effective but we can formally revoke it if we are not comfortable.

Motion carried unanimously.

H. Approval to amend the Right of Entry to Kauai Island Utility Cooperative for the purpose of conducting filed survey and invasive studies in connection with the Puu Opae Energy Storage Project from Tax Map Key: (4) 1-2-002:por 1; Kekaha, Kauai.

Mr. Kawamoto made the presentation. At its February 19, 2014 ADC Board meeting, KIUC received approval for a right of entry (ROE) for a two year period starting March 1, 2014 until March 1, 2016.

The purpose of the ROE was to perform site inspection and non-invasive studies in connection with West Kauai Energy Storage Project and the Puu Opaie Energy Storage Project. ADC received a request from KIUC through their consultant the Joule Group, LLC requesting permission to perform field surveys in connection with the Puu Opaie Energy Storage Project. The surveys described the work plan including test pits and oil sampling which all disturbed areas will be restored.

The recommendation is to approve to amend KIUC's right of entry request for the purpose of field surveys and invasive studies in connection with the Puu Opaie Energy Storage Project for a two week period in Kekaha, Kauai.

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

Mr. Kitagawa asked what is the purpose of doing test pits. Jason Hines and Dawn Huff from the Joule Group/KIUC replied the purpose of the test pits is to understand more about the soil and rock so they can do preliminary engineering and to understand the costs of building and doing the work on the site. They have soil maps but do not have specific samples from various points where they are considering building. It is geotechnical work to support engineering of the structures and to do it now to better understand the costs and issues involved in construction. Mr. Nakatani explained that there is a pump storage project and one of the sites is the Mana site and in order to do the pump storage you need storage and that is what they are working on.

Mr. Kitagawa asked if archeological sites would be part of the surveys. Ms. Huff replied they did a preliminary study to identify known sites. After this twenty percent phase, the next step would be to do an in-depth archeological and cultural survey of the project sites they select so they are still looking at the two alternatives which they did a preliminary investigation on to make sure they understood the archeological and cultural sensitive areas. After this twenty percent phase by the end of the year, KIUC would like to select one of the sites to move forward and then at that point they would do a more in-depth archeological and cultural survey. They have not found any significant sites on Puu Opaie. The other site from Puulua to Polihale, there are a couple of identified sites on either sides of the project. In all the information that they looked through there are no areas identified that raised concern. Mostly they are by existing structures, the reservoirs and pipeline are running through agricultural fields so they think they are okay but there is always the chance that something would come up. The work plan does talk about what happens if they discover something then they stop immediately and bring people in so if they did find anything there is a plan in place and everyone knows what to do so nothing is damaged.

Ms. Huff stated that they received permission from DHHL who is the other landowner involved in this particular project to conduct these studies. With that permission in place if they receive permission from ADC today they would be scheduling the work the first week of July. She will follow up with a specific date.

Motion carried unanimously.

I. Executive Director's Report and Updates.

Chair brought up items 2, 3, and 4 before item 1.

2. Galbraith agricultural lands

Watermelon has been planted and should be coming out this summer. Still struggling with the water system.

3. Tamura warehouse.

Mobi PCS notified the ADC that Coral Wireless, LLC dba Mobi PCS will soon be ceasing operations at the Tamura Warehouse and assigning its communications site lease agreement to Verizon Wireless. Mobi currently leases 144 square feet for an antenna attached to the building at a rent of \$1,320 per month. Lease terminates August 31, 2016 with four options to extend for five years each.

4. 2015 Legislature

\$10 million of CIP funds was received from the legislature to purchase more lands.

Mr. Kitagawa asked if ADC received funds for the planning of warehouse areas. Mr. Nakatani replied yes, we were appropriate \$1.5 million last year and have asked to release \$500,000 for planning and design for the 24 acres. Right now we are looking for a consultant to help us with planning. Also \$2.5 million for waste water study and that money is being released but we need to get together with the City. We are trying to get the City to look at doing the contract because they are versed in waste water.

1. Kekaha, Kauai

a. Po Ai Wai Ola status.

All board members voted to go into executive session at 10:45 am pursuant to Hawaii Revised Statutes 92-5(a)(4) (in order to consult with its attorney on questions and issues pertaining to the Board's powers, duties, privileges, immunities and liabilities).

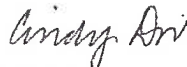
Ms. Klutke moved to get out of executive session; Ms. Hopkins seconded; motion carried unanimously.

Out of executive session at 11:00 am

Next meeting may be on the Big Island and could be sooner.

Meeting adjourned at 11:05.

Respectfully submitted,



Cindy Doi
secretary