

**DRAFT**

**AGRIBUSINESS DEVELOPMENT CORPORATION**  
Minutes of the Board of Director meeting for May 30, 2018  
Department of Agriculture Plant Quarantine Conference Room  
1849 Auiki Street, Honolulu, Hawaii 96819

Members:

Letitia Uyehara	Yukio Kitagawa
Lloyd Haraguchi	Leilyn Koev
Denise Albano	Margarita Hopkins
Sandra Klutke	Scott Enright, DOA
Jeffrey Pearson, DLNR	Robbie Melton, DBEDT

Absent:

Douglas Schenk

Guests:

Jonathan Luz, Costco Wholesale  
Pierre Sleiman, Go Green Agriculture  
David Cho, Senator Dela Cruz's office  
Tina Deitschman, Senator Dela Cruz's office  
Teresa Dawson, Environment Hawaii

Staff:

James Nakatani  
Myra Kaichi  
Lynn Owan  
Ken Nakamoto  
Todd Low  
Cindy Doi

Counsel:

Andrew Goff

A. Call to order.

Chairperson Uyehara called the meeting to order at 9:10 am.

B. Approval of Minutes from the February 28, 2018

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

C. Presentation by Costco on Hawaiian Produce Complex & Produce and Dry Goods Depot Concept.

Mr. Luz made a presentation by Costco Wholesale. Also Pierre Sleiman from Go Green Agriculture was present. Mr. Luz mentioned that in 2017 produce sales grew 6% in units and 9% in dollars from the prior year. Some of the challenges to distribution were transport from the mainland, cost time and risk and complexity. Also the distribution and re-distribution to Hawaiian buildings. Challenges to local production are: labor, pest control, and cost of inputs, infrastructure and utility costs, freight to outer islands, land costs and zoning and microclimates. Some of the deliverables: identify target for local production; resolve operational obstacles, identify and resolve challenges to full-scale production; develop preliminary financial model for full-scale production; create plan for small-scale test, resolve challenges to small-scale test, identify vocational and professional opportunities to partner with the University of Hawaii system and the state of Hawaii.

Mr. Kitagawa stated that doing the work on this island makes sense. Mr. Luz replied Costco sells most that they bring in now. They don't want to put others out of business and may cause ill feelings with other farmers who are selling the same produce. They would like to work with new farmers and existing farmers.

Mr. Haraguchi asked what is grown here will only be for Costco and not other supermarkets. Mr. Luz replied yes but Costco is open for discussion.

What is needed from ADC? Chair stated that she was aware of what Costco's intentions. Mr. Luz stated that Costco would like a test plot and terms for support for equipment for weather and bugs, fencing, information on what are the costs, and the need for data storage. Beneficial insects will need to be brought in and would be in a controlled environment but it would be very challenging if it's not allowed. Mr. Enright stated that he will look into this.

Short recess was called at 10:05 am

D. Request to Issue a License to George Rapoza dba JR's Ranch LLC for 19.75 acres of land in Waialua, Oahu; Tax Map Key (1) 6-5-005:002 (por).

Mr. Nakamoto made the presentation to issue a license to George Rapoza dba JR's Ranch LLC for 19.75 acres of land in Waialua, Oahu. The ADC acquired 434.188 acres of real property which included a 19.75 portion of land where JR's Ranch has been occupying since 1997. The Licensee and his family owns and operates JR's Ranch currently housing 10 horses and operates their own equipment to clear and maintain their area. The premises was inspected and was clean and clear of weeds and brush. Licensee first started 20 years ago where the land was used as a rubbish dump. At the Licensee expense, removal of tons of trash and the area was transformed into a working ranch. Also regular patrols of the area is made which reduces trespassing, drug use and distribution and illegal dumping of the area. Licensee plans to maintain the property and remove the overgrown vegetation and plans to include installing fencing and the development of 5 paddocks ranging from 1 ½ acres to 7 acres. Licensee is an experienced rancher and good steward of the land who provides security in the area.

Since the Licensee's lease was assigned to the ADC when it acquired the property, ADC provided the Licensee with the first right of refusal to continue using the land to avoid displacing a local agriculture operation. Recommendation is to approve the issuance of a license to George Rapoza dba JR's Ranch LLC to utilize 19.75 acres in Waialua, subject to the following terms and conditions: (1) term of this license shall be for 10 years; (2) proposed base rent will be \$50 an acre per year for the first 3 years. Years 4-5 the proposed base rent will be \$60 an acre per year. Years 6-10 proposed base rent will be \$75 an acre per year. Negotiation to continue using the land will be re-opened the 10<sup>th</sup> year of the term; (3) Licensee shall pay its share of utilities and (4) no subletting to be permitted without ADC's prior approval in writing.

Mr. Pearson moved to approve the recommendations; Mr. Kitagawa seconded the motion. Map will be provided to the board members later.

Motion carried unanimously.

E. Request to Issue a License to Kevi Lovan dba K&L Produce LLC for 136.6 acres of land in Waialua, Oahu, Tax Map Key (1) 6-5-005:002 (por).

Mr. Nakamoto made the presentation to issue a license to Kevi Lovan dba K&L Produce for 136.6 acres of land in Waialua. Licensee and his family owns and operates K&L Produce and currently farms on a total of 193 acres in Waialua where they plant and harvest fruits and vegetables. An inspection was made and noticed numerous loose dogs, abandoned vehicles and unpermitted structures throughout the property. However overall the condition of the premises is fair and majority of the acres is in production. When Licensee moved to the property in 2010, they struggled with theft, illegal dumping, squatters and trespassing. Due to the isolation of the property, they put up structures and allowed farmers to stay overnight for security. Since they began watching the property afterhours, the criminal activities have decreased. Licensee plan to continue planting and harvesting vegetables. Also includes a timeline to improve the property and remove all feral animals, abandoned vehicles and unpermitted structures. The land utilization plan will be attached to and made a part of their License. Licensee is required to develop a conservation plan in cooperation with the West Oahu Soil and Water Conservation District and submit for acceptance to the ADC. Licensee is an experienced farmer who supplies produce to various farmers' markets. Since the Licensee's lease was assigned to the ADC when it acquired the property, ADC provided the Licensee with the first right of refusal to continue using the land to avoid displacing a local agricultural operation. Licensee may be allowed to continue using the land for agriculture production after the 3-year term provided that the Licensee makes improvements to the subject area, which includes the removal of all loose dogs, abandoned vehicles, and unpermitted structures, and improvements to their onsite packing acre. Recommendation: approve the issuance of a License to Kevi Lovan dba K&L Produce LLC to utilize 136.6 acres in Waialua subject to the following terms and conditions: term of this license shall be for 3 years; proposed base rent will be \$200 an acre per year for years 1-3; Licensee shall pay its share of utilities; and no subletting to be permitted without ADC's prior approval in writing.

After much discussion, Chair deferred this item until receiving more information that was being requested. No application was received with general information about crops and field sizes and utilization plan and timelines for making improvements on the farm, and subletting by family members. Also ADC needs to clarify and look into the water agreement from Dole. Mr. Nakamoto will come back to the board.

F. Request for approval to issue a License to Mokuleia Farms, Inc. for 33.802 acres of land in Waialua, Oahu, Tax Map Key (4) 6-5-005:002 (por).

Mr. Nakamoto made the presentation to issue a license to Mokuleia Farms Inc. for 33.802 acres of land in Waialua. Mr. James Neal Bashford the Licensee owns and operates Mokuleia Farms and has been farming in Waialua for 25 years. Currently planting lychee and mangos on the property. Also used as a base yard where they store equipment and vehicles for their entire operation which includes an additional 75 acres of private land where they grow mangos and parent seed corn. Inspection of the area, noticed a few abandoned vehicles. However, overall condition of the premises is good. Licensee uses his own equipment and employees build and maintain the farm roads and a thriving orchard. Licensee plan is to continue planting and harvesting lychee and mangos. Currently, they have 7 acres of mango and 6 acres of lychee. Also plans to include planting 7 more acres of mango and upgrading their onsite postharvest facility. Land Utilization plan will be attached to and made part of the Licensee. Licensee is required to develop a conservation plan in cooperation with the West Oahu Soil and Water Conservation District and submit for acceptance to the ADC. Licensee is an experienced farmer who is the largest mango producer in the State. Licensee's lease was assigned to the ADC when it acquired the property, ADC provided the Licensee with the first right of refusal to continue using the land to avoid displacing a local agriculture operation. Recommendation: Approve the issuance of a license to Mokuleia Farms to utilize 33.802 acres in Waialua subject to the following terms and conditions: term of this license shall be for 10 years; proposed based rent will be \$200 an acre per year for the first 3 years. Years 4-5 the proposed based rent will range from \$350-400 an acre per year and Years 6-10 proposed base rent will range with \$450-500 an acre per year. Negotiation to continue using the land will be re-opened the 10<sup>th</sup> year of the term; Licensee shall pay its share of utilities; no subletting to be permitted without ADC's prior approval in writing.

Mr. Enright asked why shouldn't the board consider a longer lease. Mr. Nakamoto replied 35 years might be too long.

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

Mr. Enright recommended a longer license for farmers to capitalize. It may be a consideration to see if they would like a longer license.

Motion carried unanimously.

G. Update on (1) Clean Water Act Federal Lawsuit, Na Kia'i, Surfrider Foundation and Pesticide Action network North America vs State of Hawaii, Agribusiness Development Corporation and Department of Health, Civil No. 1:16-cv-00405-ACK-RLP and (2) Compliant Under Title VI of the Civil Rights Act of 1964, EPA File No. 45RNO-16-R9, both filed by EarthJustice.

H. Update on (1) Petition to Amend the interim Flow Standard, and (2) Compliant for Dispute Resolution, and (3) Compliant for Declaratory Order Against Waste in Waimea River and its Tributaries, Waimea, Kauai, filed by EarthJustice.

I. Approval to negotiate the fee simple interest in real property located on Oahu, owned by the University of Hawaii, identified as Tax Map Key(s) 5-8-001-013, -055, -007, and possible -006.

Mr. Enright moved to go into Executive Session for all three items; Mr. Haraguchi seconded; motion carried unanimously.

Mr. Haraguchi moved to get out of Executive Session; Ms. Hopkins seconded the motion; motion carried unanimously.

J. Executive Director's Reports and Updates.

1. Update on ADC small farmers
2. Chuan Produce.

Mr. Nakatani gave an update on ADC small farmers and Chuan Produce.

He reported that inspections took place and came across issues including animals on the farm and in packing areas, piles of trash, rotting produce discarded on the ground and in fields, abandoned vehicles, chemicals and fertilizers not properly stored, poorly maintained fields, illegal rubbish burning and evidence of human habitation. Also many of these farms do not have mandatory Worker Safety Protection and U.S. Labor Law information posted. Small farmers vary greatly in terms of financial resources, farming experience, business acumen, and English language proficiency. Despite ADC's effort many small farmers are still having difficulties making payments when due and do not meet the current standards for agriculture and food safety best practices. While most of the issues are resolved in a timely manner, some demands are blatantly disregarded with no repercussions. ADC is at a crossroads where it has a choice of doing everything in its power to guide and help these farmers succeed, or begin stricter enforcement where repeat offender could face harsher repercussions and/or eviction.

Chuan Produce was the first small farmer to get on the Galbraith lands. One of the challenges was finding an area with access to potable water and power to wash and store his produce. In December 2016, ADC allowed Mr. Yao to occupy a Quonset hut in Whitmore, identified as Building V, free of charge to help him offset his startup cost and comply with basic regulatory requirements for his postharvest activities. However, ADC

never intended to subsidize his operations indefinitely. On February 28, 2018, ADC approved the issuance of a revocable permit to Chuan Produce to end the deferments so he can start paying rent and his fair share of utilities. To date, Chuan Produce has not made any payments when due and has not signed the agreement that was sent on March 2, 2018. For these reasons, the ADC will not be executing the agreement and Chuan Produce must vacate Building V.

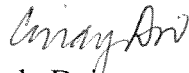
Mr. Kitagawa asked about staffing positions. Mr. Nakatani replied there are two positions that were approved. Mr. Kitagawa questioned why ADC has not hired for the position or to use soft money as temporary positions. Mr. Nakatani did not agree to use soft money at this time because it is temporary.

L. Adjourn

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

Meeting adjourned at 12:40 pm.

Respectfully submitted,



Cindy Dorf  
secretary