

**AGRIBUSINESS DEVELOPMENT CORPORATION**

Minutes of the Board of Directors November 16, 2016 meeting  
Department of Agriculture Animal Industry Conference Room  
99-941 Halawa Valley Street, Aiea, Hawaii 96701

**DRAFT**

Members:

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

Guests:

Cathi Schar, UH School of Architecture	Dawn Huff, Joule Group/KIUC
Austin Chun, UH School of Architecture	David Bissell, KIUC
Yvonne Izu, MLF for KIUC	Jason Hine, Joule Group/KIUC
Jan TenBruggencate, KIUC	Alan Takemoto, Monsanto
Teresa Dawson, Environment Hawaii	Joshua Uyehara, KAA
Todd Low, HDOA	Doug Codiga, KAA
Linda Rosehill, Rosehill & Assoc.	Steve Gelber, Sunrise Capital

Staff:

James Nakatani  
Lynn Owan  
Ken Nakamoto  
Cindy Doi

Counsel:

Myra Kaichi, Deputy Attorney General

A. Call to Order.

Meeting called to order at 9:05 am

Chairperson Uyehara called the meeting to order at 9:00 am.

Chair introduced our newest board member Robbie Melton, who is with the High Technology Development Corporation representing Department of Business, Economic Development and Tourism.

B. Approval of Minutes from the September 28, 2016

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

Chair moved Item I to be heard as the first item.

I. Presentation of the University of Hawaii School of Architecture Whitmore Food Hub Master Plan conceptual design.

Cathi Schar from the UH School of Architecture together with University of Arkansas who was on a teleconference call made the presentation on the Whitmore Food Hub Master Plan.

Mr. Nakatani explained that this is the master planning for the Whitmore area. ADC contracted the University of Arkansas to help master plan this area rather than doing it piece meal. ADC wanted a private/public partnership however a RPFQ was needed where it was stalled. We needed to know what we want that is why we contracted with University of Arkansas who is versed in this kind of agricultural/urban planning area. Some of them went and met with Arkansas and Arkansas visited Hawaii to look at what the project is about.

The University of Arkansas has been working on site issues for developing the master plan. They visited Hawaii learning about the culture, the farms, policies of food hubs and they came back enriched. They showed an architectural plan of what they came up with as a big picture of the programs for food hub and an idea of approaching it as a campus and site limitation for how to group function. There were two groups that were set up.

Ms. Hopkins made a few comments. First she liked the idea of connecting the community to that project particularly looking at it as ecotourism/agriculture type project and a very smart way of creating a hub that could relate to the people engaged in the hub but the community itself. On the design with the processing facility could they incorporate trees or a living wall in those areas. Also include some type of garden on top of the processing plant. A suggestion is to include maybe coffee trees which could educate people coming in who could be drinking coffee produced from those trees.

Mr. Kitagawa suggested using trees like Lehua instead of monkey pods. The reply was the monkey pod trees are existing trees and it could stay or go. Mr. Nakatani stated that he talked to landscapers and that the trees are too short and would not be useful.

Mr. Kitagawa asked what type of housing they were referring to. The reply was that it would be worker housing for on-site and nearby farms. Also visitors working on agtech. They are looking at housing with 300 to 500 square feet per units and could be a walk up or townhouse type, single story, single family. There will be a Phase 1 and could be expanded over time.

Members asked for a copy of these slides that were presented. Ms. Schar replied a copy of the slides and any comments made could be provided. She thanked the Board for the opportunity to present this project on behalf of herself, her students and the University of Arkansas.

5-minute break was called at 9:45 am

Item J was taken next on the agenda.

J. Request for approval of: (1) the withdrawal of portions of the Kokee Ditch and Mana Reservoir from License currently granted to the Kekaha Agriculture Association and (2) the Issuance of a five-year land license, with an option to convert the license into a 65-year lease for the same.

Ms. Kaichi made the presentation. She gave a background that the project would utilize the upper portion of the Kokee Ditch and all pertinent diversions and the Puu Lua, Puu Opae and Mana Reservoirs in order to integrate pumped storage, store and release hydro generation and the delivery of water for irrigation. The purpose of the project is to make the most efficient use of the water resource, to allow KIUC to maximize renewable generation during the evening peak demand hours, and to support irrigation on the west side.

The recommendation: staff recommends the board authorize the Executive Director and ADC staff to negotiate all agreements, and terms and conditions thereto, all of which are necessary to effectuate the Puu Opae Project, and to ensure that the Project provides sufficient irrigation water and other consideration to ADC and its tenants, and specifically make the following approvals. These approvals shall be subject to the outcome of the ongoing CWRM mediation and the successful amendment of the RMOA, and shall be void or voidable at the discretion of ADC unless incorporated or otherwise addressed in the resolution of the mediation. (1) issuance to KIUC of a five year license no later than December 30, 2016 with the option to convert the license to a 65-year lease, subject to cancellation or termination if Chapter 343, HRS environmental assessment requirements cannot be met, of (a) the four diversions on the Kokee Ditch, namely Waiakoali, Kawaikoi, Kauaikinana, & Kokee; and (b) the Kokee Ditch from the four divisions through the Puu Moe Divide, which license shall include terms and conditions; (2) issuance to KIUC of a five year license no later than December 30, 2016 with the option to convert to a 65-year lease, subject to cancellation or termination if Chapter 343, HRS, environmental assessment requirements cannot be met, of (a) the Mana Reservoir, and (b) adequate land, at, near, and around the Mana Reservoir for construction of the Mana Powerhouse to be located adjacent to the Mana Reservoir, and which license shall include terms and conditions; (3) issuance of easements; (4) issuance of a request to the BLNR to withdraw the right to take water, currently granted to ADC, from EO 4287; (5) support of ADC in KIUC's anticipated request to the BLNR for a water lease, in an amount that will ensure that the ADC mauka and Mana plain lands have sufficient irrigation water for agricultural purposes; (6) renegotiation of the RMOA with the KAA on all impacted terms of the RMOA; (7) renegotiation of Syngenta's license to modify the license to accommodate the CWRM mediation and the Puu Opae Project.

Ms. Kaichi requested to amend the recommendation no. 4 to approve the withdrawal of the right to take water from the set aside from 4 diversions that were listed on the recommendation no. 1.

Mr. Enright moved to accept the request; Mr. Kitagawa seconded the motion.

Jan TenBruggencate, who is chairman of the board of KIUC and David Bissell, who is CEO of KIUC made comments. KIUC is in favor of this proposal and supports a board policy in place that is in support of agriculture. There are significant benefits for the their member owners, the citizens of Kauai, benefits for the Department of Hawaiian Home Lands through the provision of water to lands that currently do not have water for agriculture and to the state in that it lifts some of burden of maintaining these facilities from the state. Mr. Bissell thanked everyone especially the ADC staff which is an incredible amount of work done on these process over the years and is gratifying to see it reaching this point.

Mr. Kitagawa asked if this project would benefit DHHL. Ms. Huff replied that Deputy Aila tried to come to this meeting today however was unable to attend and asked to pass a message to the

Board that DHHL is in support of the project. They see it as bringing in large benefits to beneficiaries and DHHL. Mr. TenBruggencate stated that DHHL has significant lands above Kekaha that do not have water available to them, this project would bring water down to a point where they could tap it and make current dry lands arable.

Ms. Klutke asked what would be the benefits for the citizens of Kauai when this is up and operating. How much would they be saving in their bill. The lands is specifically for agriculture so unless KIUC gives our ag people a benefit from what will be done, it needs to be looked at a little closer. The ag people are worried that if they do not have the hydro plant like there is now, their electric cost will go up. Can KIUC guarantee that the ADC tenant's electricity bill will not go up? Mr. Bissell replied KIUC cannot guarantee but the purpose of the concept by leaving the existing hydro plants that are serving now under the control of ADC would not change for the worst for those tenants. They should be taken care of as they are today. The advantage for agriculture is that utility will be there forever on Kauai, taken care of the ditch, putting the reservoirs back into service so there is more capacity, delivering good clean water down to the plants and the hydro plants do not use any electricity, it is run through the turbines so it would be long term capped up the ditches and water supply, clean water delivery to DHHL and ADC and KAA. He sees it as long term security for the agriculture future of Kauai by having the utility for at least 65 years to keep the turbines running and maintained and operating. Mr. TenBruggencate stated that every farmer on Kauai is a member of KIUC and establish a renewable source of energy that frees KIUC from oil prices effectively in perpetuity would create long term benefits for all of Kauai. He also mentioned that there is a state policy in place that KIUC pushed to be 100% renewable. This would take KIUC significantly to that point and they are now 40% renewable. This is the kind of project that the community needs to reach the state goal.

Mr. Joshua Uyehara representing KAA and also Syngenta commented that KAA members share the background and think of what is the future of agriculture in the next century and say there are many aspects to the project that are going to have long term implementation for agriculture. But as the association over the past decade, their partners have built a good relationship with the state based on trust as far as sharing the objectives relative to the long term future of agriculture. There are many moving parts to this and keeping an eye on long term implications of certain aspects of the project to agriculture but see the importance of working together with all stakeholders including KIUC, DHHL, DLNR, ADC and DOA. That process is moving forward quite well but need to keep their eye on the long term implications. It would not necessarily be no impact but probably manageable impact that they can work through. In the interest of the State from a broader perspective as well it is incumbent upon KAA through these issues in an amicable manner and not a confrontational manner. He is in support of the project however there are issues that need to be worked out.

Mr. Haraguchi asked if there are any deal breaking concerns. Mr. Uyehara replied there are areas of uncertainty because there are other parties to the process that have overlapping claims to the water for example. They are working through the process with the commission and will not know precisely how much water is available to what parts of the system. They are fairly certain that the amount of water that would flow through the hydro plants will be reduced so they would have to figure out what will be done with the power generation. Also parts of the infrastructure that needs to use water on the plains because their open ditch system is not conducive to necessary using the water that is coming out of the project as it stands today. Those are all

challenges that can be overcome. The details of those kinds of challenges and how they overcome them, what kinds of assistance they receive are details that will be very important but there is no way they can settle those issues right now so they do not want to hold up the process and be obstructive when there is no way to get certainty right now.

Ms. Klutke stated that KAA maintains all our lands in Kekaha and as the large seed companies pull out, how will we be able to maintain the maintenance of the lands because without KAA, Kekaha would be under water and would not be able to sustain the amount of money they would need to maintain the lands for ADC. If KIUC gets their agreement, what portions will they be paying KAA for operations and maintenance? Mr. Uyehara replied whether it be KAA or some other entity still needs to be discussed. Over the last decade, members have put in a lot into maintenance improvements and repair but Beck's Hybrid which is their latest member for KAA represents a significant expansion of the seed industry.

Mr. Haraguchi asked if Syngenta is part of the future withdrawal. Mr. Uyehara replied no and have planted in that field but there is no plantings right now. He did not foresee any problem setting aside land around the reservoir.

Mr. Enright stated that there are many moving parts to this request and to the work being done mediating the settlement with Earthjustice in coming up the inflow stream standards report. He commended Mr. Bissell and KIUC board and KAA helping ADC in moving forward and keeping the 12,500 acres viable. He asked the board to move forward and give the Executive director and his staff the request that is being asked so that the work can be done.

Ms. Kaichi amended page 5, item 4 to an issuance of a request to BLNR to withdraw the right to take water from the four diversions on the Kokee ditch namely Waiakoali, Kawaikoi, Kuaikina and Kokee currently granted to the ADC from EO 4827.

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

Motion carried on the original motion.

5 minutes recess called at 10:50 am

C. Request for approval to renew Revocable Permit No. 7004 for Gary Smith in Kekaha, Kauai, Tax Map Key (4) 1-2-02-01 (por).

Ms. Owan made the presentation on the request for approval to renew RP No. 7004 for Gary Smith in Kekaha. The recommendations are: (1) renewal of a month-to-month revocable permit to Gary Smith, effective January 1, 2017 for 2,780 sq. feet; (2) rent remain unchanged at \$156/year (\$13/month for 2,780 sq feet); (3) applicant shall not sublicense or sublicense the whole or any portion of their premises without prior written approval of the ADC Board and; (4) all remaining terms and conditions of RP 7004 remain in full force and effect.

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

- D. Request for approval to renew Revocable Permit No. 7299 for Senter Petroleum in Kekaha, Kauai; Tax Map Key (4) 1-2-02-01 (por).

Ms. Owan made the presentation on the request to renew RP No. 7299 for Senter Petroleum in Kekaha. The recommendations are: renewal of a month-to-month revocable permit to Senter Petroleum, Inc., effective January 1, 2017 for approximately 0.5 acres in Kekaha; (2) rent remain unchanged at \$13,500/year (\$1,125/month for 0.5 acre); (3) applicant shall not sublicense or sublease the whole or any portion of their premises without the prior written approval of the ADC Board; and (4) all remaining terms and conditions of RP 7229 remain in full force and effect. Also the RP conditions include a clause that requires the Permittee to conduct a Level One Hazardous Waste Evaluation and conduct a complete abatement and disposal, if necessary, prior to termination of the RP. Termination of the RP is subject to approval by the ADC Board.

Ms. Enright moved to approve this request; Mr. Haraguchi seconded the motion; motion carried unanimously.

- E. Request for approval to renew Revocable Permit No. 7448 for William J. Sanchez at Unit A located in Kalepa, Kauai; Tax Map Kay (4) 3-9-02-20 (por).

Ms. Owan made the presentation to request for approval to renew RP No. 7448 for William J. Sanchez at Unit A located in Kalepa, Kauai. The recommendations are: (1) renewal of a month-to-month revocable permit to William Sanchez, effective November 1, 2016 for 619 acres of Unit A in Kalepa, Kauai; (2) rent remain unchanged at \$8,970/year (\$15/acre/year for 598 net acres); (3) applicant shall not sublicense or sublease the whole or any portion of their premises without the prior written approval of the ADC Board; and (4) all remaining terms and conditions of RP 7448 remain in full force and effect.

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

Ms. Klutke commented that Mr. Sanchez is very generous and works hard for the community.

- F. Request for approval to issue a Revocable Permit to Performance System Inc. for a covered parking area in Whitmore, Oahu; Tax Map Key (1) 7-1-02-04 (por).

Mr. Nakamoto made the presentation to request for approval to issue a RP to Performance System Inc. for a covered parking area in Whitmore, Oahu. This request is for a portion of Building G, which is a vacant 15,400 square foot covered parking shed located within the 257-acre property. They are currently completing work under a City & County contract at the Uwalu Circle waste water pumping station. Overhead utilities are located along Whitmore Avenue and assumed that electricity and potable water is available to the area. Performance System plans to install a portable office trailer in the truck bays, which they will remove when the project is completed by June 2017. The recommendation is to approve the issuance of a RP with the following terms and conditions: (1) term of this revocable permit shall be on a month-to-month basis; (2) base rent shall be \$365.00 per month; (3) permittee shall pay its share of utilities; and (4) no subletting to be permitted without ADC's prior approval in writing.

Mr. Enright moved to approve this request; Mr. Haraguchi seconded the motion; motion carried unanimously.

- G. Request for approval to issue a Revocable Permit to Manoa Honey Company for storage space in Whitmore, Oahu; Tax Map Key (1) 7-1-02-09 (por).

Mr. Nakamoto made the presentation to request for approval to issue a RP to Manoa Honey Company for storage space in Whitmore. Manoa Honey Company produce pure, raw, premium Hawaiian honey as well as specialty hive products such as fresh bee pollen, comb honey and bees wax. The company has a processing facility in Wahiawa and is seeking additional covered storage space for their apiary equipment. This request is for a portion of Building BB, which is a vacant 12,600 square foot storage warehouse located within the 24-acre property. There are no utilities, but overhead utilities are located along Whitmore Avenue and it is assumed that electricity and potable water is available to the area. The recommendation is the approval to issue a RP to Manoa Honey Company in Whitmore with the following terms and conditions: (1) term of this RP shall be on a month-to-month basis; (2) base rent shall be \$48.00 per month; and (3) no subletting to be permitted without ADC's prior approval in writing.

Ms. Hopkins moved to approve this request; Mr. Kitagawa seconded the motion.

Mr. Kitagawa commented that Manoa Honey began in Manoa and was bought out by this individual who is currently in Wahiawa and is asking for storage space so he can expand. He is restricted because his lease is only for an additional year and a half.

Motion carried unanimously.

- H. Request for approval of the Central Oahu Water Security Plan as an agricultural development plan, as defined in Chapter 163D-7, Hawaii Revised Statutes.

Mr. Nakamoto made the presentation to request for approval of the Central Oahu Water Security Plan (Plan) as an agricultural development plan. The ADC seeks to improve the efficiency of the Waiahole Ditch System by developing a plan to rehabilitate and modernize the aging system. The objectives of the Plan are to reduce water loss, enhance the system's efficiency by increasing storage capacity, and secure a reliable back-up source of water should the Waiahole Ditch system become temporarily inoperable. The recommendation is the approval of the Central Oahu Water Security Plan as an agricultural development plan pursuant to Chapter 163D-7, HRS.

Ms. Hopkins moved to approve this request; Ms. Klutke seconded the motion.

Mr. Nakatani said a letter from Monsanto which he did not bring with him but asked Mr. Takemoto to comment.

Alan Takemoto from Monsanto commented on the Central Oahu Security Water system plan and how important it is. Waiahole Ditch is very important to the entire agricultural industry. For this project, they look at it as a public/private partnership which is how they approached this project. They would provide an easement to ADC for a reservoir and a backup well. They are currently looking for the exact location for the reservoir and has identified one that is vacant and also identified an area for the backup well. They have done some work on the backup well which

could be provided to ADC to help reduce the cost. The easement to ADC is in perpetuity and hopefully will help with the water security effort. They provided a letter to ADC that Mr. Nakatani mentioned to show Monsanto's intention. Monsanto would still need to go through an approval process for the reservoir and backup well.

Ms. Albano commented that the water conservation and water issues in Hawaii that is coming out of the governor's office and the freshwater initiative, it is looking at Hawaii's supply of water, climate change and what do we do in terms of one of our greatest resources. The freshwater initiative came up with a plan to 2030 of zero water loss. The goal is to come up with 100 million gallons per day of additional water resources through the practices of conservation, recharge aquifers and reuse of water. It is important because it increases agriculture water without having to allocate more water. Central Oahu is one of the important agricultural hubs and this system provides irrigation for many acres in that area. The goal is to cut the water loss approximately 15 million gallons annually when all is done.

Motion carried unanimously.

- K. Executive Director reports and updates.
1. Galbraith agricultural lands, Oahu
  2. Legislative report

Mr. Nakatani reported that Chuan Produce began cultivating produce on the Galbraith agricultural lands which looks very good.

As far as Legislative report, the City and County of Honolulu City Council had a bill relating to real property dedication for government owned agricultural land. The purpose is to provide lessees of government-owned agricultural land to dedicate their leased lands for vacant agricultural use from the effective date of the lease, license, or permit. The ADC testified in support of this bill because it will help lessen that burden by allowing lessees, licensees, and permittees of government-owned lands not currently in productive agricultural use to dedicate the land as vacant agricultural land. The bill passed first reading on November 2, 2016.

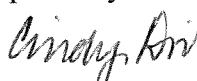
Ms. Kaichi reported that the land acquisition for Dole should close of December 6<sup>th</sup>. Also the Castle and Cooke property adjacent to the Dole property totaling 457 acres which is near the master plan area should close on December 30<sup>th</sup>.

- L. Adjourn

Mr. Enright moved to adjourn; Ms. Koev seconded; motion carried.

Meeting adjourned at 11:37 am.

Respectfully submitted,

  
Cindy Doi  
secretary