

AGRIBUSINESS DEVELOPMENT CORPORATION
Minutes of the Board of Directors for October 11, 2017
Leiopapa A. Kamehameha, State Office Tower
235 S. Beretania Street, Room 203, Honolulu, Hawaii 96813

DRAFT

Members:

Letitia Uyehara	Leilyn Koev
Douglas Schenk	Denise Albano
Margarita Hopkins	Sandra Kato-Klutke
Scott Enright, DOA	Yukio Kitagawa arrived at 9:30
Robbie Melton, DBEDT	

Absent:

Lloyd Haraguchi	Jeffrey Pearson, DLNR
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Guests:

Cynthia Au, Rep Oshiro's office	David Penn, DLNR
Van Warren, public	Tina Deitschman, Sen Dela Cruz's office
Shin Ho, Ho Farms	Nei Ho, Ho Farms

Staff:

James Nakatani
Myra Kaichi
Lynn Owan
Ken Nakamoto
Cindy Doi

Counsel:

Andrew Goff, Attorney General's office

A. Call to order.

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

B. Approval of minutes from the July 25, 2017 meeting.

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

C. Information from the Hawaii Technology Development Corporation Agricultural Hackathon (AGathon).

Ms. Melton made a presentation. She explained that they are planning an ag-tech hackathon, AGathon, to spark innovation and advancement within the Hawaii agricultural industry through the creativity and talents Hawaii's growing startup, technology, and

developer community. The ag-tech hackathon will be modeled after successful commercial and civic hackathons held locally as well as globally. Driven by both competition and an opportunity to collaborate on an important local issue, software, hardware, and business development experts from established firms to independent entrepreneurs will research, design, and build tools and services to solve specific local problems and help farmers grow their businesses. The scope would to bring together the Hawaii agriculture community and the tech/entrepreneur community, and the AGathon will be a 26 hour event. Teams will be able to experience and gain empathy from the agriculture industry by going on a pre-event site visit before the hackathon. This will form a stronger link between the established industry and Hawaii's fast-growing startup and developer community.

Mr. Enright comment that it looks like it would have a lot of potential. He was looking at putting together a data base of landowners that are not using their ag but would like to lease it out so they could get ag credit and matching them up with smaller growers.

Ms. Melton commented that they would need the blessing of DOA before moving forward.

Ms. Hopkins commented that if it becomes successful maybe it should target a specific group to start to make sure that it works. Then also make adjustments for purposes of refining it if it works well. Once it becomes successful the others would become challenging.

Ms. Melton commented that hackathon is an event that the more diversity it has, the better. The projects do not necessary get finished but there are possibilities. HTDC would be going in the next legislative session to try to get funding so that if an app or beginning of an app or software developed during one of the hackathon it would be a great benefit with a small pot of money to see it through completion.

D. Request for Approval to Issue a License to Waikele Farms, Inc. for Land located in Kunia, Oahu, Tax Map Keys: (1) 9-4-012:001 & 003.

Mr. Nakamoto made the presentation for approval to issue a license to Waikele Farms for land in Kunia. When the land was transferred over to the ADC, it was overgrown with trees and tall grass and encumbered by several public utility and U.S. Government easements, which includes an access road that land locks a portion of property. Negotiations with the U.S. Government to reconcile this issue are still ongoing. It was also evident that illegal dumping and unauthorized vehicle access was occurring on the property. On January 27, 2016, ADC issued a RP to secure the land. The permittee is in good standing with ADC and has also provided security for a portion of the parcel. Waikele Farms has shown interest in wanting to expand their business more efficiently by farming near their current Kunia operation. The total cost to develop the land for agriculture production is estimated to be \$500,000 and will take a minimum of 3 years to prepare the land for crop production. Since the development of the 91 acres will require substantial upfront cost and extensive land preparation before agricultural production can

occur, the ADC is requesting approval to convert Waikele Farm's RP into a long-term license. As an incentive to develop these lands in a timely manner, the ADC is recommending offsetting rent for years 1 to 5 rent credits of the 35-year license be applied. The usable portion of the 91 acres shall be determined after the second crop cycle. The recommendation is approval of the issuance of a license to Waikele Farms Inc. for agricultural purposes in Kunia, subject to the following terms and conditions: (1) term of this license shall be for 35 years; (2) the base rent rate shall be as follows: year 1-3 \$6,000 or \$100/acre/year; years 4-5 \$9,000 or \$150/acre/year; years 6-15 \$12,000/year or \$200/acre/year; years 10 & 26 re-open; (3) rent credit for years 1-5 of the 35-year licenses with the maximum of up to the total rental amount for 5 years may be applied; (4) no subletting to be permitted without ADC's prior approval in writing.

Mr. Enright moved to approve the recommendations; Mr. Schenk seconded the motion.

Mr. Enright asked how the negotiations with the U.S. government was going. Ms. Kaichi replied the discussion right now is on the erosion control on the 91 acres and waiting for the Army to response. On the perimeter fence line – the finger is where the negotiations will be tough. It is hard to say.

Motion carried unanimously.

E. Request for Approval to Amend the Terms and Conditions of Ho Farms LLC's Galbraith Land License, Tax Map Key 6-5-02-05 (por), Lot 10.

Mr. Nakamoto made the presentation for approval to amend the terms and conditions of Ho Farms' Galbraith land license. He stated that as an incentive to develop the Galbraith lands in a timer manner, ADC offered rent credits to Galbraith farmers who were willing to provide the upfront cost to develop their respective lots. In exchange for rent credit for years 1 to 5 of their 35-year license, Ho Farms agreed to help ADC develop 50 acres of the GAL. The rent credits also applied to water development assessments. In addition to rent credits, the ADC recommended that Ho Farms receive a cheaper rental rate to start to offset the upfront cost to develop 50 acres of the GAL. The estimated cost to develop the GAL is \$1,000/acre which includes tree removal, acquiring and incorporating coral sand to condition the soil, and 3 to 4 disc plowing of the fields. This cost does not include drip irrigation. To date, Ho Farms have not made any improvements to their lot. Due to Ho Farms' inaction, the ADC is requesting an approval to amend their terms and conditions to rescind the rent credits and lower rental rate and issue new terms and conditions that reflect the licenses of the other small farmers on the GAL. A base rental rate of \$200 an acre per year at the start is being proposed and other costs for security, water meter, riser, and concrete pad with installation cost as well as installing at their cost, a drip irrigation system for their operations (\$500-\$1,000 per acre). For years 4-10, the proposed rate is bumped up to \$400 per acre per year, closer to an appraised value of land in Kunia for \$400 an acre per year done in 2012. Re-open negotiation on the 10th year.

The recommendation is to amend the terms and conditions of the Galbraith Land License to Ho Farms' subject to the following changes: (1) term of this land license shall be for

35 years; (2) base rent will be \$200 an acre per year for the first 3 years or \$10,147.20 per year. Years 4-10 the base rent will increase to \$400 an acre per year and re-opens every 10 years; (3) no subletting to be permitted without ADC's prior approval in writing; (4) the licensee shall be responsible for paying for the following irrigation costs; 1-4 inch water meter estimated to cost \$8,935, which includes the installation cost, and an irrigation system for their operations; (5) the licensee shall be responsible for paying \$84.42 per gross acre per year or \$436.34 per month for security; (6) the licensee shall be responsible for paying \$25 per month for portable toilets.

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

The Hos were presented to answer questions.

Mr. Schenk asked the Ho's what is going on with their farm. Mr. Ho replied that they are making adjustments to their operations and have ordered a new trailer which will be coming in next week. They are thinking of not growing tomatoes on the Galbraith ag lands but growing row crops. They presently farm in Ewa and Kahuku. Their timeline is once they get their trailer they can take it to Galbraith to plow the very tall grass. Ms. Ho stated that they do have a lot on their plate.

Chair asked if Ho Farms has a plan for using these acreage. Mr. Ho replied they would till and set up their blocks and run their irrigation but they would first need to take down all the tall grass. But they do have a plan for the acreage. Chair stated that ADC does want to have experience farmers on the Galbraith lands but if it's too far down the line then there are other farmers that have been asking for lands and if it's not going to be utilized then we need to rethink what needs to be done. Ms. Ho replied they are thinking of abandon the Kahuku farm because of the location and transportation on the roads. They are just about ready to sign the license and at the time when the license came to them it was at a very bad time. They are asking if the board could still allow the original terms which they would need to help their farm move forward and invest in the farm.

Mr. Kitagawa asked on their Ewa ag lands. Ms. Ho replied the Ewa lands are 18 acres which is a long term lease and the other 50 acres are until they are told to leave because it's needed for development. This is a short term lease through Hoopili for the 50 acres and the 18 acres is long term lease.

Ms. Hopkins asked how bad their farm would be with this increase to their license. Mr. Ho replied they would have to absorb the increase however they still would like the Galbraith ag lands. They have a trailer and would be able to get equipment to Galbraith easier by themselves. It might push them back in buying more equipment in the long term.

Mr. Schenk asked when they would start farming. Mr. Ho replied they need to cut the grass and might be able to plant a small section.

Mr. Enright stated that he has not heard any timeline in starting to develop the parcel assigned to Ho Farms. He does understand the position that they are in but maybe Ho Farms could come back to the Board with a thought out plan on what they plan to do with this parcel. If Ho Farms is asking the Board for consideration then they need to tell the Board exactly what they plan to do on the parcel.

Mr. Enright asked that this item be deferred to the next meeting so we could take a look at the Ho Farms' overall plan.

Short recess was called at 9:55 am.

F. Request for Approval to Issue a Revocable Permit to Taiwan Gu and Hawaii Golden Farm LLC for 200 acres in a Portion of Unit A, Kalepa, Kauai, Tax Map Key (4)3-9-002:002 (por).

Ms. Owan made the presentation for approval to issue a RP to Taiwan Gu and Hawaii Golden Farm for 200 acres in a portion of Unit A, Kalepa. She reported that the ADC Board approved at its meeting on August 27, 2014 an issuance of a 35-year license to Taiwan Gu on 68 acres of Unit C. On December 1, 2016, the license was amended to add Hawaii Golden Farm LLC as a licensee. Together, they have successfully grown sweet potato and ginger and expressed an interest in expanding their farming operation in Kalepa. At its meeting on July 25, 2017, the ADC Board approved withdrawal of approximately 200 acres of land from a total 598 acres in Unit A, which is utilized as pasture under RP 7448. It was determined that the land would be better utilized as diversified agriculture. The specific 200-acre portion shall be determined by mutual agreement between Mr. Sanchez and the Applicant. A method using Global Positioning System (GPS) points will be used to establish the boundary that encompasses approximately 200 acres. The Applicant has agreed to install fencing to protect his crops from existing pasture livestock.

GoFarm Hawaii, which is part of the University of Hawaii's Agribusiness Incubator Program, has expressed interest in using ten acres of farm land for its projects. When GoFarm Hawaii is ready to proceed with its farming activity, the Applicant has agreed to withdraw the ten acres from its permit area to be issued by the ADC to GoFarm. The ten acres will also be delineated using GPS points, and will be identified by agreement of the parties.

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

Ms. Hopkins suggested that the Board just give Taiwan Gu 190 acres and leave the 10 acres for Gofarm with Mr. Sanchez because in due time it would drain out its natural activity so it would be overly used. Ms. Owan replied Gofarm should be going in in about a year.

Gofarm would need to come to ADC and make a presentation on their plans.

Mr. Enright commented that Kalepa seems to have problems with ag theft and drug use going on therefore maybe the land committee needs to look at the how to prevent ag theft. Also the idea of living on the property to prevent ag theft.

Mr. Nakatani said it is an issue that needs to be discussion with the County of Kauai and DLNR. Maybe hiring security which would be a cost to the farmers. The Board would need to take this up in the future.

Motion carried unanimously.

G. Report of the Finds and Recommendations of the Land Investigation Group.

Mr. Nakamoto made the presentation for a possibly using large scale greenhouse operation for food production and determined that this type of operation would be ideal given the lands location and proximity to the community and is adjacent to the Whitmore master plan area. Potable water is accessible via a Board of Water Supply water meter which is ideal for greenhouse operations. The committee has concerns about using these lands for track crops due to lack of irrigation water. Also the concerns about establishing traditional agricultural operations so close to the community because of pesticide use and spraying that's involved. The greenhouse operations are 100% self-contained and can minimize the release of pesticides into the environment and human exposure. The committee commends that AC should consider utilizing portions of its agricultural lands in Whitmore for large-scale greenhouse operations for food production.

Mr. Schenk commented they met and this is the best possible conclusion for these lands. This parcel is adjacent to the community so we need to find the right person who goes on the parcel. Mr. Kitagawa said that we can learn and have individuals who do green housing farming so we know it can be successful. ADC should encourage more individuals to do this kind of farming so it can become consistent. We should have this project and show people that Hawaii has good climate and there are a lot of advantages for greenhouse production.

Chair said a lot of farmers have gone through climate conditions and greenhouse production so it should be a way to start looking into this direction. The intent of the Board is to put on the radar and look favorable of who wants to do green housing production.

H. Executive Director's Reports and Updates.

1. Landis Ignacio
2. Whitmore ag lands

Mr. Nakatani reported that Landis Ignacio passed away on September 23, 2017. He did a lot to help the Kekaha Agriculture Association, the Community and ADC. He reported that last session, the legislature appropriated \$6.9 million to Department of Hawaiian Home Lands under the intent that DHHL would transfer two parcels in Whitmore owned

by DHHL to ADC. The land was previously owned by Castle and Cooke and managed by Dole Food. The parcels are currently vacant, not used for agricultural production and heavily vegetated. The ADC is in the process of conducting its due diligence to identify any issues prior to accepting land. The addition of these parcels will create a contiguous field in Whitmore connecting the Galbraith Agricultural Lands with the Whitmore Agricultural Lands.

He also mentioned that there was an article on PBARC for papayas to energy. They mentioned besides papaya also using other commodities.

I. Report from the Administrative Committee on the performance evaluation of the Executive director. The Board may go into Executive Session pursuant to Hawaii Revised Statutes §92-5(a)(2) and (8) in order to consider the evaluation of its employee, and to deliberate on and discuss information that must be kept confidential pursuant to state or federal law.

Short break was called at 10:40.

Mr. Enright moved to go into executive session; Ms. Melton seconded.

Back in session

Mr. Enright moved on the matters discussed in the executive session: first to approve and ratify the pay adjustments effective on July 1, 2013; July 1, 2016; and January 1, 2017 pursuant to executive order 13-11; Mr. Kitagawa seconded; motion carried unanimously.


Ms. Kaichi clarified that the approval and ratify extension of the executive director's employment up to end of the year 2017 and to clarify to the chairperson of the Board of Agriculture for all future extensions of the executive director's employment shall likewise be approved or extended unless and until otherwise directed by the board of the ADC.

Ms. Melton commented that HTDC also has a similar corporation as ADC so the two resolutions are important because the Board is responsible for hiring the executive director so anyone coming in can look back and say this was the board's intension. It is important to give the documents to ADC but for the board to have that in its own records for the corporation.

Motion carried. Unanimously.

Meeting adjourned at 11:25 am

Respectfully submitted,


Cindy Doi
secretary