

AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Board of Directors Meeting of August 24, 2016
Department of Agriculture Animal Industry Conference Room
99-941 Halawa Valley Street, Aiea, Hawaii 96701

Members:

Letitia Uyehara	Yukio Kitagawa
Lloyd Haraguchi	Sandra Kato-Klutke
Leilyn Koev	Denise Albano
Margarita Hopkins	Douglas Schenk
Jeffrey Pearson, DLNR	Scott Enright, DOA

Absent:

DBEDT

Guests:

Kylie Wage, Earthjustice Linda Rosehill, Rosehill & Associates
Teresa Dawson, Environmental Hawaii
David Cho, Senator Dela Cruz's office

A. Call to order.

Chairperson Uyehara called the meeting to call order at 9:13 am.

B. Approval of Minutes of the June 29, 2016 meeting.

Mr. Enright moved to approve the minutes; Ms. Hopkins made a spelling correction on page 5, first paragraph, second line, should be "portable" instead of potable. She then seconded the motion.

Motion carried unanimously.

C. Approval to negotiate the fee simple interest in real property located on Oahu, owned by Dole Food company, Inc., identified as Tax Map Key(s) 6-4-03-03 (por), 6-5-02-11, 6-5-02-06, 6-5-02-08, 6-5-02-27, 6-5-02-28, and 6-5-01-46.

Mr. Nakamoto made the presentation. He stated that the State Legislature allocated \$31,500,000 to the ADC to acquire specific high priority agricultural parcels as part of the Whitmore Project's long-range plan to ensure these lands are kept in agriculture for perpetuity. Dole's asking price for the fee simple interest is \$25,703,110. The consolidated priorities contain approximately 894.74 acres (760.801 farmable acres) and is located north of Wahiawa town adjacent to the Galbraith lands and Helemano. The ADC is not aware of any apparent detrimental and/or hazardous conditions as this kind of

inspection would require a more invasive investigation. However, ADC would need to conduct its due diligence, which includes an appraisal and an environmental site assessment to verify if any environmental remediation may be required prior to acquiring any of the parcels. The recommendation is to authorize the Executive Director and/or a designee to negotiate fee simple interest in real property located on Oahu, owned by Dole Food Company, Inc.

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

Mr. Pearson asked if we want to include “not to exceed cost” on the recommendation. Mr. Nakamoto said it is a given that the legislature will not pay over the fair market value. However it could be added. It was decided that the “not to exceed fair market value cost” should be added in the recommendation.

Motion carried unanimously.

- D. Approval to issue a 3-year lease to Mari’s Garden for agricultural purposes, Whitmore, Oahu, Tax Map Key (1) 7-1-02-09.

Mr. Nakamoto made the presentation for Mari’s Garden to lease a portion for crop research and development. Mari’s Garden specializes in hydroponics and aquaponics and has been in operation since 2007 and currently operate an 18-acre farm in Mililani producing a wide variety of premium organic fruits and vegetables. The company is interested in utilizing space in Whitmore to test new microclimates and niche crop development. Building N is 3,250 square feet and Building M is 1,500 square feet. The base rent would be \$.20 per square foot for both Buildings. The two buildings were previously utilized by the University of Hawaii’s College of Tropical Agriculture and Human Resources. Standard electrical, telephone and cable services are available from utility lines along Whitmore Avenue. County potable water is also available from mains along Whitmore Avenue. Mari’s Garden proposal plans to improve the greenhouse to conduct a variety trials. Improvements are proposed to install new wet wall and monitor systems, structural improvements and tree trimming/removal as well as surrounding areas around the greenhouse. The total estimated cost of the improvements is \$103,000. To ensure it makes optimal use of the land to accommodate demand and anticipate future expansion, the ADC is preparing a master plan for the area. Since the planning affects the entire area including Buildings N and M, the ADC is reluctant to issue any long-term license that entail significant development or redevelopment until the master plan is completed. For this reason, ADC is recommending a short term lease for no more than 5 years to ensure there are no issues when it breaks ground in the near future. If for any reason Mari’s Garden’s lease is terminated, ADC shall retain the improvements. The recommendation is to approve the issuance of a 3-year lease to Mari’s Garden with the following terms and condition: Term shall be for 3 years, with an option for a 2-year extension; rate of \$0.20 per square foot for Building N and \$0.20 for Building M or a monthly total of \$950.00 for 36 months and rent credit may apply for general improvements.

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

Motion carried unanimously.

- E. Approval to amend License No. L-08202 to Syngenta Hawaii LLC to withdraw 846.82 acres of tillable land in Kekaha, Kauai, Tax Map Key (4) 1-2-02-01 (por).

Ms. Owan made the presentation. She stated that Syngenta currently rents 2,037.48 tillable acres and 331.33 non-tillable acres. Syngenta requested to withdraw the fields from their license totaling 846.82 tillable acres. The amount of non-tillable acreage, comprised of a main haul road and in-field ditches, is estimated to be between 7 to 10 acres. Syngenta is not fully utilizing the subject lands due to viable economic reasons. The recommendation is to approve the amendment to License No. L-08202 to Syngenta Hawaii to withdraw a total of 846.82 tillable acres plus associated non-tillable acreage. All other terms and conditions of License L-08202 to remain the same.

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

Mr. Pearson asked how it was handled in the pass as to the withdrawal of acres. Because they are committed to lease these acres to 2027, is there no penalty. Mr. Nakatani replied in the past we did agree to withdrawals from tenants.

Mr. Schenk asked if there is any language in our agreements about withdrawal rights of the tenant. This would need to be looked into.

Ms. Klutke asked how many acres have been returned from the seed corn companies. Ms. Owan replied she would need to look into it and could send an email. Ms. Klutke said she would like to see what fields and a map. Also if the lands are usable. She recalls that the tenants took those fields to protect their corn fields so there were no one else planting around them that could cross pollinate. She could understand that but once it is released back to ADC that is a lot of land to take back.

Mr. Enright wants Syngenta to make a presentation to ADC to let us know what their long term plans are for the future on Kauai. He would like this item deferred until ADC hears from Syngenta.

Mr. Kitagawa asked on the DHHL and OHA entitlement. Ms. Kaichi replied by constitution and statutes, DHHL is entitled to 30% of all revenue of former sugar lands that is in perpetuity. 20% by constitution to OHA for all ceded lands. A lot of times it's the same but some is one but not the other it all depends. Both DHHL and OHA are receiving revenue that is received by the landowners.

Mr. Schenk asked is ADC has any liability if we make a decision to lease or withdrawal. Are we going to hear from DHHL and OHA? Ms. Kaichi replied it is a question for the

landowner/manager. This could be discussed in an executive session one day and could be put on the agenda in the future.

Mr. Haraguchi asked that maybe we should ask the other seed corn companies to make a presentation on their futures. If there are withdrawal rights in their agreements and it is made very clear then there would be no need for the companies to come and explain. Ms. Owan commented that she does not recall any clause that mentioned withdrawal penalties because all the agreements are on the same template.

Ms. Klutke commented that whatever is decided, it reduces the amount of money that Kekaha Agriculture Association receives to maintain the operation and maintenance on the property for Kekaha. So as we reduce the leases, it is less money for KAA to maintain the ditches, roads, hydro, etc. Therefore if we rent to a small farmer, what would KAA be charging our tenants who has 10 or 20 acres. Mr. Nakatani replied the maintenance costs for water, roads costs will rise for all farmers if there are less tenants.

Chair deferred this item for a future meeting.

- F. Approval to amend License LI-K1401 to LBD Coffee, LLC to extend the term for two more years in Kekaha, Kauai, Tax Map Key (4) 1-2-02-01 (por).

Ms. Owan made the presentation. Over the past three years, the tenant has cleared the land, amended the soil, grown cover crop, and installed an irrigation line with the objective of meeting the USDA's National Organic Program standard for organic production. The tenant request to rent the subject ADC property for two more years in the event land is needed for additional corn production. The recommendation is for approval to amend LI-K1401 issued to LBD Coffee, LLC to extend for two more years under the same terms and conditions: (1) term of this license shall be for two more years, terminating on September 30, 2018; (2) base rent shall be \$150/acre/year; (3) tenant shall pay an annual maintenance fee to the Kekaha Agriculture Association at the applicable current rate, which is currently \$380/acre/year; and (4) no sublicensing the whole or any portion of the premises without the prior written approval of the ADC Board.

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

Ms. Hopkins asked what happened to the tobacco. Ms. Owan replied they decided not to continue with tobacco. There are standards that were changing regarding the cigar industry.

Mr. Enright commented we are losing our anchor tenants so we will see a significant reduction and could be entering many small leases which could be a lot more work for the board also in maintaining the systems and collecting the rents. It's harder to collect rent from smaller tenants than large tenants.

Motion carried unanimously.

5 minutes recess was called at 10:02 am.

G. Executive director's reports and updates

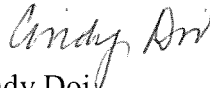
Ms. Kaichi reported that a lawsuit was filed.

Chair called the meeting into executive session pursuant to HRS 92-5 (a) (4), to consult with the board's attorney on questions and issues pertaining to the board's powers duties, privileges, immunities, and liabilities arising out of the filing of the lawsuit against the State of Hawaii, ADC in the United States District Court for alleged violations of the Federal Water Pollution Control Act ("Federal Clean Water Act") on July 25, 2016.

Mr. Enright moved to go into executive session; Ms. Hopkins seconded the motion; motion carried unanimously.

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

Respectfully submitted,



Cindy Doi
secretary