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TESTIMONY OF JAMES J. NAKATANI
EXECUTIVE DIRECTOR
AGRIBUSINESS DEVELOPMENT CORPORATION

BEFORE THE COMMITTEE ON AGRICULTURE AND ENVIRONMENT
Monday, March 11, 2019
1:15 p.m.

HOUSE BILL NO. 1561 HD1
RELATING TO AGRIBUSINESS DEVELOPMENT

Chairperson Gabbard and Members of the Committee:

My name is James Nakatani, Executive Director of the Agribusiness Development Corporation (“ADC”). The ADC provides comments on House Bill No. 1561 HD1, which appropriates funds for the fiscal biennium 2019-2021 operating budget of the Agribusiness Development Corporation (ADC). It also requires the Auditor to conduct a management and financial audit of the ADC and requires ADC to annually report specified information to the Legislature.

Regarding the program appropriation (Part II), ADC requests restoring the appropriation amounts and position ceiling that were included in HB1561 (below). Attached is an organization overview of the ADC to support the proposed operating budget.

Program	Expending Agency	Fiscal Year 2018-2019	MOF	Fiscal Year 2019-2020	MOF
		2.00	#	2.00	#
OPERATING	AGR	150,293	A	150,293	A
	AGR	500,000	B	500,000	B
		12.00	#	12.00	#
	AGR	4,112,279	W	4,115,118	W

Regarding the audit (Part III), ADC concurs with the State Auditor’s comments submitted in the February 13, 2019 testimony to the House Agriculture Committee for HB871. The comments are summarized as follows:

- Suggestion to identify the specific programs or activities that the Legislature wants assessed to ensure the report covers the issues that the Legislature is most interested in.
- Requirement of an appropriation of no less than \$125,000 to contract with a CPA firm to conduct a financial audit.

Regarding the Annual Report (Part IV), ADC requests Section 7 be deleted as the much of the requested information is provided in ADC’s Annual Report.

Thank you for the opportunity to testify, and for your consideration of this bill.

Agribusiness Development Corporation Overview

Organization Mission

The Agribusiness Development Corporation’s mission is defined in HRS §163D-1. It states: *[P]ublic corporation to administer an aggressive and dynamic agribusiness development program. The corporation shall coordinate and administer programs to assist agricultural enterprises to facilitate the transition of agricultural infrastructure from plantation operations into other agricultural enterprises, to carry on the marketing analysis to direct agricultural industry evolution, and to provide the leadership for the development, financing, improvement, or enhancement of agricultural enterprises.*

Activity Focus

ADC has evolved into an agency that is principally involved in taking over the infrastructure and operations of agricultural infrastructure, primarily irrigation systems, from prior abandoned plantation operations.

It has repaired and restored these water systems and infrastructure and now operates them for the benefit of adjoining public agricultural lands that ADC leases to tenant farmers (Kekaha and the proposed east Kauai water system) or adjoining private landowners and tenants (Waiahole water system).

In recent years, it has expanded its scope to include acquiring agriculture lands becoming available from former plantation enterprises. However, land acquisition has moved ADC into an active property management role on a scale previously not experienced by the organization. It continues to adjust to this role today.

Program Appropriation – AGR161 Operating

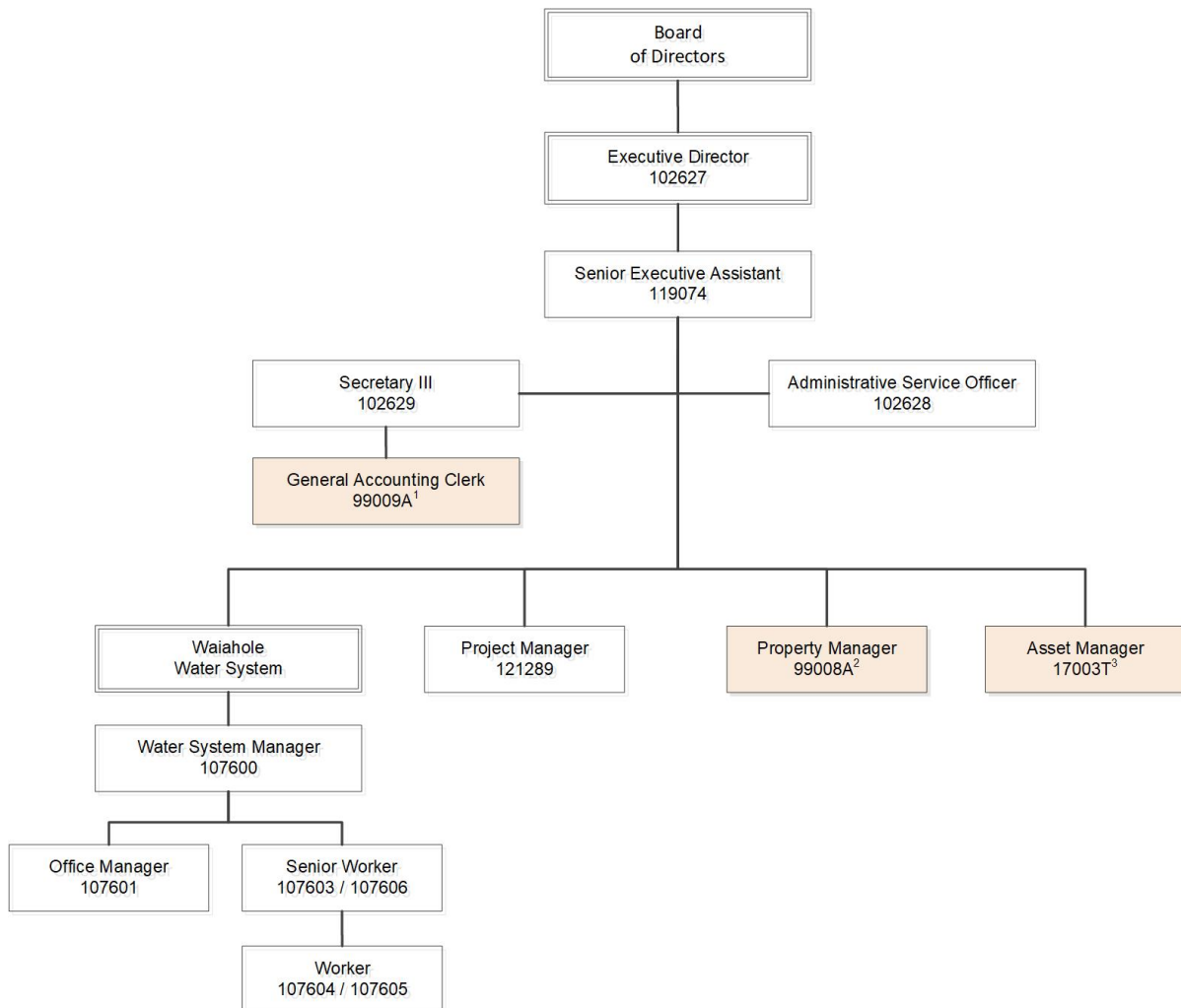
	Fiscal Year			
	2019-2020		2020-2021	
	2.00	#	2.00	#
AGR	150,293	A	150,293	A
AGR	500,000	B	500,000	B
	12.00	#	12.00	#
AGR	4,112,279	W	4,115,118	W

ADC Staffing

Currently, a staff of 11 employees support agribusiness development and maintain the Waiahole Water System. To augment the staff, the Hawaii Department of Agriculture loaned a Special Projects Manager to ADC.

The three positions below are in the process of being established.

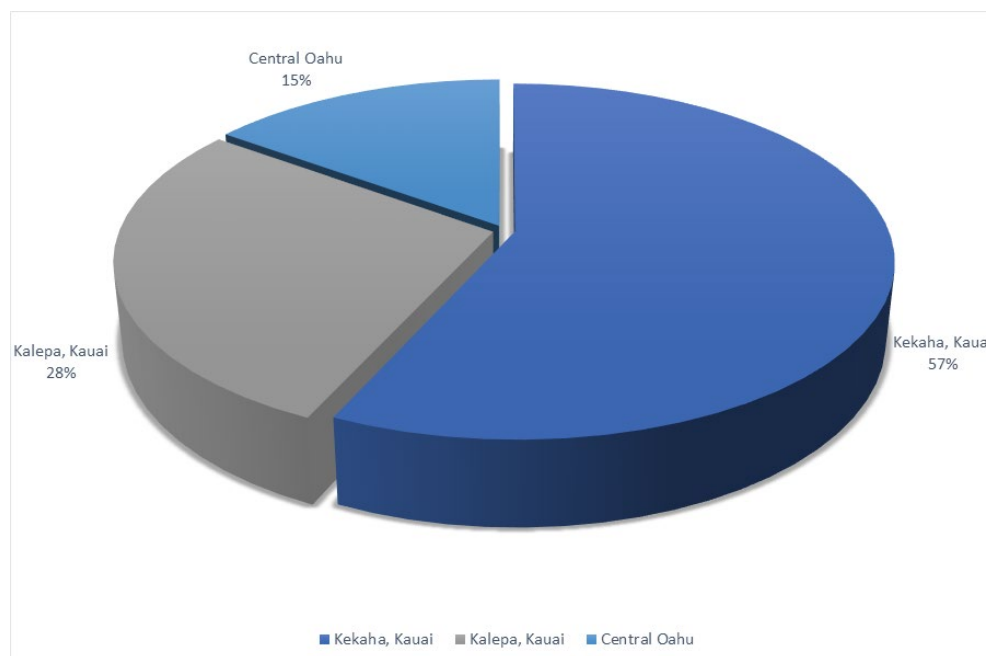
1. General Accounting Clerk – position authorized effective 7/1/18
2. Property Manager – position authorized effective 7/1/18
3. Asset Manager – position authorized effective 7/1/16



Land Management Overview

Much of ADC's current efforts focus on property management – the processes and labor required to manage the life cycle of all acquired property including acquisition, control, accountability, responsibility, restoration, maintenance, utilization, and disposition. Property management encompasses both individual properties and the infrastructure that ties the region together. Adding to this complexity is the requirement that ADC farmers are required to submit an approved conservation plan and to meet current food safety and good agriculture practices criteria.

The chart below shows a breakdown of lands administered by ADC.



Land Acquisition Activities

Seller	TMK	Acreage	Year	Price
Trustee of the George Galbraith Estate	Various	1,250	2012	\$13,000,000
Castle & Cooke, Inc.	1-7-1-002-009	24	2013	\$3,300,000
Tamura Enterprises, Inc.	1-7-4-012-016	2	2014	\$4,290,000
Dole Food Company, Inc.	1-7-1-002-004 1-7-1-002-023	257	2015	\$5,600,000
W.H. Shipman, Ltd.	3-6-151-002	2	2015	\$510,000
Dole Food Company, Inc.	1-6-5-002-001	73	2016	\$2,511,200
Dole Food Company, Inc.	1-7-1-002-006 1-7-1-002-034	197	2016	\$1,810,000
Castle & Cooke, Inc.	1-7-1-002-032	205	2016	\$4,940,000
Dole Food Company, Inc.	1-6-4-003-016 1-6-5-001-046	386	2017	\$11,600,000
Castle & Cooke, Inc.	1-9-5-003-007	92	2017	\$2,300,000
Dole Food Company, Inc.	1-6-5-002-011	215	2017	\$5,822,010
Dole Food Company, Inc.	1-6-4-004-008 1-6-4-004-006	234	2017	\$4,224,400
Dole Food Company, Inc.	1-6-5-005-002	434	2017	\$11,450,000
	Total	3,371		\$71,357,610

Central Oahu Lands

In 2012, the Trust for Public Land purchased 1,732 acres of land from the Galbraith Estate, near Wahiawa, and transferred the land to two Hawaii public agencies. ADC received 1,200 acres and the Office of Hawaiian Affairs (OHA) received the 500 acres surrounding Kukaniloko, the royal birthing site. The properties can only be used for agriculture. Subsequently, close to an additional 2,000 acres have been acquired in the Wahiawa/Waialua area.

To make the lands suitable for agriculture production, ADC must address the lack of reliable irrigation and the need to clear the land of trees and shrubbery and to amend the soil. In the over 600 leased acres, diversified agriculture operations produce tomatoes, bell peppers, watermelons, cabbages, cucumbers and other Asian crops.



Waialua



Galbraith



Whitmore



Waialua

Kauai Lands

Kalepa

In 2005, ADC gained control of 6,200 acres of former Lihue Plantation land, now referred to as Kalepa. This area has a mixture of diversified agriculture, ranching and trees for energy production.

Kekaha

In 2002, with the closing of all Amfac/JMB sugar operations, ADC gained control of 12,500 acres of land in the Mana Plains area of Kekaha. Included in the transfer was the Kokee Ditch System, the Kekaha Ditch System, two pump stations, two hydro-electric power plants, and an irrigation/drainage ditch system. This area now has over 400 acres of diversified agriculture.



Kalepa



Kekaha

A critical function is pumping excess groundwater to the ocean to prevent the Mana Plains, including the town of Kekaha, from flooding. Under a contract with the Pacific Missile Range Facility Barking Sands, a range of 5 to 20 mgd is pumped.



Kawaiele Pump Station



Dredging Drainage Ditches

Waiahole Water System (WWS)

The WWS is a key component in ADC's Central Oahu Water Security Plan, which seeks to improve the efficiency of the WWS. Improvements will not only ensure the production of crops but will also address some of the goals of the Hawaii Fresh Water Initiative in their 2016-2018 Blueprint for Action, Water Security For an Uncertain Future.

The system provides a constant and stable source of irrigation water to approximately 5,866 acres of land in central and leeward Oahu. On average, 5 to 7 mgd is delivered for use to system customers. ADC maintains the system and continues to improve its infrastructure including the installation of a SCADA system for real-time water level reporting.



Detailed Project List 2019

DESCRIPTION	PROJECT STATUS
PRIORITIES 2018	
Central Oahu Water Security	<p>Investigating required premitting. Met with Commission on Water Resource Management staff. Next steps--prepare SOQs for procurement of design professional.</p> <p>To do by June 2020:</p> <ol style="list-style-type: none"> 1) Select a engineer to help ADC review plans and answer technical questions that may arise during the project. 2) Select a professional to plan and design the well pump and reservoirs. ***NEED TO BE COMPLETED BY DEC 2019 3) Place the plan and specs on HlePRO for competitive bid. Bid tabs and/or contracts must be executed no later than MARCH 31 2019. <p>FUNDS LAPSE ON JUNE 30, 2020.</p>
Wahiawa - Galbraith Estate	<p>Procure back-up motor and convert to electric pump. Estimate \$300K for spare diesel motor, \$1.2M to convert to electric. Same funding (\$13M) as Galbraith Irrig. Sys. Upgrd & Improv. Selection Committee chose Brown and Caldwell. Need to execute contract before June 2018.</p> <p>To do by June 2018:</p> <ol style="list-style-type: none"> 1) Execute a contract with BC to design a combination drive (dual motor electric and diesel) pump at Bott Well and come up with specs for back up diesel motor and HDPE pipe. Need to complete ASAP to execute construction contract by June 2018 ***DESIGN AND SPECS RECEIVED ON SEPT 2018; and 2) Execute a contract to construct the combination drive pump and purchase a spare/backup diesel motor. Purchase HDPE pipe (size???) with remaining funds, if any. <p>Note: According to ARM-D, Ralph Inouye Contractors was the only bidder and made an error on their bid. Apparently, Ralph Inouye under bid the project and is working with their subcontractor to meet the budget. ADC informed ARM-D that the priority is purchasing the back up diesel motor.</p>
Whitmore - Dole 194-acres, TMK 7-1-002-034, -006	<p>Land-clearing Note: \$250K Barrel Tax</p> <p>RFQ under review by Lynn Owan - ADC-ASO. Bid job out on HiEPRO on February 28, 2018. May delay due to other projects that need to be encumbered by June 2018. ***THE PROJECT WAS POSTPONED DUE TO HOARY BAT PUPPING SEASON AND. 60 ACRES OF ALBIZIA WAS CLEARED ON OCTOBER 12, 2018.</p> <p>To do by May 31, 2019 (Hoary Bat Season start on June 1, 2019):</p> <p>Note: \$800,000 in operating funds. ***ALL contract must be executed before March 31, 2019</p> <ol style="list-style-type: none"> 1) Clear 85 acres of Albizia; 2) Remove 5 large albizia trees identified as hazardous; 3) Clear brush and shrubs along fenceline abutting Helemano Elementary School; and 4) Remove hazardous trees near residences in Wahiawa and Whitmore.
Whitmore - various	Security

DESCRIPTION	PROJECT STATUS
IT phone app	review IT proposal from Archer and implement, if feasible
Galbraith Irrig. Sys. Upgrd & Improv.	<p>Lapse 2018-06-30 \$13M, approx. \$7M anticipated for 10MG and 3MG reservoirs. With \$6M left over, working with ARMD to retain consultant to plan and design a wet well intake, pumping station, and transmission line to deliver water from Lake Wilson to the GALs. 10MG and 3MG reservoir project posted 1/19/2018. Anticipated completion 7/20/2018. ***AWAITING SHPD APPROVAL FOR PROJECT ARCHAEOLOGICAL MONITORING PLAN. PLAN SUBMITTED ON NOVEMBER 16, 2018.</p>
LAND ACQUISITION & DEVELOPMENT	
<p>Wahiawa Galbraith Estate 1750 acres Various TMKs</p>	<p>2012: Acquired land on December 10, 2012. 2013: Completed soil conservation plan (NRCS), cleared 300 acres of land, and amended soil. Installed gates and signs. 2014: Completed repairs to the Bott Well Pump. 2015: Repaired 6 existing water hydrants which required negotiation with OHA to enter their land to repair an existing hydrant along an existing waterline. 2016: Completed plans and design for GAL reservoirs. 2017: Installed water meters for small farmers. Lease/license land to small farmers. 10 farmers have been approved by the ADC Board of Directors and are awaiting their license, conservation plan, and/or business documentation. ADC anticipates 950+ acres will be used for production by the end of 2017. Negotiate terms and conditions to use an existing pipeline from the Galbraith Irrigation System that traverses Office of Hawaiian Affairs property. Negotiations continue with OHA. Construct reservoirs (3 million and 10 million gallon). Reservoirs will provide water to the Galbraith Agricultural Lands and TMKs: 7-1-02-04; 7-1-02-34; and 7-1-02-32. Anticipated start time is September 2017. FY17-18 budget is \$13,000,000 for improvements to the Galbraith Irrigation System. 2018: 1) Construct 3MG and 10MG reservoirs. Per ARM-D, posted on HiEPRO on 1/12/18. 2) Procure back-up motor and convert existing Bott Well Diesel Pump to electric pump. See, Priorities 2018. Selection Committee chose Brown and Caldwell. 3) Plan and design the Lake Wilson straw to use lake water to irrigate GAL. Selection Committee chose Brown and Caldwell. Per ARM-D, we can use the remaining funds to purchase pipe. See, Priorities 2018. Need to execute contract for electric pump and Lake Wilson straw before June 2018. Lapse 2018-06-30</p>
<p>Whitmore Castle & Cooke 24-acres 7-1-002-009</p>	<p>2013: Acquired land on December 23, 2013. 2014-2016: Issued short term license and revocable permits for existing facilities. Carry over licenses agreements terminate in 2016. 2017: Completed conceptual plans and design for the Whitmore Project Master Plan. Complete cost benefit analysis of the master plan. Plan and design a new 75,000 sq ft packing and processing facility. Continue to issue short term license or revocable permits for open space and facilities. FY17-18 budget is \$1,350,000 for the Whitmore Project Master Plan and \$650,000 for the State Packing and Processing Facility. Lapse 2018-06-30</p>
<p>Wahiawa Tamura Warehouse 68,475 sf 7-4-012-016</p>	<p>Acquired: November 14, 2014 Roof repairs nearing completion. Plan and design an agricultural innovation product incubator.</p>

DESCRIPTION	PROJECT STATUS
Kamananui Dole 73-acres 6-5-002-001	2015: Acquired land on February 26, 2015. Property had an existing tenant who has a License to use the usable portion (34.8 acres) for grazing sheep. The License terminates in 2019. 2016-2017: Plan and designs of the Wahiawa Recycled Water Irrigation System includes plans to use the property as a potential slow rate land application system to capture recycled water. 2018: Plan and design a Slow Rate Land Application System in accordance with the R-1 irrigation line. See, Wahiawa Wastewater Treatment Irrigation Water. 2019: Carry over License terminates. Land could potentially be converted to diversified farming activities. Current lessee--Poohala Farms LLC
Keaau W.H. Shipman Business Park Lot 66,472 sf 1-6-151-002	2015: Acquired land on December 11, 2015. (See Zero Waste Conversion Project Keaau, Hawaii.)
Whitmore Dole 257-acres 7-1-002-004, 7-1-002-023	2015: Acquired land on February 26, 2015. Converted carry over agricultural tenants to long-term licenses. 2016: Issued short term and revocable permits for open space and facilities. 2017: Completed conceptual plans and design for the Whitmore Master Plan. Complete cost benefit analysis of the master plan. Continue to issue short term license or revocable permits for open space and facilities. FY17-18 budget is \$1,350,000 for the Whitmore Project Master Plan.
Whitmore Dole 194-acres 7-1-002-034, 7-1-002-006	2016: Acquired Land December 13, 2016. Sold restrictive use easement to Navy = \$1,810,000; ADC's net cost = \$1,810,000. 2017: Completed soil conservation plan. Clear invasive albizia trees and overgrown grass and brush. Upgrade existing 5/8" BWS potable water meter to a 2" meter. Install gates and signs. Prepare land for agricultural activities and amend soil. Construct berms and improve existing holding tanks to improve access to water. License land to farmers. No funding for FY17-18. 2018: Land-clearing. See, Priorities 2018.
Whitmore Castle & Cooke 205-acres 7-1-002-032	2016: Acquired land on December 30, 2016. 2017: Completed soil conservation plan. Clear invasive albizia trees and overgrown grass and brush. Install gates and signs. Prepare land for agricultural activities and amend soil. No funding for FY17-18.
DHHL 50 acres (1)7-1-002-031, -032	As part of the acquisition of the 205-acre acquisition, DHHL through the Mano Wai Corporation received a donation of approximately 50 acres of land abutting the 205 acres from Castle & Cooke. As part of the donation transaction, it was contemplated that DHHL would transfer ownership of the 50 acres to ADC in exchange for an AGR appropriation in the DHHL budget which would be delegated to DHHL by ADC. ADC is conducting its due diligence of the 50 acres.
Paalaa Uka & Kamananui ("PSA 1") Dole 552.47-acres 6-4-003-016, 6-5-001-046	2017: Acquired land on July 20, 2017. 2018: Replace gate and install signs. Prepare land for agricultural activities and amend soil. No funding for FY17-18.

DESCRIPTION	PROJECT STATUS
Waipio (Kipapa Ridge) Castle & Cooke 91.654-acres 9-5-003-007	Acquired: Anticipated closing December 28, 2017.
Kamananui ("PSA 2") Dole 215.63-acres 6-5-002-011	Acquired: Anticipated closing December 28, 2017. ADC will assume existing tenant lease.
Dole ("PSA 3") 126.62-acres 6-5-002-006, 6-5-002-008, 6-5-002-027, 6-5-002-028	Acquired: Under negotiation, pending resolution of quiet title action by Dole. ADC will assume existing tenant lease.
Dole ("PSA 4") 234.03-acres (1)6-4-004-008 (1)6-4-004-006	Acquired: Anticipated closing December 28, 2017.
Dole ("PSA 5") 434.188-acres (1)6-5-005-002 (por)	Acquired: Anticipated closing December 28, 2017. ADC will assume existing tenant lease.
Dole ("PSA 6") 120.541-acres (1)6-5-001-044 (por)	Acquired: Under negotiation, pending subdivision.
Dole ("PSA 7") (1)6-5-001-014	Acquired: Under negotiation, pending resolution of quiet title action by Dole.. ADC will assume existing tenant leases.
Waialeale set aside 135-acres (1)5-8-001-007, -013, -055	(See Aquaculture.)
Wahiawa set aside 5-acres (1)7-3-013-008, -009	(See Aquaculture.)
IRRIGATION SYSTEMS	

DESCRIPTION	PROJECT STATUS
Waiahole Steel Siphon replacements [ADC-funded]	2015: Contract awarded to Global Specialties to replace 4 siphons. Replaced siphons A and D. 2016: Replaced siphons B and C. Completed. 2017: Install SCADA system. Completed.
Waiahole Reservoirs 155 & 225 ADC, USACE, DOA-ARM, WWS	(See Dams and Reservoirs.)
Wahiawa Wastewater Treatment irrigation water	Start: July 31, 2012 HDR awarded contract July 31, 2012 2016: Brown and Caldwell awarded the contract to plan and design the Wahiawa Reclaimed Water Irrigation System. Started negotiations with the City's Environmental Services Office to execute an agreement to recycle the R-1 effluent from the Wahiawa Wastewater Treatment Plant for agricultural purposes. 2017: Completed routing study to identify the advantages and disadvantages of 5 different routes for the R-1 pipeline. Began discussions with the Office of Hawaiian Affairs to use their property as a potential route for the R-1 pipeline. Continued negotiations with the City on the agreement to recycle the R-1 effluent. Negotiations with OHA continue. Anticipated construction start date July 2019. Estimated cost TBD. FY17-18 budget is \$500,000 to complete the plans and design. 2018: Procure new contract to complete addition plans and designs and EIS with \$500,000.
Paalaa Uka-Dole (Kelena Well 25)	Purchase easement for well 25 and area around well. Appraise well and seek other preliminary information; present to BOD for feedback and guidance.
NSA tunnel cooling water	Test water sample complete.
Aahoaka Reservoir, upper	(See Dams and Reservoirs.)
Aahoaka Reservoir, lower	(See Dams and Reservoirs.)
Hanamaulu Reservoir 21	(See Dams and Reservoirs.)
Kekaha Ditch	In litigation. 2018: Purchase materials and deliver to KAA. Working with KAA and ARM-D to develop the material list. Lapse 2018-06-30 \$5M
Mana Reservoir	(See Dams and Reservoirs.)
Kokee Ditch	In litigation. To be transferred to KIUC for pumped storage project. License to KIUC issued for Phase I, investigation and studies of power project.
Kitano Reservoir	(See Dams and Reservoirs.)
DAMS & RESERVOIRS	
Oahu Res 155	Approvals of USACE pending. 2018: Dredge reservoir and install lining. Project to be completed by USACE.
Oahu Res 225	2018: Dredge reservoir and install lining. Project to be completed by USACE.

DESCRIPTION	PROJECT STATUS
Central Oahu Water Security	See, Priorities 2018
Mana	In litigation. To be transferred to KIUC for pumped storage project. License to KIUC issued for Phase I, investigation and studies of power project. Consider taking topsoil--seek concurrence from KIUC, Dam Safety
Kitano	To be decommissioned. Breaching permit process continuing, SHPD did not find jurisdiction.
Puu Lua	Under DLNR ownership, to be transferred to KIUC for pumped storage project. Stakeholders include DLNR Land Division, State Parks, and Aquatics Division, KIUC, ADC, Kekaha Agriculture Association ("KAA"), all of whom are in discussions over who should manage and control the reservoir pending KIUC power project construction.
Upper Aahoaka	Reduction of dam capacity currently in planning. ADC, Dam Safety, DAGS engineers, and DAGS consultant now having monthly status meetings to move DAGS along on dam remediation (widening the spillway and reducing capacity to render dam
Lower Aahoaka	
Hanamaulu Reservoir 21	Dam reduction completed in 2012 or 2013 by DAGS engineering, completion documents never submitted to Dam Safety; ADC continues to be liable for dam safety until reduction is approved by Dam Safety; ADC, Dam Safety, DAGS engineers, and DAGS consultant now having monthly status meetings to move DAGS along on submission of completion documents.
RENEWABLE ENERGY	
Keaau Biodigester	
Wahiawa Pumped Storage	
Kekaha Pumped storage	
Kekaha Hydroelectric	
Kekaha Magnetic turbine	
LAND MANAGEMENT	

DESCRIPTION	PROJECT STATUS
<p>Wahiawa Galbraith Estate 1750 acres Various TMKs</p>	<p>2015: 250 acres of the Galbraith Agricultural Lands (GAL) were put into production. From the 250 acres, farmers harvested 2,700,000 lbs. of watermelon and 750,000 lbs. of peppers.</p> <p>2016: Received ADC Board approval to issued long term license to 10 small farmers. Assist small farmers obtain conservation plans and business documentation. Negotiate long term license agreements. Criminal trespassing rampant on vacant agricultural lands and unusable portions (gullies, revines). Issued verbal and written warnings on multiple occasions. Posted additional signage and repaired agricultural berms removed by criminal trespassers. Received complaints from neighboring land owners about homeless encampments, illegal dumping, cockfights, prostitution, firearms possession and drug trafficking.</p> <p>2017: 500+ acres of watermelons, peppers, and Asian vegetables in production. The ADC anticipates having a total of 950 acres of food production on the GAL by the end of 2017. Assist small farmers obtain conservation plans and business documentation. Ongoing effort to stop criminal trespassing on vacant agricultural land. Constructed gates, placed boulders and pylons, and replaced stolen signs. Working with law enforcement and the State's homelessness coordinator to plan a coordinated sweep of the property.</p> <p>2018: Issue land license to small farmers; Work with famers on obtaining their conservation plans. Work with HPD on a plan to remove squatters on TMK 7-1-01-05.</p>
Whitmore 24-acre	2018: Remove Norfolk pines. Made request to HECO to shut off power.
Whitmore 257-acre	<p>(See Land Acquisition and Development)</p> <p>2017: Installed signage and demolished illegal structures in unusable areas of the property near Uwalu Circle</p> <p>2018: Periodic sweeps to ensure area remains clear. Possibly install fencing along Uwalu Circle. Send letter to Whitmore residents regarding encroaching on Helemano Farms licensed area. Install signs.</p>
Whitmore 194-acre	<p>2017: Installed concrete pylons to stop trespasser</p> <p>2018: Install signs and gates. Remove squatter encampment and trash.</p>
Whitmore 205-acres	<p>2017: Repaired berms that were removed by trespassers.</p> <p>2018: Install signs and gates along Saipan Road.</p>
<p>Dole ("PSA 5") 434.188-acres (1)6-5-005-002 (por)</p>	2018: Replace lock on main gate.
Kalaeloa/Campbell set aside	Currently leased to Baker Commodities, terminates September, 2045
Mokuleia Aquaculture	Former DLNR tenant in possession, unable to reach agreement terms.
Kunia Ag - New Hope Leeward	
Kalepa, Kauai set aside	2015: DLNR transfers 148 acres to ADC pursuant to Governor's Executive Order No. 4474. DLNR also transfers Hawaii Fish Company's revocable permit to use 18 acres. Hawaii Fish Company could not agree to terms and conditions offered by ADC for a long term license and remains on the retroactive DLNR revocable permit (RP 6814). Under DLNR RP 6814, Hawaii Fish Company controls a 7-acre freshwater pond which could potentially be used to promote aquaculture in Hawaii.
Kekaha, Kauai set aside	MOU November 28, 2012

DESCRIPTION	PROJECT STATUS
Kekaha contamination clean up and installation of emergency generators [ADC funded]	2015: Clean up completed. 2017: Generator installations completed.
RESEARCH & DEVELOPMENT	
Freckle-Free Papaya ("Test Marketing of New Freckle Free and Virus Resistant Solo Papaya") ADC-sponsored project conducted by US Pacific Basin Agricultural Research Center (PBARC); Dennis Gonsalves, PI [ADC funded]	April, 2013
Transgenic Maradol Papaya	
Papaya Waste Transformed Into Oil and Feed ("Zero Waste Concept: Making Something Out of Nothing:) ADC-sponsored project conducted by US Pacific Basin Agricultural Research Center (PBARC); Dennis Gonsalves, PI [HDOA funded]	<p>Start: February 28, 2013 Complete:</p> <p>2013: Papaya Waste Transformed Into Oil and Feed ("Zero Waste Concept: Making Something Out of Nothing:) ADC-sponsored project conducted by US Pacific Basin Agricultural Research Center (PBARC); Dennis Gonsalves, PI [HDOA funded]. Project proved that Papaya Waste could be transformed into oil and feed.</p> <p>2014: Purchased specialized equipment to test if the conversion process could be done on a commercial scale.</p> <p>2015: Continued assembly and modification of the equipment for zero waste conversion. Acquired land in W.H Shipman Business Park for a zero waste conversion facility.</p> <p>2016: Purchased additional equipment. Plan and design zero waste conversion facility.</p> <p>2017: Complete plans and design of the zero waste conversion facility to house the specialized equipment. Construct the zero waste conversion facility. Anticipated start date September 2017. FY17-18 budget is \$1,500,000 to construct the zero waste conversion facility.</p> <p>2018: Received request from HiArch for extension in December 2017. Contract expires 1/21/2018. Sent supplement no.1 to HiArch on 1/8/2108. Estimated completion date 3/29/2018. Procure a contractor to construct the Zero Waste Facility.</p> <p>Lapse 2018-06-30 \$1.5M</p>
Hog Revitalization Plan ADC-sponsored project conducted by US Pacific Basin Agricultural Research Center (PBARC); Dennis Gonsalves, PI [ADC funded]	<p>Start: November 1, 2012 Complete: December 31, 2014</p> <p>Considering eviction for non-compliant hog farmers.</p>
Agriculture electronic app	Tim Carson

DESCRIPTION	PROJECT STATUS
Pathology Greenhouse, Quarantine House, and Greenhouse, Statewide	Start: July 2018 Complete: July 2019 Project will be on Federal and State lands in Hilo, Hawaii and Whitmore, Oahu. Sent Request to Gov to HDOA on 1/23/2018. Lapse 2020-06-30 \$500,000
Thermophilac Biodigestor	Lapse 2018-6-30 \$950,000
GRANTS-IN-AID	
Malama Kauai 2015	2016: Grantee received grant funds on May 20, 2016. Funds were used to purchase storage containers, water lines, and an office trailer for the Kilauea Agricultural Center in Kilauea, Kauai. 2017: Completed.
Kumano I Ke Ala O Makaweli 2016	2016: Grantee received grant funds in June 2017. Funds were used to 2018: Anticipated date of completion June. COMPLETED.
Aina Ho'okupo O Kilauea, Kauai 2017	2018: Anticipated start date July 2018. Funds will be used for the Kilauea Agricultural Park to purchase piping for an irrigation waterline and recordation of easement for waterline. Project qualifies as a grant pursuant to HRS 92F CIP. ANTICIPATED COMPLETION DATE IS JUNE 2019.
Aina Ho'okupo O Kilauea, Kauai 2017	2018: Anticipated start date July 2018. Funds will be used to fund an executive assitant, two intern positions, and a portion of the Executive Director salary. Project qualifies as a grant pursuant to HRS 92F Operating. ANTICIPATED COMPLETION DATE IS JUNE 2019.
Waimea Nui Community Development Corporation, Hawaii 2017	2018: Anticipated start date July 2018. Funds will be used to plan and construct a potable water line for the Waimea Community Agricultural Park. Project qualifies as a grant pursuant to HRS 92F CIP. Note: GOVERNOR PUT A CONIGENCY ON THE FUNDS THAT REQUIRES WNCDC TO COME UP WITH \$800,000 IN MATCHING FUNDS. THE PROJECT WILL ONLY BE OPERATIONAL IF \$1.6 MILLION IS ALLOCATED FOR THE DEVELOPMENT OF THE SITE. THE GOV WILL NOT RELEASE THE GRANT UNTIL \$1.6 MILLION IS COMMITTTED TO THE PROJECT. FUNDING COULD BE INKIND, PUBLIC, OR PRIVATE.
Hawaii Farmers Union 2017	2018: Anticipated start date July 2018. Funds will be used to pay a farm manager and purchase two (2) refrigeration units for delivery vans. Project qualifies as a grant pursuant to HRS 92F Operating. ANTICIPATED COMPLETION DATE IS JUNE 2019.
EDUCATION	
	2018: Anticipated start date July 2018. Funds will be used to purchase a refrigerated truck and fund two positions. Project qualifies as a grant pursuant to 92F Operating.
Leilehu H.S. Natural Farming education model	

DESCRIPTION	PROJECT STATUS
Education	
Kekaha	
AQUACULTURE	
Livestock Feedmill	
<p>Waialeale set aside 135-acres (1)5-8-001-007, -013, -055</p>	<p>ADP/ADC to conduct site inspection with CTAHR Due diligence of status of title, surveys, encumbrances, encroachments, restrictions, environmental concerns, homelessness, illegal activities Todd to research ownership of ALL lots in plat Do community outreach Contact kuleana parcel owners-introduction and feedback Confirm PASH to beach Research livestock settling pond issues, loi rights, etc Prepare business plan/development plan</p>
<p>Wahiawa set aside 5-acres (1)7-3-013-008, -009</p>	<p>These State lands are adjacent to Lake Wilson. One of the lots was originally set aside to Hawaii Housing Finance and Development Corporation ("HHFDC") to develop housing, HHFDC is requesting that the set aside be rescinded for its inability to develop the property; ADC is exploring possibilities of these parcels for potential aquaculture or other agriculture-related</p>
HAWAII AGRIBUSINESS PLAN	
	<p>In accordance with HRS §163D-5(a), determine which of the 9 items to be strategized and developed continue to be relevant today, and begin a plan.</p>
SUBSIDIARIES	
	<p>In accordance with HRS §163D-6, consult with corporate and government experts on the pros, cons, and processes for incorporating subsidiaries, including the appropriate form of the organization.</p>
IMPORTANT AG LANDS	
FOREIGN TRADE ZONE	



SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT

The Honorable Mike Gabbard, Chair
The Honorable Russell E. Ruderman, Vice Chair

H.B. NO. 1561, H.D. 1, RELATING TO AGRIBUSINESS DEVELOPMENT

Hearing: Monday, March 11, 2019, 1:15 p.m.

The Office of the Auditor has **no position** regarding H.B. No. 1561, H.D. 1, which requires that we conduct “a performance audit of the agribusiness development corporation” and grants us discretion to conduct a financial audit “if sufficient funds are available.” **However, we offer the following comments and request clarification of the intended scope of the audit.**

We strongly suggest that the committee identify the specific programs or activities that it wants assessed to ensure that our report covers the issues that the Legislature is most interested in having us examine. We conduct performance audits in accordance with generally accepted government auditing standards. Those standards require us to properly plan, document, and carry out work necessary to address “audit objectives” that we identify during the planning phase of our audit work. Without more specific direction we may develop audit objectives that may be different from those envisioned by the Legislature, and for that reason, the report may offer less value to the Legislature.

With respect to the financial audit, we do not perform any financial audits in-house; rather, we contract with certified public accounting (CPA) firms to audit the financial statements of State agencies and for the State’s Comprehensive Annual Financial Report. If the intent of this bill is to have us audit the Agribusiness Development Corporation’s financial statements, we require an appropriation of no less than \$125,000 to contract with a CPA firm to do so or request that the bill specifically direct the Agribusiness Development Corporation to reimburse us the cost of the financial audit.

Thank you for considering our testimony related to H.B. No. 1561, H.D. 1.

DAVID Y. IGE
Governor

JOSH GREEN
Lt. Governor



PHYLLIS SHIMABUKURO-GEISER
Acting Chairperson
Board of Agriculture

State of Hawaii
DEPARTMENT OF AGRICULTURE
1428 South King Street
Honolulu, Hawaii 96814-2512
Phone: (808) 973-9600 FAX: (808) 973-9613

TESTIMONY OF THE DEPARTMENT OF AGRICULTURE
BEFORE THE SENATE COMMITTEE ON AGRICULTURE & ENVIRONMENT

MARCH 11, 2019
1:15 P.M.
CONFERENCE ROOM 224

HOUSE BILL NO. 1561 HD1
RELATING TO THE AGRIBUSINESS DEVELOPMENT CORPORATION

Chairperson Gabbard and Members of the Committee:

Thank you for the opportunity to present testimony on House Bill 1561 HD1 which appropriates funds and positions for the Agribusiness Development Corporation (ADC). The Department of Agriculture supports the full base budget of the ADC as the attached agency serves a vital role to the State of Hawaii.

ADC is tasked with transitioning the State to diversified agriculture from its plantation history with sugar and pineapple. This task requires the ADC to acquire agricultural lands, develop critical infrastructure including irrigation and water sourcing, and identify successful diversified agriculturalists to cultivate diversified ag products across the State. ADC is also tasked with developing diversified agricultural facilities. With the ability to pursue public-private partnerships, ADC can collaborate with various groups across the State to promote and support the development of agricultural enterprises.

By approving the base budget of the ADC, the Legislature will be supporting the State's long-term efforts to develop a successful, diversified agricultural industry.

Thank you for the opportunity to testify on this measure.





HAWAI'I
CENTER FOR
FOOD SAFETY

**Senate Committee on Agriculture and Environment
Hawai'i Center for Food Safety supports: HB1561 HD1**

Dear Chair Gabbard, Vice-Chair Ruderman, and members of the committee,

My name is Autumn Ness and I am the Co-Director of the Hawai'i Center for Food Safety. HCFS is a nationwide public interest, sustainable agriculture nonprofit organization whose mission centers on supporting the increase of sustainable local food production, and increasing public transparency in food production. We have over 1 million farmer and consumer members across the country, including nearing 10,000 in Hawai'i.

I am writing in support of HB 1561 HD1. The Agribusiness Development Corporation manages land and resources that, managed well, could propel the State of Hawai'i closer to its food sustainability goals. An audit would make the operations of the ADC more transparent and instill faith in the public that our public funds are being used to advance our state food sustainability goals. An audit will also be a useful tool for the ADC itself, serving as a catalyst for re-examination of operations in such an important time for Hawai'i's agricultural economy.

Mahalo nui loa for your support.

Autumn Ness, Co-Director
Center for Food Safety, Hawai'i Program



P.O. Box 253, Kunia, Hawai'i 96759
Phone: (808) 848-2074; Fax: (808) 848-1921
e-mail info@hfbf.org; www.hfbf.org

March 11, 2019

HEARING BEFORE THE
SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT

TESTIMONY ON HB 1561, HD1
RELATING TO AGRIBUSINESS DEVELOPMENT

Room 224
1:15 PM

Aloha Chair Gabbard, Vice Chair Ruderman, and Members of the Committee:

I am Brian Miyamoto, Executive Director of the Hawaii Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,900 farm family members statewide, and serves as Hawaii's voice of agriculture to protect, advocate and advance the social, economic and educational interests of our diverse agricultural community.

The Hawaii Farm Bureau supports HB 1561, HD1, which appropriates funds for the fiscal biennium 2019-2021 operating budget of the Agribusiness Development Corporation.

ADC was initiated by the agricultural industry as the closure of plantations escalated and there was a need to identify mechanisms that could quickly place farmers on lands that were destined to be idle.

HFB believes that ADC has a tremendous amount of power and has a responsibility in continuing to assist Hawaii's transition from plantation agriculture to smaller diversified agricultural operations

Hawaii's farmers and ranchers are finding it difficult to secure the financial support necessary to build capacity. ADC can help to assist Hawaii's farmers in increased capacity, new business opportunities, increase employment opportunities and address Hawaii's goals of increased self-sufficiency and sustainability.

Thank you for this opportunity to testify on this important subject.



Board of Directors:

Senate Committee on Agriculture & Environment

Gary L. Hooser
President

**Hawaii Alliance for Progressive Action (HAPA)
Supports: HB 1561 HD1**

Andrea N. Brower
Ikaika M. Hussey
Co-Vice Presidents

Aloha Chair Gabbard, Vice Chair Ruderman and members of the committee,

Kim Coco Iwamoto
Treasurer

The Agribusiness Development Corporation (ADC) is a public corporation, which operates with little transparency, has a multi-million dollar budget, and manages over 36,000 acres of state owned agricultural lands. However, its mission does not make local food production a priority. The ADC has “broad powers to meet it goals”.

Bart E. Dame
Secretary

Paul Achitoff

The audit of the ADC was embedded in the ADC’s budget in the House Committee on Agriculture. HAPA supports the HB 1561 HD1 in it’s current draft because it includes this provision for an audit of the ADC by the state auditor.

Nancy Aleck

Kaleikoa Ka’eo

Michael Miranda

Walter Ritte Jr.

Pua Rossi-Fukino

Karen Shishido

Leslie Malulani Shizue Miki

An independent audit by the state auditor can shine a light on how this public corporation operates. It is only fiscally responsible that a public corporation receiving large legislative appropriations, tasked with the management of large tracts of state agricultural land should have this level of oversight. An audit might also examine how the ADC is aligning its efforts with the Governor’s mandate to increase our food self-sufficiency.

A breakdown of the recent ADC lands by island can be found its own recent [report to the legislature \[1\]](#), however it is not clear how much food is being grown for local consumption on these lands:

Kekaha, Kaua’i – 28,000 acres
Kalepa, Kaua’i – 7,000 acres
Central O’ahu – 1,200 acres

On Kaua’i it appears that their largest tenants are the agrochemical companies instead of being small local farms producing food for local consumption. From this report, it also

appears that the agency has a contract with the local military base, PMRF. It is concerning that an agency tasked with “diversifying Hawai‘i’s agricultural lands” has basically substituted one pesticide intensive monoculture (sugar and pineapple) for another (seed corn).

In Central O‘ahu the ADC managed lands, recently acquired from Dole, are currently at the center of a [recent evictions dispute \[2\]](#). For decades, Whitmore Village community members had taken it upon themselves to malama the long abandoned Dole lands, supporting local food sufficiency by growing taro and banana patches, fruit trees, livestock and making their imu pits. Residents were given an eviction notices and large areas of their food abundant homesteads were bulldozed. Although the new ADC plans for Whitmore Village include a “food hub”, it is not clear how the long-time community-based efforts will fit into that plan.

Given the recent large legislative appropriations to the ADC, and land acquisitions an independent financial and management audit is only reasonable.

Please support HB 1561 HD1.

Mahalo,



Anne Frederick,
Executive Director

[1] <https://hdoa.hawaii.gov/wp-content/uploads/2019/01/DOA-ADC-Annual-Report-2018.pdf>

[2] <https://www.civilbeat.org/2018/10/surprise-eviction-notices-have-this-old-plantation-community-up-in-arms/>

Gary L. Hooser

5685 Ohelo Rd.

Kapaa, HI 96746

garylhooser@gmail.com

March 11, 2019

Aloha Committee Chair and members,

I am writing today in **support** of measure **HB1561 HD1 Relating to Agribusiness Development**. This measure provides support for the general ADC budget and also appropriates funding and sets up requirements so that the State Auditor conduct may conduct al management and financial audit of the corporation.

These audits and additional required reports to the Legislature will provide necessary transparency and oversight. We can not simply fund this program without continued oversight.

Mahalo for your time and positive consideration of this measure.

Gary L. Hooser