A BILL FOR AN ACT

RELATING TO AGRICULTURAL LEASES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

- 1 SECTION 1. Chapter 163D, Hawaii Revised Statutes, is 2 amended by adding twenty new sections to be appropriately 3 designated and to read as follows: 4 "§163D-A Auction pre-qualification; agricultural and 5 pasture leases. (a) Whenever used in this section, unless 6 otherwise apparent from the context: 7 "Farm" also means "ranch" and "farmer" also means 8 "rancher."
- 9 "Individual" means a natural person who is not a part of a
- 10 partnership, corporation, or joint venture which is a potential
- 11 bidder under this section.
- "Nonindividual concern" means a partnership, corporation,
- or joint venture properly formed under law and which is a
- 14 potential bidder under this section.
- (b) Any other law to the contrary notwithstanding, to be
- eligible to bid in an auction for agricultural or pasture lease,
- 17 a potential bidder shall be a bona fide individual farmer or a
- 18 nonindividual farm concern:

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1	(1)	Who has spent not less than two years, full-time, in
2		farming operations;
3	(2)	Who is an owner-operator of an established farm
4		conducting a substantial farming operation;
5	(3)	Who for a substantial period of the individual's adult
6		life resided on a farm and depended on farm income for
7		a livelihood;
8	(4)	Who is an individual who has been a farm tenant or
9		farm laborer or other individual, who has for the two
10		years last preceding the auction obtained the major
11		portion of their income from farming operations;
12	(5)	Is an individual with a college degree in agriculture;
13	(6)	Is an individual who by reason of ability, experience,
14		and training as a vocational trainee is likely to
15		successfully operate a farm;
16	(7)	Who has qualified for and received a commitment for a
17		loan under the Bankhead-Jones Farm Tenant Act as
18		amended, or as may hereafter be amended, for the
19		acquisition of a farm;
20	(8)	Who is an individual who is displaced from employment
21		in an agricultural production enterprise;

1	(9)	Who is a member of the Hawaii Young Farmer Association
2		or a Future Farmer of America graduate with two years
3		of training with farming projects;
4	(10)	Who possesses the qualifications under the new farmer
5		program pursuant to section 155-1; or
6	(11)	Who possesses other qualifications as the corporation
7		may prescribe pursuant to section 171-6 and this
8		section.
9	<u>§163</u>	D-B Drawing. Whenever public lands are to be sold or
10	leased by	drawing, the corporation shall notify by publication
11	of applic	ations for the drawing with details concerning the
12	drawing a	s it shall deem necessary and desirable. Applications
13	to partic	ipate in the drawing shall be filed with the
14	corporati	on within two weeks after the last publication date.
15	Within fo	rty-five days after the closing date for applications,
16	the corpo	ration shall screen the qualifications of the
17	applicant	s, select those qualified to participate, notify all
18	applicant	s of the selection and conduct a drawing. The date of
19	the drawi	ng shall be published. The award shall be made within
20	one week	and all applicants shall be notified of the result of
21	the drawi	ng. The lease or patent shall be issued within ninety
22	days afte	r the drawing or when conditions of sale are fulfilled.

1	§163D-C Notices. (a) Public notice of any proposed
2	disposition by auction shall be given at least once statewide
3	and once in the county where the land being disposed of is
4	located. Notice of the auction shall contain the following:
5	(1) Time and place of the auction;
6	(2) General description of the land, including the address
7	and tax map key;
8	(3) Specific use for which the disposition is intended;
9	and
10	(4) Upset price or rental to be charged.
11	The maps showing the metes and bounds description and the
12	classification of the land shall be kept in the office of the
13	corporation and of its land agent in the county in which the
14	land is situated, and shall be open for inspection at all
15	reasonable hours.
16	(b) Whenever a disposition by drawing of lots is proposed
17	public notice inviting applications to participate in the
18	drawing shall be given once statewide and once in the county
19	where the land being disposed of is located. The notice shall
20	contain:
21	(1) The qualifications required of applicants;

1	(2)	A general description of the land, including the
2		address and tax map key;
3	(3)	Specific use for which the disposition is intended;
4		and
5	(4)	Date by which all applications must be filed, which
6		date shall be not less than fourteen days after the
7		last notice.
8	Within for	rty-five days after the closing date for applications,
9	the corpo	ration shall select those qualified to participate in
10	the drawing	ng, notify all applicants as to whether or not they
11	qualified	, and conduct the drawing.
12	The r	notice of selection of applicants qualified to
13	participa	te in the drawing, together with the notice of drawing,
14	shall be t	mailed to each applicant, whether or not the applicant,
15	in fact, o	qualified. The notice of the drawing shall state the
16	time and	place of the drawing. Upon completion of the drawing,
17	the award	shall be announced within one week, and the lease
18	issued wit	thin ninety days after the drawing or when the
19	conditions	s of the sale are fulfilled.
20	<u>(c)</u>	Public notice of a proposed disposition by negotiation
21	shall be g	given at least once statewide and once in the county
22	where the	land being disposed of is located; provided that the

- 1 notices are not required for permits and dispositions of
- 2 remnants. The notice shall invite proposals and state in
- 3 general terms the size, location, and prices or rental of lots
- 4 to be leased, the terms of the lease, and the last date on which
- 5 application will be received by the corporation, which date
- 6 shall not be less than thirty days after the last date of the
- 7 notice. The notice shall also state the times and places at
- 8 which more detailed information with respect to the lease may be
- 9 secured by interested persons.
- 10 (d) Whenever it is proposed to exchange public lands for
- 11 private land, quitclaim public land, or any interests of the
- 12 State in private land; dispose of submerged or reclaimed public
- 13 land; dispose of a land license by negotiation; or dispose of
- 14 reserved rights and easements, public notice of the disposition
- 15 shall be given at least once statewide and once in the county
- 16 where the land or other interests being disposed of are located.
- 17 The notice shall state in general terms the size and location of
- 18 the public lands proposed to be disposed.
- 19 (e) In addition to giving public notice, any public notice
- 20 required under this section shall also be posted on the Internet
- 21 in an easily located manner.

1	§163D-D Appraisals. (a) The appraisal of public lands
2	for lease at public auction for the determination of the upset
3	price may be performed by an employee of the corporation
4	qualified to appraise lands or by one but not more than three
5	disinterested appraisers whose services shall be contracted for
6	by the corporation; provided that the upset rental shall be
7	determined by disinterested appraisal whenever prudent
8	management dictates. No lands shall be leased for a sum less
9	than the value fixed by appraisal; provided that for any lease
10	at public auction, the corporation may establish the rental
11	price at less than the appraisal value set by an employee of the
12	corporation and the land may be leased at that price. The
13	corporation shall be reimbursed by the lessee for the cost of
14	any appraisal required to be made by a disinterested appraiser
15	or appraisers contracted for by the corporation.
16	(b) The lease rental of lands to be disposed of by drawing
17	or negotiation shall be no less than the value determined by:
18	(1) An employee of the corporation qualified to appraise
19	lands; or
20	(2) A disinterested appraiser or appraisers whose services
21	shall be contracted for by the corporation, and with

1	the approval of the corporation, shall be paid by the
2	<pre>purchaser;</pre>
3	provided that the lease rental shall be determined by
4	disinterested appraisal whenever prudent management dictates;
5	provided further that should the purchaser fail to agree upon
6	the lease rental, the purchaser may appoint an appraiser who
7	together with the corporation's appraiser shall appoint a third
8	appraiser, and the lease rental shall be determined by
9	arbitration which shall be final and binding. The purchaser
10	shall pay for all appraisal costs, except that the cost of the
11	third appraiser shall be borne equally by the purchaser and the
12	corporation.
13	(c) In the event of reopening of the rental to be paid on
14	a lease, the rental for any ensuing period shall be the fair
15	market rental at the time of reopening. At least six months
16	prior to the time of reopening, the fair market rental shall be
17	determined by:
18	(1) An employee of the corporation qualified to appraise
19	lands; or
20	(2) A disinterested appraiser whose services shall be
21	contracted for by the corporation;

1 and the lessee shall be promptly notified of the determination; 2 provided that should the lessee fail to agree upon the fair 3 market rental, the lessee may appoint the lessee's own appraiser who together with the corporation's appraiser shall appoint a 4 5 third appraiser and the fair market rental shall be determined by arbitration. The lessee shall pay for the lessee's own 6 7 appraiser, the corporation shall pay for its appraiser, and the 8 cost of the third appraiser shall be borne equally by the lessee 9 and the corporation. Any language in present leases to the 10 contrary notwithstanding, the provisions of this subsection, 11 when possible and notwithstanding the six-month notice required, 12 shall apply to leases with original lease rental reopening dates 13 effective 14 Whenever more than one appraiser is appointed, each 15 shall prepare and submit an independent appraisal. All 16 appraisal reports shall be available for study by the public. 17 §163D-E Public land trust. All funds derived from the 18 lease or other disposition of public lands shall be appropriated 19 by the laws of the State; provided that all proceeds and income 20 from the lease, or other disposition of lands ceded to the 21 United States by the Republic of Hawaii under the joint resolution of annexation, approved July 7, 1898 (30 Stat. 750), 22

1 or acquired in exchange for lands so ceded, and returned to the 2 State of Hawaii by virtue of section 5(b) of the Act of 3 March 18, 1959 (73 Stat. 6), and all proceeds and income from 4 the lease or other disposition of lands retained by the United States under sections 5(c) and 5(d) of the Act and later 5 6 conveyed to the State under section 5(e) shall be held as a public trust for the support of the public schools and other 7 8 public educational institutions, for the betterment of the 9 conditions of native Hawaiians as defined in the Hawaiian Homes 10 Commission Act, 1920, as amended, for the development of farm 11 and home ownership on as widespread a basis as possible, for the 12 making of public improvements, and for the provision of lands 13 for public use. 14 §163D-F Notice of breach or default. Except as otherwise 15 provided in this chapter, in the event of a breach or default of 16 any term, covenant, restriction, or condition of any lease 17 issued under this chapter, the corporation shall deliver a 18 written notice of the breach or default by personal service or by registered or certified mail to the party in default and to 19 20 each holder of record having any security interest in the land 21 covered by or subject to the lease making demand upon the party 22 to cure or remedy the breach or default within sixty days from

1 the date of receipt of the notice; provided that where the 2 breach involves a failure to make timely rental payments 3 pursuant to the lease issued under this chapter, the written notice shall include a demand upon the party to cure the breach 4 5 within less than sixty days, but not less than five business 6 days, after receipt of the notice. Upon failure of the party to 7 cure or remedy the breach or default within the time period 8 provided herein or within an additional period as the 9 corporation may allow for good cause, the corporation may 10 exercise the rights under the law or as provided in the lease. 11 §163D-G Rights of holder of security interest. Whenever 12 any notice of breach or default is given to any party, or under 13 the terms of any lease, agreement, or other instrument issued or 14 to be issued under this chapter, a copy of the notice shall be 15 delivered by the corporation to all holders of record of any 16 security interest in the land or interest covered by the lease, 17 agreement, or other instrument whose security interest has been 18 recorded with the corporation. If the corporation seeks to 19 forfeit the privilege, interest, or estate created by the lease, 20 agreement, or other instrument, each holder may, at its option, 21 cure or remedy the breach or default, if the same can be cured 22 or remedied by the payment of money or by performing or

1	undertaking in writing to perform all the terms, covenants,
2	restrictions, or conditions of any lease, agreement, or other
3	instrument capable of performance by the holder, as determined
4	by the corporation, within a reasonable time period or within an
5	additional period as the corporation may allow for good cause
6	and add the cost thereof to the mortgage debt and the lien of
7	the mortgage. Upon failure of the holder to exercise its
8	option, the corporation may:
9	(1) Pay to the holder from any moneys at its disposal, the
10	amount of the mortgage debt, together with interest
11	and penalties, and secure an assignment of the debt
12	and mortgage from the holder, or if ownership of the
13	interest or estate shall then have vested in the
14	holder by way of foreclosure or action in lieu
15	thereof, the corporation shall be entitled to a
16	conveyance of the interest or estate upon payment to
17	the holder of the amount of the mortgage debt,
18	including interest and penalties, and all reasonable
19	expenses incurred by the holder in connection with the
20	foreclosure and preservation of its security interest,
21	less appropriate credits, including income received

1		from the privilege, interest, or estate subsequent to
2		the foreclosure; or
3	(2)	If the property cannot be reasonably reassigned
4		without loss to the State, then terminate the
5		outstanding privilege, interest, or estate without
6		prejudice to any other right or remedy for arrears of
7		rent or for any preceding or other breach or default,
8		and use its best efforts to redispose of the affected
9		land to a qualified and responsible person free and
10		clear of the mortgage and the debt thereby secured;
11		provided that a reasonable delay by the corporation in
12		instituting or prosecuting any right or remedy it may
13		have under this section shall not operate as a waiver
14		of the right or to deprive it of the remedy when it
15		may still hope otherwise to resolve the problems
16		created by the breach or default involved.
17	The procee	eds of any redisposition under paragraph (2) shall be
18	applied:	first, to reimburse the corporation for costs and
19	expenses	in connection with the redisposition; second, to
20	discharge	in full any unpaid purchase price or other
21	indebtedne	ess owing the State in connection with the privilege,
22	interest,	or estate terminated; third, to the mortgagee to the

1 extent of the value received by the State upon redisposition 2 which exceeds the fair market lease value of the land as 3 previously determined by the State's appraiser; and fourth, to the owner of the privilege, interest, or estate. Nothing 4 5 contained in this section shall be construed in a manner as to 6 infringe upon or prejudice in any way the rights of a holder of 7 record having a security interest which shall have vested prior 8 to the effective date hereof, and to the extent that this 9 section may conflict and adversely affect such interests, the 10 same shall be of no force and effect. 11 §163D-H Consent to mortgage. Whenever under this chapter 12 or under any lease, or other instrument issued by the 13 corporation, consent of the State is required as a condition 14 precedent to the mortgage of, or the creation of a security 15 interest in public land, the corporation, upon due application, 16 may grant the consent, and if the mortgage or security interest 17 is to a recognized lending institution authorized to do business as a lending institution in either the State or elsewhere in the 18 19 United States, the consent may extend to foreclosure and sale at 20 the foreclosure to any purchaser, including the mortgagee, 21 without regard to whether or not the purchaser is qualified 22 under this chapter to lease or otherwise acquire and hold the

1	land or any interest therein. The interest of the mortgagee or		
2	holder shall be freely assignable. The term "holder" includes		
3	an insurer or guarantor of the obligation or condition of the		
4	mortgage, including the Federal Housing Administration, the		
5	Federal National Mortgage Association, the Veterans		
6	Administration, the Small Business Administration, the United		
7	States Department of Agriculture, or any other federal agency		
8	and their respective successors and assigns, or any lending		
9	institution authorized to do business in the State or elsewhere		
10	in the United States; provided that the consent to mortgage to		
11	nongovernmental holder shall not confer any greater rights or		
12	powers in the holder than those which would be required by any		
13	of the aforementioned federal agencies.		
14	§163D-I Planning; intensive agricultural and pasture uses		
15	(a) If the intended disposition of leased land is for intensive		
16	agricultural or pasture uses, the corporation shall:		
17	(1) Make or cause to be made an on-the-ground inspection		
18	of the land;		
19	(2) Secure data or information from the land study bureau		
20	relating to the land parcel;		

(3) Review any other pertinent information with respect to

the land and the surrounding area; and

21

1	(4)	Based upon information obtained, prepare a written
2		report on the land, which report shall include the
3		following:
4		(A) The class of the land within the specific use for
5		which disposition is intended;
6		(B) The condition of the land with respect to its
7		state of development;
8		(C) Existing improvements, if any;
9		(D) Extent of uncontrolled erosion if any;
10		(E) Nature of forage; and
11		(F) Extent of infestation with noxious weeds.
12	(b)	For the purposes of this section "intensive
13	agricultur	al use" shall have the same meaning as that term is
14	referred to	o in section 171-10.
15	<u>§163</u> I	D-J Lease provisions; generally. Every lease issued
16	by the cor	rporation shall contain:
17	(1)	The specific use or uses to which the land is to be
18		employed;
19	(2)	The improvements required; provided that a minimum
20		reasonable time be allowed for the completion of the
21		<pre>improvements;</pre>
22	(3)	Restrictions against alienation;

1	(4)	The rent, as established by the corporation or at
2		public auction, which shall be payable not more than
3		one year in advance, in monthly, quarterly,
4		semiannual, or annual payments;
5	(5)	Where applicable, adequate protection of forests,
6		watershed areas, game management areas, wildlife
7		sanctuaries, and public hunting areas, reservation of
8		rights-of-way and access to other public lands, public
9		hunting areas, game management areas, or public
10		beaches, and prevention of nuisance and waste; and
11	(6)	Other terms and conditions as the corporation deems
12		advisable to more nearly effectuate the purposes of
13		the state constitution and of this chapter.
14	<u>§1631</u>	D-K Lease restrictions; intensive agricultural and
15	pasture u	ses. The following restrictions shall apply to all
16	leases for	r intensive agricultural and pasture uses:
17	(1)	The lease term shall be not less than fifteen years
18		nor more than thirty-five years, except that if the
19		type of disposition requires the lessee to occupy the
20		premises as the lessee's own personal residence, it
21		may be longer than thirty-five years, but not in
22		excess of seventy-five years, and except in the case

1		of a tree-crop orchard lease the term shall not be in
2		excess of forty-five years.
3	(2)	If the land being leased is not immediately productive
4		and requires extensive expenditures for clearing,
5		conditioning of the soil, the securing of water, the
6		planting of grasses, or the construction of
7		improvements, as the result of which a longer term is
8		necessary to amortize the lessee's investment, then
9		the lease term may be longer than thirty-five years,
10		but not in excess of fifty-five years.
11	(3)	The land leased hereunder, or any portion thereof,
12		shall be subject to withdrawal by the corporation at
13		any time during the term of the lease with reasonable
14		notice and without compensation, except as provided by
15		the corporation pursuant to rules adopted under
16		chapter 91.
17	<u>§163</u>	D-L Condemnation of leases. The lease shall provide
18	that when	ever a portion of the public land under lease is
19	condemned	for public purposes by the State, any county, or any
20	other gove	ernmental agency or subdivision, the rental shall be
21	reduced in	n proportion to the value of the portion of the

1	premises condemned, and the lessee shall be entitled to receive
2	from the condemning authority:
3	(1) The value of growing crops, if any, which the lessee
4	is not permitted to harvest; and
5	(2) The proportionate value of the lessee's permanent
6	improvements, taken in the proportion that it bears to
7	the unexpired term of the lease; provided that the
8	lessee may, in the alternative, remove and relocate
9	the lessee's improvements to the remainder of the
10	lands occupied by the lessee.
11	The foregoing rights of the lessee shall not be exclusive of any
12	other to which the lessee may be entitled by law. Where the
13	portion so taken renders the remainder unsuitable for the uses
14	for which the land was leased, the lessee shall have the option
15	to surrender the lessee's lease and be discharged of any further
16	liability therefor; provided that the lessee may remove the
17	lessee's permanent improvements within a reasonable period
18	allowed by the corporation.
19	§163D-M Leases; forfeiture. Upon the violation of any
20	condition or term of any lease to be observed or performed by
21	the lessee or tenant, the corporation, after the notice of
22	default and subject to the rights of each holder of record

- having a security interest, shall terminate the lease or tenancy
 and take possession of the leased land, without demand or
- 3 previous entry and without legal process, together with all
- 4 improvements placed thereon and shall retain all rent paid in
- 5 advance as damages for the violations.
- 6 §163D-N Expired leases; holdover. Upon expiration of a
- 7 lease term, if the leased land is not otherwise disposed of, the
- 8 corporation may allow the lessee to continue to hold the land
- 9 for a period not exceeding one year upon such rent, terms, and
- 10 conditions as the corporation may prescribe; provided that if,
- 11 immediately prior to the expiration of the lease, the land was
- 12 cultivated with crops having ratoons for at least one cycle, the
- 13 corporation may permit the lessee to continue to hold the leased
- 14 land until the crops from the last remaining cycle have been
- 15 harvested. The term "cycle" as used in this section means the
- 16 period required to plant and cultivate the original crop,
- 17 including the harvesting of the first ratoon, being a period
- 18 exceeding two years.
- 19 Upon expiration of the one-year extension, if the board has
- not yet decided upon the re-lease of the land for other
- 21 purposes, the corporation may issue a temporary permit to the

1 lessee and the rent and any other terms and conditions as the 2 corporation may prescribe. 3 §163D-O Agricultural plots. The corporation, in 4 cooperation with the department of agriculture and the city and county of Honolulu, shall adopt rules in accordance with chapter 5 91 to allow for use of vacant public lands for farming or 6 7 agricultural recreation. 8 §163D-P Leases, leases with option to purchase, sales 9 permitted; when. Land intended for disposition as farm lot for 10 truck crops or for horticultural, pasture, or special livestock 11 use, may be disposed of by lease, lease with option to purchase, or in fee simple. The disposition may be by drawing of lot, 12 13 without recourse to public auction, notwithstanding any other 14 provision in this chapter to the contrary; provided that the right to any values in the land not attributable to these 15 16 agricultural uses shall be reserved to the State. **17** Dispositions under this section shall be made only to 18 individuals who satisfy the requirements established by the corporation, pursuant to rules adopted under chapter 91, and 19 20 then only if the individual, either oneself or whose spouse, or 21 both, does not already own lands of comparable use in the State;

provided that the ownership by the individual or the

T	individua	il's spouse of lands of comparable use shall not be a
2	disqualif	ication in applying for a lease within an agricultural
3	park.	
4	<u>\$163</u>	D-Q Planning. Prior to making dispositions under
5	section 1	.63D-P, the corporation shall:
6	(1)	Determine the economic feasibility and need for the
7		proposed disposition;
8	(2)	Determine the minimum economic unit required for the
9		successful undertaking of the specific use intended,
10		taking into consideration soil fertility, soil
11		condition, and availability of water; and
12	(3)	Subdivide the land into economic units and make
13		improvements as are necessary in conformity with
14		applicable county or city and county zoning and
15		subdivision requirements, including the construction
16		of necessary roads and irrigation facilities.
17	<u>§163</u>	D-R Restrictions; conditions. In addition to other
18	restricti	ons or conditions that may be established by the
19	corporati	on to carry out the purpose of this chapter and of the
20	provision	s of the state constitution, all sale, lease, or lease
21	with opti	on to purchase, of a farm lot shall be subject to the

1	following	conditions, which shall be covenants running with the
2	land:	
3	(1)	The lot shall be used for farm purposes only;
4	(2)	The purchaser or lessee shall reside on the premises
5		granted; provided that with the consent of the
6		corporation, the purchaser or lessee may live off the
7		premises if the purchaser's or lessee's residence is
8		within a reasonable distance;
9	(3)	The purchaser or lessee shall derive the major portion
10		of the purchaser's or lessee's total annual income
11		from the production of the crops or products for which
12		production the land is granted to the purchaser or
13		lessee; provided that this restriction shall not apply
14		if the purchaser or lessee becomes enfeebled or is
15		widowed;
16	(4)	In the case of a lease, unless otherwise specifically
17		provided in this section;
18	(5)	In the case of a fee simple sale, the improvement
19		required and the specific use or uses intended;
20	(6)	For a period of five years after the issuance of a
21		lease, the purchaser or lessee shall not sell, sublet,
22		assign, transfer, or in other manner dispose or

1	encumber the whole or any part of the farm lot to any
2	person not qualified to take a farm lot except by way
3	of mortgage, testamentary bequest or devise, intestate
4	succession, or except to a purchaser at or after sale
5	upon the foreclosure of a mortgage.
6	The violation of any restrictions or conditions shall be
7	sufficient for the corporation, upon failure of the purchaser or
8	lessee within a reasonable period of time to remedy the default
9	after notice to take possession of the premises without demand
10	or previous entry and with or without legal process and thereby
4.4	determine the estate.
11	decermine the ebode.
12	§163D-S Applicants; qualifications. (a) A person shall
12	§163D-S Applicants; qualifications. (a) A person shall
12 13	§163D-S Applicants; qualifications. (a) A person shall be eligible to apply for a farm if the person has the
12 13 14	§163D-S Applicants; qualifications. (a) A person shall be eligible to apply for a farm if the person has the qualifications as follows:
12 13 14 15	§163D-S Applicants; qualifications. (a) A person shall be eligible to apply for a farm if the person has the qualifications as follows: (1) The person has been a resident in the State at any
12 13 14 15 16	<pre>§163D-S Applicants; qualifications. (a) A person shall be eligible to apply for a farm if the person has the qualifications as follows: (1) The person has been a resident in the State at any time for at least three years;</pre>
12 13 14 15 16 17	<pre>§163D-S Applicants; qualifications. (a) A person shall be eligible to apply for a farm if the person has the qualifications as follows: (1) The person has been a resident in the State at any time for at least three years; (2) The person is a bona fide farmer:</pre>
12 13 14 15 16 17	§163D-S Applicants; qualifications. (a) A person shall be eligible to apply for a farm if the person has the qualifications as follows: (1) The person has been a resident in the State at any time for at least three years; (2) The person is a bona fide farmer: (A) Who has not less than two years' experience as a
12 13 14 15 16 17 18	<pre>§163D-S Applicants; qualifications. (a) A person shall be eligible to apply for a farm if the person has the qualifications as follows: (1) The person has been a resident in the State at any</pre>

1		resided on a farm or depended on farm income for
2		the person's livelihood; or
3	<u>(C)</u>	Who has been a farm tenant or farm laborer or
4		other individual, who has for the two years last
5		preceding the person's application obtained the
6		major portion of the person's income from farming
7		operations; or
8	(D)	Who has a college degree in agriculture; or
9	<u>(E)</u>	Who by reason of ability, experience, and
10		training as a vocational trainee is likely to
11		successfully operate a farm; or
12	<u>(F)</u>	Who has qualified for and received a commitment
13		for a loan under the Bankhead-Jones Farm Tenant
14		Act as amended, or as may hereafter be amended,
15		for the acquisition of a farm; or
16	<u>(G)</u>	Who is displaced from employment in an
17		agricultural production enterprise; or
18	<u>(H)</u>	Who is a member of the Hawaii Young Farmer
19		Association or a Future Farmer of America
20		graduate with two years of training with farming
21		projects; or

1	(3)	The	person meets other qualifications as the
2		corp	oration may prescribe pursuant to rules adopted
3		unde	r chapter 91.
4	(b)	No p	erson shall be entitled to apply for a farm:
5	(1)	Who,	or whose husband or wife, has previously taken or
6		held	land for farm or homesteading under any
7		cert	ificate, lease, or agreement or under any
8		home	stead lease or patent based thereon; or
9	(2)	Who,	or whose husband or wife, or both of them, owns
10		<u>in f</u>	ee simple other land in the State, the combined
11		area	of which with the land in question exceeds eighty
12		acre	s; provided that:
13		(A)	The ownership of a residence lot or tract, not
14			exceeding three acres in area, shall not
15			disqualify any person otherwise qualified from
16			applying for and receiving any form of farm;
17		<u>(B)</u>	Any person who would otherwise qualify to take a
18			farm lot shall not be disqualified by reason of
19			taking, holding, or owning land for farm or
20			homesteading or otherwise, if the land so taken,
21			held, or owned becomes unusable for the purpose
22			of farming.

1	<u>(c)</u>	The terms "farm" and "farmer" as used herein also mean
2	ranch and	rancher respectively for the purposes of this section.
3	<u>§163</u>	D-T Preference right. Any person otherwise qualified
4	to take a	farm lot shall have preference in any drawing for farm
5	lots, if	the person:
6	(1)	Is a veteran (defined herein as a person who served in
7		the military forces of the United States during any
8		war between the United States and any other nation and
9		who was discharged or released therefrom under
10		conditions other than dishonorable); or
11	(2)	Has, within a period of not longer than five years
12		prior to the filing of the person's application, been
13		an owner in possession, or a lessee in possession
14		having an unexpired lease term of more than one year,
15		of farm premises which were taken by any governmental
16		authority for any public purpose and who was displaced
17		by reason of the taking or which became unusable for
18		farm purposes because the use was declared a public
19		nuisance or was displaced by reason of a natural
20		disaster."
21	SECT	ION 2. Section 163D-5, Hawaii Revised Statutes, is
22	amended by	y amending subsection (a) to read as follows:

1	"(a)	The corporation shall prepare the Hawaii agribusiness
2	plan whic	h shall define and establish goals, objectives,
3	policies,	and priority guidelines for its agribusiness
4	developme	ent strategy. The plan shall include but not be limited
5	to:	
6	(1)	An inventory of agricultural lands with suitable
7		adequate water resources that are or will become
8		available due to the downsizing of the sugar and
9		pineapple industries that can be used to meet present
10		and future agricultural production needs;
11	(2)	An inventory of agricultural infrastructure that will
12		be abandoned by sugar and pineapple industries such as
13		irrigation systems, drainage systems, processing
14		facilities, and other accessory facilities;
15	(3)	An analysis of imported agricultural products and the
16		potential for increasing local production to replace
17		imported products in a manner that complements
18		existing local producers and increases Hawaii's
19		agricultural self-sufficiency;
20	(4)	Alternatives in the establishment of sound financial
21		programs to promote the development of diversified
22		agriculture;

1	(5)	Feasible strategies for the promotion, marketing, and
2		distribution of Hawaii agricultural products in local,
3		national, and international markets;
4	(6)	Programs to promote and facilitate the absorbing of
5		displaced agricultural workers into alternative
6		agricultural enterprises;
7	(7)	Strategies to insure the provision of adequate air and
8		surface transportation services and supporting
9		facilities to support the agricultural industry in
10		meeting local, national, and international market
11		needs;
12	(8)	Proposals to improve the gathering of data and the
13		timely presentation of information on market demands
14		and trends that can be used to plan future harvests
15		and production; [and]
16	(9)	Strategies for federal and state legislative actions
17		that will promote the development and enhancement of
18		Hawaii's agricultural industries [-] ; and
19	(10)	Strategies to administer agricultural leases to
20		provide efficient use of agricultural lands under the
21		jurisdiction of the corporation."

SECTION 3. Section 163D-15.6, Hawaii Revised Statutes, is 1 2 amended to read as follows: 3 "[+] §163D-15.6 [Commitment and preservation of 4 agricultural leases[+]; administration, 5 commitment, and preservation. (a) The agribusiness development 6 corporation shall administer state agricultural leases, including but not limited to, any related auctions, drawings, 7 8 appraisals, mortgages, leases with option to buy, and purchases 9 and sales of leases. The corporation may adopt rules pursuant to chapter 91, not inconsistent with this chapter, to effectuate 10 11 this section. 12 [(a)] (b) The agribusiness development corporation shall 13 work toward obtaining commitments from landowners in the leeward 14 and central districts of Oahu that their agricultural leases 15 shall be for a duration of twenty or more years, and shall not be amended or revoked in order to allow for a nonagricultural 16 17 use of [such] the land. 18 [(b)] (c) To further ensure the preservation of agriculture in the leeward and central districts of Oahu, the 19 20 agribusiness development corporation shall monitor the 21 agricultural leases of lands utilizing the water from the

Waiahole water system. In the event of any proposed amendment

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or revocation of any such lease, the corporation shall do all 2 things within its powers under [+] this chapter[+] to protect and 3 defend the interests of the agricultural leaseholders to ensure 4 the continuation of agricultural use for those lands." 5 SECTION 4. Section 171-14.5, Hawaii Revised Statutes, is 6 repealed. 7 ["§171-14.5 Auction pre-qualification; agricultural and pasture leases. (a) Whenever used in this section, unless 8 9 otherwise apparent from the context: 10 "Farm" also means "ranch" and "farmer" also means 11 "rancher". 12 "Individual" means a natural person who is not a part of a partnership, corporation, or joint venture which is a potential 13 14 bidder under this section. 15 "Nonindividual concern" means a partnership, corporation, 16 or joint venture properly formed under law and which is a 17 potential bidder under this section. 18 (b) Any other law to the contrary notwithstanding, to be 19 eligible to bid in an auction for agricultural or pasture 20 leases, a potential bidder shall be a bona fide individual

farmer or a nonindividual farm concern:

1	(1)	Who has spent not less than two years, full time, in
2		<pre>farming operations;</pre>
3	(2)	Who is an owner operator of an established farm
4		conducting a substantial farming operation;
5	(3)	Who for a substantial period of the individual's adult
6		life resided on a farm and depended on farm income for
7		a livelihood;
8	(4)	Who is an individual who has been a farm tenant or
9		farm laborer or other individual, who has for the two
10		years last preceding the auction obtained the major
11		portion of their income from farming operations;
12	(5)	Is an individual with a college degree in agriculture;
13	(6)	Is an individual who by reason of ability, experience,
14		and training as a vocational trainee is likely to
15		successfully operate a farm;
16	(7)	Who has qualified for and received a commitment for a
17		loan under the Bankhead Jones Farm Tenant Act as
18		amended, or as may hereafter be amended, for the
19		acquisition of a farm;
20	(8)	Who is an individual who is displaced from employment
21		in an agricultural production enterprise;

1	(9) -	Who is a member of the Hawaii Young Farmer Association
2		or a Future Farmer of America graduate with two years
3		of training with farming projects;
4	(10)	Who possesses the qualifications under the new farmer
5		program pursuant to section 155-1; or
6	(11)	Who possesses other qualifications as the board of
7		land and natural resources may prescribe pursuant to
8		section 171 6 and this section."]
9	SECT	ION 5. Section 171-34, Hawaii Revised Statutes, is
10	repealed.	
11	[" §1	71-34 Planning; intensive agricultural and pasture
12	uses. In	addition to the requirements set forth in section
13	171-33, i	f the intended disposition is for intensive
14	agricultu:	ral or pasture uses, the board of land and natural
15	resources	-shall:
16	(1)	Make or cause to be made an on the ground inspection
17		of the land;
18	(2)	Secure data or information from the land study bureau
19		relating to such parcel;
20	(3)	Review any other pertinent information with respect to
21		the land and the surrounding area; and

1	(4)	(4) Based upon information obtained, prepare a written		
2		repe	rt on the land, which report shall include the	
3		foll	owing:	
4		(A)	The class of the land within the specific use for	
5			which disposition is intended;	
6		(B)	The condition of the land with respect to its	
7			state of development;	
8		(C)	Existing improvements, if any;	
9		(D)	Extent of uncontrolled erosion if any;	
10		(E)	Nature of forage; and	
11		(F)	Extent of infestation with noxious weeds."]	
12	SECT	ION 6	. Section 171-37, Hawaii Revised Statutes, is	
13	repealed.			
14	[# §1	71-37	Lease restrictions; intensive agricultural and	
15	pasture u	ses.	In addition to the restrictions provided in	
16	section 1	71-36	, the following restrictions shall apply to all	
17	leases fo :	r int	ensive agricultural and pasture uses:	
18	(1)	The-	lease term shall be not less than fifteen years	
19		nor	more than thirty five years, except that if the	
20		type	of disposition requires the lessee to occupy the	
21		prem	ises as the lessee's own personal residence, it	
22		may :	be longer than thirty five years, but not in	

1		excess of seventy five years, and except in the case
2		of a tree crop orchard lease the term of which shall
3		not be in excess of forty five years.
4	(2)	If the land being leased is not immediately productive
5		and requires extensive expenditures for clearing,
6		conditioning of the soil, the securing of water, the
7		planting of grasses, or the construction of
8		improvements, as the result of which a longer term is
9		necessary to amortize the lessee's investment, then
10		the lease term may be longer than thirty five years,
11		but not in excess of fifty five years.
12	(3)	The land leased hereunder, or any portion thereof,
13		shall be subject to withdrawal by the board of land
14		and natural resources at any time during the term of
15		the lease with reasonable notice and without
16		compensation, except as provided herein, for public
17		uses or purposes, including residential, commercial,
18		industrial, or resort developments, for constructing
19		new roads or extensions, or changes in line or grade
20		of existing roads, for rights of way and easements of
21		all kinds, and shall be subject to the right of the
22		board to remove soil, rock, or gravel as may be

necessary for the construction of roads and rights of
way within or without the demised premises; provided
that upon the withdrawal, or upon the taking-which
causes any portion of the land originally demised to
become unusable for the specific use or uses for which
it was demised, the rent shall be reduced in
proportion to the value of the land-withdrawn or made
unusable, and if any permanent improvement constructed
upon the land by the lessee is destroyed or made
unusable in the process of the withdrawal or taking,
the proportionate value thereof shall be paid based
upon the unexpired term of the lease; provided further
that no withdrawal or taking shall be had as to those
portions of the land which are then under cultivation
with crops until the crops are harvested, unless the
board pays to the lessee the value of the crops; and
provided further that upon withdrawal any person with
a long term lease shall be compensated for the present
value of all permanent improvements in place at the
time of withdrawal that were legally constructed upon
the land by the lessee to the leased land being
withdrawn. In the case of tree crops, the board shall

1	pay to the lessee the residual value of the trees
2	taken and, if there are unharvested crops, the value
3	of the crops also.
4	"Tree crop", as used in this section, shall be exclusive of
5	papaya and banana."]
6	SECTION 7. Section 171-55.5, Hawaii Revised Statutes, is
7	repealed
8	["[\$171-55.5] Agricultural plots. The department of land
9	and natural resources, in cooperation with the department of
10	agriculture and the city and county of Honolulu, shall adopt
11	rules in accordance with chapter 91 to allow for use of vacant
12	public lands for farming or agricultural recreation."]
13	SECTION 8. Section 171-65, Hawaii Revised Statutes, is
14	repealed.
15	["\$171-65 Leases, leases with option to purchase, sales
16	permitted; when. Land intended for disposition as farm lot for
17	truck crops or for horticultural, pasture, or special livestock
18	use, may be disposed of by lease, lease with option to purchase,
19	or in fee simple. Such disposition may be by drawing of lot,
20	without recourse to public auction, notwithstanding any other
21	provision in this chapter to the contrary; provided that the

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    right to any values in the land not attributable to these
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    agricultural uses shall be reserved to the State.
         Dispositions under this section shall be made only to
 3
    individuals who satisfy the requirements established by the
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 5
    board and then only if the individual, either oneself or whose
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    spouse, or both, does not already own lands of comparable use in
 7
    the State; provided that the ownership by the individual or the
 8
    individual's spouse of lands of comparable use shall not be a
 9
    disqualification in applying for a lease within an agricultural
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    park."]
11
         SECTION 9. Section 171-67, Hawaii Revised Statutes, is
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    repealed.
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          ["$171-67 Restrictions; conditions. In addition to such
14
    other restrictions or conditions that may be established by the
    board of land and natural resources to carry out the purpose of
15
16
    this chapter and of the provisions of the state constitution,
    all sale, lease, or lease with option to purchase, of a farm lot
17
18
    shall be subject to the following conditions, which shall be
19
    covenants running with the land:
20
         (1) The lot shall be used for farm purposes only;
21
         (2) The purchaser or lessee shall reside on the premises
22
              granted; provided that with the consent of the board,
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1		the purchaser or lessee may live off the premises if
2		the purchaser's or lessee's residence is within a
3		reasonable distance therefrom;
4	(3)	The purchaser or lessee shall derive the major portion
5		of the purchaser's or lessee's total annual income
6		from the production of the crops or products for which
7		production the land is granted to the purchaser or
8		lessee; provided that this restriction shall not apply
9		if the purchaser or lessee becomes enfeebled or is
10		widowed;
11	(4)	In the case of a lease, those provisions set forth in
12		sections 171-35, 171-36 and 171-37, unless otherwise
13		specifically provided in this section;
14	(5)	In the case of a fee simple sale, the improvement
15		required and the specific use or uses intended;
16	(6)	For a period of five years after the issuance of a
17		patent or lease, the purchaser or lessee shall not
18		sell, sublet, assign, transfer, or in other manner
19		dispose or encumber the whole or any part of the farm
20		lot to any person not qualified to take a farm lot
21		except by way of mortgage, testamentary bequest or

1	devise, intestate succession, or except to a purchaser
2	at or after sale upon the foreclosure of a mortgage.
3	The violation of any of such restrictions or conditions
4	shall be sufficient for the board, upon failure of the purchaser
5	or lessee within a reasonable period of time to remedy the
6	default after notice thereof as provided in section 171-20 to
7	take possession of the premises without demand or previous entry
8	and with or without legal process and thereby determine the
9	estate, subject to the provisions contained in section 171-21."]
10	SECTION 10. Section 171-68, Hawaii Revised Statutes, is
11	repealed.
12	[" §171-68 Applicants; qualifications of. (a) A person
13	shall be eligible to apply for a farm if the person has the
14	qualifications as follows:
15	(1) The person has been a resident in the State at any
16	time for at least three years;
17	(2) The person is a bona fide farmer:
18	(A) Who has not less than two years' experience as a
19	full time farmer; or
20	(B) Who was an owner operator of an established farm
21	conducting a substantial farming operation and
22	who for a substantial period of the person's life

1		resided on a farm or depended on farm income for
2		the person's livelihood; or
3	(C)	Who has been a farm tenant or farm laborer or
4		other individual, who has for the two years last
5		preceding the person's application obtained the
6		major portion of the person's income from farming
7		operations; or
8	(D)	Who has a college degree in agriculture; or
9	(E)	Who by reason of ability, experience, and
10		training as a vocational trainee is likely to
11		successfully operate a farm; or
12	(F)	Who has qualified for and received a commitment
13		for a loan under the Bankhead Jones Farm Tenant
14		Act as amended, or as may hereafter be amended,
15		for the acquisition of a farm; or
16	(G)	Who is displaced from employment in an
17		agricultural production enterprise; or
18	(H)	Who is a member of the Hawaii Young Farmer
19		Association or a Future Farmer of America
20		graduate with two years of training with farming
21		projects; or

1	(3)	The	person meets such other qualifications as the
2		boar	d of land and natural resources may prescribe
3		purs	uant to section 171-6.
4	(b)	No p	erson shall be entitled to apply for a farm:
5	(1)	Who,	or whose husband or wife, has previously taken or
6		held	land for farm or homesteading under any
7		cert	ificate, lease, or agreement or under any
8		home	stead lease or patent based thereon; or
9	(2)	Who,	or whose husband or wife, or both of them, owns
10		in-f	ee simple other land in the State, the combined
11		area	of which with the land in question exceeds eighty
12		acre	s; provided that:
13		(A)	The ownership of a residence lot or tract, not
14			exceeding three acres in area, shall not
15			disqualify any person otherwise qualified from
16			applying for and receiving any form of farm;
17		(B)	Any person who would otherwise qualify to take a
18			farm lot shall not be disqualified by reason of
19			taking, holding or owning land for farm or
20			homesteading or otherwise, if the land so taken,
21			held or owned becomes unusable for the purpose of
22			farming as defined in section 171 65.

1	(c)	The terms "farm" and "farmer" as used herein also mean
2	ranch and	rancher respectively for the purposes of this
3	section."	1
4	SECT	'ION 11. Section 171-69, Hawaii Revised Statutes, is
5	repealed.	
6	["51	71-69 Preference right. Any person otherwise
7	qualified	to take a farm lot shall have preference in any
8	drawing f	or farm lots, if the person:
9	(1)	Is a veteran (defined herein as a person who served in
10		the military forces of the United States during any
11		war between the United States and any other nation and
12		who was discharged or released therefrom under
13		conditions other than dishonorable); or
14	(2)	Has, within a period of not longer than five years
15		prior to the filing of the person's application, been
16		an owner in possession, or a lessee in possession
17		having an unexpired lease term of more than one year,
18		of farm premises which were taken by any governmental
19		authority for any public purpose and who was displaced
20		by reason of the taking or which became unusable for
21		farm purposes because the use was declared a public

1	nuisance or was displaced by reason of a natural
2	disaster."]
3	SECTION 12. All rights, powers, functions, and duties of
4	the department of land and natural resources with respect to the
5	administration of agricultural leases are transferred to the
6	agricultural development corporation.
7	All officers and employees whose functions are transferred
8	by this Act shall be transferred with their functions and shall
9	continue to perform their regular duties upon their transfer,
10	subject to the state personnel laws and this Act.
11	No officer or employee of the State having tenure shall
12	suffer any loss of salary, seniority, prior service credit,
13	vacation, sick leave, or other employee benefit or privilege as
14	a consequence of this Act, and such officer or employee may be
15	transferred or appointed to a civil service position without the
16	necessity of examination; provided that the officer or employee
17	possesses the minimum qualifications for the position to which
18	transferred or appointed; and provided that subsequent changes
19	in status may be made pursuant to applicable civil service and
20	compensation laws.
21	An officer or employee of the State who does not have
22	tenure and who may be transferred or appointed to a civil

- 1 service position as a consequence of this Act shall become a
- 2 civil service employee without the loss of salary, seniority,
- 3 prior service credit, vacation, sick leave, or other employee
- 4 benefits or privileges and without the necessity of examination;
- 5 provided that such officer or employee possesses the minimum
- 6 qualifications for the position to which transferred or
- 7 appointed.
- 8 If an office or position held by an officer or employee
- 9 having tenure is abolished, the officer or employee shall not
- 10 thereby be separated from public employment, but shall remain in
- 11 the employment of the State with the same pay and classification
- 12 and shall be transferred to some other office or position for
- 13 which the officer or employee is eligible under the personnel
- 14 laws of the State as determined by the head of the department or
- 15 the governor.
- 16 SECTION 13. All appropriations, records, equipment,
- 17 machines, files, supplies, contracts, books, papers, documents,
- 18 maps, and other personal property heretofore made, used,
- 19 acquired, or held by the department of land and natural
- 20 resources relating to the functions transferred to the
- 21 agricultural development corporation shall be transferred with
- 22 the functions to which they relate.

- 1 SECTION 14. In codifying the new sections added by section
- 2 1 of this Act, the revisor of statutes shall substitute
- 3 appropriate section numbers for the letters used in designating
- 4 the new sections in this Act.
- 5 SECTION 15. Statutory material to be repealed is bracketed
- 6 and stricken. New statutory material is underscored.
- 7 SECTION 16. This Act shall take effect on January 1, 2060.

903019, SDI

Report Title:

Agribusiness Development Corporation; Department of Land and Natural Resources; Agricultural Leases

Description:

Transfers the administration of agricultural leases in the Department of Land and Natural Resources to the Agribusiness Development Corporation. (SD1)