

Honolulu, Hawaii

Feb. 16

, 2006

RE: S.B. No. 3086

Honorable Robert Bunda
President of the Senate
Twenty-Third State Legislature
Regular Session of 2006
State of Hawaii

Sir:

Your Committee on Water, Land, and Agriculture, to which was referred S.B. No. 3086 entitled:

"A BILL FOR AN ACT RELATING TO AGRICULTURAL LEASES,"

begs leave to report as follows:

The purpose of this measure is to require the annual lease rent appraisal for the reopening of an agricultural park lease to be based on the highest and best use, determined through an agricultural income capitalization approach that considers the potential agricultural yield from the property.

Testimony in support of this measure was submitted by the Hawaii Agriculture Research Center, the Hawaii Farm Bureau, the East Oahu Farmer's Association, and one individual. Comments on the measure were also submitted by the Department of Agriculture.

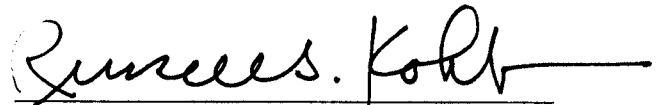
Your Committee finds that the thriving real estate market in Hawaii has resulted in large increases in the lease rents for state agricultural park leases. As current appraisals for agricultural park lease reopenings are based on comparable land sales, leases scheduled for reopenings are subject to significant increases. Your Committee is concerned that these increases will adversely impact the ability of agricultural park lessees to sustain their farming operations. Your Committee determines that various options must be explored to attempt to stabilize the lease rents for state agricultural parks. This measure will require agricultural park lease rent appraisals to be based on an income capitalization approach that considers the potential agricultural yield from the property. Your Committee believes that this method



will more accurately reflect the potential agricultural productivity of the land and immunize the lease rents from the spiking real estate market, thereby making the lease rents affordable for the State's farmers.

As affirmed by the record of votes of the members of your Committee on Water, Land, and Agriculture that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 3086 and recommends that it pass Second Reading and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Water, Land, and
Agriculture,



RUSSELL S. KOKUBUN, Chair



