

STAND. COM. REP. NO.

3347

Honolulu, Hawaii

APR - 5 2006

RE: S.R. No. 98
S.D. 1

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.R. No. 98 entitled:

"SENATE RESOLUTION REQUESTING THE DEPARTMENT OF AGRICULTURE TO STUDY THE APPLICABILITY AND USE OF THE AGRICULTURAL INCOME CAPITALIZATION APPROACH AND OTHER METHODOLOGIES TO STABILIZE THE REOPENING OF RENTS FOR DEPARTMENT OF AGRICULTURE'S AGRICULTURAL PARKS,"

begs leave to report as follows:

The purpose of this measure is to request the Department of Agriculture to study the applicability and use of appraisal methodologies to stabilize the reopening of rents for the Department of Agriculture's agricultural parks.

Testimony in support of this measure was submitted by C&H Farms, the East Oahu Farmer's Association, and the Hawaii Farm Bureau Federation. Comments were submitted by the Department of Agriculture.

In many parts of Hawaii, state lands are used for agricultural purposes, and as state agricultural leases are reopened, appraisals of lands are used to determine appropriate lease rents. A common way to appraise agricultural land is by comparing the appraised property with other land sales; however, this method leads to problems, as this approach tends to inflate lease rents.



Your Committee finds that the income capitalization approach is a valuable appraisal approach because the value of the agricultural land is based on its agricultural yield; however, there is a shortage of appraisers who are capable of using this approach. This measure requests the Department of Agriculture to study the feasibility and implementation of the income capitalization approach and other methodologies to stabilize and set lease rent rates for the Department of Agriculture's agricultural park lease reopenings.

Your Committee has amended this measure by:

- (1) Deleting the provision that encourages the Department of Agriculture to work with the Department of Land and Natural Resources to maintain the agricultural production statistics; and
- (2) Deleting the provision that requested the report to include examples of lease rent amounts resulting from using the income capitalization approach or other methodologies, the costs and training needs associated with implementation of the preferred practice, and the timeframe for implementation.

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 concurs with the intent and purpose of S.R. No. 98, as amended herein, and recommends its adoption in the form attached hereto as S.R. No. 98, S.D. 1.

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


RUSSELL S. KOKUBUN, Chair



