

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION
235 S. Beretania Street, Room 205
Honolulu, HI 96813
Phone: (808) 586-0186 Fax: (808) 586-0189

TESTIMONY OF ALFREDO LEE
EXECUTIVE DIRECTOR
AGRIBUSINESS DEVELOPMENT CORPORATION

BEFORE THE HOUSE
COMMITTEE ON FINANCE

Thursday, February 21, 2008
10:30 a.m.

HOUSE BILL 2292
RELATING TO AGRICULTURE

Chairperson Oshiro and Members of the Committee:

Thank you for the opportunity to testify on House Bill 2292. The Agribusiness Development Corporation (ADC) supports the intent of this bill and offers comments.

With regard to the funding mechanisms, ADC has no experience with zero coupon bonds and does not qualify to issue revenue bonds at this time due to the lack of a substantial cash flow or a strong asset base.

It should be noted that in addition to the cost of land itself, the acquisition of land will require costs to purchase such as an appraisal, title search and surveys.

We also wish to point out that in general, income from leasing land to agricultural operations cannot support the debt service for the market value of the land. We believe this property is no exception and this concern should be addressed.

Thank you for your consideration of our comments on this bill.

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 2292

February 21, 2008

RELATING TO AGRICULTURE.

House Bill No. 2292 authorizes, among other things, the Agribusiness Development Corporation to purchase agricultural lands owned by the George Galbraith Estate with sources that include revenues derived from the issuance of revenue bonds.

We wish to point out that there may be federal tax implications in using tax-exempt revenue bonds to acquire agricultural property for use by private individuals. Tax-exempt financing of agricultural lands are only permitted under limited circumstances, namely for beginning farmers and then only up to \$250,000. More expensive, taxable revenue bonds may be necessary to finance the program if tax-exempt financing is not permitted.

Furthermore, the acquisition of agricultural lands must generate sufficient revenue in order to repay the debt service associated with a bond issue. The Agribusiness Development Corporation must demonstrate their ability to repay the bonds prior to the bonds being issued.

Personal Testimony Presented before the
House Committee on Finance
February 21, 2008
10:30 a.m.

by
Andrew G. Hashimoto, Dean
College of Tropical Agriculture and Human Resources
University of Hawai'i at Mānoa

HB 2292, Relating to Agriculture
HB 2293, Relating to Agriculture

Chair Oshiro, Vice Chair Lee, and Members of the Committee:

My name is Andrew Hashimoto, and I serve as Dean of the UH Mānoa College of Tropical Agriculture and Human Resources (CTAHR). I am pleased to provide personal testimony on House Bill 2292, which enables the Agribusiness Development Corporation to contract with banks to provide lease management services, allows corporation to lease agricultural lands for up to 55 years, authorizes the corporation to purchase agricultural lands owned by the Galbraith Estate, and makes an appropriation to acquire Galbraith Estate Lands, and House Bill 2293, which authorizes issuance of revenue bonds to purchase land in Central O'ahu from the Galbraith Estate; appropriates funds to purchase the lands; and enables the ADC to contract with lending institutions to provide lease management services. This testimony is presented from the perspective of the dean of CTAHR and someone who has participated in the Important Agricultural Lands discussions for the past five years. It does not represent the position of the University of Hawai'i or of CTAHR.

I support the intent of HB 2292 and HB 2293.

Protecting important agricultural lands is fundamental to Hawai'i's future. Hawai'i imports about 85% of the food it consumes. Prices for that food and for energy are projected to continue increasing. Growing food locally improves our food security, and the production of biofuel and bioenergy crops has great potential for lessening our dependence on imported petroleum. In addition, farming supports our tourism industry by conserving green, open countryside that our visitors value.

Demand for residential development in Central O'ahu is high and will remain so in the foreseeable future. Enabling the ADC to acquire from the Galbraith Estate important Central O'ahu agricultural lands and lease those lands for up to 55 years will guarantee the long-term availability of these lands for farming and will support the continued growth of diversified agriculture in Hawai'i. The State of Hawai'i should purchase strategic parcels of important agricultural lands to ensure that they remain in agriculture in perpetuity. These Galbraith Estate lands constitute one of these strategic areas.

Thank you for the opportunity to testify on this bill.

HAWAII FARM BUREAU FEDERATION
2343 ROSE STREET
HONOLULU, HI 96819

FEBRUARY 21, 2008

HEARING BEFORE THE
HOUSE COMMITTEE ON FINANCE

AGENDA #2

TESTIMONY ON HB 2292
RELATING TO AGRICULTURE

Chairs Oshiro and committee members:

My name is Alan Takemoto, Executive Director, of the Hawaii Farm Bureau Federation, which is the largest non-profit general agriculture organization representing approximately 1,600 farm and ranch family members statewide.

The Hawaii Farm Bureau Federation supports HB 2292, which enables the ADC to contract with banks to provide lease management services. Also allows ADC to lease agricultural lands for up to 55 years. Authorizes the ADC to purchase agricultural lands owned by the Galbraith Estate and makes an appropriation.

The Galbraith Estate has one of the best and productive agricultural lands in the State. If the State can purchase and management these lands, we will ensure that agriculture in Hawaii will increase productivity and capacity. This authority given to ADC will allow many smaller farm operations, who may currently unable to afford large tracts of land, to gain access to these prime agricultural lands at affordable lease rents with long term leases.

We urge this committee to approve the passage of this measure.

Thank you.

THE TRUST FOR PUBLIC LAND'S TESTIMONY IN SUPPORT OF
HB 2292

House Committee on Finance

Wednesday, February 20, 2008, 10:30 a.m., Room 308

FINtestimony@capitol.hawaii.gov



Hawaii Office
2111 Meehan St.
Suite 320
Honolulu, HI
96813
Phone: 808-974-6000
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www.tpl.org

Dear Chairperson Oshiro, Vice Chair Lee and Committee members:

I apologize that I will not be able to attend this Committee's hearing on this matter. TPL is organizing a celebration for the permanent protection of Kamana Nui and Kamana Iki Valleys (known as Moanalua Valley) at the same time and date as the hearing. The Trust for Public Land (TPL) supports HB 2292 Relating to Agriculture.

TPL conserves land for people to enjoy as parks, gardens and other natural places, ensuring livable communities for generations to come. Nationwide, TPL has five program initiatives: (1) providing parks for people, (2) protecting working lands (farms, ranches, and forests), (3) conserving natural lands (wilderness, wildlife habitat), (4) safeguarding heritage lands (cultural and historical resources), and (5) preserving land to ensure clean drinking water and the natural beauty of our coasts and waterways. In Hawai'i, TPL has worked with public and private partners to conserve over 36,000 acres of land in the State.

As development pressures and urban sprawl increase on O'ahu, our local community has become increasingly concerned about land use, food self-sufficiency and security, natural resource depletion, and economic dependency on imported food and products. The people of Hawai'i have agreed that agricultural preservation and self-sufficiency are important and embodied these values in our State Constitution, which requires the State to "conserve and protect agricultural lands, promote diversified agriculture, increase agricultural self-sufficiency and assure the availability of agriculturally suitable lands." Art. XI, sec. 3.

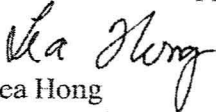
Agricultural land located in Central O'ahu, such as the 2,100 acres currently for sale by the Galbraith Estate, are key to Hawai'i's future food security and self-sufficiency. These lands are close to local markets and transportation corridors, and have ample supplies of irrigation water. The Galbraith lands also serve as an important recharge area over our drinking water aquifer. The lands are the gateway to the rural North Shore, and are the "first domino" parcel of agricultural lands that will inevitably convert to gentlemen's estates or residential subdivisions, if we do not act in a timely fashion.

TPL supports HB 2292 because it would authorize ADC to acquire agricultural lands, such as the Galbraith lands, to protect agricultural lands and promote diversified agriculture. It also allows ADC to float bonds to finance the purchase of the land, or negotiate installment purchases.

HB 2292 would also allow the Agribusiness Development Corporation (ADC) to purchase and accept permanent conservation easements in accordance with the Natural Resources Conservation Service Farm and Ranchland Protection Program (FRPP). The FRPP program has enabled private landowners across the nation to voluntarily dedicate thousands of acres of agricultural or ranch land to agricultural or ranch uses in perpetuity, preventing piecemeal urban sprawl, and preserving rural lifestyles. In Hawai'i, the Maui Coastal Land Trust used this fund to purchase a conservation easement on 168 acres of ranchland at Kainalu Ranch on Moloka'i, assuring that this land will never be developed or subdivided for residential or other non-agricultural purposes. This successful program has a proven track record on the mainland and in Hawai'i. Allowing ADC to purchase such easements and access the FRPP program is consistent with the underlying purpose of HRS Chapter 163D and the Hawai'i Constitution to conserve and protect agricultural lands.

TPL supports HB 2292 and is ready to assist the State and other conservation partners in collaborative efforts to acquire the Galbraith lands.

Mahalo for this opportunity to testify.


Lea Hong
Hawaiian Islands Program Director

COMMITTEE ON FINANCE
Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

TESTIMONY – HOUSE BILL 2292

February 21, 2008

**REPORT TITLE: Agricultural Lands; Agribusiness; Galbraith Estate Lands;
Appropriation**

Representatives Oshiro, Lee and Members of the Committees:

My name is Josie Bidgood and I represent Bank of Hawaii in its role as the trustee of the trust established by the Estate of George Galbraith (deceased). Bank of Hawaii and its predecessor have been the trustee for more than 100 years.

We have become aware of House Bill 2292 and are here to provide an update on activity related to the sale of the Galbraith lands.

Under decisions made by both the Hawaii and U. S. Supreme Courts, the trust terminated in April 2007.

As there are in excess of 650 beneficiaries, the trustee will liquidate all assets of the trust to facilitate distribution. This includes selling the remaining acreage in Central Oahu.

As many of you may be aware from prior conversations and media coverage, the trustee developed a specific and well publicized process for marketing the property beginning in November 2006.

Prospective purchasers submitted written letters of intent in January of 2007 and the trustee selected the top few for the 'best and final offer' phase of the process.

These finalists submitted their best and final offers in April of 2007 and the Trustee, after evaluating all offers, engaged in negotiations with a prospective purchaser. After several months of discussions, it became clear that the parties would not be able to come to terms on the sale, and discussions were concluded in late 2007.

The Trust has continued to market the property. First, discussions are being held with a party which submitted an unsolicited expression of interest after learning that the first round of offers had concluded. In addition, the trustee has issued requests for proposals to several real estate brokerage firms, and anticipates selecting a listing broker by the end of February. The property is expected to be publicly marketed shortly thereafter. At all times, the property has been presented to prospective purchasers as agricultural land. It is

made clear that the zoning, for the most part, is AG-1 and that no other representations are made with regard to current or future zoning.

We appreciate the desire of the House to appropriate an unspecified sum of general funds money to purchase the Galbraith Estate lands. As trustee, we are obliged to pursue fair market value for the land and a closing date as early in 2008 as possible. In addition, the purchase price should be paid in full at time of closing to facilitate distributions to the beneficiaries. The Trust is certainly willing to consider any proposal, including one from the State, consistent with these requirements.

Thank you for the opportunity to testify.

Josie Bidgood
Bank of Hawaii as Trustee
of the Estate of George Galbraith (deceased) and
not in its individual capacity

694.4565 (T)
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josie.bidgood@boh.com



DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY
INSTALLATIONS AND ENVIRONMENT
WESTERN REGIONAL ENVIRONMENTAL OFFICE
721 19TH STREET, ROOM 427
DENVER, CO 80202

February 21, 2008

LATE

Western Regional Environmental Office

Rep. Marcus R. Oshiro
Chair, Committee on Finance
Hawaii State Capitol
415 South Beretania Street, Room 306
Honolulu, Hawaii 96813

Re: House Bills 2292 & 2293 Relating to Agriculture

Dear Senator Oshiro:

I am the Chief of the Army's Western Regional Environmental Office. In this capacity, my staff and I have often worked well with the states in Environmental Protection Agency Region 9, including Hawaii, to exchange information on environmental topics, to coordinate related projects and initiatives, to avoid conflicts where possible, and to help resolve issues of encroachment on the military mission.

The military in Hawaii works to sustain its training mission as well as a healthy environment and vibrant local communities. House Bills 2292 and 2293 pertain to the agricultural lands owned by the Galbraith Estate in central Oahu. Many of these lands are near or adjacent to Schofield Barracks, and they serve as a buffer between the installation and the local communities. We support the intent of House Bills 2292 and 2293 because they will help preserve these lands as an important compatible use buffer between Schofield Barracks and the neighboring communities so that incompatible development near the military installation may be minimized.

Thank you for the opportunity to provide comments. Please be assured that the protection of the public and the environment have the highest priority within the United States Army. Please do not hesitate to contact me at (303) 844-0953 or Kevin Ward, Regional Counsel for this office, at (303) 844-0955, if you have questions or need additional information.

Sincerely,

A handwritten signature in cursive script that reads "Gerald F. Owens".

Gerald F. Owens
Chief, Western Regional
Environmental Office



KAMEHAMEHA SCHOOLS

February 21, 2008

The Honorable Marcus R. Oshiro, Chairs and Members
Committee on Finance
The House of Representatives
Hawaii State Capitol
415 South Beretania Street, Room 308
Honolulu, Hawaii 96813

Hearing Date: Thursday, February 21, 2008
10:30 a.m., Conference Room 308

Dear Chair Oshiro and Members:

Testimony in Support of House Bill No 2292 and 2293 Relating to Agriculture

I am Kapu C. Smith, Senior Land Asset Manager for Kamehameha Schools' Kawailoa Plantation in Waialua, Oahu. I am here to testify in support of HB 2292 and HB 2293 because it recognizes the need to protect "important agricultural land" (IAL) and the value of the Wahiawa Reservoir irrigation system. If the portion of the system which lies on Galbraith land is not protected, thousand of acres of land will be without a reliable source of irrigation water including our own at Kawailoa Plantation. However we must caution that our support is based on the assumption that the purchase will be based on an agreement with a willing landowner and not pursuant to condemnation.

Thank you for the opportunity to express our views on this matter.