

HB 2292 HD 1



LATE

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 SENATE COMMITTEES ON AGRICULTURE AND HAWAIIAN AFFAIRS
AND
WATER AND LAND

Thursday, March 13, 2008
2:45 p.m.

HOUSE BILL 2292, HD 1
RELATING TO AGRICULTURE

Chairpersons Tokuda and Hee, and Members of the Committees:

Thank you for the opportunity to testify on House Bill 2292, HD 1. 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.

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.

Lastly section (e) on page 2, should be deleted as we found that local bankers are not set up to manage agricultural leases.

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



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

11 March 2008

Western Regional Environmental Office

Senator Jill N. Tokuda
Chair, Committee on Agriculture and Hawaiian Affairs
Hawaii State Capitol
415 South Beretania Street
Room 224
Honolulu, Hawaii 96813

Re: House Bills 2292 & 2293 Relating to Agriculture

Dear Senator Tokuda:

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

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEES ON AGRICULTURE AND HAWAIIAN AFFAIRS
AND WATER AND LAND
ON
HOUSE BILL NO. 2292, H.D. 1

March 13, 2008

RELATING TO AGRICULTURE.

House Bill No. 2292, H.D. 1, 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.

**HAWAII FARM BUREAU FEDERATION
2343 ROSE STREET
HONOLULU, HI 96819**

MARCH 13, 2008

HEARING BEFORE THE
SENATE COMMITTEE ON AGRICULTURE AND HAWAIIAN AFFAIRS
AND
SENATE COMMITTEE ON WATER AND LAND

TESTIMONY ON HB 2292
RELATING TO AGRICULTURE

Chair Tokuda and Chair Hee 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.



KAMEHAMEHA SCHOOLS

March 13, 2008

The Honorable Jill Tokuda, Chair and Members
Committee on Agriculture and Hawaiian Affairs
The Honorable Clayton Hee, Chair and Members
Committee on Water and Land
The Senate
Hawaii State Capitol
415 South Beretania Street, Room 224
Honolulu, Hawaii 96813

Dear Chair Tokuda, Chair Hee and Members:

Testimony in Support of House Bill No 2292 HD1 and 2293 HD1 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 HD1 and HB 2293 HD1 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, thousands 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.

Personal Testimony Presented before the
Senate Committee on Agriculture and Hawaiian Affairs
Senate Committee on Water and Land
March 13, 2008
2:45 p.m.

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

HB 2292, HD1: Relating to Agriculture
HB 2293, HD1: Relating to Agriculture

Chair Tokuda, Chair Hee, and Members of the Committees:

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, HD1, 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, HD1, 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, HD1 and HB 2293, HD1.

Protecting important agricultural lands is fundamental to Hawai'i's future. Hawai'i imports about 85 percent 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 these bills.

THE
TRUST
for
PUBLIC
LAND



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

Senate Committee on Agriculture and Hawaiian Affairs
Senate Committee on Economic Development and Taxation
Senate Committee on Commerce, Consumer Protection, and Affordable Housing
Senate Committee on Water and Land
Thursday, March 13, 2008, 2:45 p.m., Room 224
testimony@capitol.hawaii.gov

Dear Chairpersons Tokuda, Fukunaga, Kokubun, Hee and Committee members:

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.

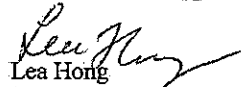
Agricultural land located in Central O'ahu, such as the 2,100 acres currently for sale by the Galbraith Estate, are key to Hawai'i's future food security and self-sufficiency. These lands are close to local markets and transportation corridors, and have ample supplies of irrigation water. The Galbraith 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, is currently conducting an appraisal, 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



March 11, 2008



Joint Hearing with the
Senate Committee on Agriculture & Hawaiian Affairs
And Committee on Water and Land

Testimony on HB2292 & HB2293
(Relates to Agriculture)

Co-Chairs Senator Jill Tokuda and Senator Clayton Hee and Members of the Committees:

My name is Ernest Tottori and I am Chairman of HPC Foods, Ltd., which is a Wholesale Foods Manufacturer/Distributor doing business in the State of Hawaii for over 65 years.

Our firm supports HB 2292, which enables the ADC to contract with banks to provide lease management services, allows corporation to lease agriculture lands for up to 55 years, and authorizes the corporation to purchase agriculture lands owned by the Galbraith Estate. We also support HB 2293 which authorizes issuance of revenue bonds to purchase land in central Oahu from the Galbraith Estate; appropriates funds to purchase the lands; enables the ADC to contract with lending institutions to provide lease management services.

In order to preserve, protect and support diversified agriculture in Hawaii, the key elements required are:

1. **Prime Agricultural Land** that is available to the farmers on a long-term basis and at competitive rates to allow them to develop and maintain farms that are efficient, effective and able to consistently produce quality agriculture products at competitive costs.
2. A consistent and reliable source of **Agriculture Water Supply** to support the farm.
3. **Proper Financing** to allow the farmers to make the necessary land improvements and to acquire the specialized agriculture equipment and supplies to support the farms.

Currently, because of high land costs and the reluctance of large land owners to lease their agriculture zoned farm lands to Hawaii farmers on a long-term basis (more than 20 years), these independent farmers are unable to acquire large farm parcels and make the necessary long-term investment necessary to produce the quality products. For this reason, many are not able to compete with imported products from the mainland and other foreign countries.

By passage of this bill and similar legislation for other prime agriculture zoned lands currently available through the closing of large sugar and pineapple operations throughout our State, it will ensure the permanent conservation of these lands and promote the long-term self sufficiency and natural beauty of our great State of Hawaii.

Thank you,


Ernest K. Tottori
Chairman

Libby Smithe, 1st Vice President, Wahiawa Community & Business Association
Dan Nakasone, 2nd Vice President, Wahiawa Community & Business Association

THE COMMITTEE ON AGRICULTURE AND HAWAIIAN AFFAIRS

Senator Jill N. Tokuda, Chair
Senator J. Kalani English, Vice Chair

Date: Thursday, March 13, 2008
Time: 2:45 P.M.
Place: Conference Room 224
State Capitol
415 South Beretania Street

HB 2292, HDL
(5 copies)

Galbraith Trust Lands

The Wahiawa Community and Business Association supports HB 2292 for the following reasons:

The loss of 2,100 acres of prime agricultural lands in central Oahu is only part what's at stake.

1) The loss of AG-1 zoned lands, the highest agricultural land designation by the State of Hawaii for prime and most productive agricultural lands. Oahu can ill-afford to lose any more large tracts of prime agricultural lands for a host of reasons.

- It will be a setback to Hawaii if we are to move towards food self-sufficiency and food security. Central Oahu and the North Shore can supply Honolulu and beyond with a diverse selection of high quality, local fresh fruits and vegetables.
- Open spaces and scenic resources are critical to the visitors' experience and our own quality of life. The vast majority of visitors who come to Oahu have been here before and nearly half of them go to the North Shore. These lands sit in the saddle of the Koolau and Waianae ranges and it's on the "Circle Island Corridor". These lands represent part of Oahu's "last stand" in terms of wide-open rural spaces.
- Wide open spaces serves as a water catchment area and irrigation of agricultural crops recharges our aquifers. Development of these lands will facilitate quicker run-offs into the ocean.

2) Development of these lands will remove a critical "agricultural buffer zone" or Army Compatible Use Buffer that could restrict the army's ability to train its troops here on Oahu. The majority of troops are based on this island but the U.S. Army provides a significant economic benefit to the community and businesses throughout the state. In fiscal year 2005, \$1.9 billion was invested directly into Hawaii's economy. The loss of training areas and access to training areas, because of nearby development, could reduce troop levels stationed in Hawaii. Any downsizing will negatively impact the health of our economy.

3) The integrity of the State Historic Monument Kukaniloko will be compromised if surrounded by development. Kukaniloko provides a cultural experience for visitors and local residents alike and view plains are intrinsic to this historic site.

4) Management of Lake Wilson's water resource is critical to farmers from Wahiawa to the North Shore. Lake Wilson provides an economically viable source of water for pineapple, seed crops and diversified agriculture.

Management of the lake's dam and water levels are also critical to flood risk issues in Waialua.

To disconnect viable agriculture on these specific 2,100 acres and the water adjacent to these lands threatens the sustainability of Central Oahu and North Shore agriculture. Lake Wilson water used for agriculture also recharges the aquifer on the North Shore.

Tourism, the military and agriculture are pillars of our economy. Do we want to jeopardize the health of Hawaii's economy and our quality of life for "Gentlemen Estate Farms"?
Let's continue to live Aloha and Malama ka Aina! The long-term health of our economy and the quality of our lives are at stake.

Respectfully,

Libby Smithe

1st Vice President, Wahiawa Community and Business Association

Dan Nakasone

2nd Vice President, Wahiawa Community and Business Association

The Twenty-Fourth Legislature
Regular Session of 2008

THE SENATE

Committee on Agriculture and Hawaiian Affairs

Senator Jill N. Tokuda, Chair

Senator J. Kalani English, Vice Chair

Committee on Water and Land

Senator Clayton Hee, Chair

Senator Russell S. Kokubun, Vice Chair

State Capitol, Conference Room 224

Thursday, March 13, 2008; 2:45 p.m.

**STATEMENT OF THE ILWU LOCAL 142 ON H.B. 2292, HD1 AND H.B. 2293, HD1
RELATING TO AGRICULTURE**

The ILWU Local 142 supports H.B. 2292, HD1 and H.B. 2293, HD1, which would enable the Agribusiness Development Corporation to contract with banks to provide lease management services, allow ADC to lease agricultural lands for up to 55 years, and authorize ADC to issue revenue bonds to purchase Galbraith Estate lands.

The Galbraith lands constitute a huge parcel that is considered by some to be among the best agricultural lands on Oahu. For years, the land had been in pineapple cultivation. With Del Monte's decision to cease production on the Galbraith lands several years ago, the land has been fallow, growing weeds instead of crops that could be beneficial to Hawaii's residents both for food and for jobs.

Agriculture should be promoted on Oahu. If the State acquires the Galbraith lands, preservation of agriculture can become a reality for generations to come.

The ILWU urges passage of HB2292, HD1 and H.B. 2293, HD1. Thank you for considering our testimony.