

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 2293

February 21, 2008

RELATING TO AGRICULTURE.

House Bill No. 2293 authorizes, among other things, the Agribusiness Development Corporation to issue revenue bonds to acquire agricultural lands owned by the George Galbraith Estate. Presumably, the lands will be leased to persons for agricultural purposes. The bonds will be repaid from lease rentals.

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.



STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION
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TESTIMONY OF ALFREDO LEE
EXECUTIVE DIRECTOR
AGRIBUSINESS DEVELOPMENT CORPORATION

BEFORE THE HOUSE
COMMITTEE ON FINANCE

February 21, 2008
10:30 a.m.

HOUSE BILL 2293
RELATING TO AGRICULTURE

Chairperson Oshiro and Members of the Committee:

Thank you for the opportunity to testify on House Bill 2293. The Agribusiness Development Corporation (ADC) supports the intent of this bill and offers comments.

With regard to issuing revenue bonds, ADC does not qualify for this payment method due to a lack of substantial cash flow or a strong asset base.

It should be noted that in addition to the cost of land itself, that 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.

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 these bills.



Legislative Testimony
HB 2293, RELATING TO AGRICULTURE-GALBRAITH
Committee on Finance

February 21, 2008
Room: 308

10:30 a.m.

The Office of Hawaiian Affairs does not yet have a formal position to HB 2293, which authorizes issuance of revenue bonds to purchase land in central O`ahu from the Galbraith Estate; appropriates funds to purchase the lands; enables the Agribusiness Development Corporation to contract with lending institutions to provide lease management services. However, OHA would like to offer the following comments:

Pursuant to HB 2294 and SB 2421, OHA advocates the acquisition of mentioned Galbraith Estate lands with respect to preserving and protecting Hawai`i's fleeting natural environment and valuable cultural resources. While OHA acknowledges the State's reference to Article XI, section 3 of the Hawai`i State Constitution, Galbraith Estate Lands and all contents therein, more importantly, serve as vital and crucial vestiges of Native Hawaiian identity and perpetuation.

The spiritual epicenter site known as Kūkaniloko is located within mentioned Galbraith Estate lands. Kūkaniloko has been dated as being established in the 12th century (Fornander) and serves as the birth place of Native Hawaiian Ali`i. The overall significance of this site, which encompasses land beyond the immediate site of Kūkaniloko, commands one of the highest protocols and therefore is referred as a wahi kapu (sacred and taboo space). Native Hawaiian practitioners continue to access Kūkaniloko, serving as a living facet to Native Hawaiian livelihood and perpetuation.

Due to the fact that these concerns are not specifically addressed at the moment, it is premature to determine whether Agribusiness Development Corporation is the appropriate steward for the responsibilities as set forth in HB 2293. Looking forward, OHA intends to working collaboratively with the State and potential stewards of Galbraith Estate lands.

OHA acknowledges property assessment value as determined by the City and County of Honolulu, but proposes that an assessment of mentioned TMKs be verified as Galbraith Estate holdings and a fair appraisal be executed for verified parcels.

OHA compliments the Legislature on this bill's intent in the promotion and protection of Hawai'i's host, the Native Hawaiian, and the preservation of Native Hawaiian traditional and customary rights. OHA urges the Committee to take the above concerns and amendments into account. Thank you for the opportunity to testify.

HAWAII FARM BUREAU FEDERATION
2343 ROSE STREET
HONOLULU, HI 96819

FEBRUARY 21, 2008

HEARING BEFORE THE
HOUSE COMMITTEE ON FINANCE

TESTIMONY ON HB 2293
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 2293, which authorizes issuance of revenue bonds to purchase land in central Oahu from the Galbraith Estate and appropriates funds to purchase the lands. It also enables the ADC to contract with lending institutions to provide lease management services

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.

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

TESTIMONY – HOUSE BILL 2293

February 21, 2008

REPORT TITLE: Galbraith Estate; Agricultural Lands; Agribusiness

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 2293 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.

With regard to Lake Wilson, we wanted to clarify that the Trust owns one parcel (Parcel 21) underlying a portion of the dam, the spillway and a part of Lake Wilson but has not had possession or control of this parcel for decades because it has been under lease. The parcel is currently leased to Dole Food Company Hawaii, successor in interest to the original lessee Helemano Co. Ltd. Dole is responsible for the inspection, maintenance and repair of all improvements whether located on Trust property or on Dole property.

In conversations with representatives of Dole, it has been our understanding that Dole no longer needs the reservoir to be maintained at its current capacity. Rather, the depth is required by the Department of Land and Natural Resources as part of the Cooperative Public Fishing Development and Management Agreement for public fishing on Lake Wilson.

That said, the trustee has made the offer to gift its leased fee interest in Parcel 21 which underlies Lake Wilson to the State of Hawaii. It is our understanding that Agribusiness Development Corporation is conducting its analysis of the integrated water system that includes Lake Wilson, but that no decision has been made about whether the gift should be accepted.

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

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THE TRUST FOR PUBLIC LAND'S TESTIMONY IN SUPPORT OF
HB 2293

House Committee on Finance

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

FINtestimony@hawaii.capitol.gov

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 2293 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.

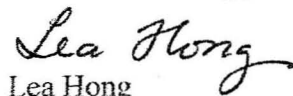
Agricultural land located in Central O'ahu, such as the 2,100 acres currently for sale by the Galbraith Estate, are key to Hawai'i's future food security and self-sufficiency. These lands are close to local markets and transportation corridors, and have ample supplies of irrigation water. The Galbraith 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 2293 because it would authorize ADC to acquire agricultural lands, such as the Galbraith lands, to protect agricultural lands and promote diversified agriculture. HB 2293 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 2293 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