

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
HOUSE BILL NO. 2293, H.D. 1, S.D. 1

March 28, 2008

RELATING TO AGRICULTURE.

House Bill No. 2293, H.D. 1, S.D. 1, 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.

Personal Testimony Presented before the
Senate Committee on Ways and Means
March 28, 2008
9:30 a.m.

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

HB 2293, HD1, SD1: Relating to Agriculture

Chair Baker, Chair Tsutsui, 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 2293, HD1, SD1, which enables the Agribusiness Development Corporation to contract with banks to provide lease management services, allows the ADC to lease agricultural lands for up to 55 years, authorizes the ADC to purchase agricultural lands owned by the Galbraith Estate, allows for use of eminent domain power to acquire Galbraith Estate lands, and makes an appropriation to acquire Galbraith Estate lands. 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 2293, HD1, SD1.

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'S TESTIMONY IN SUPPORT OF
HB 2293, H.D. 1, S.D. 1
Senate Committee on Ways and Means
Friday, March 28, 2008, 9:30 a.m., Room 211
testimony@capitol.hawaii.gov**

Dear Chairperson Baker and Vice Chair Tsutsui:

Hawaii Office
212 Meridian St
Suite 320
Honolulu, HI
96813
T 808-524-8560
F 808-524-8565
www.tpl.org

The Trust for Public Land (TPL) supports HB 2293, H.D. 1, S.D. 1 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.

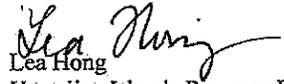
Agricultural land located in Central O'ahu, such as the 2,100 acres currently for sale by the Galbraith Estate, are key to Hawai'i's future food security and self-sufficiency. These lands are close to local markets and transportation corridors, and have ample supplies of irrigation water. The Galbraith 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 H.D. 1, S.D. 1 because it would authorize ADC to acquire agricultural lands, such as the Galbraith lands, to protect agricultural lands and promote diversified agriculture. HB 2293 H.D. 1, S.D. 1 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 H.D. 1, S.D. 2, 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

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

MARCH 28, 2008

HEARING BEFORE THE
SENATE COMMITTEE ON WAYS & MEANS

TESTIMONY ON HB 2293
RELATING TO AGRICULTURE

Chair Baker 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.



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
COMMITTEE ON WAYS AND MEANS

Friday, March 28, 2008
9:30 a.m.
Room 211

HOUSE BILL 2293, H.D. 1, S.D. 1
RELATING TO AGRICULTURE

Chairperson Baker and Members of the Committee:

Thank you for the opportunity to testify on House Bill 2293, H.D. 1, S.D. 1. The Agribusiness Development Corporation (ADC) supports the intent of this bill and offers comments.

With regard to the funding mechanisms described in this bill, ADC has no experience with zero coupon bonds. However please note that on installment purchase agreements as proposed in section 163D-C (b), it requires ADC to pay an interest rate of 8% or higher, which seems to be too high in a low-interest rate climate.

We also wish to comment that section 2(e) should be deleted as we found that local bankers are not set up to provide agricultural lease management services.

Lastly, operating expenses such as surveys, title search, appraisal, and closing costs would need to be included as part of the acquisition appropriation.