

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEES ON AGRICULTURE AND HAWAIIAN AFFAIRS
AND WATER AND LAND
ON
SENATE BILL NO. 2463

February 8, 2008

RELATING TO AGRICULTURE.

Senate Bill No. 2463 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
Senate Committee on Agriculture and Hawaiian Affairs
and the
Senate Committee on Water and Land
February 8, 2008
2:45 p.m.
by
Dr. Andrew G. Hashimoto

SB 2463, Relating to Agriculture

Chair Tokuda, Vice Chair English, Chair Hee, Vice Chair Kokubun, 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 Senate Bill 2463, 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, 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.

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. By enabling the Agribusiness Development Corporation to purchase from the Galbraith Estate important Central O'ahu agricultural lands and lease those lands for up to 55 years, SB 2463 will guarantee the long-term availability of these lands and their irrigation assets 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. The Galbraith Estate lands addressed in SB 2463 constitute one of these strategic areas.

Thank you for the opportunity to testify on this bill.



**THE TRUST FOR PUBLIC LAND'S TESTIMONY IN SUPPORT OF
SB 2463**

**Senate Committee on Agriculture and Hawaiian Affairs
Senate Committee on Water and Land
Committee on Judiciary and Labor**

**Friday, February 8, 2008, 2:45 p.m., Room 414
testimony@capitol.hawaii.gov**

Dear Chairpersons Tokuda, Hee, Taniguchi and Committee members:

The Trust for Public Land (TPL) supports SB 2463 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 SB 2463 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.

SB 2463 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 SB 2463 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



STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION
235 S. Beretania Street, Room 205
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**TESTIMONY OF ALFREDO LEE
EXECUTIVE DIRECTOR
AGRIBUSINESS DEVELOPMENT CORPORATION**

**BEFORE THE SENATE COMMITTEES ON
AGRICULTURE AND HAWAIIAN AFFAIRS AND
WATER AND LAND**

February 8, 2008
2:45 p.m.

**SENATE BILL 2463
RELATING TO AGRICULTURE**

Chairpersons Tokuda and Hee and Members of the Committees:

Thank you for the opportunity to testify on Senate Bill 2463. The Agribusiness Development Corporation (ADC) supports the intent of this bill but must point out that with regard to the funding mechanisms, ADC has no experience with zero coupon bonds. Also, although ADC is authorized to issue revenue bonds, according to bond experts, ADC does not qualify to do so at this time due to the lack of a substantial cash flow or a strong asset base.

Lastly ADC wants to mention 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 taken into consideration.

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
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7 February 2008

Western Regional Environmental Office

Senator Jill N. Tokuda
Chair, Committee on Agriculture and Hawaiian Affairs
Hawaii State Capitol
415 South Beretania Street
Room 228
Honolulu, Hawaii 96813

Re: Senate Bill 2463 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. Senate Bill 2463 pertains 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 Senate Bill 2463 because it 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, reading "Gerald F. Owens".

Gerald F. Owens
Chief, Western Regional
Environmental Office