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# A BILL FOR AN ACT

RELATING TO AGRICULTURE.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that to widen Saddle  
2 Road, in the county of Hawaii, the department of land and  
3 natural resources established conservation easements on public  
4 land leased for pasture or special livestock use. Consequently,  
5 the lessee ranchers suffered serious financial losses.

6           The department of land and natural resources established  
7 conservation easements on approximately six thousand acres of  
8 leased lands, preventing the lessees from grazing cattle and  
9 effectively depriving the lessees of their use of the land.  
10 Although the department of land and natural resources reduced  
11 the lease rent in proportion to the taking of the land, the  
12 lessees received no other compensation. The final report on  
13 discussions with affected ranchers in connection with the Saddle  
14 Road realignment project prepared in response to Act 236,  
15 Session Laws of Hawaii 2001, states that the United States  
16 Department of Transportation Highways Division will provide  
17 compensation to the existing lessees. However, according to the

1 lessees, the department of land and natural resources has taken  
2 the position that because Hawaii law did not provide for any  
3 compensation, none was required.

4       Despite this lack of compensation, the lessees are required  
5 by their leases to maintain insurance on the land and pay taxes  
6 for the land. In addition, several lessees had to reduce their  
7 herd and suffered financial losses as a result of the sale of  
8 their cattle. One of the long-term effects of a reduced herd is  
9 that lessees cannot mitigate the long-term, fixed costs  
10 associated with operating a ranch in the way they anticipated  
11 when the lease was negotiated. Thus, the lessees have  
12 experienced financial hardship for an extended period of time  
13 that is not sufficiently mitigated by a reduction in their lease  
14 rent.

15       The purpose of this Act is to prevent situations similar to  
16 the Saddle Road withdrawal from occurring in the future. This  
17 Act is also intended to better provide for the viability and  
18 survival of Hawaii's agricultural producers. This Act provides  
19 fair compensation for lessees when the department of land and  
20 natural resources takes or condemns any portion of the land,  
21 preventing a lessee from using the land as originally intended.

1 SECTION 2. Chapter 171, Hawaii Revised Statutes, is  
2 amended by adding a new section to be appropriately designated  
3 and to read as follows:

4 **"§171- Withdrawal of leased land; fair compensation;**  
5 **lease extension.** (a) Upon a withdrawal or taking of leased  
6 land pursuant to section 171-37(3) that causes any portion of  
7 the land to become unusable for the specific use or uses for  
8 which it was leased, the lease rent shall be reduced in  
9 proportion to the value of the land withdrawn or made unusable;  
10 provided that if any permanent improvement made to or  
11 constructed upon the land by the lessee is destroyed or made  
12 unusable in the process of the withdrawal or taking, the  
13 proportionate value thereof shall be paid to the lessee based  
14 upon the unexpired term of the lease. No land that is under  
15 cultivation shall be withdrawn or taken until the crops are  
16 harvested, unless the board pays the lessee the value of the  
17 crops. Upon a withdrawal, any person with a long-term lease  
18 shall be compensated for the present value of all permanent  
19 improvements in place at the time of the withdrawal that were  
20 legally made to or constructed upon the land by the lessee of  
21 the leased land being withdrawn. In the case of tree-crops, as  
22 defined in section 171-37, the board shall pay to the lessee the

1 residual value of the trees taken and, if there are unharvested  
2 crops, the value of the crops. In the case of breeding  
3 livestock that cannot be relocated or marketed for the breeding  
4 value, the board shall pay to the lessee the difference between  
5 the appraised breeding value and the salvage value, including  
6 the cost of transportation to market.

7 (b) In addition to compensation received pursuant to  
8 subsection (a) or section 171-38, a lessee shall be entitled to  
9 compensation for costs attributable to the diminished use of the  
10 leased land, including but not limited to reimbursement for the  
11 cost of any insurance required by the board to be maintained, or  
12 property tax paid by the lessee; on land subject to easements,  
13 if the easements are placed upon the land subsequent to the  
14 original lease and prevent the lessee from using the land for  
15 the original intended use."

16 SECTION 3. Section 171-37, Hawaii Revised Statutes, is  
17 amended to read as follows:

18 **"§171-37 Lease restrictions; intensive agricultural and**  
19 **pasture uses.** In addition to the restrictions provided in  
20 section 171-36, the following restrictions shall apply to all  
21 leases for intensive agricultural and pasture uses:

- 1           (1) The lease term shall [~~be~~] not be less than fifteen  
2           years nor more than thirty-five years, except that if  
3           the type of disposition requires the lessee to occupy  
4           the premises as the lessee's own personal residence,  
5           [~~it~~] the lease term may be longer than thirty-five  
6           years[~~, but~~]; provided that the lease term shall not  
7           be in excess of seventy-five years, [~~and~~] except in  
8           the case of a tree-crop orchard lease the term of  
9           which shall not be in excess of forty-five years.
- 10          (2) If the land being leased is not immediately productive  
11          and requires extensive expenditures for clearing,  
12          conditioning of the soil, the securing of water, the  
13          planting of grasses, or the construction of  
14          improvements, as the result of which a longer term is  
15          necessary to amortize the lessee's investment, then  
16          the lease term may be longer than thirty-five years,  
17          but not in excess of fifty-five years.
- 18          (3) The land leased hereunder, or any portion thereof,  
19          shall be subject to withdrawal by the board [~~of land~~  
20          ~~and natural resources~~] at any time during the term of  
21          the lease with reasonable notice and [~~without~~]  
22          compensation, [~~except as provided herein,~~] as provided

1           in section 171- , for public uses or purposes,  
2           including residential, commercial, industrial, or  
3           resort developments, for constructing new roads or  
4           extensions, or changes in line or grade of existing  
5           roads, for rights-of-way and easements of all kinds,  
6           and shall be subject to the right of the board to  
7           remove soil, rock, or gravel as may be necessary for  
8           the construction of roads and rights-of-way within or  
9           without the demised premises[; ~~provided that upon the~~  
10          ~~withdrawal, or upon the taking which causes any~~  
11          ~~portion of the land originally demised to become~~  
12          ~~unusable for the specific use or uses for which it was~~  
13          ~~demised, the rent shall be reduced in proportion to~~  
14          ~~the value of the land withdrawn or made unusable, and~~  
15          ~~if any permanent improvement constructed upon the land~~  
16          ~~by the lessee is destroyed or made unusable in the~~  
17          ~~process of the withdrawal or taking, the proportionate~~  
18          ~~value thereof shall be paid based upon the unexpired~~  
19          ~~term of the lease; provided further that no withdrawal~~  
20          ~~or taking shall be had as to those portions of the~~  
21          ~~land which are then under cultivation with crops until~~  
22          ~~the crops are harvested, unless the board pays to the~~

1           ~~lessee the value of the crops; and provided further~~  
2           ~~that upon withdrawal any person with a long-term lease~~  
3           ~~shall be compensated for the present value of all~~  
4           ~~permanent improvements in place at the time of~~  
5           ~~withdrawal that were legally constructed upon the land~~  
6           ~~by the lessee to the leased land being withdrawn. In~~  
7           ~~the case of tree crops, the board shall pay to the~~  
8           ~~lessee the residual value of the trees taken and, if~~  
9           ~~there are unharvested crops, the value of the crops~~  
10          ~~also].~~

11           "Tree-crop", as used in this section, shall be exclusive of  
12          papaya and banana."

13           SECTION 4. Section 171-38, Hawaii Revised Statutes, is  
14          amended to read as follows:

15           "**§171-38 Condemnation of leases.** The lease shall provide  
16          that whenever a portion of the public land under lease is  
17          condemned for public purposes by the State, or any county or  
18          city and county, or any other governmental agency or  
19          subdivision, the rental shall be reduced in proportion to the  
20          value of the portion of the premises condemned, and the lessee  
21          shall be entitled to receive from the condemning authority:

1           (1) ~~[the]~~ The value of growing crops, if any, ~~[which]~~ that  
2           the lessee is not permitted to harvest; and

3           (2) ~~[the]~~ The proportionate value of the lessee's  
4           permanent improvements so taken in the proportion that  
5           it bears to the unexpired term of the lease~~;~~ ~~provided~~  
6           ~~that the~~ .

7 The lessee ~~[may]~~, in the alternative, may remove and relocate  
8 the lessee's improvements to the remainder of the lands occupied  
9 by the lessee. The foregoing rights of the lessee shall not be  
10 exclusive of any other to which the lessee may be entitled by  
11 law~~[-]~~, including those rights established in section 171- .

12 Where the portion so taken renders the remainder unsuitable for  
13 the uses for which the land was leased, the lessee shall have  
14 the option to surrender the lessee's lease and be discharged for  
15 any further liability therefor; provided that the lessee may  
16 remove the lessee's permanent improvements within ~~[such]~~ a  
17 reasonable period allowed by the board ~~[of land and natural~~  
18 ~~resources]~~ ."

19           SECTION 5. This Act does not affect rights and duties that  
20 matured, penalties that were incurred, and proceedings that were  
21 begun before its effective date.



1 SECTION 6. Statutory material to be repealed is bracketed  
2 and stricken. New statutory material is underscored.

3 SECTION 7. This Act shall take effect on July 1, 2100.

**Report Title:**

Public Lands; Leasehold; Agricultural Uses; Condemnation;  
Withdrawal; Compensation

**Description:**

Provides for fair compensation when leased public land for agricultural or pastoral uses is withdrawn, condemned, or taken for public purposes. Effective 7/1/2100.

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