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DAVID Y. IGE
GOVERNOR

LEO R. ASUNCION
DIRECTOR
OFFICE OF PLANNING

Statement of
LEO R. ASUNCION
Director, Office of Planning
before the
HOUSE COMMITTEES ON HOUSING AND AGRICULTURE

Tuesday, March 21, 2017
10:50 AM

State Capitol, Conference Room 423
in consideration of

HCR 147

**REQUESTING THE DEPARTMENT OF TAXATION TO STUDY THE ECONOMIC
IMPACT OF ALLOWING ADDITIONAL HOUSES ON AGRICULTURAL LANDS**

Chairs Brower and Creagan, Vice Chairs Nakamura and DeCoite, and Members of the House Committees on Housing and Agriculture.

The Office of Planning wishes to express our strong concerns for HCR 147 which requests that the Department of Taxation study the economic impact of allowing additional housing within the County of Hawaii on Agricultural lands rated "C", "D", and "E", and would not be accessory to agricultural activities. The study would consider the economic impacts of having two dwellings on a minimum lot of one acre; three dwellings on a lot from three to five acres; four dwellings on a lot from five to up to ten acres; and lastly five dwellings on a lot of ten or more acres in size.

We understand that the purpose is to consider ways to provide additional housing at a low cost, however, the existing law already allows for farm dwellings and farm worker housing. Reclassification of land from the State Land Use Agricultural to the Urban or Rural District is the proper course of action to enable residential development. OP is concerned that the consideration of residential dwellings not tied to agricultural activities will significantly expand non-agricultural uses within the approximately 1,183,341 acres or about 96% of lands with these lower productivity soil ratings within the State Land Use Agricultural District in the County of Hawaii. There are only about 47,368 acres or about 4% of lands within B or lands with no ratings. There are no A-rated lands on the Island of Hawaii.

Allowing a proliferation of non-agricultural uses in the State Agricultural District could lead to the decline of agriculture due to farmers' disinvestment in their farm operations in anticipation of development. Land values would increase due to the residential allowance, making it more costly for farmers to acquire land for agricultural production. Rural sprawl would make it more difficult and costly for both the county and the State to provide public services and infrastructure including roads, water, sewer, and public schools.

Thank you for the opportunity to testify on this measure.

DAVID Y. IGE
Governor

SHAN S. TSUTSUI
Lt. Governor



SCOTT E. ENRIGHT
Chairperson, Board of Agriculture

PHYLLIS SHIMABUKURO-GEISER
Deputy to the Chairperson

State of Hawaii
DEPARTMENT OF AGRICULTURE
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**TESTIMONY OF SCOTT E. ENRIGHT
CHAIRPERSON, BOARD OF AGRICULTURE**

BEFORE THE HOUSE COMMITTEES ON HOUSING & AGRICULTURE

**MARCH 21, 2017
10:50 A.M.
CONFERENCE ROOM 423**

**HOUSE CONCURRENT RESOLUTION NO.147
REQUESTING THE DEPARTMENT OF TAXATION TO STUDY THE ECONOMIC
IMPACT OF ALLOWING ADDITIONAL HOUSES ON AGRICULTURAL LANDS.**

Chairpersons Brower and Creagan and Members of the Committees:

Thank you for the opportunity to testify on House Concurrent Resolution No. 147 that requests the Department of Taxation to study the economic impact of allowing additional houses on agricultural lands. The Department of Agriculture defers to the Department of Taxation and offers comments.

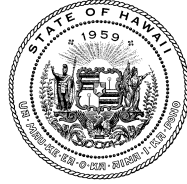
Should this concurrent resolution move forward, the Department of Agriculture suggests the study also consider the economic impacts of allowing houses on agricultural land that have no relationship to agricultural activity as currently required by law. One possible cost is the increase in the value of agricultural land for development of housing rather than agricultural production. This may lead to agricultural land being taken out of production or not made available for farming in anticipation of higher returns from housing development.

Thank you for the opportunity to comment on this measure.



DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



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MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

To: The Honorable Tom Brower, Chair
and Members of the House Committee on Housing

The Honorable Richard P. Creagan, Chair
and Members of the House Committee on Agriculture

Date: Tuesday, March 21, 2017
Time: 10:50 A.M.
Place: Conference Room 423, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: H.C.R. 147, Requesting the Department of Taxation to Study the Economic Impact of
Allowing Additional Houses on Agricultural Lands

The Department of Taxation (Department) appreciates the intent of H.C.R. 147, and provides the following comments for your consideration.

H.C.R. 147 states the State of Hawaii is in a housing crisis and it needs an additional 65,000 housing units by 2025. The resolution also states the majority of the housing demand will be from mature or retired households that can help manage farm operations, bed and breakfasts or assist farmers. The resolution further states allowing houses on agricultural land will provide additional income to farmers and additional tax dollars to the state and counties.

H.C.R. 147 requests the Department to study the increase in tax revenues to the State and counties by allowing houses on agricultural zoned lands. The resolution limits the study to Hawaii County on land with soil classification of C, D, and E. It also further limits the analysis to the following lot sizes and corresponding number of dwelling units:

Dwelling Units	Lot Size
Not more than 2 units	1 to 3 acres
Not more than 3 units	3 to 5 acres
Not more than 4 units	5 to 10 acres
Not more than 5 units	10 acres or more

First, the Department notes that is unable to determine the estimated revenue gain to the state without additional information on the number, types, and price ranges of the housing units that are expected to be built. In addition, the Department will require information on the

additional farming activities, investment activities, and any other additional economic activities that will take place.

Second, the Department is only able to provide revenue estimates for state taxes. However, it seems that this proposal is aimed at the general excise and income taxes which are completely general fund taxes. It is not clear from the proposal whether the county would see any significant tax revenue gain.

Finally, if the intent of the proposal is to increase housing, it may not be necessary to compare the increase in tax revenues as the increase is likely to be negligible. For every \$500,000 of new economic activity, the general excise tax would be \$20,000. It may be more useful to determine whether it is possible to incentivize the construction of such units and how to keep the rental prices of these units affordable for renters.

Thank you for the opportunity to provide comments.

From: mailinglist@capitol.hawaii.gov
Sent: Friday, March 17, 2017 8:45 PM
To: HSGtestimony
Cc: sylviacabralmaui@gmail.com
Subject: Submitted testimony for HCR147 on Mar 21, 2017 10:50AM

HCR147

Submitted on: 3/17/2017

Testimony for HSG/AGR on Mar 21, 2017 10:50AM in Conference Room 423

Submitted By	Organization	Testifier Position	Present at Hearing
sylvia cabral	Individual	Support	No

Comments: So very important that this bill passes. Leave the hippie huis keep those 40 year tenants who are now elder or work force. They planted the trees and should reap the harvest. Otherwise you add more sick old people who say they would rather go to jail than live on the street.they cannot afford high rents. Pass this legis today first reading very important for the health of the people and the burden on the State & County

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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HCR147
**REQUESTING THE DEPARTMENT OF TAXATION TO STUDY THE ECONOMIC IMPACT OF
ALLOWING ADDITIONAL HOUSING ON AGRICULTURAL LANDS**

House Committee on Housing
House Committee on Agriculture

March 21, 2017

10:50 a.m.

Room 423

The Administration of the Office of Hawaiian Affairs (OHA) will recommend to the OHA Board of Trustees a position of **COMMENT** on HCR147, which requests a study on the revenue-generating potential of allowing greater residential development on agricultural lands.

OHA appreciates this resolution's stated interest in mitigating Hawai'i's ongoing housing crisis and providing assistance to farmers, by allowing for greater residential development on agricultural lands. OHA notes that a range of residential uses are already allowed on agricultural lands, including employee housing and agricultural tourism accommodations, as long as they are related to bona fide agricultural activities. **Allowing for even greater residential development on agricultural lands may actually serve to exacerbate our housing and agricultural challenges.**¹ The residential development of agricultural lands, though highly profitable to land speculators and developers, has and continues to compromise our farmers' ability to afford agricultural leases and otherwise engage in farming activities throughout the islands; this concern was the impetus behind the Legislature's original prohibition of non-agricultural dwellings in the agricultural district, and continues to persist in the approval of agricultural district uses and developments that do not involve bona fide agricultural activities.²

Notwithstanding these concerns, the study requested by HCR147 appears to focus narrowly on only the potential tax revenues that may be generated from greater residential development on agricultural lands. It does not appear to take into account the impacts such development may have on agricultural land prices, lease rents, and property taxes, which may impact our farmers as well as our islands' food security, sustainability, and climate change. **Accordingly, the study requested by this resolution may provide only a limited and incomplete picture of the true costs and benefits of greater residential development in the agricultural district.**

Mahalo for the opportunity to testify on this measure.

¹ State of Hawai'i Office of Planning State Land Use System Review Report (2015); See "[o]ver the years, the permissible uses for the Agricultural District have been amended repeatedly to broaden uses allowed in the Agricultural District – from 5 uses in 1965 to 21 uses currently – which has weakened the nexus to agricultural production and bona fide farming[.]" *available at* https://planning.hawaii.gov/wp-content/uploads/2015/05/SLU-Review-Report_FINAL-DRAFTv2_05-05-2015_POSTED_TO_WEB.pdf.

² Honolulu Star Advertiser, Measures Target Abuse of Ag Land, February 26, 2017; *available at* <http://www.staradvertiser.com/2017/02/26/hawaii-news/measures-target-abuse-of-ag-land/>.