

DAVID Y. IGE  
GOVERNOR OF HAWAII



**STATE OF HAWAII**  
**DEPARTMENT OF LAND AND NATURAL RESOURCES**

POST OFFICE BOX 621  
HONOLULU, HAWAII 96809

**Testimony of**  
**SUZANNE D. CASE**  
**Chairperson**  
**Before the House Committee on**  
**FINANCE**

**Friday, February 24, 2017**  
**2:00 P.M.**  
**State Capitol, Conference Room 308**

**In consideration of**  
**HOUSE BILL 618, HOUSE DRAFT 1**  
**RELATING TO LAND LEASES**

House Bill 618, House Draft 1, proposes to set a deadline of June 30, 2019 to complete the transfer of non-agricultural park lands from the Department of Land and Natural Resources (Department) to the Department of Agriculture (DOA). **The Department offers the following comments.**

As the bill explains, Act 90, Session Laws of Hawaii 2003, required the Department to transfer its non-agricultural park lands to DOA. Since the inception of Act 90, the Board of Land and Natural Resources (BLNR) has transferred 116 leases, 12 revocable permits and 7 vacant parcels covering approximately 10,285 acres statewide to DOA. The BLNR has approved the transfer of an additional 43 leases, 31 revocable permits and 9 vacant parcels covering 1,393 acres to DOA. The Department and DOA are working through necessary land transfer procedures on those. In some instances, agriculture use occurs only on a portion of a parcel, requiring a survey and subdivision of the portion to be transferred to DOA. In other cases, the departments are reviewing lessee compliance issues or problems with the condition of the land.

House Draft 1 of the bill provides that "Any lands identified and approved for unconditional transfer as non-agricultural park lands and not transferred by the deadline in subsection (a) shall be placed under the jurisdiction of the department of agriculture by July 1, 2020." Act 90 provides for the transfer of non-agricultural park lands to DOA by mutual agreement of the BLNR and the Board of Agriculture. The Department respectfully suggests that this provision for an automatic transfer at a certain date may result in unintended consequences by the transfer of properties unsuitable for management by DOA. Accordingly, the Department suggests deleting this provision. The Department will continue to work with DOA to meet the timelines in the bill to complete all transfers that the BLNR has approved.

**SUZANNE D. CASE**  
CHAIRPERSON  
BOARD OF LAND AND NATURAL RESOURCES  
COMMISSION ON WATER RESOURCE MANAGEMENT

**KEKOA KALUHIWA**  
FIRST DEPUTY

**JEFFREY T. PEARSON, P.E.**  
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES  
BOATING AND OCEAN RECREATION  
BUREAU OF CONVEYANCES  
COMMISSION ON WATER RESOURCE MANAGEMENT  
CONSERVATION AND COASTAL LANDS  
CONSERVATION AND RESOURCES ENFORCEMENT  
ENGINEERING  
FORESTRY AND WILDLIFE  
HISTORIC PRESERVATION  
KAHOOLAWE ISLAND RESERVE COMMISSION  
LAND  
STATE PARKS

The Department notes that there are a number of pasture leases that the BLNR has not approved for transfer to DOA because they are in current or former native forested areas which are core to the Department's mission. The Department's Division of Forestry and Wildlife has requested that the Department retain control over these pasture leases for future reforestation and watershed protection projects.

With respect to the provision of House Draft 1 that requires the Department to be responsible for all leases and agreements that are not in compliance with Act 90, codified at Section 166E-3, Hawaii Revised Statutes, the Department continues to address lease compliance issues in anticipation of transfer of the leases and other agreements to DOA.

Thank you for the opportunity to comment on this measure.

DAVID Y. IGE  
Governor

SHAN S. TSUTSUI  
Lt. Governor



State of Hawaii  
DEPARTMENT OF AGRICULTURE  
1428 South King Street  
Honolulu, Hawaii 96814-2512  
Phone: (808) 973-9600 FAX: (808) 973-9613

SCOTT E. ENRIGHT  
Chairperson, Board of Agriculture

PHYLLIS SHIMABUKURO-GEISER  
Deputy to the Chairperson

TESTIMONY OF SCOTT E. ENRIGHT  
CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE HOUSE COMMITTEE ON FINANCE

FEBRUARY 24, 2017  
2:00 P.M.  
CONFERENCE ROOM 308

HOUSE BILL NO. 618 HD1  
RELATING TO LAND LEASES

Chairperson Luke and Members of the Committee:

Thank for the opportunity to testify on House Bill No. 618 HD1 relating to land leases. This measure sets a deadline for the transfer of certain non-agricultural park lands from the Department of Land and Natural Resources (DLNR) to the Department of Agriculture (HDOA). The department supports the intent of this bill and requests the following changes.

(Language to be deleted is bracketed and stricken. New requested language is underscored)

"SECTION 2. [(a)] Pursuant to Act 90, Session Laws of Hawaii 2003, the department of land and natural resources shall transfer lands to the department of agriculture by June 30, [2019.] 2020 as follows:

[(b)] (a) Any lands identified and approved for unconditional transfer by the board of agriculture as non-agricultural park lands [and not transferred by the deadline in subsection (a)] shall be placed under the jurisdiction of the department of agriculture by [July 1, 2020] June 30, 2019. [The department of land and natural resources shall



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be responsible for all leases and agreements that are not in compliance with section 166E-3, Hawaii Revised Statutes. The department of agriculture shall assume responsibility for compliant leases and agreements and shall negotiate future leases and agreements by July 1, 2020.]

[(c)] (b) Any lands identified and approved for conditional transfer by the board of agriculture as non-agricultural park lands shall be transferred to the department of agriculture by June 30, 2020. The department of land and natural resources shall be responsible for all corrective action concerning these leases and agreements until such time that all corrective action has been taken and written acknowledgement of such actions from the department of agriculture has been received. Prior to acknowledgement, the department of agriculture shall ensure the parcel's suitability for transfer per chapter 166E, Hawaii Revised Statutes, and chapter 158, Hawaii Administrative Rules.

(c) Unconditional lands identified by the board of agriculture for transfer after January 1, 2019 shall be transferred within six months from the date of board of agriculture approval.

(d) Conditional lands identified by the board of agriculture for transfer after January 1, 2019 shall be transferred by June 30, 2020, or within six months from the date of board of agriculture approval, whichever is later. Lands identified under this section shall be subject to the same terms and conditions as section (b).

(e) Land identified by the board of agriculture as "unsuitable" or "not suitable for transfer" shall not be transferred.

(f) The department of land and natural resources and department of agriculture shall jointly report to the legislature, not later than twenty days prior to the convening of

Page

the regular session of 2018, on their efforts to effectuate the land transfers under this Act, including providing a list of all identified land transfers."

Thank you for the opportunity to testify on this measure.

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Thursday, February 23, 2017 7:09 AM  
**To:** FINTestimony  
**Cc:** jacinthow001@hawaii.rr.com  
**Subject:** Submitted testimony for HB618 on Feb 24, 2017 14:00PM

**HB618**

Submitted on: 2/23/2017

Testimony for FIN on Feb 24, 2017 14:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
William G. Jacintho	Maui Cattlemen's Association	Support	No

Comments: The Maui Cattlemen's Association Strongly Supports HB 618, as DLNR leases should have been transferred to Dept of Ag, soon after Act 90 passed. Thank you MCA

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**Hawaii Cattlemen's Council, Inc.**

**COMMITTEE ON FINANCE**  
**Rep. Sylvia Luke, Chair**  
**Rep. Ty J.K. Cullen, Vice Chair**

DATE: Friday, February 24, 2017  
TIME: 2:00 P.M.  
PLACE: Conference Room 308

**HB 618 HD1 – RELATING TO LAND LEASES.**

Sets a deadline for the transfer of certain non-agricultural park lands from the Department of Land and Natural Resources to the Department of Agriculture.

Chair Luke, Vice Chair Cullen, and Members of the Committee:

My name is Dale Sandlin, Managing Director of the Hawaii Cattlemen's Council. The Hawaii Cattlemen's Council, Inc. (HCC) is the Statewide umbrella organization comprised of the four county level Cattlemen's Associations. Our 150+ member ranchers represent over 60,000 head of beef cows; more than 75% of all the beef cows in the State. Ranchers are the stewards of approximately 25% of the State's total land mass.

The Hawaii Cattlemen's Council **strongly supports** HB 618 HD1 as this bill provides a timeline to accomplish the transfer of agricultural leases from DLNR to HDOA.

Since the passage of Act 90 in 2003, ranchers who have agricultural land leases through DLNR have waited for their lease to begin the transfer process over to HDOA, but for many, this day has never come. Instead, these ranchers have gone through costly and time consuming process in either going through a rent reopener under DLNR or exploring why or where their lease was in the transfer process.

In some cases, these leases went into a rent reopener process and the renewal rent quote was increased by hundreds of thousands of dollars, presumably in an effort to force ranchers out of their lease. This action has caused some ranchers to pay over \$100,000 in lawyer's fees, appraisal fees, consultants, and mediation costs to reduce the rent cost to a more reasonable fee. That's not to mention the cost in productivity on the ranch when the rancher is having to constantly divert their attention from operations to address something that should never have happened if Act 90 was followed.

The transfer of these leases to HDOA is long overdue and this bill provides relief to farmers and ranchers in regards a timeline to complete the transfer of these leases. We respectfully ask this committee to support this measure and we appreciate the opportunity to testify on this critical matter for our industry.



**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Thursday, February 23, 2017 7:55 AM  
**To:** FINTestimony  
**Cc:** lbwood451@aol.com  
**Subject:** \*Submitted testimony for HB618 on Feb 24, 2017 14:00PM\*

**HB618**

Submitted on: 2/23/2017

Testimony for FIN on Feb 24, 2017 14:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Lisa Wood	Hawaii Cattlemen's Council	Support	No

Comments:

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**Sent:** Thursday, February 23, 2017 7:22 AM  
**To:** FINTestimony  
**Cc:** haupuranch@gmail.com  
**Subject:** \*Submitted testimony for HB618 on Feb 24, 2017 14:00PM\*

**HB618**

Submitted on: 2/23/2017

Testimony for FIN on Feb 24, 2017 14:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Michael Bryan	Individual	Support	No

Comments:

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Thursday, February 23, 2017 6:58 AM  
**To:** FINTestimony  
**Cc:** jimmygomes@hawaii.rr.com  
**Subject:** \*Submitted testimony for HB618 on Feb 24, 2017 14:00PM\*

**HB618**

Submitted on: 2/23/2017

Testimony for FIN on Feb 24, 2017 14:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Jimmy Gomes	Individual	Support	No

Comments:

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Thursday, February 23, 2017 6:20 AM  
**To:** FINTestimony  
**Cc:** gregf@haleakalaranch.com  
**Subject:** \*Submitted testimony for HB618 on Feb 24, 2017 14:00PM\*

**HB618**

Submitted on: 2/23/2017

Testimony for FIN on Feb 24, 2017 14:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Gregory Friel	Individual	Support	No

Comments:

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Thursday, February 23, 2017 6:10 AM  
**To:** FINTestimony  
**Cc:** jmattoshbp@aol.com  
**Subject:** Submitted testimony for HB618 on Feb 24, 2017 14:00PM

**HB618**

Submitted on: 2/23/2017

Testimony for FIN on Feb 24, 2017 14:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Jill J Mattos	Individual	Support	No

Comments: The Tranfer of DLNR lands To DOA is a must if believe in self-sustainability. Ranchers and Farmers need to have guarantees so there missions can be accomplished. They need to be able to work the land with no worries about leases.

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Thursday, February 23, 2017 5:55 AM  
**To:** FINTestimony  
**Cc:** alan@prloffice.com  
**Subject:** Submitted testimony for HB618 on Feb 24, 2017 14:00PM

**HB618**

Submitted on: 2/23/2017

Testimony for FIN on Feb 24, 2017 14:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Alan Gottlieb	Individual	Support	No

Comments: Act 90 passed by the legislature in 2003 made it clear that the policymakers wanted ALL agricultural lease passed from DLNR to HDOA. Now 14 years later, the majority of leases have still not been transferred for a variety of bureaucratic reasons, especially pasture leases. The legislature wisely saw that HDOA's mission was to advance agriculture. Who is better to administer agricultural leases on State land? I served on the Hawaii Board of Agriculture for eight years during this period, and every meeting I would ask for a list of leases which still have not been transferred and the reason they had not been transferred. Every time, I got the same response....Bureaucratic red tape. Please pass HB 618 HD1 now. Thank you

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Thursday, February 23, 2017 10:45 AM  
**To:** FINTestimony  
**Cc:** olumauangus@msn.com  
**Subject:** Submitted testimony for HB618 on Feb 24, 2017 14:00PM

**HB618**

Submitted on: 2/23/2017

Testimony for FIN on Feb 24, 2017 14:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Robert H. Ferreira	Individual	Support	No

Comments: I Robert H. Ferreira ranch manager of Kaupo Ranch strongly support HB 618. Kaupo Ranch has a state lease which is in limbo of extension with DLNR. It has been cost and time consuming in dealing with this lease and should have been much easier if dealing with the Department of Ag. as where it should be. Please support this bill.

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Thursday, February 23, 2017 12:24 PM  
**To:** FINTestimony  
**Cc:** aknranch@aol.com  
**Subject:** \*Submitted testimony for HB618 on Feb 24, 2017 14:00PM\*

**HB618**

Submitted on: 2/23/2017

Testimony for FIN on Feb 24, 2017 14:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Annette Niles	Individual	Support	No

Comments:

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## KAPAPALA RANCH

P. O. Box 537  
Pahala, Hawaii 96777  
808-936-2922

**LATE**

February 23, 2017

Hawaii State House of Representatives Finance Committee  
[fintestimony@capitol.hawaii.gov](mailto:fintestimony@capitol.hawaii.gov)

### **HB 618 HD1 Timeline for Transferring Ag Leases**

We strongly support HB 618 HD1 for the following reasons:

Kapapala Ranch has been in operation since 1860. My family has operated the ranch for the past 40 years. It is approximately 34,000 acres comprised of a DLNR lease and two revocable permits. The entire operation is on State-owned land entirely zoned Ag.

We received a letter in 2009 from the HDOA notifying us that our lease and revocable permits would be transferred from the DLNR to HDOA within 6 to 8 months. We were notified in 2010 that the Board of Agriculture approved the transfer. We periodically checked with the Hilo DLNR Land Division over the next year and were informed that the documents were being prepared for the DLNR's approval and we should be hearing from them soon.

**Confident that the transfer would happen, we invested one million dollars into a new water system to provide more water into the higher elevations of the ranch.** Federal cost share money was available to assist with the expenditure and the DLNR signed off on the contract with USDA agreeing that the lands would remain in agriculture.

By 2012 we had heard nothing and started making inquiries. It was then that we found out about the DLNR's intentions to hold the Kapapala Ranch lands from being transferred to HDOA. Their intent also included taking the land back after termination of the long-term lease in 2029.

In 2014 a standard 10 year rent reopener for the General Lease land turned into a two year battle with the DLNR. Their first appraisal and proposed annual rent was for a 1,000% increase in the rate! Their second appraisal yielded a 400% increase. **Through the whole process that ended in a binding arbitration settlement of a 38% increase, the ranch spent nearly \$100K defending a fair market rent.**

If agriculture is important to the State of Hawaii please see that HB 618 passes.

Sincerely,



Lani C. Petrie  
Owner



**LATE**

From: mailinglist@capitol.hawaii.gov  
Sent: Friday, February 24, 2017 7:29 AM  
To: FINTestimony  
Cc: scranchinc@gmail.com  
Subject: Submitted testimony for HB618 on Feb 24, 2017 14:00PM

**HB618**

Submitted on: 2/24/2017

Testimony for FIN on Feb 24, 2017 14:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Charles Stevens	Individual	Support	No

Comments: I support this 100%. As a Hawaii Beef producer, these lease increases from the DLNR are detrimental to our industry.

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**LATE**

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Sent: Friday, February 24, 2017 9:56 AM  
To: FINTestimony  
Cc: mail@kealiaranch.com  
Subject: Submitted testimony for HB618 on Feb 24, 2017 14:00PM

**HB618**

Submitted on: 2/24/2017

Testimony for FIN on Feb 24, 2017 14:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Sara Moore	Hawaii Cattlemens Assoc	Support	No

Comments: This bill is critical to farmers and ranchers here on the Big Island who hold State of Hawaii land leases. It is a measure long overdue to hold the State accountable to Act 90. Mahalo for your consideration of this bill and your support to it's purpose.

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