

INCENTIVES FOR IMPORTANT AGRICULTURAL LANDS

Guidelines:

1. The Important Agricultural Lands Act (Act 183, SLH 2005) seeks to balance the State's constitutional mandate to identify, protect, and conserve IAL with the interests of the owners of IAL. Land use zoning alone that restricts the use of land for agricultural purposes will not cause economically viable farming to occur.
2. Incentives are necessary to improve the economic viability of existing agri-business operations, enhance the likelihood of new agri-business start-ups on Important Agricultural Lands (IAL), and encourage landowners to put their lands into agricultural production.
3. The availability of good land and assurance of sufficient quantities of potable and non-potable water is fundamental to all agricultural activities. Former and existing plantations are likely to be designated as IAL as they possess the combination of large contiguous areas of good land with irrigation water and often under single ownership. Therefore, incentives are needed that reduce landowners' cost of holding, improving, and offering land for farming while under IAL designation, and provide for improvement and repair of plantation irrigation infrastructure.
4. Incentives should help agri-businesses achieve viability by reducing some of the costs of farming; increasing the number and variety of product marketing opportunities locally and abroad; increasing the overall business skills and capacities of agri-business operators, thereby increasing their attractiveness to commercial financial institutions as candidates for loans; and increasing utility and availability of important business decision-making information and knowledge. Some incentives may "spill-over" and benefit farmers not on IAL.
5. Incentives will be regularly evaluated for results against defined standards and benchmarks that demonstrate improvement to the viability of agri-business operations and enhance the likelihood of new agri-business start-ups on those lands.
6. The full utilization of IAL lands, even with a range of incentives in place, may take a long time and require amended or different incentives.
7. Entities responsible for developing and managing incentives will have to enforce applicable standards and conditions.
8. Conceptually, the economic and social returns from protecting and conserving IAL should equal or exceed the cost to the public.

I. LAND TENURE AND INFRASTRUCTURE

Incentives for landowners of IAL to offer their lands for agri-business use may include:

1. Reducing the cost of repairing and maintaining plantation irrigation systems through income tax credits.
2. Reducing the distortions and inconsistencies of county property tax assessments of agricultural land.
3. Increasing the viability and flexibility of landowners by providing other tax credits and exemptions, i.e. income tax exemption on IAL lease rents, or capitol gains exemption.

In order to implement these and other possible incentives for improvement to IAL, personnel and funding must be provided for implementation, training, and enforcement purposes.

II. AGRICULTURAL PRIORITY PERMITTING AND REGULATORY RELIEF

Agri-business operators are subject to various State and county regulations that may use a “one size fits all” approach, which may be time-consuming and costly. Relief from inflexible laws and standards are needed for agri-business operations on IAL as well as priority in permitting to expedite the processes. With the expansion of urban areas into agricultural areas, normal farming practices are sometimes under attack by these new neighbors requiring producers to continuously respond to their complaints. Agri-business operators on IAL should have extra protection from nuisance suits and there should be recognition and expectation that normal farming practices will occur on IAL.

Priority Permitting, Clarification of Existing Statutes and Ordinances and Regulatory Relief Incentives:

1. Creation of Super Right to Farm laws. Example: State of Pennsylvania;
2. Exemption for greenhouses (currently classified as temporary structures);
3. Differentiation of farm structure (e.g. packing sheds, etc.) from residential building requirements;
4. Exemption of IAL from existing subdivision ordinances (i.e. fire hydrants, roads, curbs, etc.);
5. Revision of the definition of a farm dwelling (connected to farm revenue of farmer living there);
6. Procurement law exemptions for school lunch, prisons, hospitals who buy IAL products (note: many ag. products are already exempt);
7. Expedited permitting for value-added agricultural processing facilities using production from IAL;
8. Flexibility and standards for employee housing on IAL;
9. Facilitation of issues with government agencies restricting agricultural livelihood, such as farm equipment movement.

To ease regulatory and permitting processes, incentives should be tied to production values, and personnel and funding must be provided for implementation, training, and enforcement purposes.

An initial effort should be made to outline an appropriate rationale and approach to amending Chapter 205, HRS in part or developing a separate chapter to redefine standards and criteria for allowable uses, minimum lot sizes, and other issues pertinent to the governance of IAL.

III. AGRI-BUSINESS ASSISTANCE AND NEW AGRI-BUSINESS DEVELOPMENT

In today's global economy, island agribusiness operators are challenged by competition from places in the world with low costs of land, water and labor, which can easily export products to the US with little or no tariffs due to the numerous bi- and multilateral free trade agreements that have been put into effect. Our agri-business operators cannot only be good and efficient producers, they must also be astute business people, focused marketers, continual adopters of new technology and trainers of their employees in all of these areas. Faced with these demands, agri-business operators need assistance to acquire the resources, knowledge and programs to remain competitive in this environment to continually improve the viability of their operations. In addition, more young people must be encouraged to enter agricultural careers to replace the aging workforce across the agricultural spectrum.

Agri-Business Assistance And New Agri-Business Operator Development Incentives

1. Assistance and priority for Conservation Plans;
2. Assistance in business planning;
3. Assistance in product marketing;
4. Expansion and permanent funding for CTAHR's Agricultural business incubator program with priority for IAL farmers:
5. Increase in extension services personnel for assistance on IAL
6. Establishment of agricultural incubator park;
7. Establishment of apprenticeship programs;
8. Enhancement of ag. scholarship programs;
9. Student loan deferrals for ag. students graduating and working in ag.
10. Enhanced extension program for wildlife, pest and disease control and other production issues;
11. Directed research and development for IAL priority issues;
12. Expansion of DOA's marketing and planning functions to service IAL farmers and monitor IAL incentives.
13. Increasing the profitability of farmers by providing tax credits or exemptions.

In order to implement these and other possible incentives for producer assistance and new farmer development, personnel and funding must be provided for implementation, partnership development, training, and enforcement purposes.

IV. Agricultural Financing

With current land prices continuously rising and industry practices such as food safety certification increasing the cost of operations dramatically, agri-business operators must have a better understanding of the financial resources currently available and requirements involved in obtaining financial assistance as well as access to new sources of financing.

1. Adoption of appropriate Legislative Reference Bureau report recommendations on current laws and loan programs;
2. Establish linked investment programs for new agri-business operator loans;
3. Establish agricultural bond program for new agri-business operators with some experience;
4. Create investment partnerships with agri-business operators (e.g. gentlemen estate partner with agri-business operator to use their land, New York farm link program);
5. Dedicated portion of existing funds related to agriculture (e.g. "live healthy" tobacco taxes) to be used for IAL;
6. Establish an agricultural transfer tax (tax on lands reclassified out of agriculture);
7. Exempt excise tax for grants awarded to IAL-related projects.
8. Create a financial education outreach program linking existing resources operators in order to improve financial awareness throughout the agricultural industry.

V. Purchase of Development Rights and Transfer of Development Rights

The purchase and transfer of development rights (PDR and TDR) can be powerful tools to encourage desired patterns of settlement, protect agricultural working landscapes and increase the efficiency of public infrastructure.

1. Encourage each county to set up a TDR program designating sending and receiving areas, establish transfer ratios and set up a development rights bank;
2. Increased funding for the purchase of permanent agricultural easements and matching for the Federal Farm and Ranch Lands Protection Program specifically for IAL lands.

Statutory Requirements

General directive to Hawaii Department of Agriculture (HDOA) and Department of Taxation (DoTAX):

HDOA, with the assistance of DoTAX, shall contract appropriate services in meeting facilitation and cost-benefit analysis to develop and recommend a package of proposals for agricultural incentives and other measures that promote:

1. agricultural viability,
2. sustained growth of the agricultural industry, and
3. the long-term use and protection of important agricultural lands.

Meeting method and members:

HDOA, in consultation with DoTAX, shall use consultants to promote a facilitated meeting process and deliberation and seek the assistance and input from:

1. Hawaii Farm Bureau Federation,
2. landowners,
3. affected state and county agencies,
4. other stakeholders, and
5. persons with relevant expertise that are necessary;

Goal of meeting members:

This group is to develop and implement a comprehensive and integrated framework of incentives and programs that will:

1. promote agricultural viability,
2. sustained growth of the agricultural industry, and
3. the long-term use and protection of important agricultural lands for agricultural use in Hawaii,
4. including tax policy, agricultural business development and financing,
5. marketing, and
6. agricultural land use techniques.

Meeting process:

The meeting facilitators shall ensure that stakeholder discussions are inclusive and use a consistent voting procedure.

Work product due to 2007 Legislature:

HDOA shall provide a report on:

1. stakeholder findings and recommendations, including proposed legislation
2. recommended minimum criteria for determining when the "enactment of legislation establishing incentives and protection" has occurred for the purposes of this Act, to the 2007 legislature.

The report shall include:

1. an analysis of the impacts and benefits of its recommendations,
2. a record of the stakeholder group's process and deliberations, and
3. shall provide the supporting rationale for the incentives being proposed.