



MINUTES

AGRICULTURAL DEVELOPMENT TASK FORCE MEETING

MONDAY, SEPTEMBER 17, 2007

The Agricultural Development Task Force held a meeting on Monday, September 17, 2007 at 1:07 p.m. in the Council Committee Meeting Room, 2nd Floor, Room 205, Honolulu Hale, Honolulu, Hawaii 96813.

MEMBERS PRESENT: Yuki Kitagawa (Chair), Dean Okimoto, Vice Chair, Charley Ice, Calvin Lum, Jimmy Nakatani, Wayne Ogasawara and Kapu Smith.

EXCUSED: None.

ADMINISTRATION/OTHERS PRESENT:

Ikaika Anderson (Council Chair Marshall's office), Kimberley Ribellia (Council member Dela Cruz's staff), Stan Fichtman, (Councilmember Djou's staff); Gary Kurokawa, Real Property Assessment Division, Administrator, (RPAD), Paula Fukuda, Ag Specialist (RPAD), Lee Ideoka Supervisor, (RPAD).

AGENDA ITEMS

APPROVAL OF MINUTES

Member Okimoto responded to Member Ice's inquiry about Communication M-985 as listed in the minutes. It is the Final Report on Incentives for Important Agricultural Lands submitted to the Legislature from the Department of Agriculture (DOA). No action was taken on the report during the past session.

The minutes of the July 02, 2007 meeting were approved as circulated.

Task Force Chair (Chair) Kitagawa warmly welcomed back Member Lum's participation to the Task Force meeting.

AGENDA ITEMS

Discussion on items 2, 3 and 4 was conducted at the same time as they are interrelated.

2. AGRICULTURAL PROPERTY TAX ASSESSMENT
3. AGRICULTURAL SUBDIVISION USES AND ASSESSMENT
4. ONE-YEAR AGRICULTURAL DEDICATIONS

Chair Kitagawa called on Mr. Kurokawa to make his presentation. Mr. Kurokawa introduced his staff members, Paula Fukuda and Lee Ideoka who will assist him.

The spreadsheet, Communication D-711, showed the breakdown of the different types of applications filed since 2004. The one-year dedications accepted annually: are: 457 in 2004, 389 in 2005, 321 in 2006, and 291 in 2007. The second sheet indicated the status of applications and dedications on file.

Mr. Kurokawa pointed out that the one-year dedications are the most time consuming and prevents RPAD from reviewing other applications and doing visits to the community and farmers.

A draft bill was distributed containing RPAD's proposal to eliminate the one-year dedication from the ordinance and begins with five and ten year dedications. It was brought to the Task Force first for its review and has not been presented to the public.

Chair and Task Force members suggested that a notice along with a Task Force approved draft bill be sent out to:) applicants of the one-year dedication, 2) Farm Bureau, and 3) Land Use Research Foundation (landowners).

Mr. Kurokawa stated if a landowner has a five-year dedication and he leases to a farmer for a one-year term, the landowner is responsible for recruiting another farmer for the duration of the term. There is a two-year grace period to put someone back on the property. If the property is left vacant, the tax rate reverts back to highest and best use, but it would not trigger a roll back. The fee owner is ultimately responsible for the taxes.

At this juncture Mr. Kurokawa updated the Task Force on the on-going investigation of the Poamoho Estate. There are 13 dedications on file in the subdivision, nine letters were sent out requesting more information from the applicant's about their leases and activities. There were two responses. The remaining seven will be sent letters giving

them 60 days for compliance before further action is taken. The RPAD is progressing to make sure that the dedications filed with their office are complied with.

Member Smith commented that at a presentation at the Land Use Commission (LUC), Anthony Ching, Executive Officer, responded to a query stating that it is a definite violation if an Ag lot is not being used as a bonafide Ag or first primary use. Every house built in an Ag 1 or Ag 2 lot requires that it be a bonafide farm. The LUC can issue a declaratory judgment if requested; it would be a ruling that the property is not being used in conjunction with the land use laws. Following its ruling, the case would be referred to the City's Department of Planning and Permitting to certify that the zoning or approval meets the state requirements. This has not been tested.

Mr. Kurokawa responded to Chair Kitagawa by stating that the tax increase for property that is not used for its intended purposes is severe. The City currently provides tax breaks of 95% to 99% reduction for legitimate agricultural activities so the landowner pays only 1% to 5% of market value. If that is removed the payment moves up to 100% and includes a roll back.

Chair Kitagawa also inquired about how a determination was made for horses and grazing as legitimate Ag uses. Mr. Kurokawa responded that equestrian, pasturing or paddock have always been part of agricultural use, but the resolution would be how much of the income is derived from the business and how much is personal.

Mr. Kurokawa responded to comments on the lack of definition for the word agriculture by stating that there is an ordinance in effect that was crafted with a broad and open definition to include farmers from A through Z – large to small. There is no dollar amount to qualify for Ag use because valuation is made based on the crop and that determination is checked with the Department of Agriculture. The one requirement is the General Excise Tax submitted to the RPAD. Most of the farmers are taxed at the minimum rate.

The landowner of Poamoho Estates leases a majority of the properties to one person who is doing pasturing. This, he feels is a legitimate Ag use and qualifies the Estates for the dedication.

Member Lum commented that landowners with long-term leases should be given an incentive of lower taxes to keep the dedicated people in the industry.

Member Smith commented that in order to get vacant land prepared to move, having it "knocked down" to prevent fires, giving credits for infrastructure (irrigation) and other

improvements would be helpful. Right now it seems that landowners are strapped from doing improvements because taxes are too high.

A discussion on fire breaks and buffers between Ag and residential lands took place. Chair Kitagawa recommended that this topic be placed on the next agenda.

Mr. Kurokawa added that the current rate is \$5,000 of credit for a \$1,000,000 investment.

Member Kapu noted that currently the one-year dedication gets a 95% break while the vacant lands is at 50%. She suggested that the one-year dedication be lowered to 50% and that may move those applicants into the taking the longer term leases of five or ten years.

Member Nakatani remarked that it would be important to look at true incentives for the development of agriculture.

Chair Kitagawa asked Mr. Kurokawa to address the issue of the shrimp farm.

Mr. Kurokawa reported that currently residential uses are not available to be dedicated on the property. The major issues for RPAD are the verification of who is actually living on the property and enforceability.

Member Okimoto suggested providing a homeowner's exemption. Mr. Kurokawa noted that currently if you are the owner occupant living on the property, the homeowner's exemption is available. The issue arises for property that is not owner-occupied and rented out.

Member Smith noted that real property taxes are disincentives for people to stay in Ag. In the current ordinance the exemption is taken off the fair market value, which is not much of an incentive for a substantial parcel. Her recommendation is to change the language from "fair market value" to "taxes paid for dedicated lands" which gives the exemption or credit from taxes being paid. Another suggestion to encourage people to stay in Ag is to provide incentives only to those who are in a 10-year dedicated vacant category. This would be an incentive for Kamehameha Schools.

Mr. Kurokawa noted there is a dollar per dollar exemption on the assessment for improvements made on the property. He offered to research the actual taxes paid on the 90 applications in house, examine what proportion of the taxes would be affected and report its impact at the next meeting.

Member Okimoto requested that the topic of Ag worker housing in Del Monte lands be part of the next agenda.

Follow-ups:

Chair Kitagawa will write a memo to the Director of the Department of Planning and Permitting asking for a response to the question - "What is DPP's responsibility regarding land being used for its intended purpose and is that issue tied to rural zoning?"

Mr. Kurokawa will touch base with the Farm Bureau and LURF regarding the RPAD's proposed draft bill proposing to delete the one-year dedication.

Member Smith will meet with Member Okimoto and Ann Chung, Executive Director, Office of Economic Development to discuss incentives.

Related communications:

D-711 Department of Budget & Fiscal Services, RPAD

Draft Bill – Relating to Real Property Assessment transmitted by RPAD.

5. ANNOUNCEMENTS

The next for the Task Force is scheduled for Monday, October 15, 2007.

Proposed items for the next agenda:

Draft Bill – relating to Real Property Assessments

Del Monte Ag worker housing

Fire breaks and buffers between Ag and residential lands

ADJOURNMENT

The meeting was adjourned at 2:30 p.m.