
A BILL FOR AN ACT

RELATING TO IMPORTANT AGRICULTURAL LANDS LOAN GUARANTY.

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

1 SECTION 1. In 1978, voters approved article XI, section 3,
2 of the Constitution of the State of Hawaii. This section laid
3 out the framework for state policies to promote agriculture and
4 conserve productive agricultural lands in the State. Article
5 XI, section 3, reads as follows:

6 "The State shall conserve and protect
7 agricultural lands, promote diversified agriculture,
8 increase agricultural self-sufficiency and assure the
9 availability of agriculturally suitable lands. The
10 legislature shall provide standards and criteria to
11 accomplish the foregoing.

12 Lands identified by the State as important
13 agricultural lands needed to fulfill the purposes
14 above shall not be reclassified by the State or
15 rezoned by its political subdivisions without meeting
16 the standards and criteria established by the
17 legislature and approved by a two-thirds vote of the



1 body responsible for the reclassification or rezoning
2 action."

3 To address the issue of important agricultural lands, Act
4 183, Session Laws of Hawaii 2005, was enacted (Act 183). Act
5 183 established standards, criteria, and mechanisms to identify
6 important agricultural lands and implement the intent and
7 purpose of article XI, section 3, of the state constitution.

8 Act 183 also recognized that while the supply of lands
9 suitable for agriculture is critical, the long-term viability of
10 agriculture depends on other factors as well. These factors
11 include:

- 12 (1) Commodity prices;
- 13 (2) Availability of water and irrigation;
- 14 (3) Agricultural research and outreach;
- 15 (4) Application of production technologies;
- 16 (5) Marketing; and
- 17 (6) Availability and cost of transportation services.

18 Financing is a critical component of the long-term
19 viability of agriculture on important agricultural lands in the
20 State. The legislature finds that it is in the public interest
21 to assist agricultural producers in meeting their financing



1 needs for projects that are located in important agricultural
2 lands.

3 The purpose of this Act is to further the implementation of
4 Act 183 by:

5 (1) Authorizing the director of finance to guaranty loans
6 relating to agricultural projects located on important
7 agricultural lands; and

8 (2) Declaring that the substance of this Act establishes
9 incentives and protections for important agricultural
10 lands as contemplated by section 9 of Act 183, which
11 effectuates the land use commission's authorization to
12 designate lands as important agricultural lands and
13 adopt maps therefor pursuant to section 205-49(d),
14 Hawaii Revised Statutes.

15 SECTION 2. Chapter 36, Hawaii Revised Statutes, is amended
16 by adding a new section to be appropriately designated and to
17 read as follows:

18 "§36- Loan guaranty; important agricultural lands;
19 agricultural and aquacultural loans. (a) The director of
20 finance may guarantee loans made by commercial lenders,
21 authorized to do business in this State, to agricultural
22 producers for the purpose of developing and implementing



1 agricultural projects; provided that the director of finance
2 determines that:

3 (1) The agricultural projects are located on lands
4 designated as important agricultural lands pursuant to
5 part III of chapter 205;

6 (2) The commercial lender has completed its due diligence
7 in approving the loan, including ensuring adequate
8 collateral; and

9 (3) The State possesses sufficient funds to provide an
10 appropriate reserve for the loan guaranty and which,
11 in the director's judgment, are in excess of the
12 amounts necessary for meeting the immediate
13 requirements of the State and will not impede or
14 hamper the fulfillment of the financial obligations of
15 the State.

16 The director of finance may impose other conditions as is deemed
17 reasonable to implement the loan guaranty.

18 (b) In addition to the conditions that the director of
19 finance may impose under subsection (a), any loan guaranty made
20 pursuant to this section shall meet the following conditions:

21 (1) For a loan that finances operating costs, the maximum
22 term of the loan shall be ten years;



- 1 (2) For a loan that finances capital improvement costs,
2 the maximum term of the loan shall be twenty years;
- 3 (3) The interest rate charged on the loan shall be one per
4 cent below the commercial lender's prime rate for as
5 long as the loan guaranty is in effect;
- 6 (4) The loan guaranty may be up to eighty-five per cent of
7 the principal amount of the loan, but shall not
8 include any fees or accrued interest associated with
9 the loan or its collection; and
- 10 (5) The principle amount of the loan shall not exceed
11 \$2,500,000.

12 (c) Subject to chapter 91, the director of finance shall
13 adopt rules to effectuate the purposes of this section.

14 (d) As used in this section:

15 "Agricultural producer" means a farmer, cooperative,
16 association, or landowner who derives at least fifty per cent of
17 its gross income from agricultural or aquacultural activities.

18 "Agricultural projects" means projects relating to
19 agricultural or aquacultural operations or capital
20 improvements."

21 SECTION 3. New statutory material is underscored.

22 SECTION 4. This Act shall take effect upon its approval.



Report Title:

Loan Guaranty for Agriculture; Important Agricultural Land

Description:

Allows the Director of Finance to guarantee loans made to agricultural producers for agricultural projects on important agricultural lands. (SD1)

