

Fact Sheet

Important Agricultural Lands

What are Important Agricultural Lands?

"Important agricultural lands" are those lands that:

- Are capable of producing sustained high agricultural yields when treated and managed according to accepted farming methods and technology;
- Contribute to the State's economic base and produce agricultural commodities for export or local consumption;
- Are needed to promote the expansion of agricultural activities and income for the future, even if currently not in production.

The identification and designation of Important Agricultural Lands (IAL) was first proposed at the 1978 Constitutional Convention and subsequently approved by voters in the same year. Enacted as Article XI, Section 3, of the Constitution of the State of Hawaii, the State is required to conserve and protect agricultural lands, promote diversified agriculture, increase agricultural self-sufficiency and assure the availability of agriculturally suitable lands. Several attempts to establish IAL in statute were attempted over the years, but it was only in 2005 that Act 183 was enacted.

Following the passage of Act 183, the Hawaii Department of Agriculture (HDOA) worked with the Department of Taxation and stakeholders including the Hawaii Farm Bureau Federation (HFBB), Land Use Research Foundation, University of Hawaii College of Tropical Agriculture and Human Resources (UH CTAHR), Hawaii Agricultural Research Center (HARC), Department of Business and Economic Development & Tourism (DBEDT), Office of Planning (OP), and the planning offices of the four counties to identify incentives for owners of agriculture lands to designate their lands as IAL and to prepare a report to the Legislature which included recommendations and the rationale for incentives and a description of the process.

In 2008, Act 233 was enacted to establish incentives, such as tax credits, loan guarantees and expedited regulatory processing to encourage landowners to designate their lands as IAL. This designation also makes it more difficult to utilize these lands for non-agricultural uses once they are designated as IAL.

Characteristics of Important Agricultural Lands

Lands meeting any of the criteria below shall be given consideration.

- Land currently used for agricultural production;
- Land with soil qualities and growing conditions that support agricultural production of food, fiber, or fuel- and energy-producing crops;

- Land identified under agricultural productivity rating systems, such as the agricultural lands of importance to the State of Hawaii (ALISH) system adopted by the Board of Agriculture on January 28, 1977;
- Land types associated with traditional native Hawaiian agricultural uses, such as taro cultivation, or unique agricultural crops and uses, such as coffee, vineyards, aquaculture, and energy production;
- Land with sufficient quantities of water to support viable agricultural production;
- Land whose designation as important agricultural lands is consistent with general, development, and community plans of the county;
- Land that contributes to maintaining a critical land mass important to agricultural operating productivity;
- Land with or near support infrastructure conducive to agricultural productivity, such as transportation to markets, water, or power.

HDOA Activities to Support IAL

- (1) Promote the retention of IAL in blocks of contiguous, intact, and functional land units large enough to allow flexibility in agricultural production and management;
- (2) Discourage the fragmentation of IAL and the conversion of these lands to nonagricultural uses;
- (3) Direct nonagricultural uses and activities from IAL to other areas and ensure that uses on IAL are actually agricultural uses;
- (4) Limit physical improvements on IAL to maintain affordability of these lands for agricultural purposes;
- (5) Provide a basic level of infrastructure and services on IAL limited to the minimum necessary to support agricultural uses and activities;
- (6) Facilitate the long-term dedication of IAL for future agricultural use through the use of incentives;
- (7) Facilitate the access of farmers to IAL for long-term viable agricultural use; and
- (8) Promote the maintenance of essential agricultural infrastructure systems, including irrigation systems.

What Incentives are Available to Landowners for Designating their Lands as IAL?

- **Incentive 1: Farm Dwellings and employee housing.** Allows landowners to develop farm dwellings and employee housing for their immediate family members and their employees. Limit of 5% of total IAL or 50 acres, whichever is less. Plans for dwellings and employee housing shall be supported by agricultural plans approved by HDOA.
- **Incentive 2: Refundable qualified agricultural cost tax credit.** May be claimed in taxable years beginning after May 31, 2009. Earliest available taxable year that credit can be claimed would be fiscal year ending May 31, 2010. HDOA is to certify credits up to \$7,500,000 annually. Credit can be claimed for costs such as roads or utilities, agricultural processing facilities, water wells, reservoirs, dams, pipelines, agricultural housing, feasibility studies, legal and accounting services, and equipment.

- **Incentive 3: Loan guaranty.** Chairperson of the Board of Agriculture may provide an 85% loan guaranty to commercial lenders which should result in a lower interest rate for agricultural borrowers on IAL. Interest rate on guaranteed loans will be 1% below lender's prime rate. IAL loan guaranty will be administered within HDOA's Agricultural Loan Division.
- **Incentive 4. State Agricultural Water Use and Development plan.** Modifies the scope of the plan to include public and private systems, sources of water and current and future need for water for lands designated as IAL. HDOA's Agricultural Resources Management (ARM) Division is responsible for development of the plan contingent upon funding for the expanded scope.
- **Incentive 5. Agricultural Processing facilities, permits, priority.** HDOA will be working with the Department of Health (DOH) to develop a referral system and to assist in expediting the permits by making information available to potential permit applicants. DOH is aware of Act 233 and this incentive. They DOH staff has been directed to give priority to these permit applications.
- **Incentive 6. Public lands.** HDOA and the Department of Land and Natural Resources (DLNR) will collaborate to identify and transfer those public lands in the agricultural district that meet the criteria of IAL to the HDOA. HDOA will manage the lands within its Agricultural Park Program or its Non-Agricultural Park Lands Program.
- **Incentive 7. Land reclassification.** Landowners may submit a petition to the Land Use Commission (LUC) to reclassify up to 15% of the IAL area into a rural, urban, or conservation district.

Current Status of IAL

Alexander and Baldwin, Inc. (A&B) is the first and only landowner thus far to dedicate lands as Important Agricultural Lands (IAL) through the Land Use Commission process. A&B has designated 27,104 acres on Maui which extend from Maalaea, Kahului, Paia, Haliimaile to Kihei and are mostly in sugar cane production, with some lands in seed corn and pasture. On Kauai, their 3,773 acres designated as IAL are located in Lawai and Hanapepe and currently are used for coffee, seed corn, rice, taro and pasture.

The Land Use Commission approved both petitions in 2009, resulting in the protection of 31 percent of the approximately 100 thousand acres of agricultural land in active crop production in Hawaii (excluding cattle ranching). Both petitioned areas met all eight IAL criteria which include use in agricultural production, soils that support agricultural production, sufficient quantity of water for crop irrigation, and consistency with county land use plans.

For Further Information

Please contact the Hawaii Department of Agriculture at: hdoa.planning@hawaii.gov