

# SB 165

RELATING TO STATE FACILITIES.

Establishes DAGS as the lead department for negotiating and processing real property leases for state departments.

DAVID Y. IGE  
GOVERNOR



DOUGLAS MURDOCK  
Comptroller

**STATE OF HAWAII**  
**DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES**  
P.O. BOX 119, HONOLULU, HAWAII 96810-0119

TESTIMONY  
OF  
DOUGLAS MURDOCK, COMPTROLLER  
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES  
TO THE  
SENATE COMMITTEE  
ON  
GOVERNMENT OPERATIONS  
ON  
FEBRUARY 3, 2015

S.B. 165

RELATING TO STATE FACILITIES

Chair Dela Cruz and members of the Committee, thank you for the opportunity to testify on S.B. 165.

The Department of Accounting and General Services (DAGS) **does not support S.B. 165.**

The intent and purpose of this bill is unclear. Chapter 171-30 (b), Hawaii Revised Statutes, authorizes DAGS to acquire office space in a non-State-owned building for use by a State department or agency. This function is performed by the DAGS Office Leasing Program.

DAGS prefers to continue to perform this same service to State departments and agencies of the Executive Branch, as we lack the staff, expertise, and resources to perform centralized leasing services for all real property transactions for all departments and agencies of the State.

Thank you for the opportunity to testify on this matter.

DAVID Y. IGE  
GOVERNOR OF HAWAII



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

POST OFFICE BOX 621  
HONOLULU, HAWAII 96809

**Testimony of**  
**CARTY S. CHANG**  
**Acting Chairperson**

**Before the Senate Committee on**  
**GOVERNMENT OPERATIONS**

**Tuesday, February 3, 2015**  
**1:15 P.M.**  
**State Capitol, Conference Room 414**

**In consideration of**  
**SENATE BILL 165**  
**RELATING TO STATE FACILITIES**

Senate Bill 165 proposes to give the Department of Accounting and General Services ("DAGS") the authority to negotiate and process leases of private real property for use by departments and agencies of the State. Currently, pursuant to section 26-6(b)(6) and section 171-30(b), Hawaii Revised Statutes (HRS), DAGS is authorized to acquire office spaces in buildings not owned by the State for use by state agencies. Additionally, the bill proposes language to be inserted in section 26-6(b)(6), HRS, that appears to give DAGS the authority to negotiate and process leases of public buildings for use by departments of the State. The Department of Land and Natural Resources ("DLNR") **opposes** this bill.

The bill gives only the functions of negotiating and processing leases of private property for use by state agencies to DAGS while the Board of Land and Natural Resources ("BLNR") retains the authority to actually acquire the leasehold interests in behalf of the State. The bill does not transfer acquisition authority from the BLNR to DAGS. Because the negotiation and processing of leases are integral to the acquisition of leasehold interests, it makes no sense to separate negotiation and processing from the actual acquisition. The BLNR and DLNR have historical experience in such land matters and have the staff to carry out such leasehold acquisitions, including negotiating and processing leases.

Furthermore, the intent of the language added to section 26-6(b)(6), HRS, is unclear. It may imply that the use of public buildings by state departments must be achieved through leases of the public buildings. Current law gives DAGS the authority to operate and maintain public buildings. We question what this provision really means.

**CARTY S. CHANG**  
ACTING CHAIRPERSON  
BOARD OF LAND AND NATURAL RESOURCES  
COMMISSION ON WATER RESOURCE MANAGEMENT

FIRST DEPUTY

**WILLIAM M. TAM**  
INTERIM DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES  
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HISTORIC PRESERVATION  
KAHOOLAWE ISLAND RESERVE COMMISSION  
LAND  
STATE PARKS



# UNIVERSITY OF HAWAII SYSTEM

## Legislative Testimony

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Testimony Presented Before the  
Senate Committee on Government Operations  
February 3, 2015 at 1:45pm

by  
Jan Gouveia  
Vice President for Administration, University of Hawai'i

### SB 165 – RELATING TO STATE FACILITIES

Chair Dela Cruz, Vice Chair Nishihara and members of the committee:

The University of Hawai'i (the "University") respectfully **opposes SB 165** to the extent it transfers responsibility and authority to negotiate leases of private real property for University purposes from the University to the Department of Accounting and General Services.

Pursuant to Hawai'i Revised Statutes § 304A-103, the University has the authority to negotiate and execute leases in accordance with statutory purposes (including negotiating for office space in buildings located on private lands). To the extent SB 165 may be in conflict with this authority, the University requests that your committee **amend the bill so that subsection (7) at line 3, page 2 of the bill reads as follows:**

**(7) Except as otherwise provided by law, negotiate and process leases of private real property for departments and agencies of the State;**

Thank you for the opportunity to provide testimony on this measure.





**Testimony to the Senate Committee on Government Operations  
Tuesday, February 3, 2015 at 1:45 P.M.  
Conference Room 414, State Capitol**

**RE: SENATE BILL 165 RELATING TO STATE FACILITIES**

Chair Dela Cruz, Vice Chair Nishihara, and Members of the Committee:

The Chamber **supports** the intent of S.B. 165 which establishes Department of Accounting and General Services (DAGS) as the lead department for negotiating and processing real property leases for state departments. The bill proposes to amend Chapter 26-6, Hawaii Revised Statutes, (b) by adding the following:

(6) Undertake the program of centralized engineering and office leasing services, including operation [and], maintenance, lease negotiation, and lease processing of public buildings, for departments of the State;

(7) Notwithstanding any other law to the contrary, negotiate and process leases of private real property for departments and agencies of the State;

The Chamber is the largest business organization in Hawaii, representing more than 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the “Voice of Business” in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state’s economic climate and to foster positive action on issues of common concern.

The proposed language appears to recognize DAGS as the lead agency for negotiating leases for both state and private owned buildings for use by a state agency. It is unclear from the language if the intent is to allow DAGS to also negotiate leases of state owned facilities for “private” use to perhaps generate revenue from underutilized facilities. It is also unclear if the bill proposes to allow DAGS to negotiate “lease back” agreements or public private partnerships where the state may lease a parcel of state owned lands to a private developer at a nominal lease rent and who then develops a facility that can be leased back to the state, with the state owning the improvements at the end of the lease term.

The legislature should consider providing more language in the bill to clarify the situations where DAGS can negotiate real property leases of state owned or private facilities to allow for maximum flexibility on a go-forward basis.

Finally, we understand that the existing language in Chapter §171-30 (b) HRS requires that the department of accounting and general services shall be responsible for the acquisition of any office space in a non-state owned building for use by a state department or agency.



It is unclear how the proposed section 7 of the bill clarifies DAGS existing authority in Chapter 171 HRS.

Thank you for the opportunity to express our views on this matter.



# BIA-HAWAII

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THE VOICE OF THE CONSTRUCTION INDUSTRY

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## Testimony to the Senate Committee on Government Operations Tuesday, February 3, 2015 1:45 p.m. State Capitol - Conference Room 414

### **RE: SENATE BILL NO. 165 RELATING TO STATE FACILITIES**

Chair Dela Cruz and Vice Chair Nishihara, and members of the Committee:

My name is Gladys Marrone, Chief Executive Officer for the Building Industry Association of Hawaii (BIA-Hawaii), the Voice of the Construction Industry. We promote our members through advocacy and education, and provide community outreach programs to enhance the quality of life for the people of Hawaii. BIA-Hawaii is a not-for-profit professional trade organization chartered in 1955, and affiliated with the National Association of Home Builders.

BIA-HAWAII supports the intent of S.B. 165 which establishes Department of Accounting and General Services (DAGS) as the lead department for negotiating and processing real property leases for state departments. The bill proposes to amend Chapter 26-6, Hawaii Revised Statutes, (b) by adding the following:

(6) Undertake the program of centralized engineering and office leasing services, including operation [and], maintenance, lease negotiation, and lease processing of public buildings, for departments of the State;

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Thank you for the opportunity to express our views on this matter.