

STATE OF HAWAII

DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

PROGRESS REPORT ON THE

IMPLEMENTATION OF ACT 219, SLH 2021

DECEMBER 2021

SUBMITTED TO

THE THIRTY-FIRST STATE LEGISLATURE

**DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
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INTRODUCTION / BACKGROUND

Act 219, Session Laws of Hawaii (SLH) 2021 (SB 1015 SD2 HD1 CD1), requires that “the comptroller shall reduce the total square footage of space leased by the State as of July 1, 2021, by ten percent no later than July 1, 2026.” The total amount of office space leased by the Department of Accounting and General Services (DAGS) as of July 2021 (Figure 1) was 503,179 square feet (SF), therefore the target reduction amount for DAGS is at least 50,318 SF.

Figure 1: Office Leases as of July 2021 (Baseline)

| ISLAND | SF |
|--------------|----------------|
| Hawaii | 109,001 |
| Kauai | 16,226 |
| Lanai | 2,161 |
| Maui | 59,089 |
| Molokai | 0 |
| Oahu | 316,702 |
| TOTAL | 503,179 |

The total square footage of offices in leased space as of October 2021 (Figure 2) was 497,373, which is a reduction of 5,806 from July 2021. The reduction is a result of two Department of Health (DOH) offices on the island of Hawaii adopting a permanent teleworking model, allowing both offices to consolidate into a single lease with less space than would otherwise be required if all staff were to work in-office.

Figure 2: Office Leases as of October 2021

| ISLAND | SF | Change |
|--------------|----------------|---------------|
| Hawaii | 103,195 | -5,806 |
| Kauai | 16,226 | 0 |
| Lanai | 2,161 | 0 |
| Maui | 59,089 | 0 |
| Molokai | 0 | 0 |
| Oahu | 316,702 | 0 |
| TOTAL | 497,373 | -5,806 |

DAGS estimates that the total square footage of space leased by DAGS could be reduced by at least 94,823 SF in the next 10 years based on several ongoing efforts, the details of which are provided below. This estimate is still subject to change, depending on funding for the implementation of various efforts.

Figure 3: Potential Reductions from Ongoing Efforts

| ISLAND | SF |
|--------------|---------------|
| Hawaii | 4,686 |
| Kauai | |
| Lanai | |
| Maui | 48,700 |
| Molokai | |
| Oahu | 41,437 |
| TOTAL | 94,823 |

STRATEGIC PLAN

The Department of Accounting and General Services strategic plan to reduce the lease costs generally fall into short-, intermediate and long-term efforts which are summarized below.

1. Short-Term (0 – 3 years):

- a. Reduce short-term leases. Programs request short-term leases for a variety of reasons, such as temporarily relocating staff to accommodate renovation of existing office space or to house seasonal / temporary staff to perform a specified function for a designated window of time (i.e. COVID pandemic response). DAGS' first option is to utilize space in State office buildings if adequate space is available before seeking to lease privately owned office space.
- b. Completion of on-going planning efforts in progress. DAGS has initiated several State Office Building renovation projects which would create office space to house programs currently in lease space and is working with other offices who have initiated planning efforts to optimize how they utilize their existing spaces.
- c. Implementation of Revised Office Standards (ROS) when programs submit requests for new or additional space, or when purchasing modular furniture. The ROS generally is 20 percent lower than the office standards that were used prior to 2017.
- d. Voluntary Program Space Reduction. Several programs have taken the initiative to reduce the amount of space leased by the programs. They have shifted the work from paper to electronic files and have initiated teleworking models.

2. Intermediate (4 – 10 years):

- a. Continue to assess the feasibility for implementation of the ROS on a wider basis, which includes right-sizing offices in existing spaces and renovation efforts to optimize use of space in State office buildings.
- b. Assess the feasibility and implement the planning, design, and construction of new facilities to accommodate offices in lease space.

- c. Assess the feasibility and implement the purchase of existing buildings. Due to changes in demographics, clusters of programs can be located to now populous areas where state services are needed, and there are no State Office Buildings in the near vicinity or the existing State buildings do not have capacity to house additional programs.
3. Long-Term (over 10 years):
 - a. Full implementation of ROS. Apply ROS to all State programs and reduce office footprints as applicable.
 - b. Construction of New State Buildings.

DETAILS OF DAGS' EFFORTS TO REDUCE THE AMOUNT OF LEASED SPACE

HAWAII

Short-Term:

Approximately 4,686 SF of office space is temporarily leased in Hilo to provide office space for the Department of Human Services to accommodate renovation work to the Kulana Naauao Building in Hilo. It is estimated that DHS will be relocating back to the facility in late 2022 / early 2023, after which the lease will no longer be required.

Intermediate / Long-Term:

- The Keakealani Building has approximately 9,000 SF of vacant space due to the Judiciary's relocation to its new building in Kailua-Kona. Portions of the vacated space requires renovation to facilitate the change in use from courtrooms to office space before they can be occupied. In addition, the Keakealani Building is a two-story wood frame structure built around 1939 that has had minimal improvements since its conversion from a hospital to an office building and courthouse in mid-1980s. As a result, DAGS is performing a condition assessment of the Keakealani Building to determine the feasibility of renovation versus constructing a new facility.
- Much of the leased spaces on the West side of the island have migrated to the Kailua-Kona area to be closer to the population center for that side of the island and to better serve clients. In addition, many offices provide services directly or indirectly related to those of the Judiciary's Keahuolu Courthouse facility that is located in Kailua-Kona as well. DAGS does not manage any facilities or State properties in Kailua-Kona, and has started looking into the possibility of purchasing an existing office building in the area to house the programs in leased space.

KAUAI

Intermediate / Long-Term:

DAGS has engaged the services of the University of Hawaii's Community Design Center to undertake a proof of concept for the Lihue Civic center aimed at optimizing use of properties under DAGS' control in the area, including the former Lihue Police Station property. While the proof of concept may look at a mix of uses, the relocation of offices from private leased space

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and the consolidation of State services for the public has been prioritized. The amount of reduction in office space leased by DAGS resulting from this effort is still be determined.

LANAI

There are no DAGS managed office buildings on the island of Lanai. It would not be feasible for the construction and operation of a facility to provide accommodations for the offices leasing space on the island.

MAUI

Short-Term:

DOH currently leases 3,116 SF of space and has requested a reduction in space as it will be adopting a permanent teleworking model. DAGS is working with DOH to finalize their space authorization before proceeding with negotiations on reducing the existing lease or find a new space to lease. Anticipate lease reduction to occur by late 2022. The amount of reduction in office space leased by DAGS resulting from this effort is still be determined.

Intermediate / Long-Term:

- DAGS is partnering with the Hawaii Housing Finance and Development Corporation (HHFDC) for mixed-use development (affordable housing, office space to support relocation of State offices from private leased space, parking structure, and possible integration of a new library) within the Kahului Civic Center property, which management and control has been transferred from DAGS to HHFDC. A planning consultant has been hired by HHFDC to undertake the development of a programmatic master plan and Environmental Impact Statement (EIS) for the site. Work is underway and a draft EIS is anticipated to be published in early 2022. It is estimated that this effort could result in reducing office space leased by DAGS by 48,700 SF in 5-7 years depending on when funding can be appropriated for design and construction.
- DAGS will be exploring redevelopment of both the State's existing Wailuku Civic Center property and the former post office site that DAGS anticipates leasing from the County of Maui to address space shortfalls for state offices and the Judiciary in the area. The amount of reduction in office space leased by DAGS resulting from this effort is still be determined.

OAHU

Short-Term:

- The Department of Human Services (DHS), Benefit, Employment and Support Services Division (BESSD) office located in Honolulu leases 22,809 SF of space through DAGS from the HHFDC. This lease will convert to a Memorandum of Agreement between DHS and HHFDC for use of the space by end of 2022, reducing the amount of office space leased by DAGS by 22,809 SF.
- DHS-BESSD's Wahiawa First-to-Work Unit currently leases 5,033 SF of space and will be permanently assigned to the new Wahiawa Civic Center once construction of the new facility has been completed. In the interim, DAGS is working with DHS to provide a temporary space assignment in the Waipahu Civic Center and terminate the existing lease to further save costs.

- DHS-BESSD Staff Development Office and DHS Social Services Division (SSD) Training Office in Honolulu currently leases 13,212 SF of space. BESSD is planning to relocate to state office space in Kapolei, and SSD is planning to remain in Honolulu. The space planning process has been initiated between BESSD and DAGS and subsequent design and construction efforts are necessary before the relocation can occur. The amount of reduction in office space leased by DAGS resulting from this effort is still to be determined.
- DHS Med-Quest's office in Kapolei leases 7,644 SF of space. This office will move to the Kakuhihewa Building after renovations have been completed to facilitate the relocation. It is estimated that DHS can relocate to the facility by late 2023. This effort will result in a reduction of 7,644 SF of office space leased by DAGS.
- DHS Med-Quest's office located in Honolulu currently leases 13,437 SF of space. Portions of this office are anticipated to relocate to the Waipahu Civic Center by late 2022, and to the Kaneohe Civic Center by late 2023 / early 2024 after renovations have been completed to facilitate the relocation. It is estimated that 4,500 to 5,000 SF of space will still be required for the remaining portion of staff that will need to remain behind to provide services in the area. This effort will result in a reduction of approximately 8,400 to 8,900 SF of office space leased by DAGS.
- DHS Vocational Rehabilitation Services Division office located in Honolulu currently leases 10,410 SF of space. The program is in the process of relocating to a smaller leased space of 7,826 SF, which will result in a reduction of 2,584 SF in office space leased by DAGS.

Intermediate:

- The existing Wahiawa Civic Center site is slated to be fully redeveloped, with the existing state office building to be demolished, and two new buildings built in its place: a new court facility for the Judiciary's Wahiawa District Court, and a new state office building that will provide office space for State agencies and the City and County of Honolulu. Demolition and construction are estimated to begin in early 2023, with completion and occupancy estimated to occur in late 2025. While an estimated 2,100 SF of temporary office space will be needed for offices displaced by the demolition of the existing facility and could not find alternatives in State space, the new facility will allow for a permanent reduction of 5,033 SF of space leased by DAGS overall.
- DAGS has been working with the Department of Public Safety (PSD) to relocate its Sheriff Division's operations from leased space in the Kakaako area to the Kalanimoku Building. Funding for the construction of improvements needed to facilitate the relocation is anticipated to be requested by PSD in the 2022 legislative session. While this does not involve a DAGS lease, this effort will serve to reduce the amount of space leased by the State overall.

Long-Term:

- DAGS is partnering with the HHFDC to plan for a mixed-use development (affordable housing, office space to support relocation of State offices from private leased space, some commercial, and parking structure) within DAGS' Liliha Civic Center property. A planning firm has been hired by HHFDC to undertake the development of a programmatic master plan and a programmatic EIS. Work on the programmatic master plan is underway.

- The preference of many programs is to remain in the Capital District and within walking distance to their administrative offices. However, there are no vacancies in State buildings to accommodate these requests. DAGS is exploring options to purchase an existing office building to house these programs.

CHALLENGES

While DAGS recognizes that Act 219 provides for oversight of all state leased space, for 2021, DAGS maintained our focus on DAGS-managed lease space. Even as we have begun to reduce the total square footage of space leased by DAGS, we have several challenges which prevent the full implementation of our efforts. First and foremost, there is a staff shortage due to long-standing and increased vacancies which hampers our ability to provide services to the programs in order to implement our plans. Even without a hiring freeze, we have been challenged to identify and hire qualified applicants seeking engineering jobs with DAGS.

Second, the current Public Works Division organization places an excessive burden on the Planning Branch to assist with space planning in addition to DAGS' CIP planning projects and administration of the department's CIP budget. To address this bifurcation of duties and increase DAGS' capacity to achieve Act 219's goals, we are proposing to reorganize our Leasing Services Branch into Real Property Branch which will include additional staffing to focus the combined services of space management and leasing services into one focused, cohesive unit with its own Architect, Drafting Technicians, and an additional Leasing Specialist. This is reflected in our 2022 Executive Budget Request.

Funding is another hindrance to implementation of our objectives.

Funds are needed for design and construction of renovation work, as well as funds to operationally move the programs into the State space. Costs include moving costs and possibly funds for furniture and other miscellaneous equipment. Lastly, while teleworking can reduce space by staff using docking stations rather than individual workstations, this is a decision made by the programs' department and outside of DAGS' purview.