

DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
ANNUAL REPORT ON GOALS, OBJECTIVES AND POLICIES

January 2019

Program ID/Title: AGS-223/Office Leasing
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I. Goal

Improve the office leasing services provided to user departments.

II. Objectives and Policies

A. #1 - Reduce the average number of days to complete lease requests to one hundred fifty (150) working days.

B. #2 - Improve various areas of the Leasing Branch's operations.

III. Action Plan with Timetable

A. Objective/Policy #1 - Reduce the average number of days to complete lease requests to one hundred fifty (150) working days.

1. Past Year's Accomplishments:

- a. Completed hiring of the permanent Leasing Specialist position. This will help us to catch up on our lease renewal backlog and continue our support of user departments for their office leasing needs.
- b. Developed a new exhibit to our lease to secure approval from the Attorney General's office, in advance of any delays to the early occupancy date, which occasionally results from the landlord's delay in providing our access to the leased space. This is because construction of improvements by the landlord may take longer than expected, which delays our access to the space, and pushes back the lease start date and any rent step-up dates. This will also avoid our staff from having to quickly prepare and execute a formal amendment to the lease.
- c. Transformed office leases that DAGS entered into with other state departments, into Memorandum of Agreements (MOA) that are solely between two state departments. These leases have been very time

consuming in negotiating term extensions, but henceforth, negotiations under the MOA will only be between the state departments, without DAGS' involvement. This was the position of our Attorney General's office, and we will ultimately save our staff time on lease negotiations and administration of these leases.

- d. Provided personalized assistance to landlords in applying for their Hawaii Compliance Express (HCE) tax clearance. Many times landlords have a very difficult time applying for and receiving compliance from the State and Federal tax offices. This has caused delays in completing and finalizing leases.
- e. Educational and Networking Opportunities – our staff attended an annual presentation organized by various real estate and tourism related organizations on forecasting various sectors of the real estate market, including commercial real estate. These presentations provided valuable staff training, as well as opportunities for networking with industry professionals, including property managers and landlords' broker representatives.

2. Required Actions

- a. Continue providing training the new Leasing Specialist on leasing policies and procedures, and bill payment matters.
- b. Initiate improvements to our branch policies and procedures that are consistent with the policies of DAGS Fiscal Office, Pre-Audit Branch, and the Attorney General/Land and Transportation Division, and seek procedural improvements which can help expedite the leasing process.
- c. Continue to work with the Attorney General's Land & Transportation Division to finalize a standard Subordination, Non-Disturbance and Attornment Agreement. Having a standard form agreement will expedite the review by both the Leasing Services Branch and the Attorney General's office, so that time sensitive documents can be returned to the landlord within the timeframe required under the lease.
- d. Work with the Attorney General's office to develop a policy to determine which division of the Attorney General's office will perform lease reviews for office space in DAGS controlled state facilities, leased to private and non-profit tenants.
- e. Continue to coordinate with the PWD, Planning Branch to pursue lease consolidations into any available state buildings to create operational efficiencies for user agencies, and to reduce our lease inventory and related leasing costs.

- f. Restore the Leasing Specialist position which was abolished in 2009 due to the Reduction in Force (RIF) action.
- g. Have Americans with Disabilities Act (ADA) site surveys completed for commercial properties which can be considered for lease.
- h. Seek new and creative ways to encourage landlords to begin the HCE process sooner in order to obtain their tax clearance compliance from the State and Federal tax offices.

3. Implementation Timetable

- a. One Year – Get landlords to apply for and secure HCE tax clearances before leases are executed, to prevent delays in the lease start date.

Pursue any needed revisions/updates to our branch policies and procedures, and seek improvements to streamline the leasing process.

Coordinate with the Office of the Attorney General, landlords, and mortgagees to develop a standard Subordination, Non-Disturbance and Attornment Agreement. (Our comments and suggestions have been submitted to the AG's office)

Complete the training for the Leasing Specialist.

- b. Two Years – Coordinate with PWD, Planning Branch to pursue office relocations from lease space to available space at the Keoni Ana building, Kaneohe State Office Building and any other DAGS controlled office building that becomes available for occupancy.
- c. Five Years (or less) - Using the ADA site surveys, develop a state wide list of commercial office properties which meet the State's minimum ADA requirements.

Pursue restoration of the Leasing Specialist position which was abolished through RIF.

Provide input and coordinate with the Office of the Attorney General, Administration Division, in working out a policy to address which division of the Attorney General's office, provides services to review leases to private entities and non-profit organizations, for DAGS controlled state facilities.

- B. Objective/Policy #2 - Improve on various areas of the Leasing Branch's operations.

1. Past Year's Accomplishments

- a. Completed a 20 year payoff of the acquisition cost for the Kapolei State Office Building which used municipal lease financing (aka Certificates of Participation). Also worked with the AG's office to finalize and record the Mutual Cancellation of Lease document at the Bureau of Conveyances. The payoff of the lease will greatly reduce our administrative time in billing and collecting of reimbursements from user departments at the Kapolei State Office Building, and in the annual reporting of our billings to a federal government agency.
- b. Continued to work with our branch secretary to update branch policies and procedures, and the Leasing Information form PWD 500 to improve our branch's Access data base program.
- c. Pursued delinquent asbestos inspection /surveys reports from landlords that were supposed to be completed and attached to our leases as an Exhibit C.
- d. Developed an internal branch policy on how DAGS funding would apply to leases in situations where user departments relocate to new space or expand their offices, which results in increased rental cost.
- e. Reduced our office filing and storage requirements by sending 12 boxes of expired leases and lease payment records to the DAGS, Records Management facility. Staff also attended Records Management's class on digitizing permanent records.

2. Required Actions

- a. Revise and update the standard form lease, and branch policies and procedures whenever situations arise which impact current conditions, or cause disruption, so that operational improvements are ongoing.
- b. Update the branch's policies and procedures with respect to the leasing process, data collection/input, and the lease encumbrance and payment process. Continue working with DAGS Systems and Procedures Office (S&PO) to assist with any necessary updates to our Access data base program. The updated policies and procedures will also serve as training material for new staff.
- c. Collaboration with the PWD, Planning Branch to finalize the standardized office space request memo, the boilerplate response memo, and revisions to the PWD's policy and procedures manual (currently in draft) that will show how leasing requests are reviewed and processed

by both our Planning Branch and Leasing Branch. After the standardized office space request memo is finalized, update the Public Works website to include this form, the “Suggested Office Move Planning Guide”, and the “ADA Site Assessment & Building Worksheets for ADA Compliance”.

- d. Follow up with any landlords who are delinquent in completing their asbestos inspection/survey reports.
- e. Continue to minimize office storage requirements by eliminating or reducing unnecessary architectural plans & specifications for our various lease locations.

3. Implementation Timetable

- a. One Year – Continue revising or adding new branch policies and procedures as necessary, to keep branch operations current.

Conduct the second phase for pursuing delinquent asbestos inspection/survey reports for month-to-month leases.

Work with the Attorney General’s office to have any needed revisions and updates approved for our standard form lease.

Review all office renovation plans in storage and retain or destroy, as applicable.

- b. Two Years – In order to update our Access data base program, complete the documentation of all branch policies and procedures with respect to the leasing process, data collection, and the lease encumbrance and payment process.
- c. Five Years (or less) – Continue collaboration with the PWD, Planning Branch to document the lease review and authorization procedures in the PWD policy and procedures manual. Finalize the standardized office space request memo for user departments to use, the DAGS response memo, and update the Office Space Forms panel of the PWD website with these revised memos and updated lease forms.

IV. Performance Measures

A. Customer Satisfaction Measure

- 1. Pursue evaluations from user departments concerning improvements to our leasing forms and instructions, the effectiveness of our website, and how it has helped in preparing and/or submitting leasing forms/requests

more easily and efficiently.

2. Obtain evaluations of our branch's leasing services after we are successful at restoring the Leasing Specialist position. Areas identified by user departments which require attention, will be addressed immediately.

B. Program Standard Measure

1. Seek measures of comparison with other States, and applicable branches of State, County or Federal governments who perform office leasing services.
2. Evaluate the program's efficiency in reducing the average amount of time needed to complete new lease requests, relative to program staffing.

C. Cost Effectiveness Measure

1. Compare the actual cost per square foot for our leases in specific locations, with the published asking rates for lease space in similar areas.
2. Determine the extent of lease savings created from any revisions to the DAGS Office Space Standards.