

STATE OF HAWAI'I

DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

PROGRESS REPORT ON THE

IMPLEMENTATION OF ACT 219, SESSION LAWS OF HAWAII (SLH) 2021

DECEMBER 2024

SUBMITTED TO

THE THIRTY-THIRD STATE LEGISLATURE

**DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
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December 20, 2024**

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 revised total amount of office space leased by the Department of Accounting and General Services (DAGS) as of July 2021 (Figure 1) was 513,900 square feet (SF), therefore the target reduction amount for DAGS is at least 51,390 SF.

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

ISLAND	SF
Hawai'i	114,461
Kaua'i	16,226
Lana'i	2,161
Maui	65,561
Moloka'i	0
O'ahu	315,491
TOTAL	513,900

The total square footage of offices in leased space as of June 30, 2024, (Figure 2) was 492,956 SF which is a decrease of 20,943 SF (4.1%) from July 2021. The reduction based on the 2021 baseline leases would be 57,778 (11.2%), however it is offset by 36,834 SF in leases for newly created offices or offices that previously were not in leased space. The changes in area occurred on all islands except for Lana'i.

For Hawai'i Island, there is a net decrease of 8,753 SF from the 2021 baseline. The temporary lease space for the Department of Human Services (DHS) was terminated when staff were able to move back into State space after renovations were completed. The Department of Health (DOH) on the island implemented teleworking and was able to downsize the space requirements for three different offices; however, new lease space in Hilo was required due to the closing and subsequent demolition of the DOH's Keawe Health Center and Hilo Adult Mental Health Clinic.

For Kaua'i, there is a net decrease of 46 SF from the 2021 baseline. The Department of Agriculture (DOA) terminated a lease; however, the Department of Corrections and Rehabilitation (DCR), formerly the Department of Public Safety, required a larger lease space.

For Maui, there is a net increase of 347 SF from the 2021 baseline. The Department of Commerce and Consumer Affairs (DCCA) terminated its lease. The DOH was able to implement teleworking to downsize an office, but also required lease space for a new office.

For O’ahu, there is a net decrease of 12,491 SF from the 2021 baseline. Reductions totaling 50,599 SF have occurred to date resulting from cancellations {Department of Budget and Finance (DBF), and DHS} and downsizing of offices resulting from relocating staff from lease to State space or changes in staffing (DHS). Increases due to expansion of existing offices in leased space {Office of the Attorney General (AG), Department of Education (DOE), and DCR} and from new leases {AG, Department of Law Enforcement (DLE), and DOH} were 4,079 SF and 32,268 SF, respectively. Of the new leases, 18,002 SF is attributable to the DLE, which was established under Act 278, SLH 2022. There also is an additional 1,760 SF for new leases for DOH; however, this is temporary until the completion of the new Wahiawā Civic Center and relocation efforts can be completed.

Figure 2: Office Leases as of June 30, 2024

ISLAND	SF	Change
Hawai’i	105,708	-8,753
Kaua’i	16,180	-46
Lana’i	2,161	0
Maui	65,908	347
Moloka’i	0	0
O’ahu	303,000	-12,491
TOTAL	492,956	-20,943

(-4.1%)

Compared to the 2021 baseline, the total square footage of space leased by DAGS could be reduced by an estimated 83,091 SF (16.2%) in the next 10 years resulting from efforts completed to date, as well as several ongoing efforts, the details of which are provided below. This estimate is subject to change, depending on funding for the implementation.

Figure 3: 10-year Projection from Baseline

ISLAND	SF
Hawai’i	-12,753
Kaua’i	-46
Lana’i	0
Maui	-48,353
Moloka’i	0
O’ahu	-21,939
TOTAL	-83,091

(-16.2%)

STRATEGIC PLAN

The Department of Accounting and General Services strategic plan to reduce the lease costs generally fall into short-term, 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 (e.g., 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, and actual application is dependent on a cost-benefit analysis to determine the value of the related investment.
- 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 relocation of offices currently accommodated 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 the 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.
- c. Acquisition of one or more existing buildings to convert into state offices.

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

HAWAI'I

Short-Term:

No permanent solutions are available in the short term. The Hilo State Office Building will have an estimated 1,700 SF available. This space is either too small or too large for most offices currently in leased space. The space is also open, which is inadequate for offices that have staff that handle confidential or sensitive information that requires privacy. DAGS anticipates utilizing this as swing space in the interim.

Intermediate / Long-Term:

- The Keākealani Building has approximately 9,000 SF of space due to the Judiciary's relocation to its new building in Kailua-Kona. Portions of the space require renovation to facilitate the change in use from courtrooms to office space before they can be occupied. In addition, the Keākealani 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. DAGS intends to submit a future budget request to fund renovations for health and safety improvements, including optimizing the space for potential relocation of offices from leased space.

In the interim, a portion of this space is temporarily being utilized by the Kona Pacific Public Charter School as classroom space for students and office space for staff. Approximately 4,000 SF of space remains available; however, the intent is to utilize this as swing space to implement a phased renovation to optimize space in the facility, which would reduce the need for temporary lease space for the current occupants.

- Many of the State programs occupying leased spaces on the West side of the island have migrated to the Kailua-Kona area to be closer to the population center to better serve clients. Many offices provide services related to those of the Judiciary's Keahuolū Courthouse facility that is located in Kailua-Kona as well. DAGS does not manage any facilities or State properties in Kailua-Kona. Currently, DAGS is collaborating with the County of Hawai'i on a site selection study for the collocation of a new Kailua-Kona civic center, which would include a new state office building and parking, with a new transit hub.

KAUA'I

Intermediate / Long-Term:

DAGS has engaged the services of the University of Hawai'i's Community Design Center to undertake a proof-of-concept study 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 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 to be determined.

LANA'I

There are no DAGS managed office buildings on the island of Lana'i. It would not be feasible for the construction and operation of a facility to provide accommodation for the offices to lease space on the island.

MAUI

Short-Term:

Due to the limited inventory of State space, no solutions are available in the short term.

Intermediate / Long-Term:

- DAGS is partnering with the Hawai'i Housing Finance and Development Corporation (HHFDC) for mixed-use development, which is planned to include affordable housing, office space to support relocation of State offices from private leased space, a parking structure, and integration of a new public library component within the Kahului Civic Center property. Management and control of this property 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. The Final Environmental Assessment/Finding of No Significant Impact was published in the May 8, 2022, issue of The Environmental Notice. Funding for additional planning and the design of the Civic Center portion of the property was appropriated to DAGS under Act 164, SLH 2023. It is estimated that this effort could result in reducing office space leased by DAGS by 48,700 SF. DAGS intends to submit a future budget request to fund the construction of the facility.
- 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 to be determined. Planning funds to begin this effort have been appropriated and DAGS is in the process of initiating a project.

O'AHU

Short-Term:

- DHS-Benefit, Employment and Support Services Division's (BESSD) Kailua First-to-Work unit currently leases 4,414 SF of space and is anticipated to be relocated to the Kāne'ohe Civic Center after renovations have been completed, which is currently estimated to be in 2026. BESSD Processing Center staff currently in the

Kāneʻohe Civic Center has consolidated with other Processing Center staff located in an existing lease space in Kailua. It is not anticipated that additional lease space will be required for the consolidation. This effort will result in a reduction of 4,414 SF of space leased by DAGS.

- DHS-BESSD Staff Development Office and DHS Social Services Division (SSD) Training Office in Honolulu currently leases 13,212 SF of space. BESSD is exploring options to relocate to state office space in the Kamāmalu and/or Kākuhihewa Buildings, with SSD 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 being determined.
- DHS Med-Quest's office in Kapolei leases 7,644 SF of space. This office will move to the Kākuhihewa Building after renovations have been completed to facilitate the relocation. It is estimated that DHS will be able to implement relocation efforts starting the second half of 2025. This effort will result in a reduction of 7,644 SF of office space leased by DAGS.
- The existing Wahiawā Civic Center site is in the process of full redevelopment. The existing state office building has been demolished, and two new buildings are being constructed in its place: a new court facility for the Judiciary's Wahiawā District Court, and a new state office building that will provide office space for State agencies and the City and County of Honolulu. Occupancy is estimated in late 2025 / early 2026. While an estimated 1,760 SF of temporary office space was needed for offices displaced by the demolition of the existing facility that could not find alternatives in State space, the new facility will allow for a permanent reduction of 6,793 SF of space leased by DAGS overall.
- DAGS plans to initiate efforts to re-evaluate the space needs and develop conceptual plans to optimize the space layouts of offices in three largest State Office Buildings on O'ahu: Kalanimōkū, Ke'elikolani, and Kākuhihewa Buildings. DAGS currently is requesting funds in the 2025-2027 fiscal biennium to begin planning efforts for these projects. Additional funds will be needed in the future to complete these efforts.

Intermediate / 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 Environmental Impact Statement (EIS). An EIS Preparation Notice was published on March 23, 2022, and draft EIS was published on September 23, 2024.

CHALLENGES

While DAGS recognizes that Act 219 provides for oversight of all state leased space, DAGS continues to maintain our focus on DAGS-managed lease space. Even as we have begun working to reduce the total square footage of space leased by DAGS, we have several challenges which prevent the full implementation of our efforts. One of the challenges is the ever-changing staffing levels of the State. The establishment of the DLE generated the need for approximately 19,000 SF of office space which cannot be housed in any State Office Building, and they are requesting an additional 13,000 SF of space. Also, the creation of new positions in existing offices which do not have the space to house the additional employees poses another challenge. The need to immediately accommodate these positions shifts the immediate and long-term planning to optimize State offices.

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. We have been challenged to identify and hire qualified applicants to fill architectural and engineering jobs within DAGS.

The current Public Works Division organization places a considerable burden on the Planning Branch to assist with space planning in addition to DAGS' capital improvement program (CIP) planning projects and administration of the department's CIP budget. To address this situation and increase DAGS' capacity to achieve Act 219's goals, we are expanding our Leasing Services Branch which will include additional staffing to focus the combined services of space management and leasing services into one cohesive unit with its own Architect, Drafting Technicians, and an Account Clerk. Funding for the new positions was appropriated; however, DAGS has not yet been able to fill the positions. The Division will continue to solicit applications until the positions are filled. We anticipate that more positions will be needed to provide adequate services.

Funding is another hindrance to the implementation of our objectives. Funds are needed for the planning, design, and construction of renovation work necessary to renovate and optimize office space in existing facilities; relocation costs for programs both out of and into spaces targeted for renovation, as well as from leased space into state space; and possibly, as appropriate, funds for furniture and other miscellaneous equipment.

Lastly, while teleworking can reduce space by staff using docking stations rather than individual workstations, adoption of this strategy is an operational decision to be made by each affected program's department and is outside of DAGS' purview or influence.