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**DEPT. COMM. NO. 198**

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**STATE OF HAWAII | KA MOKU'ĀINA O HAWAII'**  
**DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES | KA 'OIHANA LOIHELU A LAWELAWE LAULĀ**  
P.O. BOX 119, HONOLULU, HAWAII 96810-0119

December 26, 2023

**VIA ELECTRONIC MAIL**

The Honorable Ronald D. Kouchi,  
President  
and the Member of the Senate  
Thirty-Second State Legislature  
State Capitol, Room 409  
Honolulu, Hawaii 96813

The Honorable Scott K. Saiki, Speaker  
and Members of the House of  
Representatives  
Thirty-Second State Legislature  
State Capitol, Room 431  
Honolulu, Hawaii 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

For your information and consideration, I am transmitting the Progress Report on the Implementation of Act 219, Session Laws of Hawaii (SLH) 2021, as required by Act 219, SLH 2021. In accordance with Section 93-16, HRS, a copy of this report has been transmitted to the Legislative Reference Bureau and the report may be viewed electronically at:  
<https://ags.hawaii.gov/reports/legislative-reports/>.

Sincerely,

KEITH A. REGAN  
Comptroller

Enclosure

**STATE OF HAWAII**  
**DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES**  
**PROGRESS REPORT ON THE**  
**IMPLEMENTATION OF ACT 219, SLH 2021**  
**DECEMBER 2023**

**SUBMITTED TO**  
**THE THIRTY-SECOND STATE LEGISLATURE**

**DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES  
PROGRESS REPORT ON THE IMPLEMENTATION OF ACT 219, SLH 2021  
December 28, 2023**

**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)\*\*

<b>ISLAND</b>	<b>SF</b>
Hawaii	114,461
Kauai	16,226
Lanai	2,161
Maui	65,561
Molokai	0
Oahu	315,491
<b>TOTAL</b>	<b>513,900</b>

\*\* These figures were updated from the prior report to account for leases that should have been previously included.

The total square footage of offices in leased space as of December 1, 2023, (Figure 2) was 491,632 SF which is a decrease of 22,268 SF (4.3%) from July 2021. The reduction based on the 2021 baseline leases would be 47,897 (9.3%), however it is offset by 25,629 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 Lanai.

For Hawaii Island, there is a net decrease of 9,621 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.

For Kauai, there is a net decrease of 46 SF from the 2021 baseline. The Department of Agriculture (DOA) terminated a lease; however, the Department of Public Safety (PSD) required a larger lease space.

For Maui, there is a net increase of 503 SF from the 2021 baseline. The DOH was able to implement teleworking to downsize an office, but also required lease space for a new office.

For Oahu, there is a net decrease of 13,104 SF from the 2021 baseline. Reductions totaling 44,468 SF have occurred to date resulting from cancellations (Department of Budget and Finance, DHS) and downsizing of offices resulting from relocating staff from lease to State space (DHS). Increases due to expansion of existing offices in leased space (AG, PSD) and to new leases (Office of the Attorney General, Department of Law Enforcement, DOH) were 2,905 SF and 21,674 SF, respectively. There also is an additional increase of 6,785 SF for new leases, however these are to facilitate downsizing of existing offices in leased space and will be offset by reductions once relocation efforts have been completed.

Figure 2: Office Leases as of December 1, 2023

ISLAND	SF	Change
Hawaii	104,840	-9,621
Kauai	16,180	-46
Lanai	2,161	0
Maui	66,064	503
Molokai	0	0
Oahu	302,387	-13,104
<b>TOTAL</b>	<b>491,632</b>	<b>-22,268</b>

**(-4.3%)**

Compared to the 2021 baseline, the total square footage of space leased by DAGS could be reduced by an estimated 91,884 SF (17.9%) 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 still subject to change, depending on funding for the implementation.

Figure 3: 10-year Projection from Baseline

ISLAND	SF
Hawaii	-13,795
Kauai	-46
Lanai	0
Maui	-48,197
Molokai	0
Oahu	-29,846
<b>TOTAL</b>	<b>-91,884</b>

**(-17.9%)**

## **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 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**

### **HAWAII**

#### Short-Term:

No permanent solutions are available in the short term. The Hilo State Office Building will have an estimated 1,700 SF available after the Department of Health relocates staff temporarily to lease space until a new facility is constructed to house staff for the Health Center and Adult Mental Health Clinic. DAGS anticipates utilizing this space to address space shortages for various offices in the facility.

#### Intermediate / Long-Term:

- The Keakealani Building has approximately 9,000 SF of space due to the Judiciary's relocation to its new building in Kailua-Kona. Portions of the vacated space require 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.

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 for temporary assignment, however it may not be cost effective to relocate an office from lease space until a more definitive long-range plan for this facility is determined. Depending on the scope of potential renovation work being planned, the office may need to relocate back to lease space.

- 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 Keahuolu Courthouse facility that is located in Kailua-Kona as well. DAGS does not manage any facilities or State properties in Kailua-Kona and is evaluating options for the purchase of an existing office building in the area. In addition, advance planning efforts are being initiated to evaluate options for development of a new Kailua-Kona civic center which would include a new state office building and parking.

### **KAUAI**

#### Intermediate / Long-Term:

DAGS has engaged the services of the University of Hawaii'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.

### **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 accommodation for the offices leasing 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 Hawaii 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 possible integration of a new public library 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 in 2-3 years depending on when funding is appropriated for 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 to be determined.

### **OAHU**

#### **Short-Term:**

- DHS-BESSD's Kailua First-to-Work unit currently leases 4,414 SF of space and is anticipated to be relocated to the Kaneohe Civic Center in 2025 after renovations have been completed. BESSD Processing Center staff currently in the Kaneohe Civic Center will be consolidating with 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 Kamamalu and/or Kakuhihewa 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 Kakuhihewa Building after renovations have been completed to facilitate the relocation. It is estimated that DHS can relocate to the facility by the third quarter of 2024. This effort will result in a reduction of 7,644 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 6,785 SF, which will result in a reduction of 3,625 SF in office space leased by DAGS.

Intermediate:

- The existing Wahiawa 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 Wahiawa 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 anticipated in late 2025. 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.

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. An Environmental Impact Statement (EIS) Preparation Notice was published on March 23, 2022. Publication of the Draft EIS is anticipated in mid-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 Law Enforcement Department generated the need for approximately 20,000 SF of office space which cannot be housed in any State Office Building. Therefore, new lease space for the Department will need to be obtained. Also, the creation of new positions in existing offices which do not have the space to house the additional employees pose 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 an excessive 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 bifurcation of duties 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 four new positions has been appropriated for the second half of fiscal year (FY) 2023 and the Division will solicit applications in the first half of FY 2024. It is anticipated that additional positions will need to be added to provide adequate services.

Funding is another hindrance to the implementation of our objectives. Funds are needed for design and construction of renovation work; 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.