

Government of Guam
Analysis of Government of Guam Leases

Performance Audit
October 2014 through September 2015

OPA Report No. 17-02
January 2017



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EXECUTIVE SUMMARY
Analysis of Government of Guam Leases
Report No. 17-02, January 2017

In just a little over a decade, the Government of Guam (GovGuam) nearly doubled its annual cost for leasing commercial space (office and other), going from \$6.8 million (M) for 493,701 square feet (sq. ft.) in fiscal year (FY) 2004 to \$12.5M for 493,097 sq. ft. in FY 2015. Correspondingly, the average cost per sq. ft. nearly doubled from \$1.15 per sq. ft. in FY 2004 to \$2.11 in FY 2015. Majority of GovGuam's commercial leases were for office space at \$11.8M, while other commercial lease space was \$692 thousand (K) in FY 2015.

The Top 10 entities with the highest lease costs for office space accounted for 80%, or \$9.4M of the total annual lease costs for GovGuam in FY 2015. Refer to the table below.

Top 10 Agencies with the Highest Lease Cost for Office Space

Government Agencies		FY 2015			FY 2004			VARIANCE		
		Total Annual Rental Cost	Approximate Sq. Ft.	Average Rental Cost per Sq. Ft.	Total Annual Rental Cost	Approximate Sq. Ft.	Average Rental Cost per Sq. Ft.	Total Annual Rental Cost	Approximate Sq. Ft.	Average Rental Cost per Sq. Ft.
No.	Agency									
1.	CQA	\$2,787,045	54,347	\$4.27	\$1,743,820	57,916	\$2.51	\$1,043,225	(3,569)	\$1.76
2.	OAG	\$1,528,740	42,465	\$3.00	\$391,615	13,345	\$2.45	\$1,137,125	29,120	\$0.55
3.	DPHSS	\$1,031,881	48,321	\$1.78	\$492,360	26,360	\$1.56	\$539,521	21,961	\$0.22
4.	DRT	\$978,588	50,094	\$1.63	\$0	0	\$0	\$978,588	50,094	\$1.63
5.	DLM	\$774,062	27,449	\$2.35	\$77,756	5,023	\$1.29	\$696,306	22,426	\$1.06
6.	DOL	\$623,772	21,690	\$2.40	\$476,887	29,200	\$1.36	\$146,885	(7,510)	\$1.04
7.	GPD	\$536,765	40,480	\$1.11	\$517,033	55,956	\$0.77	\$19,732	(15,476)	\$0.34
8.	DOA	\$474,926	20,296	\$1.95	\$120,000	8,000	\$1.25	\$354,926	12,296	\$0.70
9.	DISID	\$364,344	15,181	\$2.00	\$165,000	11,000	\$1.25	\$199,344	4,181	\$0.75
10.	GBHWC	\$300,272	14,694	\$1.70	\$0	0	\$0	\$300,272	14,694	\$1.70
Subtotal		\$9,400,395	335,017	\$2.34	\$3,984,471	206,800	\$1.61	\$5,415,924	128,217	\$0.73
Other Entities		\$2,382,161	122,654	\$1.62	\$2,596,617	183,556	\$1.18	\$(214,456)	(60,902)	\$0.44
Grand Total		\$11,782,556	457,672	\$2.15	\$6,581,088	390,356	\$1.40	\$5,201,468	67,316	\$0.74

In comparison to FY 2004, these Top 10 agencies had increased their costs for office space by \$5.4M. Several agencies reduced their office space costs by constructing or renovating their own buildings to accommodate their spatial needs such as the Guam Power Authority (GPA) and the Guam Housing and Urban Renewal Authority (GHURA).

Agencies with the Highest Office Lease Costs

The Guam Customs and Quarantine Agency (CQA) had the highest annual lease cost for office space at \$2.8M, nearly 82% more than the second highest agency. This cost is comprised of three separate leases, which averaged a cost of \$4.27 per sq. ft. The most significant of these leases is for a 29,347 sq. ft. office/inspection area with an annual lease cost of \$2M. In 2004, CQA was paying \$3.93 per sq. ft. for this space. This particular lease increased by 45% to \$5.70 per sq. ft. in FY 2015 resulting in paying the highest average cost per sq. ft. of any GovGuam agency.

The Office of the Attorney General (OAG) had the second highest annual lease cost for office space at \$1.5M. OAG paid \$392K in FY 2004 for a variance of \$1.1M. While OAG more than doubled its

space, the cost per sq. ft. still increased, as it is paying \$0.55 more per square foot. In July 2013, OAG had to be relocated because of safety issues in the building that housed its office in Hagåtña.

The Department of Revenue & Taxation (DRT) also had to relocate its office as the land in Tiyan where its building was located on was returned to the original land owners. DRT had fourth highest annual cost for office space at \$978K. DRT is currently leasing the second largest space among the government agencies with 50,094 sq. ft., however its average cost per sq. ft. is the second lowest among the Top 10 agencies. DRT did not lease office space in FY 2004, thereby contributing to the third highest increase in comparison to its costs in FY 2015.

Disparities in Lease Rates

Based on a review of the top 10 agencies leases, we found that OAG, DLM, and DOA all leased office space at the ITC Building. However, all three agencies pay different rates. The highest is OAG at \$3.00 per sq. ft., followed by DLM at \$2.35, and lastly DOA at \$1.95 all-inclusive of utilities.

In our analysis of office space lease costs, we determined that 48 leases included utilities with rates ranging from \$1.10 per sq. ft. to \$5.70 per sq. ft., or an overall average of \$2.36 per sq. ft. For those 10 leases that did not include utilities, lease payments ranged from \$0.43 per sq. ft. to \$2.60 per sq. ft., or an overall average of \$1.49 per sq. ft. This illustrates that agencies are independently procuring leases and no one is monitoring to review and establish minimum specifications and guidelines and rates, which OPA had recommended in the prior audit.

Newly Built or Renovated Government Buildings Decreased Lease Costs

The most significant decrease in lease costs was realized by GPA, which paid \$54K in FY 2015 compared to \$300K in FY 2004. GHURA also reduced its lease costs by renovating its building in Sinajana in FY 2014 to meet their spatial needs saving \$63K annually.

Conclusion and Recommendations

Since 2005, the Office of Public Accountability (OPA) urged the Legislature to begin evaluating whether or not it is feasible to initiate long-term planning to acquire or build facilities to house government entities for the future. In the audit report, OPA stated that the amount of money spent on leases could be used to purchase or build office space to house government entities.

In an effort to reduce lease costs, several GovGuam agencies have generated plans for building a new Government Building in Hagåtña to house GovGuam entities. While agencies like Hagåtña Restoration and Redevelopment Authority (HRRA), and Guam Preservation Trust (GPT) have plans for building, the Governor and the Legislature must find the financial avenues to fund the construction or acquisition of buildings to house GovGuam entities. We recommend the Governor designate a lead agency for GovGuam Building construction to ensure accountability of the project.

Until GovGuam has the means to follow through on plans for a new government building, we still recommend as we did in 2005, that an agency monitor and annually report all GovGuam leases, review and apply practicable standard guidelines for office space leases, and establish minimum specifications for basic rent and common area maintenance fees for GovGuam office space. GEDA acknowledged that it be willing to take on this assignment, with the caveat that funding is provided.

Doris Flores Brooks, CPA, CGFM
Public Auditor

Glossary of Acronyms

APD	Alternate Public Defender
CQA	Customs and Quarantine Agency
CSC	Civil Service Commission
DOA	Department of Administration
DCA	Department of Chamorro Affairs
DISID	Department of Integrated Services for Individuals with Disabilities
DOL	Department of Labor
DLM	Department of Land Management
DPHSS	Department of Public Health & Social Services
DRT	Department of Revenue & Taxation
GBHWC	Guam Behavioral and Wellness Center
GBOA	Guam Board of Accountancy
GCC	Guam Community College
GDOE	Guam Department of Education
GDDC	Guam Developmental Disabilities Council
GEDA	Guam Economic Development Authority
GEC	Guam Election Commission
GEPA	Guam Environmental Protection Agency
GFD	Guam Fire Department
GHC	Guam Housing Corporation
GMHA	Guam Memorial Hospital Authority
GovGuam	Government of Guam
GPD	Guam Police Department
GPA	Guam Power Authority
GPO	Guam Passport Office
GRO	Guam Recovery Office
GSA	General Services Agency
GWA	Guam Waterworks Authority
HRRA	Hagåtña Restoration and Rehabilitation Authority
MCOG	Mayors' Council of Guam
OPA	Office of Public Accountability
OAG	Office of the Attorney General
OIG	Department of the Interior, Office of Inspector General
PEALS	Guam Board of Registration for Professional Engineers, Architects, & Land Surveyors
PDSC	Public Defender Service Corporation
PUC	Public Utilities Commission
VAO	Veterans Affairs Office



Introduction

This report presents the results of our analysis of office leases entered into by the GovGuam, and is a follow-up report of OPA Report No. 05-05, Government of Guam Leases issued in October 2005. This analysis was also a part of OPA's Annual Audit Work Plan for 2015.

The objectives of our analysis were to determine:

1. The extent to which GovGuam entities were leasing office space and other facilities in FY 2015.
2. Whether the amount of lease cost and lease space increased in comparison to FY 2004. If so, determine what the contributing factors for the increase were.
3. GovGuam's plan to reduce costs related to leases.

The scope, methodology, and prior audit coverage are detailed in Appendices 1 and 2.

Background

In the March 2002 report, entitled Management Challenges for Insular Area Governments, Report No. 2002-I-0017, OIG recommended that GovGuam review and, where appropriate, revise space leasing policies and procedures to ensure that commercial space is not leased unless suitable Government-owned property is not available and, in such cases, that rental rates paid are commensurate with existing market conditions.

In response to the concerns raised in the OIG Report, OPA issued OPA Report No. 05-05, Government of Guam Leases, in October 2005. OPA found that there was much disparity in lease rates, the amount of space being leased, and the services provided by Lessors. As a result, the following suggestions were made to the DOA:

1. Assign GSA to monitor and annually report to the Governor and the Legislature all GovGuam leases, including each entity's leased space, location, square footage, lease price, contract expiration date, and services provided, and rationale for space.
2. Review and apply practicable guidelines for office space leases from the excerpt of the Performance Audit Report: Lease vs. Build Analysis prepared by the Legislative Audit Division of the State of Montana.
3. Establish minimum specifications for basic rent and common area maintenance fees for office space of GovGuam entities. Specifications should include: (1) who is responsible for paying utilities and other services; (2) the maximum lease term; (3) escalation clauses in GovGuam leases are to be avoided whenever possible; and (4) GSA should have prior approval authority over all lease contracts of line entities.

Title 5 of the Guam Code Annotated (G.C.A) §22704(a) states “The Governor is authorized to acquire on behalf of the government of Guam, by lease or lease-purchase agreement, office space and other facilities for the purpose of providing office and other space for the departments and agencies of the Judicial and Executive Branches of the government of Guam ... no such lease shall exceed 50 years.”

Title 5 G.C.A. §22704(c) further states that all leases, where the total sum of the money to be paid to the same Lessor exceeds \$10,000 or the total number of years involved exceeds five years, may be entered into only after advertising for sealed bids in a local newspaper of general circulation 14 days prior to the bid opening and then awarded to the lowest responsible bidder. However, the law does not designate an oversight agency.

Results of Audit

In just a little over a decade, GovGuam nearly doubled its annual cost for leasing commercial space (office and other), going from \$6.8 million (M) for 493,701 sq. ft. in FY 2004 to \$12.5M for 493,097 sq. ft. in FY 2015. Majority of GovGuam's commercial leases were for office space at \$11.8M, while other commercial lease space was \$692 thousand (K) in FY 2015.

In total, there were 79 leases for commercial space leased by 43¹ GovGuam entities compared to 76 leases for commercial space leased by 49 GovGuam entities in FY 2004. Refer to Table 1 for a summary of FY 2015 Leases and Table 2 for a summary of FY 2004 Leases. See Appendix 3 for a listing of entities with office space leases in FY 2015 and Appendix 6 for details of each lease.

Table 1: Summary of FY 2015 Leases

Government Branches	No. of Entities	Number of Leases			Approximate Sq. Ft.			Total Lease Costs			Total Cost per Sq. Ft		
		Office	Other	Total	Office	Other	Total	Office	Other	Total	Office	Other	Total
Executive Branch													
Line Agencies ¹	20	37	14	51	331,767	12,891	344,658	\$8,513,864	\$342,223	\$8,856,087	\$2.14	\$2.21	\$2.14
Autonomous Agencies	9	7	5	12	66,849	10,222	77,071	\$2,193,289	\$142,975	\$2,336,264	\$2.73	\$1.17	\$2.53
Executive Branch Total	29	44	19	63	398,616	23,113	421,729	\$10,707,153	\$485,198	\$11,192,351	\$2.24	\$1.75	\$2.21
Legislative Branch	11	11	0	11	36,830	0	36,830	\$536,280	\$0	\$536,280	\$1.21	\$0	\$1.21
Judicial Branch	3	3	2	5	22,226	12,312	34,538	\$539,124	\$207,000	\$746,124	\$2.02	\$1.40	\$1.80
Grand Total	43	58	21	79	457,672	35,425	493,097	\$11,782,557	\$692,198	\$12,474,755	\$2.15	\$1.63	\$2.11

¹Excluded Office of the Governor.

Table 2: Summary of FY 2004 Leases

Government Branches	No. of Entities	Number of Leases			Approximate Sq. Ft.			Total Lease Costs			Total Cost per Sq. Ft		
		Office	Other	Total	Office	Other	Total	Office	Other	Total	Office	Other	Total
Executive Branch													
Line Agencies	26	44	3	47	250,621	41,363	291,984	\$4,483,150	\$69,324	\$4,552,474	\$1.49	\$0.14	\$1.30
Autonomous Agencies	8	9	3	12	75,405	57,583	132,988	\$1,040,771	\$129,276	\$1,170,047	\$1.15	\$0.19	\$0.73
Executive Branch Total	34	53	6	59	326,026	98,946	424,972	\$5,523,921	\$198,600	\$5,722,521	\$1.41	\$0.17	\$1.12
Legislative Branch	12	12	0	12	41,528	0	41,528	\$541,284	\$-	\$541,284	\$1.09	\$-	\$1.09
Judicial Branch	3	4	1	5	22,801	4,400	27,201	\$515,886	\$28,800	\$544,686	\$1.89	\$0.55	\$1.67
Grand Total	49	69	7	76	390,355	103,346	493,701	\$6,581,091	\$227,400	\$6,808,491	\$1.40	\$0.18	\$1.15

GDOE responded to the lease survey, but majority of their leases were not included in the total for annual costs and total square footage for GovGuam as they are lease to own agreements. Additionally, the Office of the Governor's leased space in Washington D.C. of 492 sq. ft. at a rate of \$5.61 per sq. ft. or \$33K annually, was not included in our analysis because it would not be practical for GovGuam to own a building in Washington, D.C. GWA was also excluded because they are under a cost sharing agreement with GPA for the newly built Gloria B. Nelson Public Service Building.

Analysis of Annual Lease Costs for Office Space

We reviewed 58 office leases held by 43 entities, which aggregately cost GovGuam \$11.8M in FY 2015. In our review, the top 10 agencies had annual lease costs ranging from \$300K to \$2.8M. Of these agencies, seven agencies paid more than \$500K in annual lease costs. Refer to Appendix 3 for a full listing of entities leasing office space in FY 2015.

¹ This figure consolidates the Guam Ancestral Lands Commission and the Chamorro Land Trust Commission with the Department of Land Management. The two agencies were consolidated under DLM in FY 2012. Also, the Agency for Human Resources Development is now under the Department of Labor as of August 2015.

In comparison to FY 2004, these Top 10 agencies had increased their costs for office space by \$5.4M. Refer to Table 3 below for a comparison of the Top 10 agencies' FY 2015 and FY 2004 lease costs. See Appendix 3 for a full listing of FY 2015 lease costs compared to FY 2004 lease costs.

Table 3: FY 2015 Top Agencies Highest Office Leases Annual Cost

Government Agencies		FY 2015			FY 2004			VARIANCE		
		Total Annual Rental Cost	Approximate Sq. Ft.	Average Rental Cost per Sq. Ft.	Total Annual Rental Cost	Approximate Sq. Ft.	Average Rental Cost per Sq. Ft.	Total Annual Rental Cost	Approximate Sq. Ft.	Average Rental Cost per Sq. Ft.
No.	Agency									
1.	CQA	\$2,787,045	54,347	\$4.27	\$1,743,820	57,916	\$2.51	\$1,043,225	(3,569)	\$1.76
2.	OAG	\$1,528,740	42,465	\$3.00	\$391,615	13,345	\$2.45	\$1,137,125	29,120	\$0.55
3.	DPHSS	\$1,031,881	48,321	\$1.78	\$492,360	26,360	\$1.56	\$539,521	21,961	\$0.22
4.	DRT	\$978,588	50,094	\$1.63	\$0	0	\$0	\$978,588	50,094	\$1.63
5.	DLM ¹	\$774,062	27,449	\$2.35	\$77,756	5,023	\$1.29	\$696,306	22,426	\$1.06
6.	DOL ²	\$623,772	21,690	\$2.40	\$476,887	29,200	\$1.36	\$146,885	(7,510)	\$1.04
7.	GPD	\$536,765	40,480	\$1.11	\$517,033	55,956	\$0.77	\$19,732	(15,476)	\$0.34
8.	DOA	\$474,926	20,296	\$1.95	\$120,000	8,000	\$1.25	\$354,926	12,296	\$0.70
9.	DISID	\$364,344	15,181	\$2.00	\$165,000	11,000	\$1.25	\$199,344	4,181	\$0.75
10.	GBHWC	\$300,272	14,694	\$1.70	\$0	0	\$0	\$300,272	14,694	\$1.70
Subtotal		\$9,400,395	335,017	\$2.34	\$3,984,471	206,800	\$1.61	\$5,415,924	128,217	\$0.73
Other Entities		\$2,382,161	122,654	\$1.62	\$2,596,617	183,556	\$1.18	\$(214,456)	(60,902)	\$0.44
Grand Total		\$11,782,556	457,672	\$2.15	\$6,581,088	390,356	\$1.40	\$5,201,468	67,316	\$0.74

¹FY 2004 lease inclusive of Guam Ancestral Lands Commission and Chamorro Land Trust Commission.

²FY 2004 lease inclusive of Agency for Human Resources Development.

Agencies with the Highest Office Lease Costs

CQA had the highest annual lease cost for office space at \$2.8M, nearly 82% more than the second highest agency, OAG. This cost is comprised of three separate leases, with an average cost of \$4.27 per sq. ft. The most significant of these leases is for a 29,347 sq. ft. office/inspection area with an annual lease cost of \$2M. In 2004, CQA was paying \$3.93 per sq. ft. for this space. This particular lease increased by 45% to \$5.70 per sq. ft. in FY 2015, resulting in paying the highest average cost per sq. ft. of any GovGuam agency.

OAG had the second highest annual lease cost for office space at \$1.5M. In comparison to FY 2004, OAG paid \$392K for a variance of \$1.1M. While OAG quadrupled its space from 13,345 sq. ft. to 42,465 sq. ft., the cost per sq. ft. also increased by \$0.55 per sq. ft. for an average of \$3 per square foot, or 22% more than the prior audit. In July 2013, OAG had to relocate to the ITC building because of safety issues in the building that formerly housed its office in Hagåtña.

DPHSS had the third highest annual lease cost for office space at \$1M. DPHSS also more than doubled its annual lease costs by \$539K, from \$492K in FY 2004. Total square footage increased by 21,921 or 83%, going from 26,360 sq. ft. in FY 2004 to 48,321 sq. ft. in FY 2015, for an average of \$1.78 per square foot. However, DPHSS' \$1.78 per square footage is the 6th highest average per square foot among the top 10 agencies.

DRT had the fourth highest annual cost for office space at \$978K. DRT had to relocate its office as the land in Tiyan where its building was previously located was returned to the original land owners. DRT is currently leasing the second largest space among the government agencies with 50,094 sq. ft., which is just below CQA's aggregate 54,347 sq. ft. for three office leases. However, DRT's average cost per sq. ft. is the second lowest among the Top 10 agencies at \$1.63 per sq. ft.

DRT did not lease office space in FY 2004, thereby contributing to the third highest increase in costs in FY 2015.

DLM had the fifth highest annual lease cost of \$774K. This was a significant increase of \$696K or 904% from the \$78K annual lease cost in FY 2004. Total square footage increased by 22,426 or 446%, going from 5,023 sq. ft. in FY 2004 to 27,449 sq. ft. in FY 2015. The increase in total cost and square footage are attributed to the inclusion of Guam Ancestral Lands Commission and Chamorro Land Trust Commission, which were consolidated under DLM.

Disparities in Lease Costs

Based on a review of the top 10 agencies leases, we found that OAG, DLM, and DOA all leased office space at the ITC Building. However, all three agencies pay different rates. The highest is OAG at \$3.00 per sq. ft., followed by DLM at \$2.35, and lastly DOA at \$1.95 all-inclusive of utilities.

One of the top 10 agencies, DISID has a lease under the DNA Building where we also identified varying lease rates in comparison to other agencies housed in the same building. The DNA Building also houses offices of OPA, APD, GFD, and various Senatorial Offices. DISID and APD are paying \$2.00 per sq. ft., followed by GFD and OPA at \$1.90 per sq. ft. There are five senatorial offices that pay an average of \$1.50 per sq. ft., with the lowest rate at \$1.10 per sq. ft. and the highest at \$1.83 per sq. ft.

In our overall analysis of office lease costs, we determined that of the 58 leases reviewed, 48 included utilities with lease rates ranging from \$1.10 per sq. ft. to \$5.70 per sq. ft., or an overall average of \$2.36 per sq. ft. For those 10 leases that did not include utilities, lease payments ranged from \$0.43 per sq. ft. to \$2.60 per sq. ft., or an overall average of \$1.49 per sq. ft. Refer to Table 4 below for summary of the results of our analysis of lease costs inclusive of utilities vs. excluding utilities for FY 2015. See Appendices 4 and 5 for a full listing of the leases inclusive of utilities and excluding utilities.

Table 4: Summary of FY 2015 Leases

Government Branches	Inclusive of Utilities				Exclusive of Utilities			
	No. of Leases	Average Cost per Sq. Ft.	Approximate Sq. Ft.	No. of Entities Paying Over Average Cost per Sq. Ft.	No. of Leases	Average Cost per Sq. Ft.	Approximate Sq. Ft.	No. of Entities Paying Over Average Cost per Sq. Ft.
Executive Branch ¹	36	\$2.42	314,712	3	8	\$1.57	83,904	4
Legislative Branch	10	\$1.45	16,297	5	1	\$1.02	20,533	0
Judicial Branch	2	\$2.07	14,726	1	1	\$1.93	7,500	0
Totals	48	\$2.36	345,735	9	10	\$1.49	111,937	4

¹Excluding the Office of the Governor.

In comparison to FY 2004, the leases inclusive of utilities increased from 31 to 48, while the leases exclusive of utilities decreased from 32 to 10. In FY 2004, we found that 31 leases were inclusive of utilities with lease rates ranging from a low of \$0.80 per sq. ft. to a high of \$2.57 per sq. ft. For 32 leases in FY 2004, the entity was responsible for paying utilities separately. Lease payments excluding utilities ranged from a low of \$0.33 per sq. ft. to a high of \$1.80 per sq. ft. See Table 5 for a summary of the results of our analysis of lease costs with utilities and excluding utilities in FY 2004.

Table 5: Summary of FY 2004 Leases

Government Branches	Inclusive of Utilities				Exclusive of Utilities			
	No. of Leases	Average Cost per Sq. Ft.	Approximate Sq. Ft.	No. of Entities Paying Over Average Cost per Sq. Ft.	No. of Leases	Average Cost per Sq. Ft.	Approximate Sq. Ft.	No. of Entities Paying Over Average Cost per Sq. Ft.
Executive Branch	25	\$1.43	130,488	11	22	\$0.86	134,669	6
Legislative Branch	4	\$1.19	7,463	2	8	\$1.06	34,065	4
Judicial Branch	2	\$2.35	13,457	1	2	\$1.21	9,344	1
Totals	31	\$1.50	151,408	14	32	\$0.92	178,078	11

With disparities in lease rates charged by the same Lessor and the services provided by Lessors (i.e., whether utilities are included and the type of utilities and other services included), this illustrates that agencies are independently procuring leases and there is no central agency monitoring to review and establish minimum specifications and guidelines and negotiate better rates, which OPA had recommended in the prior audit.

Looking at individual agencies like CQA and DPHSS, where they have multiple leases, we found disparities in their lease rates. In the case of DPHSS, OPA had to contact different employees from the different divisions to inquire about their leases. This goes to show that even at the agency level, there is no one assigned to monitor or review the agency's leases.

In FY 2004, we suggested that based on so much disparity in lease rates, the amount of space being leased, and the services provided by Lessors, the Director of DOA should assign GSA to (1) Monitor and annually report all GovGuam leases, (2) Review and apply practicable guidelines for office space leases; and (3) Establish minimum specifications for basic rent and common area maintenance fees for GovGuam office space. However, these suggestions remained unimplemented, although the then DOA Director generally concurred with our results and suggestions.

The Guam Economic Development Authority (GEDA) has real property managers, who have the expertise to be able to monitor office space leases. We recommend that GEDA be assigned to establish minimum specifications and guidelines of leases, and monitor GovGuam leases. Monitoring of the leases would entail creating and continually updating a database to include agency name, total square footage, monthly and annual costs, cost per square footage, funding source, whether utilities or other common area maintenance is included, procurement dates, and duration of lease. GEDA acknowledged that they would be willing to take on this assignment, with the caveat that they are provided the funding.

Newly Built or Renovated Buildings Decreased Lease Costs

Several agencies reduced their office space costs by constructing or renovating their own buildings to accommodate their spatial needs such as GPA and GHURA.

Other agencies that have completed construction or renovation of government buildings after FY 2015 include GDOE and the Guam Legislature.

Newly Built GPA & GWA Office Space in Mangilao

The most significant decrease in lease costs was realized by GPA, which paid \$54K in FY 2015 compared to \$300K in FY 2004. In December 2014, GPA moved into the newly built Gloria B. Nelson Public Service Building located in Mangilao. This new building also houses GWA. The total sq. ft. of the building is 108,279, of which GPA occupies 40,578 sq. ft., GWA occupies 21,385 sq. ft., and 46,316 sq. ft. is reserved for common area.

GPA and GWA entered into a cost sharing agreement for the building, where GWA pays GPA \$269K and GPA would pay \$511K for a total annual costs of \$780K for the building. These costs were not included in our overall analysis. Prior to the move into the new building, GPA was leasing office space in Harmon. While the move ultimately decreased GovGuam's total annual lease costs as of FY 2015, it was offset by the number of agencies that began leasing office space after 2004.

Renovated GHURA Office Space in Sinajana

GHURA also reduced its lease costs by renovating their building in Sinajana in FY 2014 to meet their spatial needs. As a result, all divisions occupying 3,180 sq. ft. of lease space in Hagatna, were relocated to the newly renovated building saving \$63K annually.

Guam Department of Education's New Central Offices in Tiyan

The condemnation and demolition of the Manuel F.L. Guerrero Building in Hagåtña affected GDOE's central offices. However, GovGuam, on behalf of GDOE, was able to amend the Tiyan lease agreement into a lease to purchase agreement, which is for the Tiyan High School and the construction of the GDOE Administration building. The new GDOE Administration building is set to open in March 2017, and will be 83,448 sq. ft. The Tiyan lease was not included in our overall analysis of GovGuam leases.

Renovated Guam Congress Building in Hagåtña

In June 2015, construction and renovations to the Guam Congress Building in Hagåtña began. The rehabilitation and reconstruction project is being led by GPT, and is funded by \$3M from a bond supported by the Hotel Occupancy Tax and \$4M from a Bank of Guam loan. The new Legislature building will open in December 2016, and will house the central office, and offices of the Speaker, Vice-Speaker, Legislative Secretary, and Majority Leader, which would eliminate the Legislature's current lease at Hesler Place of \$252K annually. However, the rest of the senators would still need to lease additional office space.

Plans for Construction of Future Government Buildings

HARRA developed a Hagåtña Master Plan, which is a proposal that encompasses the vision for Hagåtña in the future. This includes decisions relating to land use, roads, housing, utilities and other related concerns for Hagåtña. The construction of a new Government building to house the Governor's office, several executive line agencies like the DOA, OAG, and other semi-autonomous agencies is included in this Master Plan.

HARRA adopted the prospective of the Plaza De España, commissioned by GPT, in the Master Plan. The Plaza De España is where the Government building would be constructed on. GPT would be able to fund the rehabilitation and reconstruction of the Governor's Palace in the Plaza De Espania, which would become the Office of the Governor. Several buildings will be connected to and

surrounding the Governor's Palace, which would house the additional government agencies' offices. HRRA would have to find the funding sources for the construction of these buildings, which they noted they are currently working with GEDA on several possible options. HRRA organizationally falls under DCA; however, we are unsure who should be the designated agency to lead the construction efforts.

Since 2005, OPA urged the Legislature to begin evaluating whether or not it is feasible to initiate long-term planning to acquire or build facilities to house government entities for the future. In our audit report, OPA stated that the amount of money spent on leases could be used to purchase or build office space to house government entities. While we commend agencies like HRRA, GPT, and GEDA for having plans for building, the Governor and the Legislature must find the financial avenues to fund the construction or acquisition of buildings to house GovGuam entities, and designate a lead agency. We recommend the Governor designate a lead agency for GovGuam Building construction in order to ensure accountability of the project.

New DLM Building

In their management response, the Office of the Governor noted that DLM is soon to begin its construction of a five-story office building in Hagåtña, following the recent approval for its \$15.8M loan as authorized by Public Law 29-46 and Public Law 29-135. Architectural drawings will be updated with ground breaking expected in 2017 and construction to hopefully be completed in a year. At that time, DLM along with CLTC and GALC personnel will relocate from their present facilities. DLM anticipates the use of three of the five floors while the other two floors will be available to other government agencies to lease.

Other Matters

While we did not review the procurement of leases as part of our engagement, we observed inconsistencies across the various lease agreements, such as the duration of the leases, the renewal periods, and how often agencies go out on a new lease procurement. For example, GEDA's office lease at the ITC building has been ongoing since 1991 or 25 years, because the agreement allows renewal of the lease every three years "as long as the tenant is not in default in the observance and performance of the covenants and conditions of the lease."

There were also several agencies who provided responses to the lease survey indicating they are currently leasing, but OPA was unable to verify their lease responses as the agencies either provided an outdated lease agreement or did not provide a lease agreement at all. For example, GPD provided a lease agreement that was for one year, expiring in 2012 with an option to renew for one year, which would take the lease through 2013. P.L. 31-22 was passed in April 2011 to allow this agency to continue its lease through September 2013 and P.L. 33-06 was passed in February 2015 to allow the agency to continue its lease until a permanent facility is located.

In addition, we found inconsistencies with regards to the signature on lease agreements. Title 5 G.C.A §22704(a) states "The Governor is authorized to acquire on behalf of the GovGuam, by lease or lease-purchase agreement, office space and other facilities for the purpose of providing office and other space for the departments and agencies of the Judicial and Executive Branches of GovGuam. While it is unclear as to whether the Governor's signature is required on all lease agreements, we found lease agreements that had a block for the Governor's signature, but remained

unsigned and some lease agreements that did not require the Governor's signature at all. This further supports the need for an agency to be assigned to monitor GovGuam leases to ensure leases also follow GovGuam procurement rules and regulations.

Conclusion and Recommendations

In just a little over a decade, GovGuam nearly doubled its annual cost for leasing commercial space (office and other), going from \$6.8M for 493,701 sq. ft in FY 2004 to \$12.5M for 493,097 sq. ft. in FY 2015. Majority of GovGuam's commercial leases were for office space at \$11.8M, while other commercial lease space was \$692K in FY 2015.

Since 2005, OPA urged the Legislature to begin evaluating whether or not it is feasible to initiate long-term planning to acquire or build facilities to house government entities in the future. In the audit report, OPA stated that the amount of money spent on leases could be used to purchase or build office space to house government entities.

In an effort to reduce lease costs, several GovGuam agencies have generated plans for building a new government building in Hagåtña to house GovGuam entities. While agencies like HRRR and GPT have plans for building, the Governor and the Legislature must find the financial avenues to fund the construction or acquisition of buildings to house GovGuam entities. Also, we recommend the Governor designate a lead agency for GovGuam Building construction to ensure accountability of the project.

Until GovGuam has the means to follow through on plans for a new government building, our recommendations from FY 2004 still apply. Accordingly, we recommend an agency monitor and annually report all GovGuam leases, review and apply practicable standard guidelines for office space leases, and establish minimum specifications for basic rent and common area maintenance fees for GovGuam office space. Monitoring of the leases would entail creating and continually updating a database to include agency name, total square footage, monthly and annual costs, cost per square footage, funding source, whether utilities or other common area maintenance is included, procurement dates, and duration of lease. GEDA acknowledged that it be willing to take on this assignment, with the caveat that funding is provided.

Classification of Monetary Amounts

	Finding Description	Questioned Costs	Potential Savings	Unrealized Revenue	Other Financial Impact
1	Analysis of Annual Lease Cost for Office Space¹	\$ -	\$ -	\$ -	\$ -
	Agencies with the Highest Office Lease Cost	\$ -	\$ -	\$ -	\$ -
	Disparities in Lease Costs	\$ -	\$ -	\$ -	\$ -
	Subtotal	\$ -	\$ -	\$ -	\$ -
2	Newly Built or Renovated Buildings Decreased Lease Cost	\$ -	\$ -	\$ -	\$ -
	Newly Built GPA & GWA Office Space in Mangilao	\$ -	\$ -	\$ -	\$ -
	Renovated GHURA Office in Sinajana	\$ -	\$ -	\$ -	\$ -
	Guam Department of Education's New Central Offices in Tiyan	\$ -	\$ -	\$ -	\$ -
	Renovated Guam Congress Building in Hagåtña	\$ -	\$ -	\$ -	\$ -
	Subtotal	\$ -	\$ -	\$ -	\$ -
3	Plans for Construction of Future Government Buildings	\$ -	\$ -	\$ -	\$ -
	Subtotal	\$ -	\$ -	\$ -	\$ -
	Totals	\$ -	\$ -	\$ -	\$ -

¹Inclusive of the Top 10 agencies with the highest office lease cost of \$9.4M.

Management Response and OPA Reply

We provided the draft report to the Office of the Governor for review and comment and met with the BBMR Director/Acting Chief Fiscal Advisor and Governor's Chief of Staff in December 2016.

In January 2017, the Governor's Chief of Staff provided a response indicating they generally concurred with the results and suggested actions of the report (see Appendix 8).

Based on the management response, OPA incorporated majority of the edits suggested into the final draft report. A major edit was the addition of a section for DLM, which they noted is soon to begin construction of a five-story office building in Hagatna.

The legislation creating OPA requires agencies to prepare a corrective action plan to implement audit recommendations, to document the progress in implementing the recommendations, and to endeavor to have implementation completed no later than the beginning of the next fiscal year. Accordingly, we will be contacting the Legislature to provide target dates and title of the official(s) responsible for implementing the recommendations.

We appreciate the cooperation shown by all GovGuam agencies that completed the lease survey and provided us documents during the course of this audit.

OFFICE OF PUBLIC ACCOUNTABILITY



Doris Flores Brooks, CPA, CGFM
Public Auditor

The objectives of our analysis were to determine:

1. The extent to which GovGuam entities were leasing office space and other facilities in FY 2015.
2. Whether the amount of lease cost and lease space increased in comparison to FY 2004. If so, determine what the contributing factors for the increase were.
3. GovGuam's plan to reduce costs related to leases.

The scope of our analysis included a review of the applicable laws and regulations, GovGuam lease documents, and other relevant documents (i.e., purchase orders, memorandums of understanding, and survey forms) concerning leases for commercial space on Guam for FY 2015.

We requested copies and reviewed all leases of office space, warehouse facilities, and other similar spatial facilities from the entire Government of Guam. However, for purposes of our analysis, we limited our scope to office space leases.

Methodology

Our methodology included gaining an understanding of the policies, applicable laws, and regulations pertaining to GovGuam leases for office space. Because there were no compiled reports of GovGuam lease information that had been prepared by a designated agency, OPA sent letters to 80 GovGuam entities requesting them to complete an online lease survey. Of the 80 entities, 71 completed the survey, with 47 responding they were leasing and 24 entities that responded they did not have any lease commitments since they were being housed in government-owned facilities.

We also requested lease agreements to verify square footage leased, costs per month, costs per year, and costs per sq. ft. as reported by each entity in response to our survey. We then compiled a listing to identify the Top 10 agencies paying the most in leases. We also compared FY 2015 costs to FY 2004.

Entities that leased office space in FY 2015 were then categorized into their respective branch of government with the Executive branch further categorized into line and autonomous agencies. Totals and averages of lease costs were calculated for each category. Leases were also categorized according to those that included utilities (power and water) and those that did not. Those entities having results above the calculated averages were then identified and reported on. In addition, we reviewed the leases of the Top 10 agencies to identify the most common Lessor.

Scope Limitation

The scope did not include a review of procedures for surveying GovGuam space utilization. We did not determine whether commercial space being leased is actually needed or used efficiently. As a result, we presumed current space is utilized as efficiently as possible. In addition, ways to reduce costs for currently leased office space and the process of how the leases were obtained were not reviewed as part of our analysis.

Due to the nature of lease agreements, negotiations between Lessor and Lessee varied as to the terms and conditions and were not consistent among GovGuam entities. We noted that there were still conditions that render lease rates difficult to compare.

One condition was that some entities paid for separate Common Area Maintenance (CAM) fees while other entities do not. Another condition was that CAM fees varied greatly. For example, some CAM fees did not always include the cost or pro rata share of utilities of the premises being leased. Instead, CAM fees would cover only the utility costs for the area outside the premises (hallways, stairways, restrooms, parking areas, etc.) designated as “common areas.” Therefore, these entities were separately responsible for the utility costs of the premises being leased. In addition, sometimes the CAM fee only paid for water while others were inclusive of power and water.

The third condition was that lease rates were not comparable because of the variety or combinations of services provided by the Lessor. The range of services provided included security, janitorial services, and landscaping services.

To address the concern of comparability, we combined the basic rental payment with the CAM fees paid per month by each entity for a total monthly cost and computed the average cost per sq. ft. We then determined whether or not the total monthly lease payment covers utilities (power and water) for the premises being leased and categorized the data into two groups: (1) lease payments inclusive of utilities and (2) lease payments exclusive of utilities. These categories were analyzed within each branch of government.

We conducted this analysis in accordance with the standards for performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. These standards require that we plan our audit objectives and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix 2: Prior Audit Coverage

Government of Guam Lease Analysis, OPA Report No. 05-05

This audit found that as of FY 2004, the government of Guam spent a total of \$6.8M to lease 494,000 sq. ft. of commercial space. The main focus of the audit was on leased property used for office space. Any other property not leased for office space was included for informational purposes only. OPA made 3 recommendations to the Director of the Department of Administration: (1) Assign GSA to monitor and annually report all leases to the government of Guam; (2) Review Lease vs. Build Analysis to apply practical leasing guidelines; and (3) Establish minimum specifications for basic rent and common area maintenance fees. These recommendations were unimplemented.

Tiyan Campus Tax Credits Program, OPA Report No. 14-07

This audit found that GovGuam will spend \$260.3M for the purchase of the Tiyan Campus (Tiyan High and GDOE Central Office buildings and land), of which \$22.6M will be paid in tax credits and the remaining annual base rent and additional rent will be paid in cash thru legislative appropriations. In addition, GovGuam has already issued \$21.5M for the initial lease of the property between FY 2009 and FY 2013. The cost per square foot of Tiyan High at \$847.84 is the highest amongst six schools and GDOE Central Office as follows:

	School	Sq. Ft.	Principal Amount	Total Amount	Total Cost per Sq. Ft.
1a	GDOE Central Office & Other Facilities	181,339	\$42,127,711	\$126,286,790	\$696.41
1b	Tiyan High School	158,120	\$42,051,286	\$134,061,025	\$847.84
1c	Tiyan Campus (Tiyan High & GDOE Central Office)	339,459	\$84,148,997	\$260,347,816	\$766.95
2	John F. Kennedy High School	269,647	\$65,735,000	\$202,672,331	\$751.62
3	Okkodo High School	203,578	\$57,577,200	\$134,809,751	\$662.20
4	Astumbo Middle School	81,650	\$15,207,150	\$27,720,000	\$339.50
5	Adacao Elementary School	53,700	\$11,586,400	\$21,120,000	\$393.30
6	Liguan Elementary School	53,700	\$10,862,250	\$19,800,000	\$369.72
Total		1,001,734	\$248,116,997	\$666,469,899	\$665.32

These “lease to own” purchases are not included in our analysis.

Appendix 3: FY 2015 Office Lease Cost Highest to Lowest

Government Agencies		FY 2015			FY 2004			VARIANCE		
No.	Agency ¹	Total Annual Rental Cost	Approx. Sq. Ft.	Avr. Rental Cost per Sq. Ft	Total Annual Rental Cost	Approx. Sq. Ft.	Avr. Rental Cost per Sq. Ft	Total Annual Rental Cost	Approx. Sq. Ft.	Avr. Rental Cost per Sq. Ft
1.	CQA	\$2,787,045	54,347	\$4.27	\$1,743,820	57,916	\$2.51	\$1,043,225	(3,569)	\$1.76
2.	OAG	\$1,528,740	42,465	\$3.00	\$391,615	13,345	\$2.45	\$1,137,125	29,120	\$0.55
3.	DPHSS	\$1,031,881	48,321	\$1.78	\$492,360	26,360	\$1.56	\$539,521	21,961	\$0.22
4.	DRT	\$978,588	50,094	\$1.63	\$0	0	\$0	\$978,588	50,094	\$1.63
5.	DLM ²	\$774,062	27,449	\$2.35	\$77,756	5,023	\$1.29	\$696,306	22,426	\$1.06
6.	DOL ³	\$623,772	21,690	\$2.40	\$476,887	29,200	\$1.36	\$146,885	(7,510)	\$1.04
7.	GPD	\$536,765	40,480	\$1.11	\$517,033	55,956	\$0.77	\$19,732	(15,476)	\$0.34
8.	DOA	\$474,926	20,296	\$1.95	\$120,000	8,000	\$1.25	\$354,926	12,296	\$0.70
9.	DISID	\$364,344	15,181	\$2.00	\$165,000	11,000	\$1.25	\$199,344	4,181	\$0.75
10.	GBHWC	\$300,272	14,694	\$1.70	\$0	0	\$0	\$300,272	14,694	\$1.70
11.	PDSC	\$300,000	12,000	\$2.08	\$236,433	7,770	\$2.54	\$63,567	4,230	\$(0.45)
12.	27th & 33rd Guam Legislature Senatorial Offices ⁴	\$284,280	16,297	\$1.45	\$255,729	20,995	\$1.02	\$28,551	(4,698)	\$0.44
13.	Guam Legislature Central Office	\$252,000	20,533	\$1.02	\$285,554	20,534	\$1.16	\$(33,554)	(1)	\$(0.14)
14.	GEDA	\$248,928	8,607	\$2.41	\$189,913	12,763	\$1.24	\$59,015	(4,156)	\$1.17
15.	Judiciary of Guam	\$173,700	7,500	\$1.93	\$262,652	14,247	\$1.54	\$(88,952)	(6,747)	\$0.39
16.	GEC	\$130,350	3,802	\$2.86	\$46,800	2,252	\$1.73	\$83,550	1,550	\$1.13
17.	DCA	\$127,894	5,761	\$1.85	\$6,066	800	\$0.63	\$121,828	4,961	\$1.22
18.	GFC	\$114,000	5,000	\$1.90	\$0	0	\$0	\$114,000	5,000	\$1.90
19.	OPA	\$107,723	4,726	\$1.90	\$70,020	2,918	\$2.00	\$37,703	1,808	\$(0.10)
20.	GHC	\$99,744	4,156	\$2.00	\$26,263	1,765	\$1.24	\$73,481	2,391	\$0.76
21.	GEPA	\$96,000	8,000	\$1.00	\$0	5,500	\$0	\$96,000	2,500	\$1.00
22.	CSC	\$66,096	3,672	\$1.50	\$75,000	5,000	\$1.25	\$(8,904)	(1,328)	\$0.25
23.	APD	\$65,424	2,726	\$2.00	\$0	0	\$0	\$65,424	2,726	\$2.00
24.	MCOG - Administration Office	\$57,834	2,754	\$1.75	\$47,920	2,754	\$1.45	\$9,914	0	\$0.30
25.	GDOE	\$55,440	4,000	\$1.16	\$0	0	\$0	\$55,440	4,000	\$1.16
26.	GPA	\$53,935	2,043	\$2.20	\$300,000	41,435	\$0.60	\$(246,065)	(39,392)	\$1.60
27.	MCOG - Inarajan Mayor's Office	\$31,200	6,000	\$0.43	\$21,600	5,500	\$0.33	\$9,600	500	\$0.11
28.	PUC	\$27,044	967	\$2.33	\$20,544	967	\$1.77	\$6,500	0	\$0.56
29.	GDDC	\$25,200	1,000	\$2.10	\$24,600	1,800	\$1.14	\$600	(800)	\$0.96
30.	MCOG - Piti's Mayor's Office	\$24,000	1,200	\$1.67	\$0	0	\$0	\$24,000	1,200	\$1.67
31.	GBOA	\$23,868	1,050	\$1.89	\$24,760	1,250	\$1.65	\$(892)	(200)	\$0.24
32.	PEALS	\$17,500	860	\$1.70	\$14,448	860	\$1.40	\$3,052	0	\$0.30
33.	VAO	\$0	0	\$0	\$15,000	1,000	\$1.25	\$(15,000)	(1,000)	\$(1.25)
34.	OPG	\$0	0	\$0	\$16,800	784	\$1.79	\$(16,800)	(784)	\$(1.79)
35.	Government House	\$0	0	\$0	\$23,316	1,222	\$1.59	\$(23,316)	(1,222)	\$(1.59)
36.	GPO	\$0	0	\$0	\$30,240	1,260	\$2.00	\$(30,240)	(1,260)	\$(2.00)
37.	GHURA	\$0	0	\$0	\$62,959	3,180	\$1.65	\$(62,959)	(3,180)	\$(1.65)
38.	GRO	\$0	0	\$0	\$64,800	3,000	\$1.80	\$(64,800)	(3,000)	\$(1.80)
39.	Office of the Governor & Lieutenant Governor ⁵	\$0	0	\$0	\$475,200	24,000	\$1.65	\$(475,200)	(24,000)	\$(1.65)
Grand Total		\$11,782,556	457,672	\$2.15	\$6,581,088	390,356	\$1.40	\$5,201,468	67,316	\$0.74

¹Excluded Office of the Governor's Washington, D.C. office lease.

²Inclusive of Guam Ancestral Lands Commission and Chamorro Land Trust Commission.

³Inclusive of Agency for Human Resources Development lease.

⁴We received responses from 11 senatorial offices for the 27th Guam Legislature and 10 for the 33rd Guam Legislature.

⁵The Office of the Governor & Lieutenant Governor had temporary lease agreements that were effective for only nine months in FY 2004.

Appendix 4:
FY 2015 Office Lease Inclusive of Utilities

Government Agencies	No. of Lease	Total Annual Rent Cost	Approx. Sq. Ft.	Avg. Rent Cost per Sq. Ft.
CQA	1	\$2,007,045	29,347	\$5.70
OAG	1	\$1,528,740	42,465	\$3.00
DPHSS	8	\$1,031,881	48,321	\$1.85
DRT	1	\$978,588	50,094	\$1.63
DLM	1	\$774,062	27,449	\$2.35
DOL	2	\$623,772	21,690	\$2.41
DOA	1	\$474,926	20,296	\$1.95
GPD	3	\$304,800	14,000	\$1.81
GBHWC	3	\$300,272	14,694	\$1.76
GEDA	1	\$248,928	8,607	\$3.38
GEC	1	\$130,350	3,802	\$2.86
DCA	3	\$127,894	5,761	\$1.85
GFD	1	\$114,000	5,000	\$1.90
OPA	1	\$107,723	4,726	\$1.90
GHC	1	\$99,744	4,156	\$2.00
CSC	1	\$66,096	3,672	\$1.50
MCOG - Administration Office	1	\$57,834	2,754	\$1.75
GDOE	1	\$55,440	4,000	\$1.98
PUC	1	\$27,044	967	\$2.33
GDDC	1	\$25,200	1,000	\$2.10
GBOA	1	\$23,868	1,050	\$1.89
PEALS	1	\$17,500	860	\$1.70
Executive Branch Total	36	\$9,125,708	314,712	\$2.42
33rd Guam Legislature - Senatorial Office	1	\$36,000	2,719	\$1.10
33rd Guam Legislature - Senatorial Office	1	\$36,000	1,986	\$1.51
33rd Guam Legislature - Senatorial Office	1	\$36,000	2,127	\$1.41
33rd Guam Legislature - Senatorial Office	1	\$32,280	1,500	\$1.79
33rd Guam Legislature - Senatorial Office	1	\$24,000	1,430	\$1.40
33rd Guam Legislature - Senatorial Office	1	\$24,000	1,095	\$1.83
33rd Guam Legislature - Senatorial Office	1	\$24,000	1,095	\$1.83
33rd Guam Legislature - Senatorial Office	1	\$24,000	1,095	\$1.83
33rd Guam Legislature - Senatorial Office	1	\$24,000	1,520	\$1.32
33rd Guam Legislature - Senatorial Office	1	\$24,000	1,730	\$1.16
Legislative Branch Total	10	\$284,280	16,297	\$1.45
PDSC	1	\$300,000	12,000	\$2.08
APD	1	\$65,424	2,726	\$2.00
Judicial Branch Total	2	\$365,424	14,726	\$2.07
Grand Total	48	\$9,775,412	345,735	\$2.36

Appendix 5**FY 2015 Office Lease Exclusive of Utilities**

Government Agencies	No. of Lease	Total Annual Rent Cost	Approx. Sq. Ft.	Avg. Rent Cost per Sq. Ft.
CQA	2	\$780,000	25,000	\$2.60
DISID	1	\$364,344	15,181	\$2.00
GPD	1	\$231,965	26,480	\$0.73
GEPA	1	\$96,000	8,000	\$1.00
GPA	1	\$53,935	2,043	\$2.20
MCOG - Inarajan Mayor's Office	1	\$31,200	6,000	\$0.43
MCOG - Piti's Mayor's Office	1	\$24,000	1,200	\$1.67
Executive Branch Total	8	\$1,581,444	83,904	\$1.57
Guam Legislature – Central Office	1	\$252,000	20,533	\$1.02
Legislative Branch Total	1	\$252,000	20,533	\$1.02
Superior Court of Guam	1	\$173,700	7,500	\$1.93
Judicial Branch Total	1	\$173,700	7,500	\$1.93
Grand Total	10	\$2,007,144	111,937	\$1.49

**Appendix 6:
FY 2015 GovGuam Office Space Leases**

Executive Branch					
Agency	Location	Total Annual Cost	Approximate Sq. Ft.	Average Monthly Cost per Sq. Ft.	Responsible Party for Utility Cost
CQA	Tiyan	\$234,000	7,500	\$2.60	Lessee
CQA	Tiyan	\$546,000	17,500	\$2.60	Lessee
CQA	Tamuning	\$2,007,045	29,347	\$5.70	Lessor
CQA Total		\$2,787,045	54,347	\$4.27	
CSC	Sinajana	\$66,096	3,672	\$1.50	Lessor
DCA	Hagåtña	\$43,068	1,940	\$1.85	Lessor
DCA	Hagåtña	\$44,178	1,990	\$1.85	Lessor
DCA	Hagåtña	\$40,648	1,831	\$1.85	Lessor
DCA Total		\$127,894	5,761	\$1.85	
DISID	Hagåtña	\$364,344	15,181	\$2.00	Lessee
DLM	Tamuning	\$774,062	27,449	\$2.35	Lessor
DOA	Tamuning	\$474,926	20,296	\$1.95	Lessor
DOL	Anigua	\$270,000	9,000	\$2.50	Lessor
DOL	Hagåtña	\$353,772	12,690	\$2.32	Lessor
DOL Total		\$623,772	21,690	\$2.40	
DPHSS	Hagåtña	\$67,135	2,869	\$1.95	Lessor
DPHSS	Mangilao	\$90,300	3,000	\$2.51	Lessor
DPHSS	Mangilao	\$226,800	10,500	\$1.80	Lessor
DPHSS	Mangilao	\$91,400	3,627	\$2.10	Lessor
DPHSS	Mangilao	\$213,180	8,500	\$2.09	Lessor
DPHSS	Hagåtña	\$175,066	7,825	\$1.86	Lessor
DPHSS	Mangilao	\$100,800	8,000	\$1.05	Lessor
DPHSS	Hagåtña	\$67,200	4,000	\$1.40	Lessor
DPHSS Total		\$1,031,881	48,321	\$1.78	
DRT	Barrigada	\$978,588	50,094	\$1.63	Lessor
GBHWC	Hagåtña	\$175,800	8,932	\$1.64	Lessor
GBHWC	Hagåtña	\$21,540	970	\$1.85	Lessor
GBHWC	Hagåtña	\$102,932	4,792	\$1.79	Lessor
GBHWC Total		\$300,272	14,694	\$1.70	
GDDC	Mangilao	\$25,200	1,000	\$2.10	Lessor
GDOE	Mangilao	\$55,440	4,000	\$1.98	Lessor
GEPA	Barrigada	\$96,000	8,000	\$1.00	Lessee
GFD	Hagåtña	\$114,000	5,000	\$1.90	Lessor
GPD	Hagåtña	\$84,000	4,000	\$1.75	Lessor
GPD	Sinajana	\$48,600	3,000	\$1.35	Lessor
GPD	Tamuning	\$172,200	7,000	\$2.05	Lessor
GPD	Tiyan	\$231,965	26,480	\$0.73	Lessee
GPD Total		\$536,765	40,480	\$1.11	
MCOG - Administration Office	Hagåtña	\$57,834	2,754	\$1.75	Lessor
MCOG - Inarajan Mayor's Office	Inarajan	\$31,200	6,000	\$0.43	Lessee
MCOG - Piti's Mayor's Office	Piti	\$24,000	1,200	\$1.67	Lessee
MCOG Total		\$113,034	9,954	\$0.95	
PEALS	Tumon	\$17,500	860	\$1.70	Lessor
PUC	Hagåtña	\$27,044	967	\$2.33	Lessor
Line Agencies Total		\$8,513,864	331,767	\$2.14	
GBOA	Tamuning	\$23,868	1,050	\$1.89	Lessor
GEDA	Tamuning	\$248,928	8,607	\$3.38	Lessor
GEC	Hagåtña	\$130,350	3,802	\$2.86	Lessor
GHC	Tamuning	\$99,744	4,156	\$2.00	Lessor
GPA	Hagatna	\$53,935	2,043	\$2.20	Lessee
OPA	Hagatna	\$107,723	4,726	\$1.90	Lessor
OAG	Tamuning	\$1,528,740	42,465	\$3.00	Lessor
Autonomous Agencies Total		\$2,193,289	66,849	\$2.73	
Total Executive Branch		\$10,707,153	398,616	\$2.24	

Appendix 6:
FY 2015 GovGuam Office Space Leases

Legislative and Judicial Braches					
Agency	Location	Total Annual Cost	Approximate Sq. Ft.	Average Monthly Cost per Sq. Ft.	Responsible Party for Utility Cost
Guam Legislature - Central Office	Hagåtña	\$252,000	20,533	\$1.02	Lessee
33rd Guam Legislature - Senatorial Office	Hagåtña	\$24,000	1,430	\$1.40	Lessor
33rd Guam Legislature - Senatorial Office	Tamuning	\$32,280	1,500	\$1.79	Lessor
33rd Guam Legislature - Senatorial Office	Hagåtña	\$36,000	2,719	\$1.10	Lessor
33rd Guam Legislature - Senatorial Office	Hagåtña	\$24,000	1,095	\$1.83	Lessor
33rd Guam Legislature - Senatorial Office	Hagåtña	\$24,000	1,095	\$1.83	Lessor
33rd Guam Legislature - Senatorial Office	Hagåtña	\$36,000	1,986	\$1.51	Lessor
33rd Guam Legislature - Senatorial Office	Hagåtña	\$24,000	1,520	\$1.32	Lessor
33rd Guam Legislature - Senatorial Office	Hagåtña	\$36,000	2,127	\$1.41	Lessor
33rd Guam Legislature - Senatorial Office	Hagåtña	\$24,000	1,730	\$1.16	Lessor
33rd Guam Legislature - Senatorial Office	Hagåtña	\$24,000	1,095	\$1.83	Lessor
Legislative Branch - Total		\$536,280	36,830	\$1.21	
PDSC	Sinajana	\$300,000	12,000	\$2.08	Lessor
Superior Court of Guam	Dededo	\$173,700	7,500	\$1.93	Lessee
APD	Hagåtña	\$65,424	2,726	\$2.00	Lessor
Judicial Branch - Total		\$539,124	22,226	\$2.02	

Executive Branch					
Agency	Location	Total Annual Cost	Approximate Sq. Ft.	Average Monthly Cost per Sq. Ft.	Responsible Party for Utility Cost
AHRD	Tamuning	\$131,485	6,445	\$1.70	Lessor
CLTC	Anigua	\$29,722	1,920	\$1.29	Lessee
CSC	Tamuning	\$75,000	5,000	\$1.25	Lessor
CQA	Tiyan	\$328,447	25,580	\$1.07	Lessor
CQA	Tiyan	\$29,427	2,885	\$0.85	Lessee
CQA	Barrigada	\$1,061	104	\$0.85	Lessee
CQA	Barrigada	\$1,384,885	29,347	\$3.93	Lessee
CQA – Total		\$1,743,820	57,916	\$2.51	
DOA	Tamuning	\$120,000	8,000	\$1.25	Lessor
DISID	Tamuning	\$165,000	11,000	\$1.25	Lessor
DOL	Tamuning	\$330,000	22,000	\$1.25	Lessor
DOL	Tamuning	\$15,402	755	\$1.70	Lessor
DOL – Total		\$345,402	22,755	\$1.26	
DPHSS	Mangilao	\$45,000	2,500	\$1.50	Lessor
DPHSS	Mangilao	\$72,000	4,000	\$1.50	Lessor
DPHSS	Mangilao	\$15,300	850	\$1.50	Lessor
DPHSS	Hagåtña	\$162,960	7,760	\$1.75	Lessee
DPHSS	Mangilao	\$12,600	1,000	\$1.05	Lessee
DPHSS	Mangilao	\$108,000	6,000	\$1.50	Lessee
DPHSS	Mangilao	\$76,500	4,250	\$1.50	Lessee
DPHSS – Total		\$492,360	26,360	\$1.56	
GALC	Anigua	\$48,034	3,103	\$1.29	Lessee
GBOA	Hagåtña	\$24,760	1,250	\$1.65	Lessor
GDDC	Tamuning	\$12,000	800	\$1.25	Lessor
GDDC	Mangilao	\$12,600	1,000	\$1.05	Lessee
GDDC – Total		\$24,600	1,800	\$1.14	
GEC	Hagåtña	\$46,800	2,252	\$1.73	Lessor
GEPA	Tiyan	\$0	5,500	\$0	Lessee
Government House	Hagåtña	\$23,316	1,222	\$2.12	Lessor
GPO	Hagåtña	\$30,240	1,260	\$2.00	Lessor
GPD	Tiyan	\$111,675	12,086	\$0.77	Lessee
GPD	Tiyan	\$84,934	9,192	\$0.77	Lessee
GPD	Tiyan	\$172,788	18,700	\$0.77	Lessee
GPD	Tiyan	\$25,447	2,754	\$0.77	Lessee
GPD	Tiyan	\$26,999	2,922	\$0.77	Lessee
GPD	Tiyan	\$27,646	2,992	\$0.77	Lessee
GPD	Tiyan	\$13,823	1,496	\$0.77	Lessee
GPD	Tiyan	\$26,999	2,922	\$0.77	Lessee
GPD	Tiyan	\$26,722	2,892	\$0.77	Lessee
GPD – Total		\$517,033	55,956	\$0.77	
HARRA	Hagåtña	\$6,066	800	\$1.26	Lessee
MCOG - Administration	Hagåtña	\$47,920	2,754	\$1.45	Lessor
MCOG – Inarajan Mayor's Office	Inarajan	\$21,600	5,500	\$0.33	Lessee
MCOG – Total		\$69,520	8,254	\$0.70	
Office of the Governor & Lt. Governor	Hagåtña	\$475,200	24,000	\$2.20	Lessor
PEALS	Tumon	\$14,448	860	\$1.40	Lessee
PUC	Hagåtña	\$20,544	967	\$1.77	Lessor
RCO	Hagåtña	\$32,400	1,500	\$1.80	Lessee
RCO	Hagåtña	\$32,400	1,500	\$1.80	Lessee
RCO – Total		\$64,800	3,000	\$1.80	
VAO	Tamuning	\$15,000	1,000	\$1.25	Lessor
Line Agencies Total		\$4,483,150	250,621	\$1.49	

Appendix 7:
FY 2004 GovGuam Office Space Leases

Executive Branch, continued					
Agency	Location	Total Annual Cost	Approximate Sq. Ft.	Average Monthly Cost per Sq. Ft.	Responsible Party for Utility Cost
GEDA	Tamuning	\$189,913	12,763	\$1.24	Lessor
GHURA	Hagåtña	\$62,959	3,180	\$1.65	Lessor
GHC	Tamuning	\$26,263	1,765	\$1.24	Lessor
GPA	Harmon	\$300,000	41,435	\$0.60	Lessee
GPA	Agat	\$0	0	\$0	N/A
GPA – Total		\$300,000	41,435	\$0.60	
OAG	Hagåtña	\$318,735	10,345	\$2.57	Lessor
OAG	Hagåtña	\$58,000	2,000	\$2.42	Lessor
OAG	Hagåtña	\$14,880	1,000	\$1.24	Lessor
OAG – Total		\$391,615	13,345	\$2.45	
OPA	Hagåtña	\$70,020	2,918	\$2.00	Lessor
Autonomous Agencies Total		\$1,040,771	75,405	\$1.15	
Total Executive Branch		\$5,523,921	326,026	\$1.41	

Legislative and Judicial Braches					
Agency	Location	Total Annual Cost	Approximate Sq. Ft.	Average Monthly Cost per Sq. Ft.	Responsible Party for Utility Cost
27th Guam Legislature	Hagåtña	\$285,554	20,534	\$1.16	Lessee
27th Guam Legislature - Senatorial Office	Sinajana	\$36,000	2,398	\$1.25	Lessor
27th Guam Legislature - Senatorial Office	Hagåtña	\$30,000	1,350	\$1.85	Lessor
27th Guam Legislature - Senatorial Office	Hagåtña	\$18,000	1,400	\$1.07	Lessor
27th Guam Legislature - Senatorial Office	Hagåtña	\$29,881	1,465	\$1.70	Lessee
27th Guam Legislature - Senatorial Office	Hagåtña	\$24,842	1,882	\$1.10	Lessee
27th Guam Legislature - Senatorial Office	Sinajana	\$22,295	2,315	\$0.80	Lessor
27th Guam Legislature - Senatorial Office	Hagåtña	\$27,245	3,784	\$0.60	Lessee
27th Guam Legislature - Senatorial Office	Hagåtña	\$24,842	1,882	\$1.10	Lessee
27th Guam Legislature - Senatorial Office	Hagåtña	\$10,656	1,480	\$0.60	Lessee
27th Guam Legislature - Senatorial Office	Hagåtña	\$7,968	800	\$0.83	Lessee
27th Guam Legislature - Senatorial Office	Hagåtña	\$24,000	2,239	\$0.89	Lessee
Legislative Branch - Total		\$ 541,284	41,528	\$1.09	
OPG	Hagåtña	\$16,800	784	\$1.79	Lessee
PDSC	Hagåtña	\$236,433	7,770	\$2.54	Lessor
Superior Court of Guam	Hagåtña	\$119,340	8,560	\$1.16	Lessee
Superior Court of Guam	Hagåtña	\$143,312	5,687	\$2.10	Lessor
Judicial Branch - Total		\$515,886	22,801	\$1.89	



EDDIE BAZA CALVO
Governor

RAY TENORIO
Lieutenant Governor

Office of the Governor Of Guam.

January 10, 2017

Doris Flores Brooks, CPA, CGFM
Office of Public Accountability
Suite 401, DNA Building
238 Archbishop Flores Street
Hagåtña, Guam 96910

Subject: Draft Report No. 16-XX - Analysis of Government of Guam Leases

Hafa Adai Public Auditor Brooks!

Thank you for the opportunity to comment on subject draft report provided to this office on December 23, 2016. In general, this report facilitates discussions and plans to invest in Government facilities to house agencies and reduce costs to lease.

The following comments are focused on specific indexed paragraphs in bolded font below and are submitted for your consideration:

Disparities in Lease Rates (page 2)

Recommend this section heading be changed to "Disparities in Lease Costs" to keep report consistency. The paragraph title appears again in the body of the report on page 7.

Introduction (page 3)

Although it is listed as one of the objectives of the analysis, the report does not specifically determine contributing factors for increases in lease costs. A thorough discussion of the report's scope limitations is made in Appendix 1. Despite this, an inference is made on page 8 that implementing a specific FY 2004 study OPA recommendation "*could have stemmed the significant increase in FY 2015 lease costs.*" This statement is speculative without a review of some if not all agency lease requirements and terms negotiated with lessors by GSA. Recommend this statement in page 8 be removed from the report.

Plans for Construction of Future Government Buildings (pages 9 and 10)

Without specific reference to the "*handling of procurement for the construction of Simon Sanchez.*" recommend the last sentence in this section be changed to read "*OPA recommends the Governor designate a lead agency for GovGuam Building construction.*"

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Also recommend the following be included in this section.

The Department of Land Management is soon to begin its construction of a five-story office building in Hagatna following the recent approval for its \$15.75 million loan as authorized by Public Law 29-46 and Public Law 29-135. Architectural drawings will be updated with ground breaking expected in 2017 and construction to hopefully be completed in a year. At that time, DLM along with Chamorro Land Trust Commission and Guam Ancestral Lands Commission personnel will relocate from their present facilities. DLM anticipates the use of three of the five floors while the other two floors will be available to other government agencies to lease.

Conclusion and Recommendations (pages 2 and 11)

Since 2005, the Office of Public Accountability (OPA) urged the Legislature to begin evaluating whether or not it is feasible to initiate long-term planning to acquire or build facilities to house government entities for the future. In the audit report, OPA stated that the amount of money spent on leases could be used to purchase or build office space to house government entities. **Response: This Administration concurs with this conclusion and fully intends on finalizing plans to finance and build facilities that will allow GovGuam to relocate a number of agencies back to the capital city of Hagatna.**

In an effort to reduce lease costs, several GovGuam agencies have generated plans for building a new Government Building in Hagatna to house GovGuam entities. While agencies like Hagatna Restoration and Redevelopment Authority (HARRA), and Guam Preservation Trust (GPT) have plans for building, the Governor and Legislature must find the financial avenues to fund the construction or acquisition of buildings to house GovGuam entities. Furthermore, in an effort to avoid the lack of ownership found with the handling of procurement for the construction of Simon Sanchez High School, we recommend the Governor designate a lead agency for GovGuam Building construction. **Response: Along with HARRA, GPT, GEDA, GVB, and DCA, the Administration is actively working plans to finance the design and construction of an administration building and the Palacio in Hagatna. The initiative seeks to achieve lease and operations cost savings, work efficiencies, and centralized government customer services. It will also enhance our Capital and our visitor's experience to Guam.**

Until GovGuam has the means to follow through on plans for a new government building, our recommendation from the FY 2004 still apply. We still recommend an agency monitor and annually report all GovGuam leases, review and apply practicable standard guidelines for office space leases and establish minimum specifications for basic rent and common area maintenance fees for GovGuam office space. GEDA acknowledged that it is willing to take on this assignment, with the caveat that funding be provided. **Response: Generally, the establishment of standard lease guidelines would be beneficial. The Administration will assign GEDA and DOA/GSA to work to develop guidelines.**

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Again, I applaud your office on this report and its effort to facilitate and compliment discussions and plans to invest in GovGuam facilities that adequately house agencies and reduce lease costs. Our Administration is committed to cost-saving measures, and as noted in this report, has near term plans to work with the Legislature to fund the design and construction of new government buildings in Hagåtña to realize this goal. Thank you again for the opportunity to provide comments.

Sincerely,



Mark G. Calvo
Chief of Staff
Office of the Governor of Guam



Appendix 9:**Status of Audit Recommendations**

No.	Addressee	Audit Recommendation	Status	Action Required
1.	The Governor	Assign an agency to monitor and annually report to the Governor and Legislature all Government of Guam leases, including each entity's leased space, location, square footage, lease price, contract expiration date, services provided, and rationale for space.	OPEN	Please provide target date and title of official(s) responsible for implementing the recommendation.
2.	The Governor	Designate a lead agency for GovGuam Building construction to ensure accountability of the project.	OPEN	Please provide target date and title of official(s) responsible for implementing the recommendation.



Government of Guam
Analysis of Government of Guam Leases
Report No. 17-02, January 2017

ACKNOWLEDGEMENTS

Key contributions to this report were made by:
Llewelyn Terlaje, CGAP, CGFM, Audit Supervisor
Jerrick Hernandez, CGAP, Auditor-in-Charge
Christian Rivera, Audit Staff
Doris Flores Brooks, CPA, CGFM, Public Auditor

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