



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.

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