



# **GOVERNMENT OF GUAM ANALYSIS OF GOVERNMENT OF GUAM LEASES**

**PERFORMANCE AUDIT**

*October 1, 2021 through June 30, 2022*

**OPA Report No. 22-04**

**October 2022**





**Government of Guam  
Analysis of Government of Guam Leases**

**Performance Audit  
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**Executive Summary**  
**Analysis of Government of Guam Leases**  
**Report No. 22-04, October 2022**

In almost seven years, GovGuam has continued to increase its annual cost for leasing commercial spaces (office and other) from \$12.5 million (M) for 493,097 sq. ft. in fiscal year (FY) 2015 to \$15.7M for 582,396 sq. ft. in FY 2022, a difference of \$3.2M for an additional 89,299 square feet (sq. ft.) of space. The continuous increase in GovGuam's lease costs shows the urgent need to invest in the construction of new government-owned buildings, which has been recommended since the OPA's first audit on leases issued seventeen years ago in 2005.

Majority of GovGuam's FY 2022 leases were for office space totaling \$15.2M in annual costs, while other commercial space totaled \$422 thousand (K) in annual costs. Specifically:

- The Executive Branch's annual cost for leasing commercial space was \$14.5M for 519,094 sq. ft. of space, with an average monthly cost of \$2.32 per sq. ft.
- The Legislative Branch's annual cost for leasing commercial space was \$384K for 21,422 sq. ft. of space, with an average monthly cost of \$1.49 per sq. ft.
- The Judicial Branch's annual cost for leasing commercial space was \$796K for 41,880 sq. ft. of space, with an average monthly cost of \$1.58 per sq. ft.

**Table 1: Summary of FY 2022 Leases**

| Government Branches       | No. of Entities | Number of Leases |           |           | Approximate Sq. Ft. |               |                | Total Lease Costs   |                  |                     | Total Monthly Cost per Sq. Ft. |               |               |
|---------------------------|-----------------|------------------|-----------|-----------|---------------------|---------------|----------------|---------------------|------------------|---------------------|--------------------------------|---------------|---------------|
|                           |                 | Office           | Other     | Total     | Office              | Other         | Total          | Office              | Other            | Total               | Office                         | Other         | Total         |
| Executive                 |                 |                  |           |           |                     |               |                |                     |                  |                     |                                |               |               |
| Line <sup>1</sup>         | 27              | 51               | 5         | 56        | 421,694             | 12,113        | 433,807        | \$11,941,986        | \$143,108        | \$12,085,094        | \$2.36                         | \$0.98        | \$2.32        |
| Autonomous <sup>2,3</sup> | 8               | 5                | 4         | 9         | 70,373              | 14,914        | 85,287         | \$2,166,504         | \$229,110        | \$2,395,614         | \$2.57                         | \$1.28        | \$2.34        |
| <b>Executive Total</b>    | <b>35</b>       | <b>56</b>        | <b>9</b>  | <b>65</b> | <b>492,067</b>      | <b>27,027</b> | <b>519,094</b> | <b>\$14,108,490</b> | <b>\$372,218</b> | <b>\$14,480,708</b> | <b>\$2.39</b>                  | <b>\$1.15</b> | <b>\$2.32</b> |
| Legislative               | 13              | 13               | -         | 13        | 21,422              | -             | 21,422         | \$384,000           | \$-              | \$384,000           | \$1.49                         | \$-           | \$1.49        |
| Judicial                  | 3               | 5                | 1         | 6         | 34,880              | 7,000         | 41,880         | \$746,436           | \$49,500         | \$795,936           | \$1.78                         | \$0.59        | \$1.58        |
| <b>Grand Total</b>        | <b>51</b>       | <b>74</b>        | <b>10</b> | <b>84</b> | <b>548,369</b>      | <b>34,027</b> | <b>582,396</b> | <b>\$15,238,926</b> | <b>\$421,718</b> | <b>\$15,660,644</b> | <b>\$2.32</b>                  | <b>\$1.03</b> | <b>\$2.24</b> |

<sup>1</sup>Excludes Office of the Governor  
<sup>2</sup>Excludes GDOE and GVB  
<sup>3</sup>Includes OAG and OPA

**Guam Department of Education (GDOE) Pays the Highest Annual Costs for Office Space**  
GDOE pays the highest annual lease costs at \$3.2M for their 83,500 sq. ft. office; however, they were excluded from our overall GovGuam lease analysis because they have a lease-to-purchase agreement with an annual rental cost of \$10.1M for the Tiyan Campus, for which the construction of GDOE's Central Offices was included. The lease-to-purchase agreement is different from the typical lease agreements all other GovGuam agencies included in our analysis have.

**Top Five GovGuam Agencies Each Pay Over \$1M in Annual Lease Costs**  
*Department of Public Health and Social Services (DPHSS)*

As shown in Table 2, DPHSS had the highest annual lease cost for office space at \$2.8M for the highest total square footage of 98,333 sq. ft. DPHSS also had the highest overall increase since FY 2015. DPHSS' annual cost increased by \$1.8M, or about 171%, and the square footage also

increased by 50,012 sq. ft., or about 103%. The increase is largely attributed to DPHSS moving out of its Mangilao Main Facility in 2019 due to an electrical fire.

*Guam Customs and Quarantine Agency (CQA)*

While CQA reduced its total lease costs by \$162K from its FY 2015 total of \$2.7M, it still had the second-highest annual lease cost for office space at \$2.6M for a total square footage of 46,708 sq. ft. and pays the highest average cost per square footage of \$4.68 per square foot.

*Office of Attorney General of Guam (OAG)*

OAG had the third-highest total annual lease cost for office space at \$1.6M – an increase of \$55.8K resulting from additional space to accommodate investigator and white collar crime units. In addition, OAG pays the highest cost per square foot for its office lease compared to other GovGuam tenants at the ITC Building at \$3.00 per sq. ft, which has remained unchanged since FY 2015. By comparison, the Department of Administration (DOA) has a cost per square footage rate of \$1.95 per sq. ft., and the Guam Economic Development Authority (GEDA) has a cost per square footage rate of \$2.00 for much less total space in the ITC Building.

*Department of Revenue and Taxation (DRT)*

DRT had the fourth-highest annual lease cost for office space at \$1.4M, which resulted from an increase of \$391K for an additional 4,906 sq. ft. of space – the third-highest increase in annual lease costs among the top 10 agencies. DRT's 55,000 sq. ft. office space is also the largest contiguous leased space of all the GovGuam agencies. Although DRT has the largest amount of space for a single lease, their average price per sq. ft., \$2.08, is lower than the average of \$2.47 per sq. ft. paid for among the top 10 agencies.

*Guam Police Department (GPD)*

GPD had the fifth-highest annual lease cost for office space at \$1.2M and the second-highest increase in annual lease costs at \$700K (or 130%) from \$537K in FY 2015. The approximate sq. ft. increased by 30,000 sq. ft. (or 74%) from 40,480 sq. ft. in FY 2015 to 70,480 sq. ft. in FY 2022. The significant increases are primarily attributed to two additional leases, which have an aggregate annual lease cost and square footage of \$470K and 24,681 sq. ft., respectively.

**Table 2: Top Ten Executive Branch Agencies with Highest Office Lease Costs**

| Government Agencies   |        | FY 2022                  |                     |   | FY 2015                  |                     |   | VARIANCE                 |                     |   |
|-----------------------|--------|--------------------------|---------------------|---|--------------------------|---------------------|---|--------------------------|---------------------|---|
|                       |        | Total Annual Rental Cost | Approximate Sq. Ft. | Average Monthly Rental Cost per Sq. Ft. | Total Annual Rental Cost | Approximate Sq. Ft. | Average Monthly Rental Cost per Sq. Ft. | Total Annual Rental Cost | Approximate Sq. Ft. | Average Monthly Rental Cost per Sq. Ft. |
| No.                   | Agency |                          |                     |   |                          |                     |   |                          |                     |   |
| 1.                    | DPHSS  | \$2,801,224              | 98,333              | \$2.37                                  | \$1,031,881              | 48,321              | \$1.78                                  | \$1,769,343              | 50,012              | \$0.59                                  |
| 2.                    | CQA    | \$2,624,963              | 46,708              | \$4.68                                  | \$2,787,045              | 54,347              | \$4.27                                  | \$(162,082)              | (7,639)             | \$0.41                                  |
| 3.                    | OAG    | \$1,584,540              | 44,015              | \$3.00                                  | \$1,528,740              | 42,465              | \$3.00                                  | \$55,800                 | 1,550               | \$ -                                    |
| 4.                    | DRT    | \$1,370,026              | 55,000              | \$2.08                                  | \$978,588                | 50,094              | \$1.63                                  | \$391,438                | 4,906               | \$0.45                                  |
| 5.                    | GPD    | \$1,236,611              | 70,480              | \$1.46                                  | \$536,765                | 40,480              | \$1.11                                  | \$699,846                | 30,000              | \$0.35                                  |
| 6.                    | DOL    | \$719,988                | 23,255              | \$2.58                                  | \$623,772                | 21,690              | \$2.40                                  | \$96,216                 | 1,565               | \$0.18                                  |
| 7.                    | DLM    | \$692,664                | 23,560              | \$2.45                                  | \$774,062                | 27,449              | \$2.35                                  | \$(81,398)               | (3,889)             | \$0.10                                  |
| 8.                    | DOA    | \$492,266                | 21,037              | \$1.95                                  | \$474,926                | 20,296              | \$1.95                                  | \$17,340                 | 741                 | \$ -                                    |
| 9.                    | DISID  | \$376,116                | 15,700              | \$2.00                                  | \$364,344                | 15,181              | \$2.00                                  | \$11,772                 | 519                 | \$ -                                    |
| 10.                   | GEDA   | \$348,672                | 14,528              | \$2.00                                  | \$248,928                | 8,607               | \$2.41                                  | \$99,744                 | 5,921               | \$(0.41)                                |
| <b>Subtotal</b>       |        | <b>\$12,247,069</b>      | <b>412,616</b>      | <b>\$2.47</b>                           | <b>\$9,349,051</b>       | <b>328,930</b>      | <b>\$2.29</b>                           | <b>\$2,898,019</b>       | <b>83,686</b>       | <b>\$2.89</b>                           |
| <b>Other Entities</b> |        | <b>\$1,861,422</b>       | <b>79,451</b>       | <b>\$1.95</b>                           | <b>\$1,358,100</b>       | <b>69,685</b>       | <b>\$1.62</b>                           | <b>\$503,321</b>         | <b>9,767</b>        | <b>\$0.33</b>                           |
| <b>Grand Total</b>    |        | <b>\$14,108,491</b>      | <b>492,067</b>      | <b>\$2.39</b>                           | <b>\$10,707,151</b>      | <b>398,615</b>      | <b>\$2.24</b>                           | <b>\$3,401,340</b>       | <b>93,453</b>       | <b>\$0.15</b>                           |

### **Five Agencies Have Extension of Leases Beyond Original Term**

During our review, we noted four agencies – Department of Integrated Services for Individuals with Disabilities (DISID), DOA, GPD, and Serve Guam Commission – whose leases have expired but are currently utilizing a hold-over clause to maintain tenancy for their offices. A hold-over clause in a commercial lease provides that if a tenant remains in possession of the leased premises after the expiration of the stated lease term, the tenant must pay rent to the landlord in an amount substantially in excess of the rental rate at the end of the term – typically as high as 150 to 200 percent. Similarly, GEDA's office lease at the ITC Building has been ongoing since 1991. This is due to a clause in the agreement which 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."

### **GovGuam Should Invest in Renovations and Repairs of Government-Owned Buildings**

Starting with the Manuel F.L. Guerrero Building in Hagåtña, which previously housed DOA and GDOE's Administrative Offices, it has become a pattern of GovGuam automatically deciding to demolish or condemn a government-owned building instead of investing in renovations and repairs. The 70,000 sq. ft. building was demolished in 2015 as part of a revitalization effort for Hagåtña; however, the building at the time was deemed by DPW as "not structurally unsound" despite having some structural issues. The condemnation and demolition of the building resulted in annual costs totaling \$492K for DOA and \$3.2M for GDOE. Instead of condemning and demolishing, GovGuam could have invested in renovations and repairs to allow DOA, GDOE, or other GovGuam agencies to move back into government-owned property.

Secondly, DPHSS has stated that they have no plans to move back to the Mangilao Main Facility. Instead, Bill No. 296-36, introduced in April 2022, proposes the transfer of the DPHSS Mangilao Main Facility property to GCC to construct a nursing annex. As a result, DPHSS will continue to be the top GovGuam agency paying the highest annual lease costs of \$2.8M. Therefore, to reduce DPHSS' office lease costs, we recommend that GovGuam invest in the repair of the Mangilao Main Facility and for DPHSS to retain ownership and occupancy of the property.

Lastly, the current administration is spearheading plans for the construction of a new medical complex in Mangilao to house GMHA, DPHSS and GBHWC. As of the release of this audit report, the administration has not announced any concrete plans related to the use of the existing government-owned structures currently occupied by these entities.

### **Hagåtña Master Plan Continues To Be Stagnant**

The Hagåtña Master Plan is a proposal from the Hagåtña Restoration and Redevelopment Authority (HARRA) that encompasses the vision for Hagåtña as the Capital City of Guam. The HARRA Implementation Plan – a component of the Master Plan – covers a portfolio of 30 projects, including a Government Civic Center Complex at the Plaza de España and a Land Resources Building near the Guam Preservation Trust Building. An update to the 2005 Master Plan Draft was completed and approved by the Governor in 2021; however, the Master Plan failed to pass into public law by the Legislature in April 2022. A revised Master Plan was submitted for approval to the Legislature in October 2022. Additional delays, such as the discovery of human remains at the proposed site for the Land Resources Building and the need for a flood mitigation study of the Plaza de España, have hindered the progress of these projects.

### **Conclusion and Recommendations**

While several GovGuam agencies have made efforts to reduce lease costs since OPA's initial audit recommendation in 2005, GovGuam continues to increase lease expenses. A GovGuam building, as indicated in the Hagåtña Master Plan since 2005, is urgently needed. In addition, there continues to be no one agency that has oversight over all GovGuam leases. Until GovGuam and the HRRA can progress construction of the government buildings, we recommend the Governor appoint a central agency to be assigned to regulate and monitor the procurement of leases, as well as for prioritization of investment towards existing GovGuam buildings.



Benjamin J.F. Cruz  
Public Auditor

## Glossary of Acronyms

|              |   |                     |   |
|--------------|---|---------------------|---|
| <b>APD</b>   | Alternate Public Defender   | <b>GHS/OCD /GRO</b> | Guam Homeland Security/Office of Civil Defense/Guam Recovery Office                   |
| <b>CAHA</b>  | Guam Council on the Arts and Humanities                             | <b>GHURA</b>        | Guam Housing and Urban Renewal Authority  |
| <b>CLC</b>   | Kumision I Fino<br>CHamoru/CHamoru Language Commission              | <b>GIAA</b>         | Guam International Airport Authority  |
| <b>CLTC</b>  | CHamoru Land Trust Commission                                       | <b>GMHA</b>         | Guam Memorial Hospital Authority  |
| <b>CSC</b>   | Civil Service Commission  | <b>GovGuam</b>      | Government of Guam  |
| <b>CDLO</b>  | Community Defense Liaison Office                                    | <b>GPD</b>          | Guam Police Department  |
| <b>CQA</b>   | Customs & Quarantine Agency   | <b>GPA</b>          | Guam Power Authority  |
| <b>DOA</b>   | Department of Administration  | <b>GVAO</b>         | Guam Veterans Affairs Office  |
| <b>DCA</b>   | Department of CHamoru Affairs                                       | <b>GVB</b>          | Guam Visitors Bureau  |
| <b>DISID</b> | Department of Integrated Services for Individuals with Disabilities | <b>GWA</b>          | Guam Waterworks Authority   |
| <b>DOL</b>   | Department of Labor   | <b>HRRA</b>         | Hagåtña Restoration and Redevelopment Authority                                       |
| <b>DLM</b>   | Department of Land Management                                       | <b>IACS</b>         | iLearn Academy Charter School   |
| <b>DPHSS</b> | Department of Public Health and Social Services                     | <b>JOG</b>          | Judiciary of Guam   |
| <b>DRT</b>   | Department of Revenue and Taxation                                  | <b>MCOG</b>         | Mayor's Council of Guam   |
| <b>GACS</b>  | Guahan Academy Charter School                                       | <b>OHAPP</b>        | Office of Homelessness Assistance and Poverty Prevention                              |
| <b>GASB</b>  | Governmental Accounting Standards Board                             | <b>OPA</b>          | Office of Public Accountability   |
| <b>GBHWC</b> | Guam Behavioral Health and Wellness Center                          | <b>OAG</b>          | Office of the Attorney General of Guam  |
| <b>GBOA</b>  | Guam Board of Accountancy   | <b>OIG</b>          | Department of the Interior, Office of the Inspector General                           |
| <b>GCEC</b>  | Guam Commission for Educator Certification                          | <b>PEALS</b>        | Guam Board of Registration for Professional Engineers, Architects, and Land Surveyors |
| <b>GDDC</b>  | Guam Developmental Disabilities Council                             | <b>PBS Guam</b>     | Public Broadcasting System Guam   |
| <b>GDOE</b>  | Guam Department of Education  | <b>PDSC</b>         | Public Defender Service Corporation   |
| <b>GEC</b>   | Guam Election Commission  | <b>PUC</b>          | Public Utilities Commission   |
| <b>GEDA</b>  | Guam Economic Development Authority                                 | <b>SiFA</b>         | Science is Fun and Awesome Learning Academy Charter School                            |
| <b>GFD</b>   | Guam Fire Department  | <b>SGC</b>          | Serve Guam Commission   |
| <b>GHC</b>   | Guam Housing Corporation  | <b>UOG</b>          | University of Guam  |



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## **Introduction**

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This report presents the results of our analysis of office leases entered into by the Government of Guam (GovGuam) and existing as of June 30, 2022. This analysis is a follow-up of OPA Report No. 17-02, Analysis of Government of Guam Leases, issued in January 2017 and was included in OPA's Annual Audit Work Plan for 2022.

The objectives of our analysis were to determine:

1. The extent to which GovGuam entities were leasing office space and other facilities in FY 2022.
2. Whether the amount of lease cost and leased space increased in comparison to FY 2015. If so, determine the contributing factors for the increase.
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**

Title 5 of the Guam Code Annotated (GCA) §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. Such leases and lease-purchase agreements may be negotiated and entered into by the Governor with any person, partnership, corporation, or public or private entity, provided that no such lease or lease-purchase agreement shall exceed 50 years."

Title 5 GCA §22704(c) further states, "All lease or lease-purchase agreements that are proposed to be entered into pursuant to (a) hereof, where the total sum of money to be paid to the same lessor shall exceed \$10,000 or the total number of years involved shall exceed five years, may be entered into only after advertising for sealed bids in a newspaper of general circulation within the territory, 14 days prior to the formal bid opening, and then only to the lowest responsible bidder."

Furthermore, 5 GCA §40117 states, "The government of Guam shall provide adequate office space for every Municipal Mayor and Vice Mayor, such offices to be within the municipalities served by the respective Mayors and Vice Mayors. In the event private property is needed for such office, the government shall lease the same only after public bidding."

In a 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 are 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 Leases, in October 2005. OPA found much disparity in lease rates, the amount of space leased, and the services provided by Lessors. As a result, the following suggestions were made to 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, 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 avoided whenever possible; and (4) GSA should have prior approval authority over all lease contracts of line entities.

Although the then-DOA Director generally concurred with the findings and suggestions from the 2005 audit, these recommendations remained unimplemented. As a result, in OPA Report No. 17-02, Analysis of GovGuam Leases, OPA suggested that GEDA, through its property managers, establish minimum specifications and guidelines and monitor all GovGuam leases. However, this recommendation also remained unimplemented, as GEDA required additional funding to take on this assignment.

## Results of Audit

In almost seven years, GovGuam has continued to increase its annual cost for leasing commercial spaces (office and other) from \$12.5 million (M) for 493,097 sq. ft. in fiscal year (FY) 2015 to \$15.7M for 582,396 sq. ft. in FY 2022, a difference of \$3.2M for an additional 89,299 square feet (sq. ft.) of space. The continuous increase in GovGuam's lease costs shows the urgent need to invest in the construction of new government-owned buildings, which has been recommended since the OPA's first audit on leases issued seventeen years ago in 2005.

The majority of GovGuam's FY 2022 leases were for office space totaling \$15.2M in annual costs, while other commercial space totaled \$422 thousand (K) in annual costs. Specifically:

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- The Judicial Branch's annual cost for leasing commercial space was \$796K for 41,880 sq. ft. of space, with an average monthly cost of \$1.58 per sq. ft.

In total, we collected 84 leases for commercial space leased by 51 GovGuam entities. Refer to Table 1 for a summary of FY 2022 leases and Table 2 for a summary of FY 2015 leases. See Appendix 3 for a listing of entities with office space leases in FY 2022 and Appendix 6 for details of each office lease.

**Table 1: Summary of FY 2022 Leases**

| Government Branches       | No. of Entities | Number of Leases |           |           | Approximate Sq. Ft. |               |                | Total Lease Costs   |                  |                     | Total Monthly Cost per Sq. Ft. |               |               |
|---------------------------|-----------------|------------------|-----------|-----------|---------------------|---------------|----------------|---------------------|------------------|---------------------|--------------------------------|---------------|---------------|
|                           |                 | Office           | Other     | Total     | Office              | Other         | Total          | Office              | Other            | Total               | Office                         | Other         | Total         |
| Executive                 |                 |                  |           |           |                     |               |                |                     |                  |                     |                                |               |               |
| Line <sup>1</sup>         | 27              | 51               | 5         | 56        | 421,694             | 12,113        | 433,807        | \$11,941,986        | \$143,108        | \$12,085,094        | \$2.36                         | \$0.98        | \$2.32        |
| Autonomous <sup>2,3</sup> | 8               | 5                | 4         | 9         | 70,373              | 14,914        | 85,287         | \$2,166,504         | \$229,110        | \$2,395,614         | \$2.57                         | \$1.28        | \$2.34        |
| <b>Executive Total</b>    | <b>35</b>       | <b>56</b>        | <b>9</b>  | <b>65</b> | <b>492,067</b>      | <b>27,027</b> | <b>519,094</b> | <b>\$14,108,490</b> | <b>\$372,218</b> | <b>\$14,480,708</b> | <b>\$2.39</b>                  | <b>\$1.15</b> | <b>\$2.32</b> |
| Legislative               | 13              | 13               | -         | 13        | 21,422              | -             | 21,422         | \$384,000           | \$-              | \$384,000           | \$1.49                         | \$-           | \$1.49        |
| Judicial                  | 3               | 5                | 1         | 6         | 34,880              | 7,000         | 41,880         | \$746,436           | \$49,500         | \$795,936           | \$1.78                         | \$0.59        | \$1.58        |
| <b>Grand Total</b>        | <b>51</b>       | <b>74</b>        | <b>10</b> | <b>84</b> | <b>548,369</b>      | <b>34,027</b> | <b>582,396</b> | <b>\$15,238,926</b> | <b>\$421,718</b> | <b>\$15,660,644</b> | <b>\$2.32</b>                  | <b>\$1.03</b> | <b>\$2.24</b> |

<sup>1</sup>Excludes Office of the Governor  
<sup>2</sup>Excludes GDOE and GVB  
<sup>3</sup>Includes OAG and OPA

**Table 2: Summary of FY 2015 Leases**

| Government Branches    | No. of Entities | Number of Leases |           |           | Approximate Sq. Ft. |               |                | Total Lease Costs   |                  |                     | Total Monthly Cost per Sq. Ft. |               |               |
|------------------------|-----------------|------------------|-----------|-----------|---------------------|---------------|----------------|---------------------|------------------|---------------------|--------------------------------|---------------|---------------|
|                        |                 | Office           | Other     | Total     | Office              | Other         | Total          | Office              | Other            | Total               | Office                         | Other         | Total         |
| Executive              |                 |                  |           |           |                     |               |                |                     |                  |                     |                                |               |               |
| Line <sup>1</sup>      | 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             | 9               | 7                | 5         | 12        | 66,849              | 10,222        | 77,071         | \$2,193,289         | \$142,975        | \$2,336,264         | \$2.73                         | \$1.17        | \$2.53        |
| <b>Executive Total</b> | <b>29</b>       | <b>44</b>        | <b>19</b> | <b>63</b> | <b>398,616</b>      | <b>23,113</b> | <b>421,729</b> | <b>\$10,707,153</b> | <b>\$485,198</b> | <b>\$11,192,351</b> | <b>\$2.24</b>                  | <b>\$1.75</b> | <b>\$2.22</b> |
| Legislative            | 11              | 11               | -         | 11        | 36,830              | -             | 36,830         | \$536,280           | \$-              | \$536,280           | \$1.21                         | \$-           | \$1.21        |
| Judicial               | 3               | 3                | 2         | 5         | 22,226              | 12,312        | 34,538         | \$539,124           | \$207,000        | \$746,124           | \$2.02                         | \$1.40        | \$1.80        |
| <b>Grand Total</b>     | <b>43</b>       | <b>58</b>        | <b>21</b> | <b>79</b> | <b>457,672</b>      | <b>35,425</b> | <b>493,097</b> | <b>\$11,782,557</b> | <b>\$692,198</b> | <b>\$12,474,755</b> | <b>\$2.15</b>                  | <b>\$1.63</b> | <b>\$2.11</b> |

<sup>1</sup>Excludes Office of the Governor

## **GDOE Pays the Highest Annual Costs for Office Space**

GDOE pays the highest annual lease costs at \$3.2M for their 83,500 sq. ft. office; however, they were excluded from our overall GovGuam total lease analysis because they have a lease-to-purchase agreement with an annual rental cost of \$10.1M. GDOE pays \$6M (\$500K per month) for 1.4M sq. ft. of land used for the gymnasium, GDOE Central Office, and two warehouses; \$3.2M (\$266K per month) for an 83,500 sq. ft. office building; \$343K (\$29K per month) for two warehouses totaling 33,000 sq. ft.; and \$576K



*GDOE Central Offices in Tiyán (Barrigada)*

(\$48K per month) for a 14,000 sq. ft. gymnasium. Additionally, as of FY 2021, GDOE incurred the following expenditures for two school leaseback agreements: \$7.3M for John F. Kennedy High School and \$2.9M for the expansion of Okkodo High School.

## **Analysis of Annual Lease Costs for Office Space**

We reviewed a total of 74 office leases held by 51 entities, which aggregately cost GovGuam \$15.2M in FY 2022. Of the 74 office leases, 56 are executive branch leases, 13 are legislative branch leases, and five are judicial branch leases.

### **Executive Leases**

Included in the 56 executive branch leases were three office spaces leased for a portion of FY 2022. Two of these leases – one from GHC and PUC – expired in February 2022 and May 2022, respectively. The associated rental costs for these leases were calculated based on the remaining lease term applicable to FY 2022. Because lease costs depend on external factors, such as negotiations between the potential lessor and the lessee, the aforementioned agencies' actual lease costs for FY 2022 cannot be fully and accurately determined. Additionally, one GFD office lease that began in December 2021 was included with calculations of \$182K for the remaining ten months of FY 2022.

### ***Top Five GovGuam Agencies Each Pay Over \$1M in Annual Lease Costs***

The top ten executive branch agencies had annual lease costs ranging from \$349K to \$2.8M, which account for 87% of total executive office lease costs. The top five agencies each pay over \$1M in annual lease costs for FY 2022. Furthermore, the top ten executive agencies have increased their lease costs by about \$2.9M for an additional 83,686 sq. ft. of space from FY 2015. Refer to Table 3 below and Appendix 3A for a full comparative listing.

**Table 3: Top 10 Executive Branch Agencies with Highest Office Lease Costs**

| Government Agencies   |        | FY 2022                  |                     |   | FY 2015                  |                     |   | VARIANCE                 |                     |   |
|-----------------------|--------|--------------------------|---------------------|---|--------------------------|---------------------|---|--------------------------|---------------------|---|
|                       |        | Total Annual Rental Cost | Approximate Sq. Ft. | Average Monthly Rental Cost per Sq. Ft. | Total Annual Rental Cost | Approximate Sq. Ft. | Average Monthly Rental Cost per Sq. Ft. | Total Annual Rental Cost | Approximate Sq. Ft. | Average Monthly Rental Cost per Sq. Ft. |
| No.                   | Agency |                          |                     |   |                          |                     |   |                          |                     |   |
| 1.                    | DPHSS  | \$2,801,224              | 98,333              | \$2.37                                  | \$1,031,881              | 48,321              | \$1.78                                  | \$1,769,343              | 50,012              | \$0.59                                  |
| 2.                    | CQA    | \$2,624,963              | 46,708              | \$4.68                                  | \$2,787,045              | 54,347              | \$4.27                                  | \$(162,082)              | (7,639)             | \$0.41                                  |
| 3.                    | OAG    | \$1,584,540              | 44,015              | \$3.00                                  | \$1,528,740              | 42,465              | \$3.00                                  | \$55,800                 | 1,550               | \$ -                                    |
| 4.                    | DRT    | \$1,370,026              | 55,000              | \$2.08                                  | \$978,588                | 50,094              | \$1.63                                  | \$391,438                | 4,906               | \$0.45                                  |
| 5.                    | GPD    | \$1,236,611              | 70,480              | \$1.46                                  | \$536,765                | 40,480              | \$1.11                                  | \$699,846                | 30,000              | \$0.35                                  |
| 6.                    | DOL    | \$719,988                | 23,255              | \$2.58                                  | \$623,772                | 21,690              | \$2.40                                  | \$96,216                 | 1,565               | \$0.18                                  |
| 7.                    | DLM    | \$692,664                | 23,560              | \$2.45                                  | \$774,062                | 27,449              | \$2.35                                  | \$(81,398)               | (3,889)             | \$0.10                                  |
| 8.                    | DOA    | \$492,266                | 21,037              | \$1.95                                  | \$474,926                | 20,296              | \$1.95                                  | \$17,340                 | 741                 | \$ -                                    |
| 9.                    | DISID  | \$376,116                | 15,700              | \$2.00                                  | \$364,344                | 15,181              | \$2.00                                  | \$11,772                 | 519                 | \$ -                                    |
| 10.                   | GEDA   | \$348,672                | 14,528              | \$2.00                                  | \$248,928                | 8,607               | \$2.41                                  | \$99,744                 | 5,921               | \$(0.41)                                |
| <b>Subtotal</b>       |        | <b>\$12,247,069</b>      | <b>412,616</b>      | <b>\$2.47</b>                           | <b>\$9,349,051</b>       | <b>328,930</b>      | <b>\$2.29</b>                           | <b>\$2,898,019</b>       | <b>83,686</b>       | <b>\$2.89</b>                           |
| <b>Other Entities</b> |        | <b>\$1,861,422</b>       | <b>79,451</b>       | <b>\$1.95</b>                           | <b>\$1,358,100</b>       | <b>69,685</b>       | <b>\$1.62</b>                           | <b>\$503,321</b>         | <b>9,767</b>        | <b>\$0.33</b>                           |
| <b>Grand Total</b>    |        | <b>\$14,108,491</b>      | <b>492,067</b>      | <b>\$2.39</b>                           | <b>\$10,707,151</b>      | <b>398,615</b>      | <b>\$2.24</b>                           | <b>\$3,401,340</b>       | <b>93,453</b>       | <b>\$0.15</b>                           |

**Department of Public Health and Social Services**



*DPHSS Mangilao Main Facility*

DPHSS had the highest annual lease cost for office space at \$2.8M and the highest increase in annual lease costs at \$1.8M (or 171%) from FY 2015. The square footage also increased by 50,012 sq. ft., or 103%. In 2019, DPHSS experienced an electrical fire at their Mangilao Main Facility, which prompted the Governor to issue Executive Order No. 2019-26 declaring a state of emergency for DPHSS and authorizing the use of emergency procurement for the relocation of operations from the Mangilao Main Facility to alternative sites.

As a result, several divisions previously located at the Mangilao Main Facility are now split among the DPHSS-owned Northern Regional Health Center in Dededo; the GovGuam-owned Hesler Building in Hagåtña; and various leased spaces in Hagåtña, Mangilao, Tamuning, and Tiyan. In our review of DPHSS' various lease agreements, we found that three leased spaces at the RAN Care Building in Tamuning, which were obtained using emergency procurement, do not have formalized contracts/lease agreements. These spaces are being leased on a month-to-month basis, with total costs ranging from \$9K to \$33K.



*The Hesler Building in Hagåtña*

DPHSS stated that they have no plans to move back to the Mangilao Main Facility, as their operations have since outgrown the capacity of the building. Bill No. 296-36, introduced in April 2022, proposes the transfer of the DPHSS Mangilao Main Facility property to GCC for the construction of a nursing annex. To further consolidate its lease costs and to provide better service for the island, DPHSS is seeking to lease a single space to house most, if not all, of its operations. Additionally, DPHSS is earmarked to move to the proposed Medical Campus in Mangilao.

## **Customs and Quarantine Agency**



*CQA Investigation & Clearance Office in Tiyan (Barrigada)*

CQA's total annual lease cost for FY 2022 is \$2.6M – a decrease of \$162K from FY 2015's total annual cost of \$2.8M. A significant portion of CQA's total annual lease cost is attributed to a single \$1.8M lease, and is also the primary reason for the reduction in their lease costs as they reduced the leased space by 7,639 sq. ft. All other CQA office space leases have remained the same since FY 2015. While CQA reduced its total lease costs from FY 2015, it still had the second-highest annual lease cost for office space as of FY 2022. Additionally, CQA continues to pay the highest monthly average cost per square foot (\$4.68 per sq. ft.) among the top ten GovGuam agencies since FY 2015.

## **Office of the Attorney General of Guam**

OAG had the third-highest total annual lease cost for office space at \$1.6M – an increase of \$56K from FY 2015's total annual cost of \$1.5M. The increase is attributed to additional space to accommodate investigator and white collar crime units.

## **Department of Revenue and Taxation**

DRT had the fourth-highest annual lease cost for office space at \$1.4M, which resulted from an increase of \$391K for an additional 4,906 sq. ft. of space – the third-highest increase in annual lease costs among the top ten agencies. DRT's 55,000 sq. ft. office space is also the largest contiguous leased space of all the GovGuam agencies. Although DRT has the largest amount of space for a single lease, their average price per sq. ft., \$2.08, is lower than the average of \$2.47 per sq. ft. paid for among the top ten agencies.



*DRT Office in Barrigada*

## **Guam Police Department**



*GPD Office of the Chief of Police, Juvenile Investigation Section in Tiyan (Barrigada)*

GPD had the fifth-highest annual lease cost for office space at \$1.2M and the second-highest increase in annual lease costs at \$700K (or 130%) from \$537K in FY 2015. GPD's total leased square footage increased by 30,000 sq. ft. (or 74%) from 40,480 sq. ft. in FY 2015 to 70,480 sq. ft. in FY 2022. The significant increases are primarily attributed to two additional office leases, which have an aggregate annual lease cost and square footage of \$470K and 24,681 sq. ft., respectively. Costs for GPD's office lease for the Records and Identification Section & Planning,

Research, and Development Section at the ITC Building in Tamuning increased by \$34K from FY 2015, despite no change in their 7,000 sq. ft. space. Additionally, the Recreational Boating Safety office is now under a new lessor, which further increased GPD's aggregate lease cost and square footage by \$179.4K and 6,000 sq. ft., respectively.

### ***Disparities in Lease Costs***

Many GovGuam agencies can be found in the same buildings throughout the island. An analysis of these agencies shows several disparities in lease costs, although they are leasing in the same building under the same lessor. Our analysis of the top ten agencies showed that five agencies – OAG, GPD, DLM, DOA, and GEDA – have office leases located at the ITC Building in Tamuning. These agencies have large disparities in lease rates, with the OAG continually paying the highest rate at \$3.00 per sq. ft. and DOA paying the lowest rate at \$1.95 per sq. ft. since FY 2015. Although the OAG, DOA, and GEDA have increased the total square footage of their office leases since FY 2015, only GEDA realized a decrease in its total cost per sq. ft. – going from \$2.41 per sq. ft. in FY 2015 to \$2.00 per sq. ft. in FY 2022.



*The ITC Building in Tamuning*



*The DNA Building in Hagåtña*

The DNA Building in Hagåtña houses the offices of five executive agencies – OPA, GFD, DISID, CAHA, and GHS/OCD/GRO – and five senatorial offices. One of two GFD leases and GHS/OCD/GRO have a rental rate of \$3.00 per sq. ft. for their offices. The remaining executive agency leases had costs ranging from \$2.00 per sq. ft. to \$2.15 per sq. ft. The five senatorial offices paid rates ranging from \$1.20 per sq. ft. to \$1.93 per sq. ft. The average rate for these leases is \$1.99.

The University Castle Mall in Mangilao houses four DPHSS offices along with the GDDC office. Despite being under the same lessor, DPHSS' cost per sq. ft. varies greatly among its four leases. DPHSS pays an average of \$2.19 per sq. ft. for its four leases, with the lowest rate at \$1.99 per sq. ft. and the highest rate at \$2.40 per sq. ft. The disparity among DPHSS' leases is likely attributed to the four leases having been entered into at different points in time; however, DPHSS' average rate among its four office leases at the University Castle Mall is lower than the GDDC's cost per sq. ft. of \$2.29.



*The University Castle Mall in Mangilao*

An overall analysis of office lease costs showed that 59 of 68 leases included utilities. Agencies paid average costs varying from \$0.68 per sq. ft. to \$3.00 per sq. ft., or an overall average of \$1.84 per sq. ft. per government branch. For the nine leases that did not include utilities, average costs for agencies ranged from \$0.73 per sq. ft. to \$4.68 per sq. ft., or an overall average of \$1.14 per sq. ft. per government branch. See Tables 4 & 5 below for the lease costs inclusive and exclusive of utilities for FY 2022 and FY 2015. See Appendices 4 and 5 for a full listing of FY 2022 leases inclusive and exclusive of utilities, respectively.

**Table 4: Summary of FY 2022 Leases**

| Government Branches    | Inclusive of Utilities |                                  |                     |  | Exclusive of Utilities |                                  |                     |  |
|------------------------|------------------------|----------------------------------|---------------------|--|------------------------|----------------------------------|---------------------|--|
|                        | No. of Leases          | Average Monthly Cost per Sq. Ft. | Approximate Sq. Ft. | No. of Entities Paying Over Average Monthly Cost per Sq. Ft. | No. of Leases          | Average Monthly Cost per Sq. Ft. | Approximate Sq. Ft. | No. of Entities Paying Over Average Monthly Cost per Sq. Ft. |
| Executive <sup>1</sup> | 43                     | \$2.15                           | 343,400             | 16   | 7                      | \$1.88                           | 94,161              | 2  |
| Legislative            | 13                     | \$1.51                           | 21,422              | 3  | 0                      | \$ -                             | -                   | -  |
| Judicial               | 3                      | \$1.85                           | 23,500              | 1  | 2                      | \$1.55                           | 11,380              | -  |
| <b>Totals</b>          | <b>59</b>              | <b>\$1.84</b>                    | <b>388,322</b>      | <b>20</b>  | <b>9</b>               | <b>\$1.14</b>                    | <b>105,541</b>      | <b>2</b>   |

<sup>1</sup>Excluded Office of the Governor, GDOE, and GVB

Compared to FY 2015, leases inclusive of utilities increased from 48 to 59 while leases exclusive of utilities decreased by one. In FY 2015, we found that 48 leases were inclusive of utilities, with lease rates ranging from \$1.10 per sq. ft. to \$5.70 per sq. ft. For the ten leases that excluded utilities, rates ranged from \$0.43 per sq. ft. to \$2.60 per sq. ft. See Table 5 for a summary of the results of our analysis of leases including and excluding utilities in FY 2015.

**Table 5: Summary of FY 2015 Leases**

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

<sup>1</sup>Excluding the Office of the Governor.

Similar to the previous lease analysis results, the disparities in lease rates illustrate that agencies continue to procure leases independently. Recommendations have been made in the prior audits for a central agency to monitor and establish minimum specifications and guidelines regarding negotiating leases.

In FY 2004, OPA suggested that, based on the large 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. Although the then-DOA Director generally concurred with our results and suggestions, these suggestions remained unimplemented.

In FY 2015, OPA found GEDA to be the best agency suited to monitor GovGuam office space leases because they have the expertise of real property managers. Therefore, it was recommended that GEDA be assigned to establish minimum specifications and guidelines for leases and monitor

GovGuam leases. This assignment would entail creating and continually updating a database to include agency name, total square footage, monthly and annual costs 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; however, this suggestion also remained unimplemented.

We still believe a central agency should still be appointed to regulate and monitor the procurement of GovGuam leases.

### ***Decrease in Lease Costs for Select Agencies***

Despite GovGuam's overall increase in lease costs from FY 2015, we noted several executive line and autonomous agencies which had decreased their lease costs for FY 2022:

- ❖ DLM and DCA saw decreases of \$81K and \$128K, respectively, from their FY 2015 lease costs of \$774K and \$128K. These decreases were primarily attributed to the executive branch reorganization efforts initiated by the Governor through a series of Executive Orders signed in 2019. Executive Order No. 2019-01 removed CLTC and GALC from the purview of DLM by establishing them as separate entities. Similarly, HRRRA, PBS Guam, CAHA, and GPLS were removed from the purview of DCA through the issuance of Executive Order Nos. 2019-02, 2019-03, and 2019-14. Before the reorganization, DCA previously held the leases for the CAHA and HRRRA offices, which had total annual costs of \$44K and \$41K, respectively, in FY 2015. Rather than realizing organic decreases in lease costs, the decentralization of DLM and DCA spread out lease costs to the affected agencies separately; however, DCA realized savings of \$43K for its own office space through the use of a donated space.
- ❖ Two agencies – GEC and PDSC – were able to increase the total square footage of their office spaces while also decreasing their total lease costs. GEC realized a \$4.8K reduction in its annual lease costs due to the move to the Oka Building in Tamuning; however, GEC's current office space increased by 389 sq. ft. from its 3,802 sq. ft. office space from FY 2015. Similarly, PDSC realized a \$26K reduction in its annual lease costs due to renegotiations of its lease contract, along with an increase of 500 sq. ft. from the 12,000 sq. ft. of available office space in FY 2015.

### ***Five Agencies Have Extension of Leases Beyond Original Term***

While we did not review the procurement of leases as part of our analysis, we observed inconsistencies across the varying lease agreements, such as renewal periods and how often agencies go out on a new lease procurement.

During our review, we noted four agencies – DISID, DOA, GPD, and SGC – whose leases have expired but are currently utilizing a hold-over clause to maintain tenancy for their offices. A hold-over clause in a commercial lease provides that if a tenant remains in possession of the leased premises after the expiration of the stated lease term, the tenant must pay rent to the landlord in an amount substantially in excess of the rental rate at the end of the term – typically as high as 150 to 200 percent. However, all four agencies have negotiated a hold-over clause with their respective landlords that allows for tenancy on a month-to-month basis while retaining the same rental terms

as their expired lease(s). The Office of the Governor noted in its September 2022 management response that GPD has already issued proposals for two office spaces, while DOA and DISID are in the process of developing their solicitations for their respective office spaces. SGC issued a purchase order for its current office lease at the GCIC Building as of August 2022. See Appendix 8 for the Office of the Governor's full management response.

Similarly, GEDA's office lease at the ITC Building has been ongoing since 1991. This is due to a clause in the agreement which 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." The Office of the Governor stated that this arrangement is made possible through GEDA leveraging its position as the "landlord" for the land on which the ITC Building was built.

### Legislative Leases



*The Guam Congress Building in Hagåtña*

The Guam Legislature has a total of 13 office space lease agreements for the various senatorial offices with six different vendors. The average cost for the legislative leases is \$1.51 per sq. ft., with a total annual cost of \$384K. Of all the senatorial office leases, the highest rate is \$2.00, and the lowest is \$1.20. All legislative leases include utilities – primarily power and water. Out of the 13 office leases, ten are for spaces located in Hagåtña. Their leases are fixed monthly rates of either \$24K or \$36K a year, despite variations in office sizes. The

remaining senatorial offices are located in Tamuning and Sinajana. See Table 6 for a breakdown of the FY 2022 Legislative branch leases.

**Table 6: Legislative Leases**

| Legislative Office   |                              | Total Annual Rental Cost | Approximate Sq. Ft. | Average Rental Cost per Sq. Ft | Location (Village) | Utilities Included                       |
|----------------------|------------------------------|--------------------------|---------------------|--------------------------------|--------------------|--|
| No.                  | Name                         |                          |                     |                                |                    |  |
| 1.                   | Senatorial Office            | \$36,000                 | 2,045               | \$1.47                         | Hagåtña            | Power, water, waste                      |
| 2.                   | Senatorial Office            | \$36,000                 | 2,021               | \$1.48                         | Hagåtña            | Water, wastewater, and power up to \$250 |
| 3.                   | Senatorial Office            | \$36,000                 | 2,000               | \$1.50                         | Tamuning           | Water                                    |
| 4.                   | Office of Finance and Budget | \$36,000                 | 2,000               | \$1.50                         | Tamuning           | Water                                    |
| 5.                   | Senatorial Office            | \$36,000                 | 1,836               | \$1.63                         | Sinajana           | Power, water, waste                      |
| 6.                   | Senatorial Office            | \$24,000                 | 1,661               | \$1.20                         | Hagåtña            | Power, water                             |
| 7.                   | Senatorial Office            | \$24,000                 | 1,650               | \$1.21                         | Hagåtña            | All                                      |
| 8.                   | Senatorial Office            | \$36,000                 | 1,558               | \$1.93                         | Hagåtña            | Power, water                             |
| 9.                   | Senatorial Office            | \$24,000                 | 1,520               | \$1.32                         | Hagåtña            | Water, wastewater, and power up to \$400 |
| 10.                  | Senatorial Office            | \$24,000                 | 1,460               | \$1.37                         | Hagåtña            | Power, water                             |
| 11.                  | Senatorial Office            | \$24,000                 | 1,346               | \$1.49                         | Hagåtña            | Power, water                             |
| 12.                  | Senatorial Office            | \$24,000                 | 1,325               | \$1.51                         | Hagåtña            | Power, water                             |
| 13.                  | Senatorial Office            | \$24,000                 | 1,000               | \$2.00                         | Hagåtña            | Water, wastewater                        |
| <b>FY 2022 Total</b> | <b>13 Leases</b>             | <b>\$384,000</b>         | <b>21,422</b>       | <b>\$1.51</b>                  |                    |  |
| <b>FY 2015 Total</b> | <b>11 Leases</b>             | <b>\$536,280</b>         | <b>36,830</b>       | <b>\$1.47</b>                  |                    |  |
| <b>Variance</b>      | <b>2 Leases</b>              | <b>(\$152,280)</b>       | <b>(15,408)</b>     | <b>\$0.04</b>                  |                    |  |

Although the number of leases increased by two from FY 2015, the total annual lease cost for FY 2022 has decreased by \$152K. The primary cause of the decrease is the renovation of the old Guam Congress Building, which allowed the Legislature to relocate its central operations from the Hesler

Building in 2017 and realize \$252K in lease costs savings – the highest reduction in lease costs for a single GovGuam entity. The Speaker, Vice Speaker, and Legislative Secretary offices are also located in the Guam Congress Building; however, the remaining 12 senators are required to lease office space due to space limitations.

### Judicial Leases

The JOG has three office space leases, while the PDSC and APD each have one. The average cost for the judicial leases is \$1.75 per sq. ft., with a total annual cost of \$746K. This is an increase of \$207K (or 38%) from FY 2015. Of all the judicial office leases, the highest rate is \$2.09 per sq. ft., and the lowest rate is \$1.46 per sq. ft. See Table 7 for a comparison of the Judicial branch office leases.



*The PDSC Office in Sinajana*

**Table 7: Judicial Leases**

| Judicial Entities   |                          | FY 2022                  |                     |                                 | FY 2015                  |                     |                                 | 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.                 | Entity                   |                          |                     |                                 |                          |                     |                                 |                          |                     |                                 |
| <b>JOG Leases</b>   |                          |                          |                     |                                 |                          |                     |                                 |                          |                     |                                 |
| 1.                  | Northern Court Satellite | \$194,772                | 7,500               | \$2.09                          | \$173,700                | 7,500               | \$1.93                          | \$21,072                 | -                   | \$0.16                          |
| 2.                  | MEC*                     | \$147,600                | 8,400               | \$1.46                          | \$ -                     | -                   | \$ -                            | \$147,600                | 8,400               | \$1.46                          |
| 3.                  | Guam Law Library Office* | \$64,368                 | 2,980               | \$1.80                          | \$ -                     | -                   | \$ -                            | \$64,368                 | 2,980               | \$1.80                          |
| <b>JOG Subtotal</b> |                          | <b>\$406,740</b>         | <b>18,880</b>       | <b>\$1.78</b>                   | <b>\$173,700</b>         | <b>7,500</b>        | <b>\$1.93</b>                   | <b>\$233,040</b>         | <b>11,380</b>       | <b>\$(0.15)</b>                 |
| 4.                  | PDSC                     | \$273,600                | 12,500              | \$1.82                          | \$300,000                | 12,000              | \$2.08                          | (\$26,400)               | 500                 | (\$0.26)                        |
| 5.                  | APD                      | \$66,096                 | 3,500               | \$1.57                          | \$65,424                 | 2,726               | \$2.00                          | \$672                    | 774                 | (\$0.43)                        |
| <b>Grand Total</b>  |                          | <b>\$746,436</b>         | <b>34,880</b>       | <b>\$1.75</b>                   | <b>\$539,124</b>         | <b>22,226</b>       | <b>\$2.00</b>                   | <b>\$207,312</b>         | <b>12,654</b>       | <b>\$(0.25)</b>                 |

\*Name of Lessor indicated due to lack of information available

### Other Relevant Lease Matters

#### Other Lease Agreements Excluded in the Cost Analysis

We also received three lease agreements for commercial space leases outside Guam – one for the Office of the Governor's liaison office in Washington, D.C., and two for GVB's office and meeting room in Tokyo, Japan. The Office of the Governor's 683 sq. ft. Washington office will cost \$5.78 per sq. ft. or \$47K in total rent for FY 2022.

GVB will pay about \$127K in total rental costs for its two leases in Japan – \$10.22 per sq. ft. for a 788 sq. ft. office space and about \$9.23 per sq. ft. for a 271 sq. ft. meeting room. GVB's lease costs were converted from Japanese Yen (JPY) to United States Dollar (USD) for informational purposes; however, the actual cost in USD of GVB's Tokyo leases for FY 2022 is subject to change depending on the exchange rate from JPY to USD.

While both of these leases are for offices and other spatial facilities as described in the audit objective, these agreements were not included in our analysis as the office locations are outside Guam.

The following leases were also excluded from our analysis, as they are outside of our scope of office spaces:

*School Campuses*

- ❖ We received three leases for GACS, SiFA, and IACS' respective school campuses. GACS does not pay any rental costs for its use of Buildings C, D, and E in Tiyan; however, GACS recorded in its books an estimated fair rental market value of \$79K per month or \$953K for the year in FY 2021. SiFA pays \$2.4M annually, inclusive of utilities, for its 26,589 sq. ft. campus, while IACS pays \$2.7M annually, inclusive of utilities, for its 50,000 sq. ft. campus.

*Parking Areas*

- ❖ We received two leases for parking areas. GHC leases five parking spaces at the ITC Building for \$50 per space, with monthly and annual costs totaling \$250 and \$3,000, respectively. The JOG parking lot in Hagåtña is 57,178 sq. ft. and costs \$10K monthly or \$119K annually.

*Vaccination Clinic*

- ❖ DPHSS entered into a memorandum of agreement with UOG for its coronavirus vaccination clinic at the UOG Calvo Fieldhouse. Although DPHSS had been utilizing the UOG Calvo Fieldhouse since January 2021, a Memorandum of Agreement was only signed in January 2022. This established a rate of \$62K for one month of usage, which DPHSS may avail on a month-to-month renewal basis. The UOG Calvo Fieldhouse vaccination clinic officially closed at the end of February 2022, with expenditures totaling \$123K for two months, covering the period under this agreement.

*Land*

- ❖ We received three leases for land. PBS Guam leases 57,124 sq. ft. of land from the CLTC in Barrigada for its Tower and Transmitter, which has a total rental cost of \$850 per month or \$10.2K annually. GPA leases 69,029 sq. ft. of land for its power plant in Yona and 91,744 sq. ft. of land for a substation/transportation compound in Tamuning. GPA incurred costs of \$36K for the power plant for the first nine months of FY 2022 (\$4K per month); however, GPA will have received the quitclaim deed for the property as of June 30, 2022. GPA pays \$7.2K monthly or \$86.8K annually for the substation/transportation compound lease.

*Miscellaneous Agreements*

- ❖ GWA, as part of a cost-sharing agreement with GPA, pays \$22.4K per month, or \$269K annually, for their share of maintenance costs in proportion to the 21,385 sq. ft. of office space occupied at the Gloria B. Nelson Public Service Building in Mangilao.
- ❖ UOG has a lease/leaseback agreement with the UOG Endowment Foundation relative to the construction of the Student Success Center and an Engineering Annex. UOG leased land to the Endowment Foundation for these buildings at \$1 per year, and the completed facilities are to be leased back from the Endowment Foundation at \$870K per year.

We received two leases – one each from GVAO and CLC – which had expired as of FY 2021. These agencies have continued occupying the leased premises despite no supporting clause in the agreement to justify their continued tenancy (i.e., hold-over clause, option to renew). These leases were ultimately excluded from our analysis, as we could not confirm if these agreements were updated for FY 2022.

### **GovGuam Should Invest in Renovations and Repairs of Government-Owned Buildings**

Starting with the Manuel F.L. Guerrero Building in Hagåtña, which previously housed DOA and GDOE's Administrative Offices, it has become a pattern of GovGuam automatically deciding to demolish or condemn a government-owned building instead of investing in renovations and repairs. The 70,000 sq. ft. building was demolished in 2015 as part of a revitalization effort for Hagåtña; however, the building at the time was deemed by DPW as "not structurally unsound" despite having some structural issues. The condemnation and demolition of the building resulted in annual lease costs totaling \$492K for DOA and \$3.2M for GDOE's office spaces. Instead of condemning and demolishing, GovGuam could have invested in renovations and repairs to allow DOA, GDOE, or other GovGuam agencies to move back into government-owned property.

Secondly, DPHSS has stated that they have no plans to move back to the Mangilao Main Facility. Instead, Bill No. 296-36, introduced in April 2022, proposes the transfer of the DPHSS Mangilao Main Facility property to GCC to construct a nursing annex. As a result, DPHSS will continue to be the top GovGuam agency paying the highest annual lease costs of \$2.8M. Therefore, to reduce DPHSS' office lease costs, we recommend the Governor and Director of DPHSS invest in the repair and renovations of DPHSS' Mangilao Main Facility and for DPHSS to retain ownership and occupancy of the property.

Lastly, the current administration is spearheading plans for the construction of a new medical complex in Mangilao to house GMHA, DPHSS and GBHWC. As of the release of this audit report, the administration has not announced any concrete plans related to the use of the existing government-owned structures currently occupied by these entities.

### **Hagåtña Master Plan Continues to Be Stagnant**

The need for GovGuam to construct government-owned office spaces becomes more apparent as office rental expenses continue to increase over time. The Hagåtña Master Plan is a proposal from the HRRA that encompasses the vision for Hagåtña as the Capital City of Guam. The HRRA Implementation Plan – a component of the Master Plan – covers a portfolio of 30 projects, including a Government Civic Center Complex at the Plaza de España and a Land Resources Building near the Guam Preservation Trust Building. An update to the 2005 Master Plan Draft was completed in 2021 and was approved by the Governor in December 2021; however, the Master Plan failed to pass into public law by the Legislature in April 2022. In October 2022, Bill 347-36 was introduced to seek approval for a revised Master Plan. The revisions include a reevaluation of the Master Plan every five years or sooner and submission of an annual report to the Legislature. Approval by the Legislature opens opportunities for the HRRA to seek federal funding for the projects outlined in the Master Plan.

### *Government Civic Center Complex*



*The Plaza de España in Hagåtña*

The Master Plan proposes the construction of a Government Civic Center Complex comprising the Governor's Palacio and four additional buildings near the Plaza de España. This facility will house the Office of the Governor; several executive line and semi-autonomous agencies such as DOA, DRT, and OAG; and senatorial offices not located in the Guam Congress Building. In 2017, the Governor's Palacio construction was to be funded using \$5M from the Hotel Occupancy Tax Bond; however, these funds

were recently allocated for costs associated with the Guam Museum. In addition to securing a new funding source for the construction of the Complex, funding is also needed to conduct a flood mitigation study for the Plaza de España, on which two of the four additional buildings will be located. The federal prison in the area will need to be relocated for the remaining buildings to be constructed.

### *Land Resources Building*

Also included in the Master Plan is the construction of a five-story Land Resources Building in central Hagåtña, which is proposed to house DLM, GALC, CLTC, HRRRA, and some offices for GHURA. If constructed, the relocation of DLM, GALC, and CLTC would result in the reduction of GovGuam's total annual office lease costs by \$853K. A loan of up to \$15.8M for costs associated with the building was approved through the passage of Public Laws 29-46 and 29-135; however, current cost estimations associated with the building are now estimated to be between \$25 to \$30M. Other issues, such as the discovery of ancestral remains at the proposed site; the passing of the former GHURA Director, who championed the project's completion; and the lack of funds available to complete the architectural plans ultimately halted the progress of the building's construction. As of June 2022, DLM's Building Construction Fund had a total balance of \$788K.



*Proposed Location for the Land Resources Building in Hagåtña*

Until GovGuam and the HRRRA can progress construction of the government buildings, we recommend the Governor appoint a central agency to regulate and monitor the procurement of leases, as well as for prioritization of investment towards existing GovGuam buildings.

### **Impact on Financial Reporting for Leases**

As a territory of the United States, GovGuam follows pronouncements promulgated by GASB. In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single lease accounting model for lessees and lessors based on the foundational principle that leases are financings of the right to use an underlying asset. The objective of GASB 87 is to better meet the information needs

of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activity of governments.

Lessees are required to recognize a lease asset to correspond with the lease liability in their books. Lessors will record a deferred inflow of resources to correspond to a lease receivable. Among other exceptions, GASB 87 does not apply to short-term leases (leases with a maximum possible term of 12 months or less) or leases that transfer ownership of the asset at the end of the contract. Lessees will record short-term leases as an expense as payments are made; lessors will record revenue as lease payments are received. Leases that transfer ownership at the end of the contract should be recorded as a financed purchase of the underlying asset by the lessee or sale of the asset by the lessor.

GASB 87 will take effect for GovGuam entities in FY 2022. Of the 25 GovGuam entities (including GovGuam) that have released their FY 2021 financial audits, 14 have noted that GASB 87 will have a material effect on their financial statements upon implementation.

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## **Conclusion and Recommendations**

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In almost seven years, GovGuam has continued to increase its annual cost for leasing commercial spaces (office and other) from \$12.5 million (M) for 493,097 sq. ft. in fiscal year (FY) 2015 to \$15.7M for 582,396 sq. ft. in FY 2022, a difference of \$3.2M for an additional 89,299 square feet (sq. ft.) of space. The continuous increase in GovGuam's lease costs shows the urgent need to invest in the construction of new government-owned buildings, which has been recommended since the OPA's first audit on leases issued seventeen years ago in 2005.

OPA has given multiple recommendations regarding GovGuam leases costs. In 2005, OPA urged the Legislature to begin evaluating the feasibility of long-term planning to acquire or build facilities for government entities in the future. In 2017, OPA recommended that GEDA be responsible for monitoring and reporting all GovGuam leases, reviewing and applying practicable standard guidelines, and establishing minimum specifications for basic rent and common area maintenance fees for GovGuam office space. GEDA acknowledged that it would take on the assignment if funding were provided.

While several GovGuam agencies have made efforts to reduce lease costs since OPA's initial audit recommendation in 2005, GovGuam continues to increase lease expenses. A GovGuam building, as indicated in the Hagåtña Master Plan since 2005, is urgently needed. Until GovGuam and the HRRRA can progress construction of the government buildings, we continue to recommend that a central agency be assigned to regulate and monitor the procurement of leases, as well as for prioritization of investment towards existing GovGuam buildings.

## Classification of Monetary Amounts

| Finding Description |   | Questioned Costs | Potential Savings | Unrealized Revenue | Other Financial Impact |
|---------------------|---|------------------|-------------------|--------------------|------------------------|
| <b>1.</b>           | <b>Analysis of Annual Lease Costs for Office Space</b>                            |                  |                   |                    |                        |
|                     | a. Executive Leases   | \$ -             | \$ -              | \$ -               | \$ -                   |
|                     | b. Legislative Leases   | \$ -             | \$ -              | \$ -               | \$ -                   |
|                     | c. Judicial Leases  | \$ -             | \$ -              | \$ -               | \$ -                   |
|                     | <b>Subtotal</b>   | <b>\$ -</b>      | <b>\$ -</b>       | <b>\$ -</b>        | <b>\$ -</b>            |
| <b>2.</b>           | <b>Other Relevant Lease Matters</b>   |                  |                   |                    |                        |
|                     | a. Other Lease Agreements Excluded in the Cost Analysis                           | \$ -             | \$ -              | \$ -               | \$ -                   |
|                     | b. GovGuam Should Invest in Renovations and Repairs of Government-Owned Buildings | \$ -             | \$ -              | \$ -               | \$ -                   |
|                     | c. Hagåtña Master Plan Continues to Be Stagnant                                   | \$ -             | \$ -              | \$ -               | \$ -                   |
|                     | d. Impact on Financial Reporting for Leases                                       | \$ -             | \$ -              | \$ -               | \$ -                   |
|                     | <b>Subtotal</b>   | <b>\$ -</b>      | <b>\$ -</b>       | <b>\$ -</b>        | <b>\$ -</b>            |
|                     | <b>Overall Total</b>  | <b>\$ -</b>      | <b>\$ -</b>       | <b>\$ -</b>        | <b>\$ -</b>            |

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## Management Response and OPA Reply

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In August 2022, a draft report was transmitted to the Office of the Governor and the DPHSS Director for their official response. In addition, an exit conference was held to discuss the findings and recommendations. The Office of the Governor provided a response in September 2022, of which DPHSS' management response is also represented.

The Office of the Governor contends that the reported increase in lease costs from FY 2015 does not consider factors such as the fluctuation in market rates for commercial leases; nuances such as the inclusion of utilities or services, or fit-outs requested by the agencies prior to occupancy; or adjustments for inflation to the real dollar value from 2015. While the Office of the Governor acknowledged that this analysis was not intended to present a one-to-one comparison for office leases between FY 2015 and today, the value of leases in FY 2015, adjusted for inflation, has remained relatively constant despite an increase in total square footage leased.

Furthermore, the Office of the Governor generally agreed with our findings and recommendation concerning the need for a central agency to regulate and monitor the procurement of leases. The management response noted that discussions with GEDA and DOA will be resumed to determine the scope of responsibility and funding source needed for this assignment.

Regarding the DPHSS Mangilao Main Facility, the Office of the Governor maintains that DPHSS' operations have outgrown the capacity of the building. Although DPHSS is earmarked to move to the medical campus in Mangilao, the Mangilao Main Facility may be considered for future use by DPHSS or other executive branch agencies. The administration is instead prioritizing funding for the construction of the medical campus in Mangilao.

See Appendix 8 for the Office of the Governor's official management response as of September 19, 2022.

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

We appreciate the cooperation and assistance from the staff and management of the GovGuam agencies that completed the lease survey and provided us with documents during this audit.

OFFICE OF PUBLIC ACCOUNTABILITY



Benjamin J.F. Cruz  
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 2022.
2. Whether the amount of lease cost and leased space increased in comparison to FY 2015. If so, determine the contributing factors for the increase.
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 (office and other) on Guam for FY 2022.

We requested copies and reviewed all leases of office space, warehouse facilities, and other similar spatial facilities from the entire GovGuam. 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 prepared by a designated agency, OPA sent letters to 75 GovGuam entities and the 15 senators of the 36<sup>th</sup> Guam Legislature requesting them to complete an online lease survey. Of the 90 entities, 78 completed the survey, with 47 responding that they were leasing and 31 entities that responded they did not have any lease commitments.

We also requested copies of the corresponding lease agreements to verify the square footage leased, costs per month, costs per year, costs per sq. ft., and utility information reported by each entity in response to our survey. We then compiled a list of the Top 10 executive agencies paying the most in leases. We also compared FY 2022 costs to FY 2015.

Because this audit was issued during FY 2022, and several agencies have lease terms that are not within GovGuam's fiscal calendar, a cutoff date was established to show that the leases analyzed in the report were those in effect as of the specified date. Leases that have terms expiring before the end of FY 2022 were calculated for the remainder of the lease term applicable to FY 2022, which will not be indicative of the costs associated with a full year. We also noted several agencies that have scheduled rental cost increases that will take effect during FY 2022. To address this, rates before and after the increase were allocated to the applicable months in FY 2022 to estimate the total costs to be expended in FY 2022 for these leases.

Changes to the total lease costs for FY 2022 will inevitably occur as a result of new lease agreements that GovGuam may enter into during the year.

Entities leasing office space in FY 2022 were categorized into their respective branch of government, with the Executive branch further categorized into line and autonomous agencies. Total 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 with results above the calculated averages were then identified and reported. In addition, we reviewed the leases of the top ten agencies to identify the most common Lessor.

**Scope Limitation**

The scope did not include a review of procedures for surveying GovGuam space utilization. As a result, we did not determine whether the leased commercial space is 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 inconsistent 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 others did 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 was only paid for water, while others included power and water. The third condition was that lease rates were not comparable because of the Lessor's variety or combinations of services. The services provided included security, janitorial, 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 performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan 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.

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**Appendix 2:  
Prior Audit Coverage**

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**OPA Report No. 17-02, Analysis of Government of Guam Leases (Issued January 2017)**

In just a little over a decade, the Government of Guam 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. 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 HRRRA 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. OPA also recommended the Governor to designate a lead agency for GovGuam Building construction to ensure accountability of the project. Accordingly, OPA recommended 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.

**OPA Report No. 14-07, Tiyan Campus Tax Credits Program (Issued December 2014)**

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 through legislative appropriations. In addition, GovGuam has already issued \$21.5M for the initial lease of the property between FY 2009 and FY 2013.

**OPA Report No. 05-05, Government of Guam Lease Analysis (Issued October 2005)**

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 this 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 three recommendations to the Director of the Department of Administration: (1) Assign GSA to monitor and annual 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.

**Appendix 3A:  
FY 2022 Office Lease Cost Highest to Lowest**

| Government Agencies |   | FY 2022                  |                 |                                 | FY 2015                  |                 |                                 | VARIANCE                 |                 |                                 |
|---------------------|---|--------------------------|-----------------|---------------------------------|--------------------------|-----------------|---------------------------------|--------------------------|-----------------|---------------------------------|
| No.                 | Agency  | Total Annual Rental Cost | Approx. Sq. Ft. | Average Rental Cost Per Sq. Ft. | Total Annual Rental Cost | Approx. Sq. Ft. | Average Rental Cost Per Sq. Ft. | Total Annual Rental Cost | Approx. Sq. Ft. | Average Rental Cost Per Sq. Ft. |
| 1.                  | DPHSS   | \$2,801,224              | 98,333          | \$2.37                          | \$1,031,881              | 48,321          | \$1.78                          | \$1,769,343              | 50,012          | \$0.59                          |
| 2.                  | CQA   | \$2,624,963              | 46,708          | \$4.68                          | \$2,787,045              | 54,347          | \$3.63                          | (\$162,082)              | (7,639)         | \$0.46                          |
| 3.                  | OAG   | \$1,584,540              | 44,015          | \$3.00                          | \$1,528,740              | 42,465          | \$3.00                          | \$55,800                 | 1,550           | \$ -                            |
| 4.                  | DRT   | \$1,370,026              | 55,000          | \$2.08                          | \$978,588                | 50,094          | \$1.63                          | \$391,438                | 4,906           | \$0.45                          |
| 5.                  | GPD   | \$1,236,611              | 70,480          | \$1.46                          | \$536,765                | 40,480          | \$1.11                          | \$699,846                | 30,000          | \$0.82                          |
| 6.                  | DOL   | \$719,988                | 23,255          | \$2.58                          | \$623,772                | 21,690          | \$2.40                          | \$96,216                 | 1,565           | \$0.18                          |
| 7.                  | DLM   | \$692,664                | 23,560          | \$2.45                          | \$774,062                | 27,449          | \$1.95                          | (\$81,398)               | (3,889)         | \$0.50                          |
| 8.                  | DOA   | \$492,266                | 21,037          | \$1.95                          | \$474,926                | 20,296          | \$2.35                          | \$17,340                 | 741             | (\$0.40)                        |
| 9.                  | 33rd & 36th<br>Guam Legislature<br>Senatorial Offices | \$406,740                | 18,880          | \$1.51                          | \$284,280                | 16,297          | \$1.45                          | \$122,460                | 2,583           | \$0.33                          |
| 10.                 | JOG   | \$384,000                | 21,422          | \$1.78                          | \$173,700                | 7,500           | \$1.93                          | \$210,300                | 13,922          | (\$0.42)                        |
| 11.                 | DISID   | \$376,116                | 15,700          | \$2.00                          | \$364,344                | 15,181          | \$2.00                          | \$11,772                 | 519             | \$ -                            |
| 12.                 | GEDA  | \$348,672                | 14,528          | \$2.00                          | \$248,928                | 8,607           | \$2.41                          | \$99,744                 | 5,921           | (\$0.41)                        |
| 13.                 | GFD <sup>1</sup>                                      | \$326,250                | 12,100          | \$2.63                          | \$114,000                | 5,000           | \$1.90                          | \$212,250                | 7,100           | \$0.73                          |
| 14.                 | PDSC  | \$273,600                | 12,500          | \$1.82                          | \$300,000                | 12,000          | \$2.08                          | (\$26,400)               | 500             | (\$0.26)                        |
| 15.                 | GBHWC <sup>1</sup>                                    | \$272,664                | 11,119          | \$2.18                          | \$300,272                | 14,694          | \$1.70                          | (\$27,608)               | (3,575)         | \$0.48                          |
| 16.                 | CSC   | \$152,400                | 5,080           | \$2.50                          | \$66,096                 | 3,672           | \$1.50                          | \$86,304                 | 1,408           | \$1.00                          |
| 17.                 | OPA   | \$128,372                | 5,252           | \$2.04                          | \$107,723                | 4,726           | \$1.90                          | \$20,649                 | 526             | \$0.14                          |
| 18.                 | GEC   | \$125,496                | 4,200           | \$2.49                          | \$130,350                | 3,802           | \$2.86                          | (\$4,854)                | 398             | (\$0.37)                        |
| 19.                 | CLTC  | \$124,390                | 4,411           | \$2.35                          | \$ -                     | -               | \$ -                            | \$124,390                | 4,411           | \$2.35                          |
| 20.                 | MCOG <sup>2</sup>                                     | \$111,300                | 5,182           | \$1.79                          | \$113,034                | 9,954           | \$0.95                          | (\$1,734)                | (4,772)         | \$0.84                          |
| 21.                 | CAHA  | \$100,620                | 3,900           | \$2.15                          | \$ -                     | -               | \$ -                            | \$100,620                | 3,900           | \$2.15                          |
| 22.                 | GEPA  | \$96,000                 | 8,000           | \$1.00                          | \$96,000                 | 8,000           | \$1.00                          | \$ -                     | -               | \$ -                            |
| 23.                 | APD   | \$66,096                 | 3,500           | \$1.57                          | \$65,424                 | 2,726           | \$2.00                          | \$672                    | 774             | (\$0.43)                        |
| 24.                 | GPA   | \$63,360                 | 2,423           | \$2.18                          | \$53,935                 | 2,043           | \$2.20                          | \$9,425                  | 380             | (\$0.02)                        |
| 25.                 | GHC <sup>1</sup>                                      | \$49,794                 | 1,075           | \$2.00                          | \$99,744                 | 4,156           | \$2.00                          | (\$49,950)               | (3,081)         | \$1.86                          |
| 26.                 | GBOA  | \$44,208                 | 1,228           | \$3.86                          | \$23,868                 | 1,050           | \$1.89                          | \$20,340                 | 178             | \$1.11                          |
| 27.                 | GHS/OCD/GRO   | \$43,260                 | 1,515           | \$3.00                          | \$ -                     | -               | \$ -                            | \$43,260                 | 1,515           | \$2.38                          |
| 28.                 | SGC   | \$43,200                 | 1,500           | \$2.38                          | \$ -                     | -               | \$ -                            | \$43,200                 | 1,500           | \$2.40                          |
| 29.                 | CDLO  | \$41,560                 | 4,156           | \$2.40                          | \$ -                     | -               | \$ -                            | \$41,560                 | 4,156           | \$2.00                          |
| 30.                 | GALC  | \$36,261                 | 1,343           | \$2.25                          | \$ -                     | -               | \$ -                            | \$36,261                 | 1,343           | \$2.25                          |
| 31.                 | PUC <sup>1</sup>                                      | \$30,185                 | 967             | \$2.60                          | \$27,044                 | 967             | \$2.33                          | \$3,141                  | -               | \$0.27                          |
| 32.                 | GDDC  | \$25,200                 | 918             | \$2.29                          | \$25,200                 | 1,000           | \$2.10                          | \$ -                     | (82)            | \$0.19                          |
| 33.                 | PEALS   | \$24,870                 | 829             | \$2.50                          | \$17,500                 | 860             | \$1.70                          | \$7,370                  | (31)            | \$0.80                          |
| 34.                 | OHAPP   | \$19,031                 | 886             | \$1.79                          | \$ -                     | -               | \$ -                            | \$19,031                 | 886             | \$1.79                          |
| 35.                 | GCEC  | \$3,000                  | 368             | \$0.68                          | \$ -                     | -               | \$ -                            | \$3,000                  | 368             | \$0.68                          |
| 36.                 | DCA   | \$ -                     | 3,000           | \$ -                            | \$127,894                | 5,761           | \$1.85                          | (\$127,894)              | (2,761)         | (\$1.85)                        |
| 37.                 | GDOE  | \$ -                     | -               | \$ -                            | \$55,440                 | 4,000           | \$1.16                          | (\$55,440)               | (4,000)         | (\$1.16)                        |
| 38.                 | Guam Legislature<br>Central Office                    | \$ -                     | -               | \$ -                            | \$252,000                | 20,533          | \$1.02                          | (\$252,000)              | (20,533)        | (\$1.02)                        |
| <b>Grand Total</b>  |   | <b>\$15,238,927</b>      | <b>548,370</b>  | <b>\$2.32</b>                   | <b>\$11,782,555</b>      | <b>457,672</b>  | <b>\$2.15</b>                   | <b>\$3,456,372</b>       | <b>90,699</b>   | <b>\$0.17</b>                   |

<sup>1</sup>FY 2022 lease cost calculated for less than 12 months

<sup>2</sup>FY 2015 MCOG total inclusive of Administration, Inarajan, and Piti offices

**Appendix 3B:**  
**FY 2022 Office Lease Square Footage Highest to Lowest**

| Government Agencies |   | FY 2022                  |                 |                                 | FY 2015                  |                 |                                 | VARIANCE                 |                 |                                 |
|---------------------|---|--------------------------|-----------------|---------------------------------|--------------------------|-----------------|---------------------------------|--------------------------|-----------------|---------------------------------|
| No.                 | Agency  | Total Annual Rental Cost | Approx. Sq. Ft. | Average Rental Cost Per Sq. Ft. | Total Annual Rental Cost | Approx. Sq. Ft. | Average Rental Cost Per Sq. Ft. | Total Annual Rental Cost | Approx. Sq. Ft. | Average Rental Cost Per Sq. Ft. |
| 1.                  | DPHSS   | \$2,801,224              | 98,333          | \$2.37                          | \$1,031,881              | 48,321          | \$1.78                          | \$1,769,343              | 50,012          | \$0.59                          |
| 2.                  | GPD   | \$1,236,611              | 70,480          | \$1.93                          | \$536,765                | 40,480          | \$1.11                          | \$699,846                | 30,000          | \$0.82                          |
| 3.                  | DRT   | \$1,370,026              | 55,000          | \$2.08                          | \$978,588                | 50,094          | \$1.63                          | \$391,438                | 4,906           | \$0.45                          |
| 4.                  | COA   | \$2,624,963              | 46,708          | \$4.09                          | \$2,787,045              | 54,347          | \$3.63                          | (\$162,082)              | (7,639)         | \$0.46                          |
| 5.                  | OAG   | \$1,584,540              | 44,015          | \$3.00                          | \$1,528,740              | 42,465          | \$3.00                          | \$55,800                 | 1,550           | \$ -                            |
| 6.                  | DLM   | \$692,664                | 23,560          | \$2.45                          | \$774,062                | 27,449          | \$1.95                          | (\$81,398)               | (3,889)         | \$0.50                          |
| 7.                  | DOL   | \$719,988                | 23,255          | \$2.58                          | \$623,772                | 21,690          | \$2.40                          | \$96,216                 | 1,565           | \$0.18                          |
| 8.                  | 33rd & 36th<br>Guam Legislature<br>Senatorial Offices | \$384,000                | 21,422          | \$1.51                          | \$284,280                | 16,297          | \$1.45                          | \$99,720                 | 5,125           | \$0.06                          |
| 9.                  | DOA   | \$492,266                | 21,037          | \$1.95                          | \$474,926                | 20,296          | \$2.35                          | \$17,340                 | 741             | (\$0.40)                        |
| 10.                 | JOG   | \$406,740                | 18,880          | \$1.78                          | \$173,700                | 7,500           | \$1.93                          | \$233,040                | 11,380          | (\$0.15)                        |
| 11.                 | DISID   | \$376,116                | 15,700          | \$2.00                          | \$364,344                | 15,181          | \$2.00                          | \$11,772                 | 519             | \$ -                            |
| 12.                 | GEDA  | \$348,672                | 14,528          | \$2.00                          | \$248,928                | 8,607           | \$2.41                          | \$99,744                 | 5,921           | (\$0.41)                        |
| 13.                 | PDSC  | \$273,600                | 12,500          | \$1.82                          | \$300,000                | 12,000          | \$2.08                          | (\$26,400)               | 500             | (\$0.26)                        |
| 14.                 | GFD <sup>1</sup>                                      | \$326,250                | 12,100          | \$2.63                          | \$114,000                | 5,000           | \$1.90                          | \$212,250                | 7,100           | \$0.73                          |
| 15.                 | GBHWC <sup>1</sup>                                    | \$272,664                | 11,119          | \$2.18                          | \$300,272                | 14,694          | \$1.70                          | (\$27,608)               | (3,575)         | \$0.48                          |
| 16.                 | GEPA  | \$96,000                 | 8,000           | \$1.00                          | \$96,000                 | 8,000           | \$1.00                          | \$ -                     | -               | \$ -                            |
| 17.                 | OPA   | \$128,372                | 5,252           | \$2.04                          | \$107,723                | 4,726           | \$1.90                          | \$20,649                 | 526             | \$0.14                          |
| 18.                 | MCOG <sup>2</sup>                                     | \$111,300                | 5,182           | \$1.79                          | \$113,034                | 9,954           | \$0.95                          | (\$1,734)                | (4,772)         | \$0.84                          |
| 19.                 | CSC   | \$152,400                | 5,080           | \$2.50                          | \$66,096                 | 3,672           | \$1.50                          | \$86,304                 | 1,408           | \$1.00                          |
| 20.                 | CLTC  | \$124,390                | 4,411           | \$2.35                          | \$ -                     | -               | \$ -                            | \$124,390                | 4,411           | \$2.35                          |
| 21.                 | GEC   | \$125,496                | 4,200           | \$2.49                          | \$130,350                | 3,802           | \$2.86                          | (\$4,854)                | 398             | (\$0.37)                        |
| 22.                 | GHC <sup>1</sup>                                      | \$41,560                 | 4,156           | \$2.00                          | \$99,744                 | 4,156           | \$2.00                          | (\$58,184)               | -               | \$ -                            |
| 23.                 | CAHA  | \$100,620                | 3,900           | \$2.15                          | \$ -                     | -               | \$ -                            | \$100,620                | 3,900           | \$2.15                          |
| 24.                 | APD   | \$66,096                 | 3,500           | \$1.57                          | \$65,424                 | 2,726           | \$2.00                          | \$672                    | 774             | (\$0.43)                        |
| 25.                 | DCA   | \$ -                     | 3,000           | \$ -                            | \$127,894                | 5,761           | \$1.85                          | \$(127,894)              | (2,761)         | (\$1.85)                        |
| 26.                 | GPA   | \$63,360                 | 2,423           | \$2.18                          | \$53,935                 | 2,043           | \$2.20                          | \$9,425                  | 380             | (\$0.02)                        |
| 27.                 | SGC   | \$43,260                 | 1,515           | \$2.38                          | \$ -                     | -               | \$ -                            | \$43,260                 | 1,515           | \$2.38                          |
| 28.                 | CDLO  | \$43,200                 | 1,500           | \$2.40                          | \$ -                     | -               | \$ -                            | \$43,200                 | 1,500           | \$2.40                          |
| 29.                 | GALC  | \$36,261                 | 1,343           | \$2.25                          | \$ -                     | -               | \$ -                            | \$36,261                 | 1,343           | \$2.25                          |
| 30.                 | GHS/OCD/GRO   | \$44,208                 | 1,228           | \$3.00                          | \$ -                     | -               | \$ -                            | \$44,208                 | 1,228           | \$3.00                          |
| 31.                 | GBOA  | \$49,794                 | 1,075           | \$3.86                          | \$23,868                 | 1,050           | \$1.89                          | \$25,926                 | 25              | \$1.97                          |
| 32.                 | PUC <sup>1</sup>                                      | \$30,185                 | 967             | \$2.60                          | \$27,044                 | 967             | \$2.33                          | \$3,141                  | -               | \$0.27                          |
| 33.                 | GDDC  | \$25,200                 | 918             | \$2.29                          | \$25,200                 | 1,000           | \$2.10                          | \$ -                     | (82)            | \$0.19                          |
| 34.                 | OHAPP   | \$19,031                 | 886             | \$1.79                          | \$ -                     | -               | \$ -                            | \$19,031                 | 886             | \$1.79                          |
| 35.                 | PEALS   | \$24,870                 | 829             | \$2.50                          | \$17,500                 | 860             | \$1.70                          | \$7,370                  | (31)            | \$0.80                          |
| 36.                 | GCEC  | \$3,000                  | 368             | \$0.68                          | \$ -                     | -               | \$ -                            | \$3,000                  | 368             | \$0.68                          |
| 37.                 | GDOE  | \$ -                     | -               | \$ -                            | \$55,440                 | 4,000           | \$1.16                          | (\$55,440)               | (4,000)         | (\$1.16)                        |
| 38.                 | Guam Legislature<br>Central Office                    | \$ -                     | -               | \$ -                            | \$252,000                | 20,533          | \$1.02                          | (\$252,000)              | (20,533)        | (\$1.02)                        |
| <b>Grand Total</b>  |   | <b>\$15,238,927</b>      | <b>548,370</b>  | <b>\$2.32</b>                   | <b>\$11,782,555</b>      | <b>457,671</b>  | <b>\$2.15</b>                   | <b>\$3,456,372</b>       | <b>90,699</b>   | <b>\$0.17</b>                   |

<sup>1</sup>FY 2022 lease cost calculated for less than 12 months

<sup>2</sup>FY 2015 MCOG total inclusive of Administration, Inarajan, and Piti offices

**Appendix 4:  
FY 2022 Office Lease Inclusive of Utilities**

| <b>Government Agencies</b>              | <b>No. of Leases</b> | <b>Total Annual Rent Cost</b> | <b>Approx. Sq. Ft.</b> | <b>Avg. Rental Cost Per Sq. Ft.</b> |
|---|----------------------|-------------------------------|------------------------|-------------------------------------|
| OAG                                     | 1                    | \$1,584,540                   | 44,015                 | \$3.00                              |
| DRT                                     | 1                    | \$1,370,026                   | 55,000                 | \$2.08                              |
| GPD                                     | 5                    | \$1,004,646                   | 44,000                 | \$1.90                              |
| DPHSS                                   | 6                    | \$883,392                     | 35,827                 | \$2.05                              |
| DOL                                     | 1                    | \$719,988                     | 23,255                 | \$2.58                              |
| DLM                                     | 1                    | \$692,664                     | 23,560                 | \$2.45                              |
| DOA                                     | 1                    | \$492,266                     | 21,037                 | \$1.95                              |
| DISID                                   | 2                    | \$376,116                     | 15,700                 | \$2.00                              |
| GEDA                                    | 1                    | \$348,672                     | 14,528                 | \$2.00                              |
| GFD                                     | 2                    | \$326,250                     | 12,100                 | \$2.25                              |
| GBHWC                                   | 3                    | \$158,064                     | 6,146                  | \$2.14                              |
| CSC                                     | 1                    | \$152,400                     | 5,080                  | \$2.50                              |
| OPA                                     | 1                    | \$128,372                     | 5,252                  | \$2.04                              |
| GEC                                     | 1                    | \$125,496                     | 4,200                  | \$2.49                              |
| CLTC                                    | 1                    | \$124,390                     | 4,411                  | \$2.35                              |
| MCOG                                    | 1                    | \$111,300                     | 5,182                  | \$1.79                              |
| CAHA                                    | 1                    | \$100,620                     | 3,900                  | \$2.15                              |
| GPA                                     | 1                    | \$63,360                      | 2,423                  | \$2.18                              |
| GBOA                                    | 1                    | \$49,794                      | 1,075                  | \$3.86                              |
| GHC/OCD/GRO                             | 1                    | \$44,208                      | 1,228                  | \$3.00                              |
| SGC                                     | 1                    | \$43,260                      | 1,515                  | \$2.38                              |
| CDLO                                    | 1                    | \$43,200                      | 1,500                  | \$2.40                              |
| GHC                                     | 1                    | \$41,560                      | 4,156                  | \$0.83                              |
| GALC                                    | 1                    | \$36,261                      | 1,343                  | \$2.25                              |
| PUC                                     | 1                    | \$30,185                      | 967                    | \$2.60                              |
| GDDC                                    | 1                    | \$25,200                      | 918                    | \$2.29                              |
| PEALS                                   | 1                    | \$24,870                      | 829                    | \$2.50                              |
| OHAPP                                   | 1                    | \$19,031                      | 886                    | \$1.79                              |
| GCEC                                    | 1                    | \$3,000                       | 368                    | \$0.68                              |
| DCA                                     | 1                    | \$ -                          | 3,000                  | \$ -                                |
| <b>Executive Branch Total</b>           | <b>43</b>            | <b>\$9,123,131</b>            | <b>343,400</b>         | <b>\$2.15</b>                       |
| 36th Guam Legislature Senatorial Office | 1                    | \$36,000                      | 1,558                  | \$1.93                              |
| 36th Guam Legislature Senatorial Office | 1                    | \$36,000                      | 2,000                  | \$1.50                              |
| 36th Guam Legislature Senatorial Office | 1                    | \$36,000                      | 2,000                  | \$1.50                              |
| 36th Guam Legislature Senatorial Office | 1                    | \$36,000                      | 1,836                  | \$1.63                              |
| 36th Guam Legislature Senatorial Office | 1                    | \$36,000                      | 2,045                  | \$1.47                              |
| 36th Guam Legislature Senatorial Office | 1                    | \$36,000                      | 2,021                  | \$1.48                              |
| 36th Guam Legislature Senatorial Office | 1                    | \$24,000                      | 1,650                  | \$1.21                              |
| 36th Guam Legislature Senatorial Office | 1                    | \$24,000                      | 1,661                  | \$1.20                              |
| 36th Guam Legislature Senatorial Office | 1                    | \$24,000                      | 1,346                  | \$1.49                              |
| 36th Guam Legislature Senatorial Office | 1                    | \$24,000                      | 1,000                  | \$2.00                              |
| 36th Guam Legislature Senatorial Office | 1                    | \$24,000                      | 1,460                  | \$1.37                              |
| 36th Guam Legislature Senatorial Office | 1                    | \$24,000                      | 1,325                  | \$1.51                              |
| 36th Guam Legislature Senatorial Office | 1                    | \$24,000                      | 1,520                  | \$1.32                              |
| <b>Legislative Branch Total</b>         | <b>13</b>            | <b>\$384,000</b>              | <b>21,422</b>          | <b>\$1.51</b>                       |
| PDSC                                    | 1                    | \$273,600                     | 12,500                 | \$1.82                              |
| JOG                                     | 1                    | \$194,772                     | 7,500                  | \$2.16                              |
| APD                                     | 1                    | \$66,096                      | 3,500                  | \$1.57                              |
| <b>Judicial Branch Total</b>            | <b>3</b>             | <b>\$534,468</b>              | <b>23,500</b>          | <b>\$1.85</b>                       |
| <b>Grand Total</b>                      | <b>59</b>            | <b>\$10,041,599</b>           | <b>388,322</b>         | <b>\$1.84</b>                       |

**Appendix 5:**  
**FY 2022 Office Lease Exclusive of Utilities**

| <b>Government Agencies</b>      | <b>No. of Leases</b> | <b>Total Annual Rent Cost</b> | <b>Approx. Sq. Ft.</b> | <b>Avg. Rental Cost Per Sq. Ft.</b> |
|---------------------------------|----------------------|-------------------------------|------------------------|-------------------------------------|
| CQA                             | 3                    | \$2,624,963                   | 46,708                 | \$4.09                              |
| GPD                             | 1                    | \$231,965                     | 26,480                 | \$0.73                              |
| GBHWC                           | 1                    | \$114,600                     | 4,973                  | \$1.92                              |
| DPHSS                           | 1                    | \$100,800                     | 8,000                  | \$1.05                              |
| GEPA                            | 1                    | \$96,000                      | 8,000                  | \$1.00                              |
| <b>Executive Branch Total</b>   | <b>7</b>             | <b>\$3,168,328</b>            | <b>94,161</b>          | <b>\$1.88</b>                       |
| -                               | -                    | -                             | -                      | -                                   |
| <b>Legislative Branch Total</b> |                      |                               |                        |                                     |
| JOG                             | 2                    | \$211,968                     | 11,380                 | \$1.55                              |
| <b>Judicial Branch Total</b>    | <b>2</b>             | <b>\$211,968</b>              | <b>11,380</b>          | <b>\$1.55</b>                       |
| <b>Grand Total</b>              | <b>9</b>             | <b>\$3,380,296</b>            | <b>105,541</b>         | <b>\$1.14</b>                       |

| <b>Executive Branch</b> |                   |                          |                        |                                      |   |
|-------------------------|-------------------|--------------------------|------------------------|--------------------------------------|---|
| <b>Agency</b>           | <b>Location</b>   | <b>Total Annual Cost</b> | <b>Approx. Sq. Ft.</b> | <b>Avg. Monthly Cost Per Sq. Ft.</b> | <b>Responsible Party for Utility Cost</b> |
| CLTC                    | Tamuning          | \$124,390                | 4,411                  | \$2.35                               | Lessor                                    |
| CSC                     | Hagåtña           | \$152,400                | 5,080                  | \$2.50                               | Lessor                                    |
| CDLO                    | Hagåtña           | \$43,200                 | 1,500                  | \$2.40                               | Lessor                                    |
| CQA                     | Tiyan (Barrigada) | \$546,000                | 17,500                 | \$2.60                               | Lessee                                    |
| CQA                     | Tiyan (Barrigada) | \$234,000                | 7,500                  | \$2.60                               | Lessee                                    |
| CQA                     | Tamuning          | \$1,844,963              | 21,708                 | \$7.08                               | Lessee                                    |
| <b>CQA Total</b>        |                   | <b>\$2,624,963</b>       | <b>46,708</b>          | <b>\$4.68</b>                        |   |
| DOA                     | Tamuning          | \$492,266                | 21,037                 | \$1.95                               | Lessor                                    |
| DCA                     | Hagåtña           | \$ -                     | 3,000                  | \$ -                                 | Lessor                                    |
| DISID                   | Hagåtña           | \$136,116                | 5,700                  | \$1.99                               | Lessor                                    |
| DISID                   | Hagåtña           | \$240,000                | 10,000                 | \$2.00                               | Lessor                                    |
| <b>DISID Total</b>      |                   | <b>\$376,116</b>         | <b>15,700</b>          | <b>\$2.00</b>                        |   |
| DOL                     | Hagåtña           | \$719,988                | 23,255                 | \$2.58                               | Lessor                                    |
| DLM                     | Tamuning          | \$692,664                | 23,560                 | \$2.45                               | Lessor                                    |
| DPHSS                   | Hagåtña           | \$169,020                | 7,760                  | \$1.82                               | Lessor                                    |
| DPHSS                   | Hagåtña           | \$81,600                 | 4,000                  | \$1.70                               | Lessor                                    |
| DPHSS                   | Hagåtña           | \$240,000                | 10,000                 | \$2.00                               | Not Specified                             |
| DPHSS                   | Hagåtña           | \$585,472                | 20,579                 | \$2.37                               | Not Specified                             |
| DPHSS                   | Tamuning          | \$396,000                | 10,000                 | \$3.30                               | Not Specified                             |
| DPHSS                   | Tamuning          | \$300,000                | 5,035                  | \$4.97                               | Not Specified                             |
| DPHSS                   | Tamuning          | \$118,800                | 3,000                  | \$3.30                               | Not Specified                             |
| DPHSS                   | Tamuning          | \$176,760                | 5,892                  | \$2.50                               | Not Specified                             |
| DPHSS                   | Mangilao          | \$91,400                 | 3,627                  | \$2.10                               | Lessor                                    |
| DPHSS                   | Mangilao          | \$213,772                | 8,940                  | \$1.99                               | Lessor                                    |
| DPHSS                   | Mangilao          | \$273,600                | 9,500                  | \$2.40                               | Lessor                                    |
| DPHSS                   | Mangilao          | \$54,000                 | 2,000                  | \$2.25                               | Lessor                                    |
| DPHSS                   | Tiyan (Barrigada) | \$100,800                | 8,000                  | \$1.05                               | Lessee                                    |
| <b>DPHSS Total</b>      |                   | <b>\$2,801,224</b>       | <b>98,333</b>          | <b>\$2.37</b>                        |   |
| DRT                     | Barrigada         | \$1,370,026              | 55,000                 | \$2.08                               | Lessor                                    |
| GALC                    | Tamuning          | \$36,261                 | 1,343                  | \$2.25                               | Lessor                                    |
| GBHWC                   | Hagåtña           | \$97,824                 | 4,076                  | \$2.00                               | Lessor                                    |
| GBHWC                   | Tamuning          | \$37,560                 | 1,100                  | \$2.85                               | Lessor                                    |
| GBHWC                   | Hagåtña           | \$22,680                 | 970                    | \$1.95                               | Lessor                                    |
| GBHWC                   | Hagåtña           | \$114,600                | 4,973                  | \$1.92                               | Lessee                                    |
| <b>GBHWC Total</b>      |                   | <b>\$272,664</b>         | <b>11,119</b>          | <b>\$2.04</b>                        |   |
| GBOA                    | Tamuning          | \$49,794                 | 1,075                  | \$3.68                               | Lessor                                    |
| PEALS                   | Tamuning          | \$24,870                 | 829                    | \$2.50                               | Lessor                                    |
| GCEC                    | Mangilao          | \$3,000                  | 368                    | \$0.68                               | Lessor                                    |
| CAHA                    | Hagåtña           | \$100,620                | 3,900                  | \$2.15                               | Lessor                                    |
| GDDC                    | Mangilao          | \$25,200                 | 918                    | \$2.29                               | Lessor                                    |
| GEC                     | Tamuning          | \$125,496                | 4,200                  | \$2.49                               | Lessor                                    |
| GEPA                    | Tiyan (Barrigada) | \$96,000                 | 8,000                  | \$1.00                               | Lessee                                    |
| GFD                     | Hagåtña           | \$182,250                | 8,100                  | \$2.25                               | Lessor                                    |
| GFD                     | Hagåtña           | \$144,000                | 4,000                  | \$3.00                               | Lessor                                    |
| <b>GFD Total</b>        |                   | <b>\$326,250</b>         | <b>12,100</b>          | <b>\$2.25</b>                        |   |
| GHS/OCD/GRO             | Hagåtña           | \$44,208                 | 1,228                  | \$3.00                               | Lessor                                    |

| <b>Executive Branch, continued</b> |                   |                          |                        |                                      |   |
|------------------------------------|-------------------|--------------------------|------------------------|--------------------------------------|---|
| <b>Agency</b>                      | <b>Location</b>   | <b>Total Annual Cost</b> | <b>Approx. Sq. Ft.</b> | <b>Avg. Monthly Cost Per Sq. Ft.</b> | <b>Responsible Party for Utility Cost</b> |
| GPD                                | Tamuning          | \$206,640                | 7,000                  | \$2.46                               | Lessor                                    |
| GPD                                | Barrigada         | \$270,000                | 18,000                 | \$1.25                               | Lessor                                    |
| GPD                                | Tiyan (Barrigada) | \$231,965                | 26,480                 | \$0.73                               | Lessee                                    |
| GPD                                | Tamuning          | \$200,430                | 6,681                  | \$2.50                               | Lessor                                    |
| GPD                                | Tamuning          | \$228,000                | 9,000                  | \$2.11                               | Lessor                                    |
| GPD                                | Tamuning          | \$99,576                 | 3,319                  | \$2.50                               | Lessor                                    |
| <b>GPD Total</b>                   |                   | <b>\$1,236,611</b>       | <b>70,480</b>          | <b>\$1.46</b>                        |   |
| <b>MCOG</b>                        | <b>Hagåtña</b>    | <b>\$111,300</b>         | <b>5,182</b>           | <b>\$1.79</b>                        | Lessor                                    |
| <b>OHAPP</b>                       | <b>Hagåtña</b>    | <b>\$19,031</b>          | <b>886</b>             | <b>\$1.79</b>                        | Lessor                                    |
| <b>PUC</b>                         | <b>Hagåtña</b>    | <b>\$30,185</b>          | <b>967</b>             | <b>\$2.60</b>                        | Lessor                                    |
| <b>SGC</b>                         | <b>Hagåtña</b>    | <b>\$43,260</b>          | <b>1,515</b>           | <b>\$2.38</b>                        | Lessor                                    |
| <b>Line Agencies Total</b>         |                   | <b>\$11,941,987</b>      | <b>421,694</b>         | <b>\$2.36</b>                        |   |
| GEDA                               | Tamuning          | \$348,672                | 14,528                 | \$2.00                               | Lessor                                    |
| GHC                                | Tamuning          | \$41,560                 | 4,156                  | \$2.00                               | Lessor                                    |
| GPA                                | Hagåtña           | \$63,360                 | 2,423                  | \$2.18                               | Lessor                                    |
| OPA                                | Hagåtña           | \$128,372                | 5,252                  | \$2.04                               | Lessor                                    |
| OAG                                | Tamuning          | \$1,584,540              | 44,015                 | \$3.00                               | Lessor                                    |
| <b>Autonomous Agencies Total</b>   |                   | <b>\$2,166,504</b>       | <b>70,374</b>          | <b>\$2.57</b>                        |   |
| <b>Executive Branch Total</b>      |                   | <b>\$14,108,491</b>      | <b>492,068</b>         | <b>\$2.39</b>                        |   |

| <b>Legislative and Judicial Branches</b>              |                 |                          |                        |                                      |   |
|---|-----------------|--------------------------|------------------------|--------------------------------------|---|
| <b>Agency</b>   | <b>Location</b> | <b>Total Annual Cost</b> | <b>Approx. Sq. Ft.</b> | <b>Avg. Monthly Cost Per Sq. Ft.</b> | <b>Responsible Party for Utility Cost</b> |
| 36 <sup>th</sup> Guam Legislature – Senatorial Office | Hagåtña         | \$36,000                 | 2,021                  | \$1.48                               | Lessor                                    |
| 36 <sup>th</sup> Guam Legislature – Senatorial Office | Hagåtña         | \$36,000                 | 2,045                  | \$1.47                               | Lessor                                    |
| 36 <sup>th</sup> Guam Legislature – Senatorial Office | Tamuning        | \$36,000                 | 2,000                  | \$1.50                               | Lessor                                    |
| 36 <sup>th</sup> Guam Legislature – Senatorial Office | Tamuning        | \$36,000                 | 2,000                  | \$1.50                               | Lessor                                    |
| 36 <sup>th</sup> Guam Legislature – Senatorial Office | Hagåtña         | \$36,000                 | 1,558                  | \$1.93                               | Lessor                                    |
| 36 <sup>th</sup> Guam Legislature – Senatorial Office | Sinajana        | \$36,000                 | 1,836                  | \$1.63                               | Lessor                                    |
| 36 <sup>th</sup> Guam Legislature – Senatorial Office | Hagåtña         | \$24,000                 | 1,346                  | \$1.49                               | Lessor                                    |
| 36 <sup>th</sup> Guam Legislature – Senatorial Office | Hagåtña         | \$24,000                 | 1,661                  | \$1.20                               | Lessor                                    |
| 36 <sup>th</sup> Guam Legislature – Senatorial Office | Hagåtña         | \$24,000                 | 1,460                  | \$1.37                               | Lessor                                    |
| 36 <sup>th</sup> Guam Legislature – Senatorial Office | Hagåtña         | \$24,000                 | 1,520                  | \$1.32                               | Lessor                                    |
| 36 <sup>th</sup> Guam Legislature – Senatorial Office | Hagåtña         | \$24,000                 | 1,325                  | \$1.51                               | Lessor                                    |
| 36 <sup>th</sup> Guam Legislature – Senatorial Office | Hagåtña         | \$24,000                 | 1,000                  | \$2.00                               | Lessor                                    |
| 36 <sup>th</sup> Guam Legislature – Senatorial Office | Hagåtña         | \$24,000                 | 1,650                  | \$1.21                               | Lessor                                    |
| <b>Legislative Branch Total</b>                       |                 | <b>\$384,000</b>         | <b>21,422</b>          | <b>\$1.49</b>                        |   |
| JOG   | Hagåtña         | \$64,368                 | 2,980                  | \$1.80                               | Lessee                                    |
| JOG   | Dededo          | \$194,772                | 7,500                  | \$2.09                               | Lessor                                    |
| JOG   | Hagåtña         | \$147,600                | 8,400                  | \$1.46                               | Lessee                                    |
| <b>JOG Total</b>                                      |                 | <b>\$406,740</b>         | <b>18,880</b>          | <b>\$1.80</b>                        |   |
| PDSC  | Sinajana        | \$273,600                | 12,500                 | \$1.82                               | Lessor                                    |
| APD   | Sinajana        | \$66,096                 | 3,500                  | \$1.57                               | Lessor                                    |
| <b>Judicial Branch Total</b>                          |                 | <b>\$746,436</b>         | <b>34,880</b>          | <b>\$1.78</b>                        |   |

**Appendix 7:  
FY 2015 GovGuam Office Space Leases**

| <b>Executive Branch</b>          |                 |                          |                            |   |   |
|----------------------------------|-----------------|--------------------------|----------------------------|---|---|
| <b>Agency</b>                    | <b>Location</b> | <b>Total Annual Cost</b> | <b>Approximate Sq. Ft.</b> | <b>Average Monthly Cost per Sq. Ft.</b> | <b>Responsible Party for Utility Cost</b> |
| 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                                    |
| <b>CQA Total</b>                 |                 | <b>\$2,787,045</b>       | <b>54,347</b>              | <b>\$4.27</b>                           |   |
| 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                                    |
| <b>DCA Total</b>                 |                 | <b>\$127,894</b>         | <b>5,761</b>               | <b>\$1.85</b>                           |   |
| 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                                    |
| <b>DOL Total</b>                 |                 | <b>\$623,772</b>         | <b>21,690</b>              | <b>\$2.40</b>                           |   |
| 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                                    |
| <b>DPHSS Total</b>               |                 | <b>\$1,031,881</b>       | <b>48,321</b>              | <b>\$1.78</b>                           |   |
| 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                                    |
| <b>GBHWC Total</b>               |                 | <b>\$300,272</b>         | <b>14,694</b>              | <b>\$1.70</b>                           |   |
| 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                                    |
| <b>GPD Total</b>                 |                 | <b>\$536,765</b>         | <b>40,480</b>              | <b>\$1.11</b>                           |   |
| 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                                    |
| <b>MCOG Total</b>                |                 | <b>\$113,034</b>         | <b>9,954</b>               | <b>\$0.95</b>                           |   |
| PEALS                            | Tumon           | \$17,500                 | 860                        | \$1.70                                  | Lessor                                    |
| PUC                              | Hagåtña         | \$27,044                 | 967                        | \$2.33                                  | Lessor                                    |
| <b>Line Agencies Total</b>       |                 | <b>\$8,513,864</b>       | <b>331,767</b>             | <b>\$2.14</b>                           |   |
| 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                              | Hagåtña         | \$53,935                 | 2,043                      | \$2.20                                  | Lessee                                    |
| OPA                              | Hagåtña         | \$107,723                | 4,726                      | \$1.90                                  | Lessor                                    |
| OAG                              | Tamuning        | \$1,528,740              | 42,465                     | \$3.00                                  | Lessor                                    |
| <b>Autonomous Agencies Total</b> |                 | <b>\$2,193,289</b>       | <b>66,849</b>              | <b>\$2.73</b>                           |   |
| <b>Total Executive Branch</b>    |                 | <b>\$10,707,153</b>      | <b>398,616</b>             | <b>\$2.24</b>                           |   |

| <b>Legislative and Judicial Branches</b>  |                 |                          |                            |   |   |
|---|-----------------|--------------------------|----------------------------|---|---|
| <b>Agency</b>                             | <b>Location</b> | <b>Total Annual Cost</b> | <b>Approximate Sq. Ft.</b> | <b>Average Monthly Cost per Sq. Ft.</b> | <b>Responsible Party for Utility Cost</b> |
| 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                                    |
| <b>Legislative Branch - Total</b>         |                 | <b>\$536,280</b>         | <b>36,830</b>              | <b>\$1.21</b>                           |   |
| 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                                    |
| <b>Judicial Branch - Total</b>            |                 | <b>\$539,124</b>         | <b>22,226</b>              | <b>\$2.02</b>                           |   |

LOURDES A. LEON GUERRERO  
GOVERNOR



JOSHUA F. TENORIO  
LT. GOVERNOR

UFISINAN I MAGA'HĀGAN GUĀHAN  
OFFICE OF THE GOVERNOR OF GUAM

**Transmitted via: Hand Delivery**

September 19, 2022

**BENJAMIN J.F. CRUZ**  
*Public Auditor*  
OFFICE OF THE PUBLIC ACCOUNTABILITY  
Suite 401, DNA Building  
238 Archbishop Flores Street  
Hagåtña, Guam 96910

**Re: Office of the Governor's Response to the Office of the Public Accountability's Draft Report regarding Government of Guam Leases – Performance Audit (October 1, 2021 through June 30, 2022) dated August 23, 2022**

*Hafa Adai* Public Auditor Cruz:

**I. INTRODUCTION**

On August 23, 2022, the Office of Public Accountability (“OPA”) served the Office of the Governor of Guam (“OOG”) with a Draft Report of the OPA’s Analysis of Government of Guam (“GovGuam”) Leases from October 1, 2021 through June 30, 2022 (“Draft Report”), requesting a formal management response regarding the audit findings and recommendations. The identified objectives of the analysis were to determine the following:

- (1) the extent to which GovGuam entities were leasing office space and other facilities in FY 2022;
- (2) whether the amount of the lease cost and lease space increased in comparison to FY 2015. If so, determine what the contributing factors for the increase were; and
- (3) GovGuam’s plan to reduce cost-related issues.

OPA Leases Draft Report Transmittal to Governor’s Office at 1.

In the Draft Report, the OPA reported that from FY2015 to FY2022, GovGuam increased its annual costs for leasing commercial space from \$12.5M to \$15.6M, demonstrating “the urgent need to invest in the construction and repair of current government buildings or new government buildings,” which the OPA has recommended since its first audit on leases in 2005. Draft Report at 2.

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To: Benjamin J.F. Cruz, *Public Auditor*  
Fr: Jon Junior Calvo, *Chief of Staff*  
Date: September 19, 2022  
Re: OOG Response to OPA Draft Report re: GovGuam Leases

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The Draft Report further notes the following:

- The Guam Department of Education (“GDOE”) pays the highest annual costs for office space, but the OPA excluded the agency from the overall GovGuam lease analysis provided in the Draft Report due to its lease-to-purchase agreement for the Tiyan Campus, unique among GovGuam lease agreements.<sup>1</sup>
- The top five GovGuam Agencies in annual lease costs apart from GDOE are identified as (1) the Department of Public Health and Social Services (“DPHSS”), (2) Guam Customs and Quarantine Agency (“CQA”), (3) the Office of the Attorney General of Guam (“OAG”), (4) the Department of Revenue and Taxation (“DRT”), and (5) the Guam Police Department (“GPD”). Each of these agencies accrue over \$1M in annual lease costs.
- Four agencies – Department of Integrated Services for Individuals with Disabilities (“DISID”), Department of Administration (“DOA”), GPD and Serve Guam Commission (“SGC”) are leasing office space on a holdover basis. The Draft Report observes that in commercial leases, a tenant retaining possession of leased premises after expiration of the lease often pays rent in an amount substantially in excess of the rental rate, as high as 150-200%. Guam Economic Development Authority’s (“GEDA”)’s lease has also been ongoing since 1991 due to a clause in the lease allowing renewal every three years conditioned on continued performance of lease covenants and conditions.
- The OPA proffers that GovGuam should invest in renovations and repairs of government-owned buildings, specifically describing the case of the Manuel F.L. Guerrero Building in Hagåtña, which was demolished by a prior administration in 2015 though the Department of Public Works (“DPW”) determined that, while the building had structural issues, it was “not structurally unsound.” The OPA reports that the demolition of the building resulted in approximately \$3.7M in annual costs for DOA and GDOE, monies that could have been invested in renovations and repairs to government-owned property. Similarly, in 2019 DPHSS vacated its Mangilao Main Facility due to a fire, but has indicated it does not intend to return to the property. The Legislature introduced a bill in April 2022, proposing the transfer of the Mangilao Facility to the Guam Community College for construction of a nursing annex. The OPA recommends that DPHSS retain ownership of the property, that GovGuam invest in renovating the property, and that DPHSS ultimately resume occupancy of the property.
- The OPA observes that the Legislature did not adopt the Hagåtña Master Plan (“HMP”), developed by the Hagåtña Restoration and Redevelopment Authority (“HRRRA”) and approved by the Governor in 2021. The HMP includes plans for construction of a Government Civic Center Complex at the Plaza de España, in Hagåtña, as well as a Land Resources Building.

<sup>1</sup> Because GDOE is excluded from the OPA’s analysis of GovGuam leases, this Response does not address GDOE leases.

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The OPA ultimately finds that GovGuam continues to increase lease expenses, and that the updated HMP, which was originally drafted in 2005, is urgently needed. The OPA recommends that a single agency be designated to oversee all GovGuam leases for the purpose of regulating and monitoring the procurement of government leases, and to prioritize the investment in repairs or renovations to existing government buildings.

To address the concerns the OPA raised in its Draft Report, the OOG has requested that the agencies identified in the above summary provide information and insight into the comparison of lease costs between FY2015 to present, or, where applicable, the agency's utilization of holdover clauses in prior leases. The Response further provides an update on the status of the HMP, which, as described below, has been approved with modifications by the HRRA and is pending review and approval by the Governor.

Finally, though the OOG acknowledges and appreciates the OPA's substantial effort analyzing existing GovGuam leases, which are varied and complex, the OOG understands that the OPA's analysis, by design, was not intended to present a full apples-to-apples comparison of lease costs between FY2015 and today. The Draft Report does not account for fluctuation in market rates for commercial leases over the 7-year period studied, nor does it consider the specific nuances of given leases that contribute to the overall cost of the leases, such as included utilities or services, or fit-outs requested by the agencies prior to occupancy. Though the Draft Report references the requirement in 5 GCA § 22704(c) that GovGuam leases exceeding \$10,000 in value or five (5) years in lease term must be procured through the competitive sealed bid process, which provides for acceptance of the lowest responsive bid, the OPA does not further address the extent to which this process affects the discretion of agencies to demand consistency with the leases of other agencies.

Finally, and significantly, the Draft Report does not account for the purchasing power of the dollar in 2022 as compared with 2015, which reveals that the current overall cost for GovGuam leases of \$15.6M actually represents a slight reduction in the real cost of GovGuam leases compared with the overall cost of leases in 2015, which, represented in 2022 dollars, would be calculated at \$15.62M today.<sup>2</sup> This simple fiscal reality demonstrates that the real dollar value of GovGuam leases, adjusted for inflation, has remained relatively constant since 2015, even as the square footage provided in the leases has increased by nearly 90,000 sq. ft. in the same period.

Notwithstanding the consistency in real value of GovGuam leases, many of the OPA's recommendations are well-taken. While different agencies have specific needs in their leased spaces, there is merit to the idea that lease requirements may be standardized according to categories of services, whether law enforcement, health, or administrative. Assigning an agency to not only serve as a centralized repository for GovGuam leases, which may enhance accessibility, but also to monitor the procurement of government leases and advise agencies on standardized requirements for leases in their relevant categories, may streamline such procurements.

Further, the OPA's recommendation that the government shift from leasing to building is, in certain cases, consistent with our administration's focus on development of critical infrastructure,

<sup>2</sup> Inflation calculations in this Response are based on the latest Consumer Price Index (CPI-U) data published by the U.S. Labor Department's Bureau of Labor Statistics on September 13, 2022.

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in particular the construction of a medical complex, which, in addition to replacing our aged hospital, will house government agencies that provide healthcare services to our community, DPHSS and Guam Behavioral Health and Wellness Center. Investment in the construction of the new medical complex will provide our community with updated facilities and attract and retain scarce medical professionals while ensuring the existing hospital remains available for use during construction. Additionally, construction of a new medical complex will consolidate these agencies in a central, government-owned facility, and eliminate categories of GovGuam lease costs for the indeterminate future.

Ultimately, while government lease costs, adjusted for inflation, have remained consistent since 2015, it is important that our agencies are cognizant of our government's fiscal challenges and remain vigilant of their responsibility to operate in cost-effective manner. To this end, our administration will investigate the extent to which the OPA's recommendations may be implemented to reduce lease costs where possible and shift savings to operations or programs. The OOG thanks the OPA for its analysis of this issue, and its insights and recommendations as to possible cost-saving measures that can be undertaken in the future.

## **II. COMMENTS ON DRAFT REPORT**

### **A. TOP GOVGUAM AGENCIES IN ANNUAL LEASE COSTS**

The Draft Report observes that the top ten (10) executive branch agencies in annual lease costs ("Top Ten") reported costs ranging from \$394K to \$2.8M, with each of the top five (5) executive branch agencies in annual lease costs ("Top Five") paying over \$1M in annual lease costs apiece in FY2022. The Draft Report further reports that the lease costs for the Top Ten agencies increased from \$9,349,051 in FY2015 for 328,930 sq. ft. of space, to \$12,211,069 for 412,616 sq. ft. in FY2022, an increase of \$2,862,019 and 83,686 sq. ft. As discussed, inflation from 2015 to 2022 resulted in a cumulative price change of 24.96%, which means the purchasing power of the 2015 dollar is \$1.25 today, and, adjusted for inflation, the \$9,349,051 in 2015 lease costs is the equivalent of \$11,682,359.42 in 2022.

The Draft Report further analyzes the individual lease costs of the Top Five agencies, each of which are addressed in turn herein.

#### **1. Department of Public Health and Social Services**

**OPA Findings:** The Department of Public Health and Social Services ("DPHSS") currently holds the highest lease costs for office space of \$2,765,224 in annual lease costs for 98,333 sq. ft. In FY2015, DPHSS paid \$1,031,881 in lease costs for 48,321 sq. ft. of space. DPHSS is identified as the agency with the highest overall increase since FY 2015, an increase in costs of \$1,733,343 or approximately 168% and an increase in square footage of 50,012 sq. ft. or 103%. The Draft Report concludes that the increase in cost was due to DPHSS vacating its Mangilao Main Facility in 2019 due to an electrical fire. The OPA recommends that the Governor and DPHSS invest in repair and renovation of the Mangilao facility and that DPHSS retain ownership and resume occupancy of the property.

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**Response:** Adjusted for inflation, DPHSS's lease costs of \$1,031,881 in 2015 is equivalent in purchasing power to \$1,289,415 today. As reflected in the Draft Report, DPHSS also doubled its leased square footage during this period. The increase in DPHSS's lease footprint is due in part to the 2019 electrical fire at its Mangilao Facility, and also because it has expanded its services and programs, resulting in a corresponding increase in necessary staff and office space. Since 2015, DPHSS has grown to accommodate new divisions and bureaus, including the Division of Children's Wellness, the Bureau of Non-Communicable Diseases, and the Bureau of Emerging Diseases, all of which have proven to be critical in our island's response to the COVID-19 pandemic.

While DPHSS has outgrown the Mangilao Facility, it has a stated preference for centralizing its available services in government-owned facilities, and looks forward to the construction of the Central Public Health Building and Clinic Laboratory at the medical complex intended in Mangilao, Guam, which would substantially reduce or eliminate the need for certain existing DPHSS leases. The OPA's recommendation that the Mangilao Facility be retained as a DPHSS asset is well-taken. The permanent housing of most DPHSS offices at the medical complex does not render the vacated Mangilao Facility useless. Rather, due consideration should be given to other possible uses for the space by DPHSS or other executive branch agencies.

## 2. **Customs and Quarantine Agency**

**OPA Findings:** The Guam Customs and Quarantine Agency ("CQA") pays \$2,624,963 in annual lease costs for 46,708 sq. ft. of office space, the second highest lease costs reported for executive branch agencies. The Draft Report notes that CQA's costs decreased by \$162,082 from its annual cost of \$2,787,045 in FY2015, but states that it pays the highest average cost per square footage of \$4.09 per square foot.

**Response:** The savings between CQA lease costs in FY2015 and FY2022 are more substantial than the raw amounts reportedly paid. The real value of CQA's 2015 lease costs adjusted for inflation is \$3,482,627.43, approximately \$857,664 more than current CQA lease costs. CQA holds two leases. The first contract is for the lease of approximately 21,708 sq. ft. at the Antonio Won Pat International Airport terminal building. This annual cost associated with this lease is \$1,753,789, even though it accounts for less than half of the space leased by CQA. Included in the cost for the first lease is janitorial services, which cost \$91,173 annually. The second CQA lease is for space within the Integrated Cargo Facility, 17,500 sq. ft. for Customs Cargo Inspections and 7,500 sq. ft. for administrative offices. The annual cost for this lease is \$546,000 for the inspections space and \$234,000 for the administrative offices

The CQA leases demonstrates that not all square footage is equal, and an analysis of cost per square foot does not fully capture the value of a particular lease. The bulk of CQA lease costs is associated with its smaller lease at the airport facility, which understandably commands a higher price according to market rates. In contrast, the larger CQA space within the Integrated Cargo Facility accounts for only 30% of CQA's annual least costs. The CQA's continued presence at the airport is necessary to perform its statutory mandate to safeguard Guam's ports of entry from the importation of contraband, drugs, and other dutiable commodities.

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CQA's substantial reduction in lease costs since FY2015 results from its ongoing assessment of its needs and services, and continued collaboration with the Guam International Airport Authority ("GIAA") to reduce the CQA footprint within the airport facility. Despite its high annual lease costs, CQA's leases represent good value for the people of Guam and should be preserved to meet the agency's current and future needs.

### 3. Office of the Attorney General

**OPA Findings:** The third highest annual leases of executive branch agencies is the Office of Attorney General of Guam ("OAG"), with annual lease costs of \$1,548,540, an increase of \$55,800 from its lease costs of \$1,528,740 in FY2015, resulting from the addition of 1550 sq. ft. for investigator and white collar crime units. The Draft Report reflects that while several agencies hold leases at the ITC Building, the OAG pays the highest cost per square foot among these agencies at \$3.00 per sq. ft., a rate it has maintained since FY 2015. By comparison, the Department of Administration ("DOA") and the Guam Economic Development Authority ("GEDA") reported lease costs at the ITC Building of \$1.95 per sq. ft and \$2.00 per sq. ft., respectively.

**Response:** Adjusted for inflation, the OAG's lease costs of \$1,528,740 in FY 2015 is the equivalent of \$1,910,278.40 in 2022 dollars. The OAG's slight increase in lease costs should be acknowledged as a substantial increase in lease value, in light of the fact that the 2022 dollar has significantly less purchasing power than the 2015 dollar, and the OAG has received additional space for investigator and white-collar crime units without a proportional increase in lease costs to correspond to inflation.

### 4. Department of Revenue and Taxation

**OPA Findings:** The Department of Revenue and Taxation ("DRT") spent \$1,370,025 in annual lease costs for 55,000 sq. ft. of office space in FY 2022, an increase of \$391,438 since FY2015, for an additional 4,906 sq. ft. of space. DRT's office space is the largest contiguous leased space of GovGuam agencies, with average price per sq. ft. of \$2.08, lower than the average \$2.47 per sq. ft. for the Top 10 agencies.

**Response:** Adjusted for inflation, DRT's lease costs of \$978,588 in FY2015 is the equivalent of \$1,222,821.09 in 2022 dollars, reflecting a lower increase in real costs since 2015 than was reported in the Draft Report. As acknowledged in the Draft Report, the current lease further provides for an additional 4,906 of square footage, and reflects a price per sq. ft. that is substantially lower than the average cost per square footage among government agencies. The value of the lease is further enhanced by the fact that lease costs are inclusive of electricity and water, as well as security services from 6:00 p.m. to 6:00 a.m., 7 days a week. DRT benefits from providing consolidated services in a single facility, and few buildings on island can accommodate its divisions, along with employee and visitor parking.

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### 5. Guam Police Department

**OPA Findings:** The Guam Police Department (“GPD”) spent \$1,236,611 in annual lease costs in FY 2022 for 70,480 sq. ft. of office space, a 130% increase from its \$537,765 in lease costs in FY 2015. Further, GPD’s total leased square footage increased by 74% or 30,000 sq. ft. since FY2015.

**Response:** Adjusted for inflation, GPD’s lease costs of \$537,765 in 2015 is equivalent in purchasing power to \$671,978.79 today. Like DPHSS, GPD’s lease needs and costs have fluctuated significantly through the years to adapt to advances in technology that require additional space for both staff and equipment. GPD is, however, in the planning stages for stabilization efforts. From FY1995 through FY2012, GPD occupied over 75,000 square feet of former military office buildings in Tiyan, rent-free, by agreement with the GIAA. Following GIAA’s implementation of its improvement plans for the leased premises, GPD relocated its offices and began leasing space. Currently, GPD’s leases cover several spaces with unique purposes and requirements. The largest space is occupied by the Evidential Control Section (“ECS”), which occupies 18,000 sq. ft. of space. The ECS space itself contains several areas specifically fit out to store certain classes of evidence that require specific conditions for preservation purposes, from enhanced security for high-valued evidence to moisture or atmospheric controlled environments for drugs or substances. GPD has issued solicitations in FY2020 and FY2021 for new annual leases for ECS, with no success. The General Services Agency has announced a new solicitation in FY2022, which remains pending, but if successful will continue until completion of the intended ECS building.

Consistent with the OPA’s recommendations, GPD successfully acquired land for its intended design build construction of an ECS building, with target completion in four (4) years. In coordination with the Department of Public Works, GPD has announced three related Requests for Proposals, the most recent in August 2022. GPD, through its Recreational Boating Safety (“RBS”) Program is also exploring the possibility of constructing a warehouse with administrative offices to house GPD’s Special Enforcement Amphibious Section (“SEAS”), which secures vessels and other high-value equipment during natural disasters. The SEAS space presently accounts for approximately \$258,000 in lease costs.

GPD has reconfigured its Tiyan offices to accommodate different programs and sections in its Services Bureau, which has likewise experienced fluctuation over time in response to operational needs. Presently, the Bureau includes space for management, Armory, Personnel and Payroll, Supply and Support and Federal Programs, at a cost of \$200,424 per year.

As with its ECS, GPD has sought new leases in FY2020 and FY2021 for its Records & Identification Section and Planning, and Research and Development (“RIDS/PRD”) offices to no avail, with another solicitation for FY2022 pending GSA announcement.

Ultimately, GPD leased premises continue in flux, with resources committed in pursuit of constructing an ECS facility within the next several years, and exploratory initiatives for a future SEAS structure. All other GPD spaces are intended to continue through the lease structure, with periodic evaluation for possible reduction in footprint where opportune.

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#### 6. Remaining Top Ten Agency leases

Though the Draft Report did not delineate specific issues for the remaining Top Ten agencies for GovGuam lease costs, the OOG has requested information from these agencies for the OPA's additional consideration.

- The Department of Labor (“DOL”) reported total annual lease costs in FY2022 of \$719,988 for 23,255 sq. ft of space, an increase of \$96,216 and 1,565 sq. ft. over the \$623,772 reported for 21,690 sq. ft. of space in FY2015. Adjusted for inflation, the \$623,772 in FY2015 lease costs represents \$779,451.17 in 2022 dollars, and supports a finding that DOL FY2022 lease costs represent a better value than its FY2015 lease, especially in light of the additional space acquired in the current lease. The additional 1,565 sq. ft. of space was added to accommodate DOL’s requirements for federally funded programs within the American Job Center, including two training rooms and a computer lab to accommodate up to ten stations, as well as to meet American Disability Act requirements for case manager workstations – a 10x10 cubicle that allows for wheelchair accessibility and privacy. The lease also includes electricity and water, and ten dedicated parking stalls.
- The Department of Land Management (“DLM”) spent \$692,664 in FY2022 lease costs for 23,560 sq. ft. of space. Compared to the \$774,062 in lease costs in FY2015 for 27,449 sq. ft., DLM’s current costs represent a reduction in both raw and real amounts since FY2015. Adjusted for inflation, the \$774,062 in lease costs in FY2015 is the equivalent of \$967,250.10 today. DLM has therefore achieved substantial value in its current lease compared to its FY2015 lease.
- The Department of Administration’s (“DOA”) annual lease costs for FY2022 is reported as \$492,266 for 21,037 sq. ft., an increase of \$17,340 and 741 sq. ft. above its FY2015 lease costs of \$474,926 for 20,926 sq.ft. Adjusted for inflation, DOA’s lease costs of \$474,926 in 2015 is equivalent in purchasing power to \$593,456.62 today, substantially more than it is currently spending in lease costs.
- The Draft Report references Department of Integrated Services for Individuals with Disabilities (“DISID”) FY2022 lease costs in the amount of of \$376,116<sup>3</sup> for 15,700 sq. ft., approximately \$11,722 and 519 sq. ft. above its FY2015 lease costs of \$364,344

<sup>3</sup> The OOG requests that the OPA revisit its calculation of DISID’s FY2022 lease costs. DISID’s costs are based on the lease of two office spaces – the Division of Vocational Rehabilitation (“DVR”) and the Division of Support Services (“DSS”). The DVR lease at the DNA building (as discussed below, this lease continues today on a month-to-month basis) costs \$20,180 monthly. The DSS FY2022 lease costs for October 2021 through December 2021 is based on its prior holdover lease at the DNA building, in the amount of \$5438 monthly, and its current lease at the J&G building from January 2022-present in the amount of \$11,343 monthly. DISID’s total lease costs for FY2022 is therefore calculated at \$360,561. DISID anticipates higher lease costs in FY2023 due to the increase in rent for the DSS. However, the new space is a first-floor location, which enables DISID to better service its clients who have physical disabilities.

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and 15,181 sq.ft. of space. Adjusted for inflation, DISID's FY2015 lease costs of \$364,344 is equivalent in purchasing power to \$455,275.90 today. Again, the real costs of its FY2015 lease substantially exceeds its current lease costs.

- The Guam Economic Development Authority ("GEDA") spent approximately \$348,672 in lease costs in FY2022 for 14,528 sq. ft. of space, compared with \$248,928 for 8,607 sq. ft. in FY2015. Adjusted for inflation, GEDA's \$248,928 in FY2015 lease costs is worth \$311,054.71 in 2022.

**B. EXTENSION OF GOVGUAM LEASES BEYOND ORIGINAL LEASE TERMS**

The Draft Report identifies four (4) agencies that lease office space on a holdover basis, including DISID, DOA, GPD and the Serve Guam Commission ("SGC"). The Draft Report observes that in commercial leases, a tenant retaining possession of leased premises after expiration of the lease is often required to pay rent in an amount substantially in excess of the rental rate, as high as 150-200%. The OPA further observes that GEDA's lease has also been ongoing since 1991, due to a clause in the lease allowing renewal every three years conditioned on continued performance of lease covenants and conditions.

- As noted above, GPD's continued occupancy of leased premises beyond original lease terms is not due to lack of effort. Both the ECS and RIDS/PRD attempted to procure new annual leases in both FY2020 and FY2021. The GSA has announced an FY2022 solicitation for an annual lease for ECS and another is forthcoming for RIDS/PRD. The lack of response is due to market conditions, not GPD inaction. Further, as noted in the Draft Report, the prior leases for both spaces continue on a month-to-month basis with no increase in cost.
- DISID has secured an annual lease for its Division of Support Services, and is in the process of developing procurement for its Division of Vocational Rehabilitation, which shall continue on a month-to-month basis until a new space is identified with the accessibility requirements necessary for its operations and clients.
- The DOA is likewise in the process of developing a solicitation to procure a new annual lease. In the interim, the DOA is not incurring additional conditions or fees above the monthly cost established in its prior lease.
- Beginning in June 2019, the SGC exercised the holdover clause from its prior lease of commercial office space while soliciting for a new lease. To this end, the SGC issued three solicitations – in 2019, 2021, and 2022—seeking a minimum of 2,700 sq. ft. of office space to accommodate additional staff as well as a larger conference room required for member training, work sessions, and the administration of AmeriCorps programs. AmeriCorps, the SGC's federal grantor, which provides 100% of SGC's

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funding, has approved and awarded the budget increase for the additional office space. As of August 3, 2022, the SGC has issued a purchase order for lease of rentable space at the GCIC building at \$7,263 monthly or \$87,156 annually.

- As noted in the Draft Report, GEDA's occupancy of space at the ITC building is not on a holdover basis, but rather based on the periodic renewal of its 1991 lease every three years. GEDA owns the land upon which the ITC building was built. As the "land" landlord for the "office" landlord Fujita Properties at the time of the lease's inception, GEDA leveraged its position into lease terms that were, and continue to be, both beneficial and reasonable, and do not require renegotiation. GEDA negotiated for a lease that contained the option to renew to maintain cost-effective continuity of operations in its occupied premises. GEDA has the option of not renewing in the event it determines such decision would be more beneficial to its operations. As the Draft Report acknowledges, GEDA's lease costs are valued at approximately \$29,000 monthly or \$2 per sq. ft., a rate GEDA has maintained since 2014. This rate includes parking, security, basic janitorial services, as well as power and water.

Notably, though the Draft Report states that commercial leases often charge holdover tenants an accelerated rate of 150-200% of the lease rate, none of the agencies identified currently pay above their original rates.

### **C. DPHSS MANGILAO MAIN FACILITY REPAIR, RENOVATION, RETENTION, AND RE-OCCUPANCY**

In the Draft Report, the OPA recommends that GovGuam invest in the renovation and repair of government-owned buildings, specifically describing the impact of a prior administration's demolition of the Manuel F.L. Guerrero Building in Hagåtña, which resulted in substantial lease costs for DOA and GDOE, who previously occupied the building. The OPA has analogized the circumstances of the Manuel F.L. Guerrero Building to the DPHSS Mangilao Main Facility, which was vacated in 2019 due to a fire, and to which DPHSS has indicated it does not intend to return. The Legislature introduced a bill in April 2022, proposing to transfer the property to the Guam Community College for construction of a nursing annex. The OPA recommends that DPHSS retain ownership of the property, that GovGuam invest in renovating the property, and that DPHSS ultimately resume occupancy of the property.

DPHSS's enhanced lease costs, in particular since 2020, must necessarily account for the expansion of services and functions in response to the COVID-19 pandemic. Federal funds were provided to stand up local offices to perform temporary functions and provide time-limited services. The temporary expansion of services and corresponding staff and office space does not justify investment in construction or buildout of long-term facilities. As with many agencies such as SERVE and the DOL as discussed above, DPHSS receives federal funding in support of many of its programs, which may support the lease of additional space, but is not likely to provide adequate funding for construction or structural renovation.

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However, as described above, DPHSS's permanent operations have expanded to a degree that a larger centralized facility is necessary to accommodate its needs. In fact, DPHSS had to lease other premises even when it occupied the Mangilao facility prior to the electrical fire in 2019.

The Governor has announced the dedication of funding for the construction of a new medical complex in Mangilao, Guam that will accommodate DPHSS premises, and investing in the renovation of the DPHSS Mangilao facility is not contemplated in furtherance of this effort at this time. However, retaining the facility premises in DPHSS's holdings may enable the government to repurpose the premises for future use by DPHSS or another executive branch agency.

**D. POLICY CONCERNS REGARDING ACQUISITION, CONSTRUCTION OR REPAIR OF GOVERNMENT PROPERTY**

The Draft Report further concludes that the increase in GovGuam lease costs demonstrates the urgent need to invest in construction of new government buildings and repair of current buildings, and repeats a 2005 OPA recommendation that the Legislature should begin the process of evaluating the feasibility of long-term planning to acquire or build government facilities.

While the Draft Report emphasizes the desirability of occupying government-owned properties, and consequently reducing costs for leasing privately owned properties, it is not unusual for governments to occupy a mixture of both. The policy decision of whether purchasing or constructing government office space is a priority use of public funds at any given time must consider the broader context of spending priorities, including the urgent interest in building public schools or hospitals. The decision to invest in the purchase, construction, or renovation of government-owned properties or to lease privately-owned properties further requires analysis of numerous factors. The OPA's observations in the Draft Report regarding fluctuations in rental costs is only one such factor.

Other factors not discussed in the Draft Report include the high cost of real estate and construction, the lack of available manpower, competing federal construction, the lack of suitable buildings available for sale in the Multiple Listing Service, the substantial short-term costs associated with renting while constructing or renovating, and potential interruption to or reduction of government services associated with relocation or simultaneous renovation. Additionally, many programs that are funded federally or through special funds may not support an investment in construction.

Ultimately, the OOG agrees that the complexity and extensive scope of considerations that must be included in this analysis merits a substantial feasibility study and long-term plan.

**E. PROGRESS IN THE REVISION AND INTENDED RESUBMISSION OF THE HAGÁTÑA MASTER PLAN**

The OPA ultimately finds that GovGuam continues to increase lease expenses, and that the updated Hagåtña Master Plan ("HMP"), which was originally drafted in 2005, is urgently needed. The OPA notes that though the Hagåtña Restoration and Redevelopment Authority ("HRRA") developed and the Governor approved an updated HMP in 2021, the Legislature did not adopt it.

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The HMP includes plans for construction of a Government Civic Center Complex at the Plaza de España, in Hagåtña, as well as a Land Resources Building. The plan includes construction of government properties that would consolidate ten (10) GovGuam agencies currently occupying privately-owned premises in the greater Hagåtña area into government-owned buildings.

As of the time of this writing, the HRRR has submitted a new revised HMP to the OOG, which is under review. The OOG anticipates completion of review in September 2022. Pending the Governor's approval, the HMP will be submitted to the Legislature for further consideration.

#### **F. CENTRALIZATION OF LEASE PROCUREMENT FUNCTION**

The OPA recommends that a single agency be designated to oversee all GovGuam leases for the purpose of regulating and monitoring the procurement of government leases, reviewing and applying practicable standard guidelines, and establishing minimum specifications for rent and common area maintenance fees. The Draft Report states that such office may likewise be tasked with prioritizing investment in repairs or renovations to existing government buildings. In 2017, the OPA stated that GEDA may be the appropriate agency to perform this function, and GEDA indicated a willingness to do so if funding is allocated for this purpose.

The recommendation of centralizing lease procurement operations has substantial merit. The procurement of leases is constant and involved. It requires time and effort, and imposes a particular burden on agencies with smaller staffs. Further, while different agencies have specific needs in their leased spaces, lease requirements may be standardized according to categories of services, whether law enforcement, health, or administrative. Assigning an agency to serve as a centralized repository for GovGuam leases, to monitor the procurement of government leases, and to advise agencies on standardized requirements for leases in their relevant categories, may improve the record-keeping, transparency, and efficiency of such procurements.

The OOG supports further consideration of the delegation of such oversight functions to a centralized office. To this end, the OOG will recommence discussions with GEDA regarding the feasibility of GEDA serving as a possible agency for this task. DOA is also currently exploring the possible recruitment of an in-house property manager for its two (2) buildings, and it may be feasible for DOA, through its property manager, to assume responsibility for the oversight function of the negotiation of line agency leases, as recommended in the Draft Report. The OOG will further discuss the proper scope of such assignment with both GEDA and DOA, and to determine whether and to which agency such functions should be assigned.

#### **III. CONCLUSION**

The OOG thanks the OPA for conducting its analysis of the fluctuation of executive branch lease costs since FY2015. While it appears the raw costs have increased, the real costs adjusted for inflation have remained constant in the intervening period. Notwithstanding the constant lease costs since FY2015, the Draft Report identifies several key items that require consideration in furtherance of the government's interest in reducing overall costs, promoting efficient use of space and optimizing operations. While further analysis is necessary to determine the extent to which the construction or renovation of government office space should be undertaken in the context of

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broader government spending priorities, including the construction of public schools and a new hospital, the OOG supports the OPA's recommendation that the Legislature conduct a feasibility evaluation of long-term planning to acquire or build government facilities.

With regard to the OPA's first recommendation that a central agency be assigned to regulate and monitor the procurement of leases and to prioritize investments in the renovation of government buildings, the OOG acknowledges the benefit of standardizing lease procurements and terms, and will resume discussions with both GEDA and the DOA regarding the scope of such assignment and the appropriate agency to assign. The OOG will also determine the cost associated with implementing this recommendation, and, if necessary, seek appropriations to fund the operation.

Regarding the OPA's second recommendation that the DPHSS Mangilao facility be repaired and renovated, and that DPHSS retain ownership of the facility and resume occupancy thereof, the OOG responds that while retention of the premises may be desirable for possible future use of the property by DPHSS or another executive branch agency, DPHSS has outgrown the facility. While DPHSS's lease costs have increased after vacating the facility, the increase is attributable in part to DPHSS's expanded services and programs, many of which are federally funded and do not impact the General Fund. Further, the interest in centralizing DPHSS operations will be addressed in the construction of the Central Public Health Building and Clinic Laboratory at the medical complex intended in Mangilao, Guam, which would substantially reduce or eliminate the need for certain existing DPHSS leases.

Respectfully submitted this 19<sup>th</sup> day of September, 2022.

*Senseramente,*

  
**JON JUNIOR M. CALVO**  
*Chief of Staff*

**Appendix 9:  
Status of Audit Recommendations**

| No. | Addressee                      | Audit Recommendation  | Status | Action Required  |
|-----|--------------------------------|---|--------|--|
| 1.  | The Governor & Director, DPHSS | Invest in the repair and renovations of DPHSS' Mangilao Main Facility and for DPHSS to retain ownership and occupancy of the property.              | OPEN   | Please provide target date and title of official(s) responsible for implementing the recommendation. |
| 2.  | The Governor                   | Appoint a central agency to regulate and monitor the procurement of leases, as well as to prioritize investment towards existing GovGuam buildings. | 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. 22-04, October 2022

## ACKNOWLEDGEMENTS

### *Key contributions to this report were made by:*

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- Fax our office at 472.7951
- Or visit us at Suite 401 DNA Building in Hagåtña

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