



OFFICE OF THE PUBLIC AUDITOR

EXECUTIVE SUMMARY

Analysis of Leases of the Government of Guam
Report No. 05-05, October 2005

In FY 2004, the Government of Guam (GovGuam) spent \$6.8 million to lease 494,000 sq. ft. of commercial space (office and other). Of these amounts, the Executive branch spent \$5.7 million for 424,972 sq. ft.; the Legislative branch spent \$541,000 for 41,528 sq. ft.; and the Judicial branch spent \$545,000 for 27,201 sq. ft. In total, there were 76 leases for commercial space leased by 49 GovGuam entities. Of the 76 leases, 69 leases were for office space of which 124,000 sq. ft., or 32 percent was leased in Hagatna. The seven other commercial space leases for warehouse and storage, a parking lot, and supportive housing totaling 103,346 sq. ft. were not the main focus of our analysis and have been included for informational purposes only.

Government of Guam Entities	Total Number of Entities	Number of Leases			Approximate Sq. Ft.			Total Lease Costs		
		Office	Other	Total	Office	Other	Total	Office	Other	Total
Line agencies	26	44	3	47	250,621	41,363	291,984	\$4,483,150	\$69,324	\$4,552,474
Autonomous agencies	8	9	3	12	75,405	57,583	132,988	\$1,040,771	\$129,276	\$1,170,047
Total Executive Branch	34	53	6	59	326,026	98,946	424,972	\$5,523,921	\$198,600	\$5,722,521
Legislative Branch	12	12	0	12	41,528	0	41,528	\$541,284	\$0	\$541,284
Judicial Branch	3	4	1	5	22,801	4,400	27,201	\$515,886	\$28,800	\$544,686
Totals	49	69	7	76	390,355	103,346	493,701	\$6,581,091	\$227,400	\$6,808,491

Analysis of Lease Costs

In our Analysis of Lease Costs, we determined that of the 63 leases reviewed,¹ 31 included utilities with lease rates ranging from \$0.80 per sq. ft. to \$2.57 per sq. ft. or an overall average of \$1.50 per sq. ft. For those 32 leases that did not include utilities, lease payments ranged from \$0.33 per sq. ft. to \$1.80 per sq. ft. or an overall average of \$0.92 per sq. ft.

Inclusive of Utilities					Excluding Utilities				
Branch of Government	Number of Leases	Avg. Cost per Sq. Ft.	Approx. Sq. Ft.	Number of Entities Paying Over the Avg. Cost per Sq. Ft.	Branch of Government	Number of Leases	Avg. Cost per Sq. Ft.	Approx. Sq. Ft.	Number of Entities Paying Over the Avg. Cost per Sq. Ft.
Executive	25	\$1.43	130,488	11	Executive	22	\$0.86	134,669	6
Legislative	4	\$1.19	7,463	2	Legislative	8	\$1.06	34,065	4
Judicial	2	\$2.35	13,457	1	Judicial	2	\$1.21	9,344	1
Totals	31	\$1.50	151,408	14	Totals	32	\$0.92	178,078	11

Analysis of Lessors

The most common Lessor identified with the 69 office space leases was the Guam International Airport Authority who leased out 119,372 sq. ft. under 14 leases ranging from \$0.00 per sq. ft.² to \$3.93 per sq. ft.

¹ Of the 69 office space leases, we examined 63 leases in our *Analysis of Lease Costs* due to the elimination of three outliers and three leases that were not in effect for the full 12 months of FY 2004.

² This lease was provided for through in-kind services in lieu of rent.

We found discrepancies in lease rates charged by the same Lessor to the same GovGuam entity. For example, the Department of Public Health and Social Services was charged \$1.50 per sq. ft. with utilities and \$1.50 per sq. ft. without utilities. In another example, two Senatorial offices located in the same building were charged widely different rates; one Senator was charged \$1.25 per sq. ft. inclusive of utilities and the other was charged \$0.80 per sq. ft. inclusive of utilities.

Analysis of Spatial Needs

There was a total of 390,355 sq. ft. of office space leased by 45 GovGuam entities. The executive branch entities leased 326,026 sq. ft. of office space for 30 entities, or an average of 10,868 sq. ft. per entity. The Legislative branch leased 41,528 sq. ft. for 12 entities, or an average of 3,461 sq. ft. per entity and the Judicial branch leased 22,801 sq. ft. for three entities, or an average 7,600 sq. ft. per entity.

The spatial needs of GovGuam ranged from a low of 784 sq. ft. for the Office of the Public Guardian of the Judicial branch to a high of 57,916 sq. ft. by the Department of Customs and Quarantine of the Executive branch. Based on the median of 2,754 sq. ft. per entity, we identified 22 entities that had spatial needs above the median.³

We found much disparity in the lease rates paid by GovGuam entities, the amount of office space being leased, and the services provided by Lessors, due to the lack of uniform regulations for GovGuam entities to follow. In addition, there is no authoritative department responsible for regularly monitoring and reporting on GovGuam office space leases. As a result, we noted the practices of the state of Montana as a guide toward developing needed policies and regulations for GovGuam entities to follow.

Our suggested actions to the Director of the Department of Administration (DOA) include: (1) Assign the General Services Agency (GSA) to 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.

We suggest that the Legislature require autonomous entities to annually report their office space leases to GSA to include in the overall annual lease report. Furthermore, we urge the Legislature to begin evaluating whether or not it is feasible to initiate long-term planning to acquire or build facilities to house government entities for the future. The amount of money spent on leases could be used to purchase or build office space to house government entities. In our analysis of office space locations, we found that most GovGuam offices were leased in Hagatna. This may be the prime location where facilities can be acquired or built.

The Director of DOA generally concurred with the results of our analysis and suggested actions.



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³ The median as opposed to the average, is not influenced by the extremes of highly skewed data sets.